ASSISTED LIVING CONCEPTS INC
Form 10-Q
May 05, 2011

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number: 001-13498

Assisted Living Concepts, Inc.

(Exact name of registrant as specified in its charter)

Nevada	**93-1148702**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

W140 N8981 Lilly Road Menomonee Falls, Wisconsin	**53051**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code: (262) 257-8888

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of May 2, 2011, the Company had 9,999,639 shares of its Class A Common Stock, $0.01 par value per share, outstanding and 1,467,093 shares of its Class B Common Stock, $0.01 par value per share, outstanding.

INDEX

	Page Number
Part I. Financial Information	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets as of March 31, 2011 (unaudited) and December 31, 2010	3
Condensed Consolidated Statements of Income for the Three Months Ended March 31, 2011 and 2010 (unaudited)	4
Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2011 and 2010 (unaudited)	5
Notes to Unaudited Condensed Consolidated Financial Statements	6
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3. Quantitative and Qualitative Disclosures About Market Risk	34
Item 4. Controls and Procedures	35
Part II. Other Information	
Item 1A. Risk Factors	36
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	36
Item 5. Other Information	36
Item 6. Exhibits	38
Signature	S-1
Exhibit Index	EI-1

Exhibit 31.1
Exhibit 31.2
Exhibit 32.1

Table of Contents

Part I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	March 31, 2011 (unaudited)	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,908	$ 13,364
Investments	4,583	4,599
Accounts receivable, less allowances of $1,819 and $1,414, respectively	3,550	3,201
Prepaid expenses, supplies and other receivables	5,465	3,020
Deposits in escrow	3,055	3,472
Income tax receivable		356
Deferred income taxes	4,784	5,108
Current assets of discontinued operations	168	168
Total current assets	24,513	33,288
Property and equipment, net	435,584	437,303
Intangible assets, net	9,883	10,193
Restricted cash	3,448	3,448
Other assets	2,367	872
Total Assets	$ 475,795	$ 485,104
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	$ 6,233	$ 6,154
Accrued liabilities	19,368	20,173
Deferred revenue	8,386	4,784
Income tax payable	1,519	
Current maturities of long-term debt	2,460	2,449
Current portion of self-insured liabilities	500	500
Total current liabilities	38,466	34,060
Accrual for self-insured liabilities	1,768	1,597
Long-term debt	110,501	129,661
Deferred income taxes	20,961	20,503
Other long-term liabilities	9,900	10,024
Commitments and contingencies		
Total Liabilities	181,596	195,845
Preferred Stock, par value $0.01 per share, 25,000,000 shares authorized; no shares issued and outstanding		
Class A Common Stock, $0.01 par value, 80,000,000 shares authorized at March 31, 2011 and December 31, 2010; 12,464,070 and 12,408,369 shares issued and	125	124

9,998,134 and 9,967,033 shares outstanding, respectively				
Class B Common Stock, $0.01 par value, 15,000,000 shares authorized at March 31, 2011 and December 31, 2010; 1,468,493 and 1,520,310 shares issued and outstanding, respectively		15		15
Additional paid-in capital		315,571		315,292
Accumulated other comprehensive income/(loss)		352		(95)
Retained earnings		54,981		49,970
Treasury stock at cost, 2,465,936 and 2,441,336 shares, respectively		(76,845)		(76,047)
Total Stockholders Equity		294,199		289,259
Total Liabilities and Stockholders Equity	$	475,795	$	485,104

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	2011	**2010**
Revenues	$ 58,409	$ 57,859
Expenses:		
Residence operations (exclusive of depreciation and amortization and residence lease expense shown below)	35,069	35,712
General and administrative (including non-cash stock-based compensation expense of $280 and $137, respectively)	3,889	3,774
Residence lease expense	4,368	5,083
Depreciation and amortization	5,741	5,670
Total operating expenses	49,067	50,239
Income from operations	9,342	7,620
Other (expense) income		
Interest expense:		
Debt	(2,082)	(1,888)
Change in fair value of derivative and amortization	(287)	
Write-off of deferred financing costs	(279)	
Interest income	2	4
Other	56	
Income before income taxes	6,752	5,736
Income tax expense	(1,741)	(2,123)
Net income	$ 5,011	$ 3,613
Weighted average common shares:		
Basic	11,472	11,578
Diluted	11,640	11,744
Per share data:		
Basic earnings per common share	$ 0.44	$ 0.31
Diluted earnings per common share	$ 0.43	$ 0.31

