

ASSISTED LIVING CONCEPTS INC

Form DEF 14A

March 19, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Assisted Living Concepts, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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**ASSISTED LIVING CONCEPTS, INC.**  
W140 N8981 Lilly Road  
Menomonee Falls, Wisconsin 53051

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**ASSISTED LIVING CONCEPTS, INC.**  
W140 N8981 Lilly Road  
Menomonee Falls, Wisconsin 53051

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**ASSISTED LIVING CONCEPTS, INC.**

W140 N8981 Lilly Road  
Menomonee Falls, Wisconsin 53051  
(262) 257-8888

**NOTICE OF ANNUAL MEETING**

The annual meeting of stockholders of Assisted Living Concepts, Inc. ( ALC ) will be held at W140 N8981 Lilly Road, Menomonee Falls, Wisconsin on Monday, May 3, 2010 at 4:00 p.m. central time for the following purposes:

1. To elect nine persons nominated by the Board of Directors to ALC s Board of Directors;
2. To ratify the appointment of Grant Thornton LLP as ALC s independent auditors; and
3. To transact such other business as may properly come before the annual meeting or any adjournments or postponements of the annual meeting.

Stockholders of record of ALC s Class A Common Stock and Class B Common Stock at the close of business on March 10, 2010 are entitled to notice of and to vote at the annual meeting and any adjournments or postponements of the annual meeting. A list of stockholders entitled to vote will be available at the annual meeting for inspection by any stockholder for any purpose germane to the annual meeting.

Whether or not you plan to attend the annual meeting, please take the time to vote your shares by promptly completing, signing, dating and mailing the proxy card in the postage-paid envelope provided (or, if applicable, by following the instructions supplied to you by your bank or brokerage firm for voting by telephone or via the Internet).

By Order of the Board of Directors,

Eric B. Fonstad  
*Senior Vice President, General Counsel and Secretary*

Menomonee Falls, Wisconsin  
March 19, 2010

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 3, 2010 the Proxy Statement and 2009 Annual Report are available under the heading Annual Reports and Proxy Statements in the Investor Relations section at [www.alcco.com](http://www.alcco.com)**

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**ASSISTED LIVING CONCEPTS, INC.**

W140 N8981 Lilly Road  
Menomonee Falls, Wisconsin 53051  
(262) 257-8888

**PROXY STATEMENT**

**INTRODUCTION**

This proxy statement is furnished beginning on or about March 19, 2010 in connection with the solicitation of proxies by the Board of Directors of Assisted Living Concepts, Inc. ( "ALC" ), a Nevada corporation, for use at the annual meeting of stockholders to be held at W140 N8981 Lilly Road, Menomonee Falls, Wisconsin on Monday, May 3, 2010 at 4:00 p.m. central time and at any adjournments or postponements of the annual meeting.

On November 10, 2006, ALC became an independent, publicly traded company with its Class A Common Stock listed on the New York Stock Exchange following its separation from its parent company, Extencicare Inc. (now Extencicare Real Estate Investment Trust, a Canadian real estate investment trust).

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 ( "Class A Common Stock" ), and Class B common stock, par value \$0.01 per share ( "Class B Common Stock" ). All share amounts and per share prices in this proxy statement have been adjusted to reflect this reverse stock split.

**Proxies**

Properly signed and dated proxies received by ALC's Secretary prior to or at the annual meeting will be voted as instructed on the proxies or, in the absence of such instruction, FOR the election to the Board of Directors of the persons nominated by the Board, FOR ratification of the appointment of Grant Thornton LLP as ALC's independent auditors, and in accordance with the best judgment of the persons named in the proxy on any other matters which may properly come before the annual meeting.

The Board of Directors has appointed an officer of Computershare Trust Company, Inc., transfer agent for the Class A Common Stock and Class B Common Stock, to act as an independent inspector at the annual meeting.

**Record Date, Class A and Class B Shares Outstanding, and Voting**

Stockholders of record of either Class A or Class B Common Stock at the close of business on the record date, March 10, 2010, are entitled to vote on all matters presented at the annual meeting. Each share of Class A Common Stock is entitled to one vote and each share of Class B Common Stock is entitled to ten votes. As of the record date, there were 10,054,340 shares outstanding of Class A Common Stock and 1,523,375 shares outstanding of Class B Common Stock.

Holders of a majority in total voting power of Class A Common Stock and Class B Common Stock entitled to vote at the annual meeting, voting together without regard to class and represented in person or by proxy, constitute a quorum. Under ALC's bylaws, if a quorum is present, the election of directors is decided by a plurality of the votes cast. For this purpose, "plurality" means that the individuals receiving the largest number of votes are elected as directors, up to the maximum number of directors to be chosen at the election. Consequently, any shares not voted at the annual meeting, whether due to abstentions, broker non-votes or otherwise, will have no impact on the election of directors (assuming a quorum is present).

