



Five Star Quality Care, Inc. Agrees to Acquire LTA Holdings, Inc. for \$208 million

NEWTON, Mass.--Five Star Quality Care, Inc. (AMEX: FVE) announced today that it has entered an agreement to acquire 100% of the capital stock of LTA Holdings, Inc. ("LTA") (formerly known as LifeTrust America, Inc.) for \$208 million.

LTA is a privately owned company that owns and operates independent and assisted living communities in the southeastern United States. FVE will be acquiring 47 senior living communities with 2,636 independent and assisted living units which are located in the following seven states:

State	Communities	Units
South Carolina	12	542
Tennessee	9	527
Virginia	5	483
North Carolina	4	351
Georgia	7	287
Alabama	6	253
Kentucky	4	193
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Total	47	2,636
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The majority of these communities were built by LTA between 1997 and 2002, and the average age of all 47 communities is approximately five years. As of June 30, 2004, these 47 communities were 85% occupied, and 100% of the revenues at these communities were paid by residents from their private resources.

Concurrent with the acquisition, FVE will enter a \$165 million sale lease-back transaction with Senior Housing Properties Trust (NYSE: SNH) for 35 of the communities that will be acquired from LTA. The remaining 12 communities will be retained by FVE. The balance of the purchase price will be funded by using cash on hand, and primarily by assuming HUD insured long-term mortgage debt and a lease for four communities from Health Care Property Investors, Inc.

In addition to the 47 communities currently operated by LTA for its own account, LTA also manages 12 assisted living communities on behalf of third party owners. These 12 communities have 957 living units and are located in Florida (5 facilities and 515 units), Georgia (5 facilities and 334 units), Virginia (1 facility and 56 units) and North Carolina (1 facility and 52 units). Because of the previously confidential nature of the negotiations between FVE and LTA, FVE does not now know whether it will continue to manage these communities on a long-term basis, but it expects to offer to do so at least for a transition period.

Evrett W. Benton, President of FVE, made the following statement at the time this transaction was announced.

"This acquisition fits our previously announced strategy to expand our business of operating high quality, private pay independent and assisted living properties while we continue to improve our historical skilled nursing operations. Including the 47 communities to be acquired from LTA, Five Star will own, lease or operate a total of 92 assisted and independent living communities with 11,642 units where a large majority of the total revenues are paid by residents from private resources. Pro forma for the addition of these 47 communities, approximately 62% of Five Star's resident revenues will be from private pay sources.

I am particularly pleased that Five Star has been able to structure this acquisition in a manner which uses a small amount of its available capital, leaving us with the resources to continue to pursue our growth objectives. During a six month to one year transition period for the LTA operations to Five Star, we expect that the financial results of this acquisition may be neutral. However, this acquisition has improved the quality and broadened the base of Five Star's operations and is expected to become accretive to earnings starting in the second half of 2005."

Completion of this transaction is subject to various conditions customary in transactions of this type, including receiving third-party consents. Nonetheless, FVE expects the closing to occur during the fourth quarter of 2004.

Five Star Quality Care, Inc. is a senior living operating company which, taking into account the transaction announced today,

will own, lease and operate 148 senior living communities which offer independent living apartments, assisting living accommodations, including specialized care for Alzheimer residents, and skilled nursing services.

WARNING REGARDING FORWARD LOOKING STATEMENTS

THE FOREGOING PRESS RELEASE CONTAINS FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND THE FEDERAL SECURITIES LAWS. THESE FORWARD LOOKING STATEMENTS ARE BASED UPON FVE'S PRESENT BELIEFS AND EXPECTATIONS, BUT, FOR MANY DIFFERENT REASONS, THESE FORWARD LOOKING STATEMENTS MAY NOT OCCUR. FOR EXAMPLE:

- THE MERGER AGREEMENT WITH LTA IS SUBJECT TO VARIOUS CONDITIONS. AS A RESULT OF THESE CONDITIONS, THE PROPOSED MERGER BETWEEN FVE AND LTA MAY NOT OCCUR.
- FVE'S ACQUISITION IS BEING FINANCED IN PART BY THE ASSUMPTION OF EXISTING LTA MORTGAGE DEBT. THE ASSUMPTION OF THIS DEBT GENERALLY REQUIRES LENDERS' CONSENTS. THESE CONSENTS HAVE NOT YET BEEN OBTAINED. FVE'S FAILURE TO OBTAIN THESE CONSENTS MAY CAUSE THIS TRANSACTION TO NOT OCCUR.
- IN THE FOREGOING PRESS RELEASE, MR. BENTON REFERS TO THE PRO FORMA PERCENTAGE OF FVE'S RESIDENT REVENUES THAT WILL BE PAID BY PRIVATE RESOURCES. THIS PERCENTAGE IS BASED UPON THE COMBINED HISTORICAL OPERATIONS OF LTA AND FVE. FUTURE OPERATIONS AND PERCENTAGES ARE LIKELY TO CHANGE.
- THE FOREGOING PRESS RELEASE REFERS TO LTA'S MANAGEMENT OF 12 FACILITIES FOR THIRD PARTY OWNERS. THESE THIRD PARTY OWNERS MAY DECIDE TO TERMINATE LTA'S MANAGEMENT CONTRACTS AS A RESULT OF THE CHANGE OF CONTROL OF LTA. ALSO, FVE MAY BE UNABLE TO NEGOTIATE MANAGEMENT CONTRACT TERMS FOR THESE FACILITIES WHICH FVE CONSIDERS MAKE ITS CONTINUED MANAGEMENT DESIRABLE OR PROFITABLE. FOR ANY OF THESE REASONS, FVE MAY NOT CONTINUE TO MANAGE THESE FACILITIES AFTER IT ACQUIRES LTA.
- IN THE FOREGOING PRESS RELEASE, MR. BENTON REFERS TO FVE CONTINUING TO PURSUE FVE'S GROWTH OBJECTIVES. THIS STATEMENT IMPLIES THAT FVE MAY ACQUIRE FACILITIES OR OPERATIONS IN ADDITION TO LTA. FVE HAS LIMITED CAPITAL RESOURCES, ESPECIALLY COMPARED TO SEVERAL OF ITS COMPETITORS. THERE IS SIGNIFICANT COMPETITION TO ACQUIRE SENIOR CARE FACILITIES AND OPERATIONS, ESPECIALLY HIGH QUALITY FACILITIES AND PRIVATE PAY OPERATIONS. FOR THESE REASONS OR OTHERS, FVE MAY BE UNABLE TO FURTHER EXPAND ITS BUSINESS.
- IN THE FOREGOING PRESS RELEASE, MR. BENTON STATES FVE'S BELIEF THAT THE ACQUISITION OF LTA MAY BE INITIALLY FINANCIALLY NEUTRAL BUT WILL BECOME FINANCIALLY BENEFICIAL OR ACCRETIVE TO FVE'S EARNINGS IN THE SECOND HALF OF 2005. THE ACQUISITION OF A HEALTHCARE OPERATING COMPANY INVOLVES NUMEROUS RISKS. THE CHANGE OF CONTROL MAY RESULT IN STAFF DEPARTURES, RESIDENT DEPARTURES, FAILURES OF OPERATING SYSTEMS TO BE INTEGRATED OR OTHER OPERATING DIFFICULTIES. AS A RESULT, FVE'S ACQUISITION OF LTA MAY CREATE OPERATING LOSSES AND THESE OPERATING LOSSES MAY CONTINUE THROUGH 2005 AND FOR EXTENDED PERIODS THEREAFTER.

INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE UPON FORWARD LOOKING STATEMENTS.

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