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
OPERATING ACTIVITIES:		
Net income	$ 5,011	$ 3,613
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,741	5,670
Amortization of purchase accounting adjustments for leases	(167)	(99)
Provision for bad debts	405	104
Provision for self-insured liabilities	255	170
Loss on disposal of fixed assets		170
Unrealized gain on investments	(56)	(27)
Equity-based compensation expense	280	137
Change in fair value of derivatives and amortization	287	
Deferred income taxes	503	1,045
Changes in assets and liabilities:		
Accounts receivable	(754)	(30)
Supplies, prepaid expenses and other receivables	(2,445)	(1,349)
Deposits in escrow	417	302
Current assets discontinued operations		(132)
Accounts payable	267	(904)
Accrued liabilities	(559)	(2,891)
Deferred revenue	3,602	1,505
Current liabilities discontinued operations		(34)
Payments of self-insured liabilities	(83)	(77)
Income taxes payable / receivable	1,875	927
Changes in other non-current assets	407	1,385
Other non-current assets discontinued operations		399
Other long-term liabilities	(9)	225
Cash provided by operating activities	14,977	10,109
INVESTING ACTIVITIES:		
Payment for securities	(46)	(56)
Proceeds on sales of securities	311	
Payments for new construction projects	(463)	(1,371)
Payments for purchases of property and equipment	(3,437)	(2,432)
Cash used in investing activities	(3,635)	(3,859)
FINANCING ACTIVITIES:		
Payments of financing costs	(1,902)	
Purchase of treasury stock	(798)	(20)
Repayment of borrowings on revolving credit facility	(68,000)	
Proceeds on borrowings from revolving credit facility	50,000	
Repayment of mortgage debt	(1,098)	(459)

Cash used by financing activities		(21,798)		(479)
(Decrease)/Increase in cash and cash equivalents		(10,456)		5,771
Cash and cash equivalents, beginning of year		13,364		4,360
Cash and cash equivalents, end of period	$	2,908	$	10,131
Supplemental schedule of cash flow information:				
Cash paid during the period for:				
Interest	$	2,047	$	1,782
Income tax payments, net of refunds		114		86

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Assisted Living Concepts, Inc. and its subsidiaries (ALC or the Company) operated 211 assisted and independent living residences in 20 states in the United States totaling 9,325 units as of March 31, 2011. ALC s residences average 40 to 60 units and offer a supportive, home-like setting. Residents may receive assistance with activities of daily living either directly from ALC employees or indirectly through ALC s wholly-owned health care subsidiaries.

ALC became an independent, publicly traded company listed on the New York Stock Exchange on November 10, 2006, (the Separation Date) when ALC Class A and Class B Common Stock was distributed by Extendicare Inc., now known as Extendicare Real Estate Investment Trust (Extendicare), to its stockholders (the Separation).

Effective March 16, 2009, ALC implemented a one-for-five reverse stock split of its Class A Common Stock, par value $0.01 per share, and Class B Common Stock, par value $0.01 per share. All references to share amounts, stock prices, and per share data in this quarterly report on Form 10-Q have been adjusted to reflect this reverse stock split.

ALC operates in a single business segment with all revenues generated from those properties located within the United States.

The accompanying unaudited condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the three month periods ended March 31, 2011 and 2010 pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been condensed or omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. Operating results for interim periods are not necessarily indicative of results that may be expected for the entire year ending December 31, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Presentation and Consolidation

ALC s condensed consolidated financial statements have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management s most significant estimates include revenue recognition and valuation of accounts receivable, measurement of acquired assets and liabilities in business combinations, valuation of assets and determination of asset impairment, estimates of self-insured liabilities for general and professional liability, workers compensation and health and dental claims, valuation of conditional asset retirement obligations, and valuation of deferred tax assets. Actual results could differ from those estimates.

The accompanying condensed consolidated financial statements include the financial statements of ALC and its majority-owned subsidiaries. All significant inter-company accounts and transactions with subsidiaries have been eliminated from the condensed consolidated financial statements.

(b) Accounts Receivable

Accounts receivable are recorded at the net realizable value expected to be received from individual residents or their responsible parties (private payers) and government assistance programs such as Medicaid.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At March 31, 2011 and December 31, 2010, the Company had approximately 94% of its accounts receivable derived from private payer sources, with the balance owing under various state Medicaid programs. Although management believes there are no credit risks associated with government agencies other than possible funding delays, claims filed under the Medicaid program can be denied if not properly filed prior to a statute of limitations.