Under ALC's bylaws, if a quorum is present, the ratification of the appointment of Grant Thornton LLP as ALC's independent auditors is decided by the affirmative vote of the holders of at least a majority of the total number of votes cast on the matter. Since abstentions and broker non-votes are not considered votes cast, they will not have an effect on the voting for this proposal.



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The independent inspector will count the votes. Abstentions are considered as shares represented and entitled to vote. Broker or nominee non-votes on a matter are not considered as shares represented and entitled to vote on that matter, but do count toward the quorum requirement.

If less than a majority of voting power of the Class A Common Stock and the Class B Common Stock voting together without regard to class is represented at the annual meeting, the chairman of the meeting or holders of a majority of the votes entitled to be cast by the stockholders who are present in person or by proxy may adjourn the annual meeting from time to time without further notice.

If your shares are registered in your name, you may vote them by completing and signing the accompanying proxy card and returning it in the enclosed envelope before the annual meeting.

If your shares are registered in the name of a bank or brokerage firm ( street name ), you may be eligible to vote your shares electronically via the Internet or by telephone. A large number of banks and brokerage firms are participating in the Broadridge Financial Solutions, Inc. (formerly ADP Investor Communication Services) online program. This program provides eligible stockholders the opportunity to vote via the Internet or by telephone. If your bank or brokerage firm is participating in Broadridge's program, your voting form will provide instructions.

Telephone and Internet voting procedures, if available, are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions, and to confirm that their instructions have been properly recorded.

Stockholders voting via the Internet should understand that there might be costs that they must bear associated with electronic access, such as usage charges from Internet access providers and telephone companies.

Written ballots will be available from ALC's Secretary before the annual meeting commences. A stockholder whose shares are held in the name of a bank, broker or other holder of record must obtain a proxy, executed in such stockholder's favor, from the record holder in order for such stockholder to vote such shares in person at the annual meeting. Stockholders who send in their proxy cards and also attend the annual meeting do not need to vote again unless they wish to revoke their proxies.

Any stockholder (other than stockholders holding shares in street name ) giving a proxy may revoke it at any time before it is exercised by delivering notice of such revocation to ALC's Secretary in open meeting or in writing by filing with ALC's Secretary either a notice of revocation or a duly executed proxy bearing a later date. Presence at the annual meeting by a stockholder who has returned a proxy does not itself revoke the proxy. If you have given voting instructions to a broker, nominee, fiduciary or other custodian that holds your shares in street name, you may revoke those instructions by following the directions given by the broker, nominee, fiduciary or other custodian.

### **PROPOSAL 1: ELECTION OF DIRECTORS**

#### **Nominees**

The following table shows certain information, including principal occupation, recent business experience, and relevant qualifications to serve as a director, for each of the individuals nominated by the Board of Directors for election at the annual meeting. All of the nominees are presently ALC directors whose current terms expire in 2010 and who have been nominated to serve as directors until the 2011 annual meeting and until their respective successors are elected and qualified.

If any of the nominees becomes unable or unwilling to serve, then the proxies will have discretionary authority to vote for substitute nominees chosen by the Board of Directors. The Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve.

Other public company directorships include companies with a class of securities registered pursuant to section 12 of the Securities Exchange Act of 1934 or subject to the requirements of Section 15(d) of such Act and companies registered as an investment company under the Investment Company Act of 1940.

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| <b>Name</b>    | <b>Principal Occupation, Experience and Qualifications</b>  | <b>Director Since</b> |
|----------------|---|-----------------------|
| Laurie A. Bebo | <p>President and Chief Executive Officer of ALC since 2006. From 1999 to 2006, Ms. Bebo held a variety of management positions with Extendicare Health Services, Inc., a wholly owned subsidiary of Extendicare Inc. (now Extendicare Real Estate Investment Trust) ( Extendicare ), including: Chief Operating Officer, Senior Vice President, Vice President Sales &amp; Marketing; Vice President Assisted Living Operations; and Area Vice President. Prior to her career with Extendicare she worked in similar roles at other long-term care providers. Ms. Bebo serves as an Executive Board Member of Assisted Living Federation of America. She is 39.</p> <p>Other public company directorships in the last five years: none</p> <p>Ms. Bebo s position as President and Chief Executive Officer of ALC and her extensive experience at ALC and other long-term care providers led the Board to conclude, as of the time of this proxy statement, that she should continue to serve as a director of ALC.</p>   | 2007                  |
| Alan Bell      | <p>Corporate partner of the Canadian law firm Bennett Jones LLP specializing in mergers and acquisitions, private and public financing, and corporate governance, since 2004. Prior to 2004, Mr. Bell was a corporate partner in the Canadian law firm Blake, Cassels &amp; Graydon LLP. He is 61.</p> <p>Other public company directorships in the last five years: none</p> <p>Mr. Bell s knowledge, experience and expertise in the areas of corporate governance and corporate finance led the Board to conclude, as of the time of this proxy statement, that he should continue to serve as a director of ALC.</p>  | 2006                  |
| Jesse C. Brotz | <p>Mr. Brotz has a Bachelor of Science in Economics and Psychology from Brown University. From 1996 to 1998, he was a Senior Research Analyst for The Economics Research Group, Inc. (now Lexecon, Inc.), a Cambridge, Massachusetts consulting firm that uses economic theory and analysis in litigation support, public policy and business strategy. Since leaving Lexecon, Mr. Brotz has been building custom furniture in Vancouver, British Columbia, working as a Journeyman Cabinetmaker for companies including Angela James and The Joint Woodworking Studio. Mr. Brotz has been a director of Scotia Investments Limited, a principal stockholder of ALC, since 2004 and is currently a member of the Audit and Corporate Governance/Human Resources committees of the board of directors of Scotia Investments Limited. He is 35.</p> <p>Other public company directorships in the last five years: none</p> <p>Mr. Brotz s background in economics, his experience as a director and audit committee and corporate governance and human resources committee member with Scotia Investments Limited, and the understanding he has</p> | 2007                  |

acquired since joining the Board in 2007 of issues facing ALC led the Board to conclude, as of the time of this proxy statement, that he should continue to serve as a director of ALC.

|                   |  |      |
|-------------------|--|------|
| Derek H.L.Buntain | President of The Dundee Merchant Bank, a Cayman Islands private bank offering banking services to international clients, President, Chief Executive Officer of Dundee Offshore Services Ltd. (investment counsel), and Chairman of the Dundee Leeds Group of Companies (hedge fund administrators). Prior to November 10, 2006, Mr. Buntain was a director of Extendicare Inc. (now Extendicare Real Estate Investment Trust). Mr. Buntain also serves as a director of the following companies: CencoTech Inc., Dundee Precious Metals Inc., Eurogas Corporation, Eurogas International Inc., High Liner Foods Incorporated, and Natunola Health Biosciences Inc. He is 69. | 2006 |
|-------------------|--|------|

Other public company directorships in the last five years: Dundee Precious Metals Inc.; and, prior to November 2006, Extendicare Inc. (now Extendicare Real Estate Investment Trust).

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| Name              | Principal Occupation, Experience and Qualifications   | Director Since |
|-------------------|---|----------------|
| David J. Hennigar | <p>Mr. Buntain's knowledge and insight into financial markets and his experience advising long-term care providers led the Board to conclude, as of the time of this proxy statement, that he should continue to serve as a director of ALC.</p> <p>Chairman of the Board of Directors. Prior to November 10, 2006, he was Chairman of Extendicare Inc. (now Extendicare Real Estate Investment Trust). Mr. Hennigar is Chairman of Annapolis Group Inc. (a private holding company in real estate development and environmental collections and remediation), High Liner Foods Incorporated (a Canadian public value-added food processing company), and Aquarius Coatings Inc. (a Canadian public company engaged in paint manufacturing), and Chairman and CEO of Landmark Global Financial Corporation (a Canadian public investment and management company). Mr. Hennigar serves as lead trustee of Crombie Real Estate Investment Trust and as a director of the following Canadian public companies: MedX Health Corp., Natunola Health Biosciences Inc., SolutionInc Technologies Limited, and VR Interactive Corporation. He is a registered representative with Jennings Capital Inc. and a director of a number of private companies, including Minas Basin Holdings Limited and Scotia Investments Limited. He is 70.</p> <p>Other public company directorships in the last five years: prior to November 2006, Extendicare Inc. (now Extendicare Real Estate Investment Trust).</p> <p>Mr. Hennigar's extensive experience with the board of Scotia Investments Limited and boards of directors of other companies, his knowledge of securities industries, and his familiarity with the long-term care industry led the Board to conclude, as of the time of this proxy statement, that he should continue to serve as a director of ALC.</p> | 2006           |
| Malen S. Ng       | <p>Chief Financial Officer of the Workplace Safety and Insurance Board of Ontario from 2003 until her retirement in November 2008. Prior to November 10, 2006, she was a director of Extendicare Inc. (now Extendicare Real Estate Investment Trust). From 1975 to 2002, Ms. Ng was employed by Hydro One Inc. (the largest electricity delivery company in Ontario), where she occupied several executive positions. Ms. Ng is a director of Empire Company Limited (a Canadian company whose key businesses include food retailing and related real estate), Sobeys Inc. (a public retail food distribution company in Canada), and Sunnybrook Health Sciences Centre (one of Canada's largest hospitals). She is 58.</p> <p>Other public company directorships in the last five years: prior to November 2006, Extendicare Inc. (now Extendicare Real Estate Investment Trust).</p>  | 2006           |

Ms. Ng's significant experience as a chief financial officer, her distinguished service to the Board and ALC as chair of the Audit Committee, and the familiarity she has gained of the long-term care industry since joining the Board in 2006 led the Board to conclude, as of the time of this proxy statement, that she should continue to serve as a director of ALC.