The Company periodically evaluates the adequacy of its allowance for doubtful accounts by conducting a specific account review of amounts in excess of predefined target amounts and aging thresholds, which vary by payer type. Allowances for uncollectibility are considered based upon the evaluation of the circumstances for each of these specific accounts. In addition, the Company has developed internally-determined percentages for establishing an allowance for doubtful accounts, which are based upon historical collection trends for each payer type and age of the receivables. Accounts receivable that the Company specifically estimates to be uncollectible, based upon the above process, are fully reserved in the allowance for doubtful accounts until they are written off or collected. The Company wrote off accounts receivable of $0.1 million and $0.3 million in the three month periods ended March 31, 2011 and 2010, respectively. Bad debt expense was $0.5 million and $0.4 million for the three month periods ended March 31, 2011 and 2010, respectively.

(c) Investments

Investments in marketable securities are stated at fair value. Investments with no readily determinable fair value are carried at cost. Fair value is determined using quoted market prices at the end of the reporting period and, when appropriate, exchange rates at that date. Except as follows, all of our marketable securities are classified as available-for-sale. In December 2009, ALC elected to account for its investments in the executive retirement plan by providing for unrealized gains and losses to be recorded in the statements of income instead of through comprehensive income. ALC records unrealized gains and losses from executive retirement plan investments in general and administrative expense; interest income and dividends from these investments are reported as a component of interest income. The purpose for making this election was to mitigate volatility in ALC s reported earnings as the change in market value of the investments will be offset by the recording of the related deferred compensation expense.

All other investments will continue to be recorded in accumulated other comprehensive income, net of tax. If the decline in fair value is judged to be other than temporary, the cost basis of the security is written down to fair value and the amount of the write-down is included in the consolidated statements of income. The cost of securities held to fund executive retirement plan obligations is based on the average cost method and for the remainder of our marketable securities we use the specific identification method.

ALC regularly reviews its investments to determine whether a decline in fair value below the cost basis is other than temporary. To determine whether a decline in value is other-than-temporary, ALC evaluates several factors, including the current economic environment, market conditions, operational and financial performance of the investee, and other specific factors relating to the business underlying the investment, including business outlook of the investee, future trends in the investee s industry and ALC s intent to carry the investment for a sufficient period of time for any recovery in fair value. If a decline in value is deemed as other-than-temporary, ALC records reductions in carrying values to estimated fair values, which are determined based on quoted market prices, if available, or on one or more of the valuation methods such as pricing models using historical and projected financial information, liquidation values, and values of other comparable public companies. ALC did not record an other-than-temporary impairment of investments in the three month periods ended March 31, 2011 and 2010.

(d) Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other gains and losses affecting stockholders equity which under GAAP are excluded from net income. For the three months ended March 31, 2011 and 2010, this consists of unrealized gains and losses on available for sale investment securities and losses on swap derivatives, net of tax.

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Net income	$ 5,011	$ 3,613
Unrealized gains on investments, net of tax expense of $73 and $129, respectively	120	212
Unrealized gain/loss on derivatives, net of tax benefit of $97 and $65, respectively	131	(107)
Reclassification of net losses on swap derivatives to earnings, net of tax benefit of $109	196	
Total comprehensive income	$ 5,458	$ 3,718

The components of accumulated other comprehensive income (loss), net of tax, are as follows:

	March 31, 2011	December 31, 2010
	(In thousands)	
Unrealized gain on investments	$ 596	$ 476
Net unrealized loss on derivatives	(244)	(571)
Accumulated other comprehensive income/(loss)	$ 352	$ (95)

(e) Income Taxes

Prior to the Separation Date, the Company s results of operations were included in the consolidated federal tax return of the Company s most senior U.S. parent company, Extendicare Holdings, Inc. (EHI). Federal current and deferred income taxes payable (or receivable) were determined as if the Company had filed its own income tax returns. As of the Separation Date, the Company became responsible for filing its own income tax returns. In all periods presented, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

As of March 31, 2011 and December 31, 2010, ALC had total gross unrecognized tax benefits of approximately $0.7 million. Of the total gross unrecognized tax benefits, $0.4 million, if recognized, would reduce ALC s effective tax rate in the period of recognition. At March 31, 2011 and December 31, 2010, ALC had accrued interest and penalties related to unrecognized tax benefits of $0.2 million.

ALC and its subsidiaries file income tax returns in the U.S. and in various state and local jurisdictions. Federal tax returns for all periods after December 31, 2006 are open for examination. Various state tax returns for all periods after December 31, 2005 are open for examination. For the tax periods between February 1, 2005 and November 10, 2006, ALC was included in the consolidated federal tax returns of EHI. Tax issues between ALC and Extendicare are governed by a Tax Allocation Agreement entered into by ALC and Extendicare at the time of the Separation. During 2009, the Internal Revenue Service completed an examination of the partial tax year ended December 31, 2005 and the partial tax year ended November 10, 2006. As of the date of this report, EHI and ALC have agreed to settle this matter, and all matters under the Tax Allocation Agreement, with a $0.8 million payment from EHI to ALC. The $0.8 million settlement has been included as a reduction of the current period income tax provision in the consolidated statements of income and in prepaid expenses, supplies and other receivables in the consolidated balance sheet.