Melvin A.  
Rhineland

Vice Chair of the Board of Directors. Prior to November 10, 2006, he was the President and Chief Executive Officer of Extendicare Inc. (now Extendicare Real Estate Investment Trust) as well as the Chairman and Chief Executive Officer of Extendicare Health Services, Inc., a wholly-owned subsidiary of Extendicare Inc. Following November 10, 2006, Mr. Rhineland ceased being an employee of Extendicare Inc. and Extendicare Health Services, Inc., but remained on the Board of Trustees of Extendicare Real Estate Investment Trust as Vice Chairman until December 2008 and Chairman thereafter. He also serves as a director of Empire Company Limited (a Canadian company whose key businesses include food retailing and related real estate). Mr. Rhineland joined the Extendicare group of companies in 1977 and served in a number of senior positions. He was appointed President of Extendicare Inc. in 1999 and Chief Executive Officer in 2000. He is 60.

2006

Other public company directorships in the last five years: Extendicare Inc. (now Extendicare Real Estate Investment Trust).

Mr. Rhineland's extensive experience in the long-term care industry and as a human resources executive led the Board to conclude, as of the time of this proxy statement, that he should continue to serve as a director of ALC.

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| Name                      | Principal Occupation, Experience and Qualifications  | Director Since |
|---------------------------|--|----------------|
| Charles H. Roadman II, MD | Retired President and Chief Executive Officer of the American Health Care Association (1999 to 2004) and former Surgeon General of the U.S. Air Force (1996 to 1999). Prior to November 10, 2006, he was a director of Extencicare Inc. (now Extencicare Real Estate Investment Trust). Dr. Roadman serves as a director and advisor on a number of private corporate boards and associations. He is 66. | 2006           |

Other public company directorships in the last five years: prior to November 2006, Extencicare Inc. (now Extencicare Real Estate Investment Trust).

Dr. Roadman's medical background, his experience as chief executive officer of a major health care association, and his continuing involvement in public and private health care issues led the Board to conclude, as of the time of this proxy statement, that he should continue to serve as a director of ALC.

|                    |   |      |
|--------------------|---|------|
| Michael J. Spector | Retired Chair and Managing Partner, Quarles & Brady LLP, a Milwaukee Wisconsin headquartered law firm with more than 425 attorneys in six cities. Mr. Spector joined Quarles & Brady in 1966 and served as a member of its Executive Committee from 1976 to 2002, as Chair of the Executive Committee from 1987 to 2002, and as Managing Partner from 1999 to 2002. His practice focused primarily on business counseling and general school law representation, including related litigation and collective bargaining. Mr. Spector is Vice President of the University of Wisconsin System Board of Regents, Executive Director of the United States Law Firm Group, Inc., a Robert E. Boden Visiting Professor of Law at Marquette University Law School, and a board member and chair of the audit committee of the University of Wisconsin Hospital and Clinics, a major hospital located in Madison, Wisconsin with annual revenues of approximately one billion dollars. He is 70. | 2007 |
|--------------------|---|------|

Other public company directorships in the last five years: none.

Mr. Spector's experience managing a large professional services organization, advising businesses, and working with regulated organizations led the Board to conclude, as of the time of this proxy statement, that he should continue to serve as a director of ALC.

ALC's bylaws require that any nominations by stockholders of persons for election to the Board of Directors at the annual meeting must have been received by the Secretary by March 11, 2010. As no notice of such other nomination was received, no other nominations for election to the Board of Directors may be made by stockholders at the annual meeting.

**Board Leadership Structure and Role of Board in Risk Oversight**

The positions of principal executive officer and board chair at ALC have been separate since 2006 when ALC became a public company. In the Board's view, the separation of these roles has served ALC well and continues to be in the best interest of ALC and its stockholders.

The Board is responsible for the stewardship of ALC, including understanding ALC's risk profile and monitoring its risk management programs. The Board fulfills these oversight responsibilities by understanding and monitoring ALC's business, industry conditions, and related ALC and industry risks. The Board has overall responsibility for approving procedures for the identification, assessment and management of the principal risks facing ALC, including material legal and regulatory matters relating to ALC.

The Audit Committee is responsible for reviewing independently with each of management and the auditors the impact of significant risks that may be material to financial reporting. The scope of the responsibilities of the Audit Committee includes: (i) reviewing with management and with the external and internal auditors the presentation and impact of significant risks and uncertainties; (ii) reviewing with management issues of operational risk management, including insurance coverages maintained by ALC, legal exposure (including legal claims or other contingencies) and tax assessments that could have a material effect upon ALC's financial position or operating results; and (iii) reviewing the reports of the internal auditor with respect to control and financial risk.

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### **Independence**

ALC's Board of Directors has affirmatively determined that all of ALC's directors other than Ms. Bebo are independent as defined in the corporate governance standards of the New York Stock Exchange. Ms. Bebo is not considered to be independent because Ms. Bebo is currently ALC's President and Chief Executive Officer.

The Board considered the relationship of Mr. Spector and the law firm of Quarles & Brady LLP, which provides legal services to ALC, and determined that Mr. Spector's relationship as a retired partner of that firm does not interfere with the exercise of his independent judgment and independence from the management of ALC.

The Board also considered the relationship of Mr. Hennigar and Mr. Brotz to ALC through their association with Scotia Investments Limited, which owns the majority of the Class B Common Stock and controls 54.5% of the voting power of stockholders, as well as the familial relationship between Mr. Hennigar and Mr. Brotz as members of the Jodrey family, the members of which hold substantially all of the outstanding voting shares of Scotia Investments Limited, and determined that neither the association with Scotia Investments Limited or the familial relationship interferes with the exercise by either Mr. Hennigar or Mr. Brotz of his independent judgment and independence from the management of ALC.

The Board considered the relationship of Mr. Rhinelander to Extendicare Real Estate Investment Trust (formerly Extendicare Inc.) (Extendicare). Prior to November 10, 2006, ALC was wholly-owned by Extendicare and Mr. Rhinelander served as ALC's Chairman and Chief Executive Officer. Following that date, none of ALC's voting stock was owned by Extendicare and Mr. Rhinelander ceased being an executive officer of ALC. In connection with the separation of ALC from Extendicare, the two companies entered into agreements in respect of certain services to be provided by Extendicare to ALC on an arms length basis and which are subject to a formal arbitration process if disputes arise. In 2009, Extendicare provided services to ALC primarily related to payroll and benefit services. Mr. Rhinelander is a trustee and Chairman of Extendicare. In his role as Vice Chair of the Board of Directors of ALC, from time to time Mr. Rhinelander provides advice and counsel to the Chairman and senior management of ALC. The Board determined that these relationships do not interfere with the exercise of Mr. Rhinelander's independent judgment and independence from the management of ALC.

### **Meetings**

ALC's Board of Directors held five in-person meetings and one telephonic meeting in 2009. Each director attended at least 75% of the meetings of the Board of Directors and committees on which he or she serves. It is ALC's policy that directors use their best efforts to attend (either in person or by telephone) all Board of Directors, committee, and annual and special stockholders' meetings. All of ALC's directors attended the 2009 annual stockholders' meeting. ALC directors have an opportunity to meet in executive session without management at the end of each regularly scheduled Board of Directors meeting. The Chairman presides at executive sessions. ALC's Board of Directors annually conducts an assessment of its performance and effectiveness.

### **Committees**

The Board of Directors has three standing committees: an Audit Committee, a Compensation/Nomination/Governance Committee, and an Executive Committee. The committee charters are available on ALC's website, [www.alcco.com](http://www.alcco.com). Committee members have an opportunity to meet in executive session without management at the end of each regularly scheduled Committee meeting.

*Audit Committee and Audit Committee Financial Expert.* The Audit Committee met four times in 2009. Current members are Ms. Ng (Chair), Mr. Bell, Mr. Brotz, Mr. Buntain and Dr. Roadman. The Board of Directors has determined that each of the members of the Audit Committee is independent, as defined in the corporate governance listing standards of the New York Stock Exchange and Rule 10A-3 under the Securities Exchange Act of 1934 relating to audit committees. In considering Mr. Brotz's independence under Rule 10A-3, the Board of Directors noted that Mr. Brotz neither receives compensation for services (other than normal director's fees) from nor is he a 10% owner of either ALC or Scotia Investments Limited. The Board also has determined that all members of the Audit Committee are financially literate and that Ms. Ng qualifies as an audit committee financial expert as defined by the Securities and Exchange Commission.





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In addition to serving on ALC's Audit Committee, Mr. Buntain is on the audit committees of three Canadian public companies: CencoTech Inc.; Eurogas Corporation; and Eurogas International Inc. New York Stock Exchange ( NYSE ) listing rules provide that an individual may not serve on the audit committee of a listed company while serving on three or more other public company audit committees unless the listed company's board of directors determines that such service does not impair his or her ability to effectively serve on the listed company's audit committee. While CencoTech Inc., Eurogas Corporation, and Eurogas International Inc. are not public companies under NYSE listing rules, the Board has determined that Mr. Buntain's service on these companies' audit committees does not impair his ability to effectively serve on ALC's Audit Committee.