(f) Recently Adopted Accounting Pronouncements

In January 2010, the FASB issued Accounting Standard Update (ASU) 2010-6, *Improving Disclosures About Fair Value Measurements* (ASU 2010-6), which requires reporting entities to make new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. ASU 2010-6 is effective for annual reporting periods beginning after December 15, 2009, except for Level 3 reconciliation disclosures which are effective for annual periods beginning after December 15, 2010. The adoption of ASU 2010-6 did not have a material impact on ALC s consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In January 2010, ALC adopted the amendment in ASC 820 requiring new fair value disclosures on fair value measurements for all nonfinancial assets and liabilities, including separate disclosure of significant transfers into and out of Level 3 and the reasons for the transfers, the amount of transfers between Level 1 and Level 2 and the reasons for the transfers, lower level of disaggregation for fair value disclosures (by class rather than major category) and additional details on the valuation techniques and inputs used to determine Level 2 and Level 3 measurements. Other than the required disclosures, the adoption of the guidance had no impact on the consolidated financial statements.

In January 2010, ALC adopted amendments to the variable interest consolidation model in ASC 810, *Consolidation*. Key amendment changes include: the scope exception for qualifying special purpose entities was eliminated, consideration of kick-out and participation rights in variable interest entity determination, qualitative analysis considerations for primary beneficiary determination, changes in related party considerations, and certain disclosure changes. ALC has no joint ventures and, as such, the adoption of the new guidance had no impact on ALC s consolidated financial statements.

In July 2010, the FASB issued a final accounting standards update that requires entities to provide extensive new disclosures in their financial statements about their financing receivables, including credit risk exposures and the allowance for credit losses. Adoption of this accounting standards update is required for public entities for interim or annual reporting periods ending on or after December 15, 2010. The adoption of the guidance had no impact on ALC s consolidated financial statements.

(g) Recently Issued Accounting Pronouncements

Described below are recent changes in accounting guidance that may have a significant effect on ALC s financial statements. Recent guidance that is not anticipated to have an impact on or is unrelated to ALC s financial condition, results of operations or related disclosures is not discussed.

In December 2010, the FASB released Accounting Standards Update 2010-28 (ASU 2010-28), *Intangibles-Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts.* The update requires a company to perform Step 2 of the goodwill impairment test if the carrying value of the reporting unit is zero or negative and adverse qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The qualitative factors to consider are consistent with the existing guidance and examples in Topic 350, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. The requirements in ASU 2010-28 are effective for public companies in the first annual period beginning after December 15, 2010. ASU 2010-28 is not expected to materially impact ALC s consolidated financial statements.

In December 2010, the FASB released Accounting Standards Update 2010-29 (ASU 2010-29), *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations.* ASU 2010-29 specifies that when a public company completes a business combination(s), the company should disclose revenue and earnings of the combined entity as though the business combination(s) occurred as of the beginning of the comparable prior annual reporting period. The update also expands the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the pro forma revenue and earnings. The requirements in ASU 2010-29 are effective for business combinations that occur on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. ALC will apply the provisions of ASU 2010-29 on a prospective basis.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation and amortization consisted of the following:

	March 31, 2011	December 31, 2010
	(In thousands)	
Land and land improvements	$ 31,488	$ 31,426
Buildings and improvements	480,902	475,332
Furniture and equipment	31,074	30,433
Leasehold improvements	8,974	8,442
Construction in progress	1,675	4,770
	554,113	550,403
Less accumulated depreciation and amortization	(118,529)	(113,100)
	$ 435,584	$ 437,303

4. INTANGIBLE ASSETS, NET

Intangible assets with definite useful lives are amortized over their estimated lives and are tested for impairment whenever indicators of impairment arise. The following is a summary of other intangible assets as of March 31, 2011, and December 31, 2010, respectively (in thousands):

	March 31, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Resident relationships	$ 3,169	$ (2,869)	$ 300	$ 3,169	$ (2,744)	$ 425
Operating lease intangible and renewal options	11,665	(2,198)	9,467	11,665	(2,029)	9,636
Non-compete agreements	331	(216)	115	331	(199)	132
Total	$ 15,165	$ (5,283)	$ 9,883	$ 15,165	$ (4,972)	$ 10,193

Amortization expense related to definite-lived intangible assets for the three month periods ended March 31, 2011 and 2010 was $0.3 million and $0.4 million, respectively.