The Audit Committee exercises the powers of the Board of Directors in connection with ALC's accounting and financial reporting practices, and provides a channel of communication between the Board of Directors and ALC's internal audit function and independent registered public accountants. The Audit Committee annually reviews its charter and performs an evaluation of its performance and effectiveness.

*Compensation/Nomination/Governance Committee.* The Compensation/Nomination/Governance Committee met four times in 2009. Current members are Mr. Buntain (Chair), Mr. Bell and Mr. Spector. The Committee recommends nominees for ALC's Board of Directors and reviews qualifications, compensation and benefits for the Board of Directors and other matters relating to the Board. The Committee also establishes compensation for the officers of ALC, oversees the administration of ALC's benefit plans for officers and employees, reviews and recommends officer selection, responds to SEC requirements on Compensation Committee reports, and performs other functions relating to officer succession and compensation. The Committee annually reviews its charter and performs an evaluation of its performance and effectiveness.

The Compensation/Nomination/Governance Committee has full authority to consider and determine executive compensation and to evaluate and to make recommendations to the full Board with respect to the appropriate level of director compensation. The Committee may form subcommittees for any purpose and may delegate to such subcommittees such power and authority as the Committee deems appropriate, provided that each subcommittee has at least two members and that no subcommittee is granted any power or authority that by law is required to be exercised by the Committee as a whole. As of the date of this proxy statement, the Committee had not formed subcommittees. The Chair of the Committee confers with the Board Chair and Vice Chair with regard to executive compensation matters. In addition, the Chief Executive Officer makes recommendations to the Chair of the Committee from time to time regarding executive compensation (other than the compensation of the Chief Executive Officer).

The Board of Directors has delegated the identification, recruitment and screening of director candidates for stockholder election to the Compensation/Nomination/Governance Committee. In identifying and evaluating nominees for director, the Committee seeks to ensure that the Board of Directors possesses, in the aggregate, the strategic, managerial, and financial skills and experience necessary to fulfill its duties and to achieve its objectives, and seeks to ensure that the Board of Directors is composed of directors who have broad and diverse backgrounds and possess knowledge in areas that are of importance to ALC. The Committee evaluates each candidate on a case-by-case basis, regardless of who recommended the candidate, based on the director expectations and qualifications set forth in ALC's Corporate Governance Guidelines which are available on ALC's web site at: [www.alcco.com](http://www.alcco.com). Through adoption of the Corporate Governance Guidelines, the Board has established a diversity policy that endeavors to have a Board representing diverse experience at policy-making levels in areas that are relevant to ALC's business. The Board implements this policy through its annual review and nomination of director candidates and assesses its effectiveness as part of its annual evaluation of the appropriateness of the Board's composition.

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In looking at the qualifications of each candidate to determine if his or her election would further the goals described above, the Committee assesses a candidate's independence, as well as the candidate's background and experience and the current Board's composition. As noted above, ALC endeavors to have a Board representing diverse experience at policy-making levels in areas that are relevant to ALC's business. With respect to incumbent directors selected for reelection, the Committee also assesses the director's contributions, attendance record, and the suitability of continued service. In addition, individual directors and any person nominated to serve as a director must possess the following minimum qualifications and devote an adequate amount of time to the effective performance of director duties:

- (i) **Integrity.** Directors should demonstrate high ethical standards and integrity in their personal and professional dealings and be willing to act on their decisions.
- (ii) **Informed Judgment.** Directors should take care that they are fully informed and that they act at all times in a prudent, timely and reasonable manner.
- (iii) **Financial Literacy.** Directors should be financially literate. They should know how to read a balance sheet, income statement and cash flow statement and understand the use of financial ratios and other indices for evaluating ALC's performance.
- (iv) **Cooperative Approach.** Directors should approach each other assertively, responsibly and supportively and raise difficult questions in a manner that encourages open discussion.
- (v) **Record of Achievement.** Directors should have a record of attainment that reflects high standards for themselves and others and should have background and experience that adds value to the skill set of the Board as a whole.
- (vi) **Loyalty.** Directors must not have any undisclosed conflicts of interest with ALC and must act in good faith and consistent with their duties of due care, loyalty, and candor.
- (vii) **Independent Oversight.** Directors must act at all times with the cooperative independence of thought and action and with the leadership skills needed to fulfill their oversight responsibilities.

The Committee assesses the performance of each director whose term is expiring to determine whether he or she should be nominated for re-election. The Committee may retain resources including director search firms to assist in the identification, recruitment and screening of director candidates. The Committee will consider persons recommended by stockholders to become nominees for election as directors. Stockholders should send their written recommendations for director nominees to the Committee in care of the Secretary of ALC, together with appropriate biographical information concerning each proposed nominee.

ALC's bylaws set forth certain requirements for stockholders wishing to nominate director candidates directly for consideration by the stockholders. With respect to an election of directors to be held at an annual meeting, a stockholder must, among other things, give notice of the intent to make such a nomination to the Secretary of ALC in advance of the meeting in compliance with the terms and within the time period specified in ALC's bylaws. Pursuant to these requirements, a stockholder must give a written notice of intent to the Secretary of ALC not less than 50 days or more than 75 days prior to the first annual anniversary of the immediately preceding annual meeting. Accordingly, to bring a nomination before the 2011 Annual Meeting, the nomination must be received by the Secretary between February 17, 2011, and March 14, 2011.

*Executive Committee.* There were no meetings of the Executive Committee held in 2009. Current members are Mr. Hennigar (Chair), Mr. Rhineland, Mr. Buntain and Mr. Spector. The Executive Committee may exercise the full authority of the Board of Directors in the management of the business affairs of ALC to the extent permitted by law or not otherwise limited by the Board of Directors.

### **Governance Documents**

ALC's Code of Business Conduct; Code of Ethics for CEO and Senior Financial Officers; Corporate Governance Guidelines; and Audit Committee, Compensation/Nomination/Governance Committee, and Executive Committee charters are available on ALC's web site in the Investor Relations section at: [www.alco.com](http://www.alco.com).

**Table of Contents****Communications**

Stockholders and other interested parties may communicate with the Board of Directors (or a specific director) by writing to: Board of Directors, c/o Secretary, Assisted Living Concepts, Inc., W140 N8981 Lilly Road, Menomonee Falls, Wisconsin 53051. The Secretary will ensure that these communications (assuming they are properly marked to the Board of Directors or to a specific director) are delivered to the Board of Directors or the specified director, as the case may be.

**Director Compensation**

The following table sets forth information regarding compensation paid by ALC to our non-employee directors during 2009. The Stock Awards, Non-Equity Incentive Plan Compensation and Change in Pension Value and Nonqualified Deferred Compensation Earnings columns of the table have been deleted from the table because there were no stock awards, non-equity incentive plan compensation, pension values, or deferred compensation earnings for directors during 2009. Ms. Bebo receives no additional compensation for her service as a director.

**Director Compensation for Fiscal 2009**

| <b>Name</b>               | <b>Fees Earned<br/>or<br/>Paid in Cash<br/>(\$)</b> | <b>Option<br/>Awards<br/>(\$)<sup>(1)(2)</sup></b> | <b>All Other<br/>Compensation<br/>(\$)</b> | <b>Total<br/>(\$)</b> |
|---------------------------|---|--|--|-----------------------|
| Alan Bell                 | 35,000  | 38,480   | *  | 73,480                |
| Jesse C. Brotz            | 29,000  | 38,480   | *  | 67,480                |
| Derek H.L. Buntain        | 45,500  | 38,480   | *  | 83,980                |
| David J. Hennigar         | 95,500  | 38,480   | *  | 133,980               |
| Malen S. Ng               | 44,000  | 38,480   | *  | 82,480                |
| Melvin A. Rhinelandier    | 60,500  | 38,480   | *  | 98,980                |
| Charles H. Roadman II, MD | 28,500  | 38,480   | *  | 66,980                |
| Michael J. Spector        | 35,500  | 38,480   | *  | 73,980                |

\* Perquisites were less than the disclosure threshold of \$10,000 in the aggregate.

**Notes**

(1) Represents the aggregate grant date fair value of tandem stock options/stock appreciation rights granted during the year computed in accordance with Accounting Standards Codification Topic 718. The

assumptions made in these valuations can be found in the Long-Term Equity-Based Compensation Program footnote to the financial statements in ALC's Annual Report on Form 10-K.

- (2) Each listed director held an aggregate of 8,000 tandem stock options/stock appreciation rights at the end of 2009, all of which were unexercised.

Directors who are not employees of ALC are paid an annual retainer of \$15,000 per year, a fee of \$1,500 for each Board or committee meeting they attend, and \$500 for each telephonic Board or committee meeting they attend. In addition, the annual retainer for the Board Chairman is \$50,000 and the annual retainer for the Vice Chairman is \$25,000. The annual retainer for the Chair of the Audit Committee is an additional \$15,000 and the annual retainer for the other committee Chairs is an additional \$10,000. On April 30, 2009, grants were approved to each non-employee director of 4,000 tandem stock options/stock appreciation rights that become exercisable in annual one third increments beginning April 30, 2010, and which have an exercise price of \$16.54, the mean between the high and low trading prices of our Class A Common Stock on the New York Stock Exchange on May 4, 2009, the second business day following release of quarterly financial results. Non-employee directors may receive yearly grants of additional stock-based awards, as determined by the full Board of Directors, and are reimbursed for expenses incurred in connection with attending Board and committee meetings. Directors who are also employees of ALC receive no additional compensation for their service as directors.