Future amortization expense for definite lived intangible assets is estimated to be as follows (in thousands):

2011	$ 1,165
2012	743
2013	677
2014	677
2015	677
After 2015	6,254
	$ 10,193

10

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. DEBT

Long-term debt consisted of the following:

	March 31, 2011	December 31, 2010
	(In thousands)	
$125 million credit facility bearing interest at floating rates, due February 2016[(1)]	$ 32,000	$
$120 million credit facility bearing interest at floating rates		50,000
Mortgage note, bearing interest at 6.24%, due 2014	32,414	32,644
Mortgage note, bearing interest at 6.50%, due 2015	25,441	25,663
Mortgage note, bearing interest at 7.07%, due 2018	8,664	8,703
Oregon Trust Deed Notes, weighted average interest rate of 6.82%, maturing from 2021 through 2026	7,506	8,130
HUD Insured Mortgages, interest rates ranging from 5.66% to 5.85%, due 2032	4,010	4,033
HUD Insured Mortgage, bearing interest at 7.55%, due 2036	2,926	2,937
Total debt	112,961	132,110
Less current maturities	(2,460)	(2,449)
Total long-term debt	$ 110,501	$ 129,661

(1) Borrowings under this facility bear interest at a floating rate at ALC s option equal to LIBOR or prime plus a margin. The margin is determined by ALC s consolidated leverage ratio (as defined in the U.S. Bank Credit Facility) and ranges from 225 to 350 basis points over LIBOR or 137.5 to 250 basis points over prime. From February 18, 2011 through March 31, 2011 ALC s LIBOR and prime margins were 275 and 175 basis points, respectively. At March 31, 2011, prime was 3.25% and LIBOR was 0.25%.

$125 Million Credit Facility

On February 18, 2011, ALC terminated its $120 million credit facility with General Electric Capital Corporation and other lenders (the GE Credit Facility) and entered into a five year, $125 million revolving credit facility with U.S. Bank National Association as administrative agent and certain other lenders (the U.S. Bank Credit Facility). ALC s obligation under the U.S. Bank Credit Facility are guaranteed by three ALC subsidiaries that own 31 residences and are secured by mortgage liens against such residences and by a lien against substantially all of the assets of ALC and those subsidiaries. Interest rates applicable to funds borrowed under the facility are based, at ALC s option, on either a base rate essentially equal to the prime rate plus a margin or LIBOR plus a margin that varies according to a pricing grid based on a consolidated leverage test. The initial margins on base rate and LIBOR loans are 1.75% and 2.75%, respectively.

ALC used proceeds of $50.0 million from the U. S. Bank Credit Facility to repay all outstanding amounts under the GE Credit Facility.

In general, borrowings under the facility are limited to three and three quarters times ALC s consolidated net income during the prior four fiscal quarters plus, in each case to the extent included in the calculation of consolidated net income, customary add-backs in respect of provisions for taxes, consolidated interest expense, amortization and depreciation, losses from extraordinary items, loss on the sale of property outside the ordinary course of business, and other non-cash expenditures (including the amount of any compensation deduction as the result of any grant of stock or stock equivalent to employees, officers, directors or consultants), non-recurring expenses incurred by ALC in connection with transaction fees and expenses for acquisitions minus, in each case to the extent included in the calculation of consolidated net income, customary deductions related to credits for taxes, interest income, gains from extraordinary items, gains from the sale of property outside the ordinary course of business and other non-recurring

gains.
ALC is subject to certain restrictions and financial covenants under the facility including maintenance of less than a maximum consolidated leverage ratio and greater than a minimum consolidated fixed charge coverage ratio, and restrictions on payments for capital expenditures, expansions and acquisitions. Payments for dividends and stock repurchases may be restricted if ALC fails to maintain consolidated leverage ratio levels specified in the facility. In addition, upon the occurrence of certain transactions, including but not limited to property loss events, ALC may be required to make mandatory prepayments. ALC is also subject to other customary covenants and conditions. Outstanding borrowings under the facility at March 31, 2011 were $32 million. In addition the facility provided collateral for $5.9 million in outstanding letters of credit. As of March 31, 2011, ALC was in compliance with all applicable financial covenants and available borrowings under the facility were $87.1 million. ALC incurred $1.9 million of closing costs which are being amortized over the five year life of the credit facility.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Mortgage Note due 2014

The mortgage note due in 2014 (the 6.24% 2014 Note) has a fixed interest rate of 6.24% with a 25-year principal amortization and is secured by 24 assisted living residences with a carrying