**Table of Contents****STOCK OWNERSHIP OF MANAGEMENT AND OTHERS**

The following table lists beneficial ownership of Class A Common Stock and Class B Common Stock by: any person known to ALC to own beneficially more than 5% of either class; each of our directors; our principal executive officer, principal financial officer, and each of our other executive officers (collectively, the named executive officers); and all of our executive officers and directors as a group. Except as otherwise indicated below, each stockholder listed below has sole voting and investment power with respect to the shares beneficially owned by such person. The rules of the Securities and Exchange Commission consider a person to be the beneficial owner of any securities over which the person has or shares voting power or investment power, or any securities as to which the person has the right to acquire, within sixty days, such sole or shared power. The number of shares set forth for directors, director nominees, and named executive officers are reported as of March 10, 2010. Amounts for 5% stockholders are as of the date such stockholders reported such holdings in filings under the Securities Exchange Act of 1934 unless more recent information was provided prior to the printing of this proxy statement.

| Name of<br>Beneficial Owner   | Number of<br>Shares Owned |                      | Assuming<br>Full<br>Conversion <sup>(1)</sup> | Percentage of<br>Outstanding<br>Shares |         | Percent of<br>Total Votes<br>If Fully<br>Converted <sup>(1)</sup> |           |
|---|---------------------------|----------------------|---|--|---------|---|-----------|
|   | Class A                   | Class B              | Class A                                       | Class A                                | Class B | No Conversion   | Converted |
| <b>5% Beneficial Holders:</b>   |                           |                      |   |  |         |   |           |
| Morgan Stanley, 1585<br>Broadway, New York, NY<br>10036 and Morgan Stanley<br>Investment Management<br>Inc., 522 Fifth Avenue, New<br>York, NY 10036 <sup>(2)</sup> | 3,357,986                 |                      | 3,357,986                                     | 33.4%                                  |         | 13.3%   | 28.7%     |
| Scotia Investments Limited,<br>3 Bedford Hills Rd.,<br>Bedford, Nova Scotia,<br>Canada B4A 1J5 <sup>(3)</sup>   | 172,658                   | 1,361,000            | 1,635,733                                     | 1.7%                                   | 89.3%   | 54.5%   | 14.0%     |
| Advisory Research, Inc.,<br>180 North Stetson St.,<br>Suite 5500, Chicago, IL<br>60601 <sup>(4)</sup>   | 1,267,029                 |                      | 1,267,029                                     | 12.6%                                  |         | 5.0%  | 10.8%     |
| Bandera Partners LLC,<br>Gregory Bylinsky, Jefferson<br>Gramm & Andrew Shpiz, 26<br>Broadway, Suite 1607, New<br>York, NY 10004 <sup>(5)</sup>                      | 825,822                   |                      | 825,822                                       | 8.2%                                   |         | 3.3%  | 7.1%      |
| <b>Directors, Director<br/>Nominees and Named<br/>Executive Officers:</b>   |                           |                      |   |  |         |   |           |
| Laurie A. Bebo  | 23,987 <sup>(6)</sup>     |                      | 23,987  | *                                      | *       | *   | *         |
| Alan Bell   | 5,002 <sup>(7)</sup>      |                      | 5,002   | *                                      | *       | *   | *         |
| Jesse C. Brotz <sup>(3)</sup>   | 5,402 <sup>(7)</sup>      | 1,000                | 6,477   | *                                      | *       | *   | *         |
| Derek H.L. Buntain  | 27,182 <sup>(7)</sup>     | 40                   | 27,225  | *                                      | *       | *   | *         |
| David J. Hennigar <sup>(3)</sup>  | 4,002 <sup>(7)</sup>      | 3,080 <sup>(8)</sup> | 7,313   | *                                      | *       | *   | *         |
| Malen S. Ng   | 4,700 <sup>(7)</sup>      |                      | 4,700   | *                                      | *       | *   | *         |

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|  |                        |       |                         |   |   |   |   |
|--|------------------------|-------|-------------------------|---|---|---|---|
| Melvin A. Rhineland  | 6,432 <sup>(9)</sup>   |       | 6,432                   | * | * | * | * |
| Charles H. Roadman II, MD                                  | 4,535 <sup>(7)</sup>   |       | 4,535                   | * | * | * | * |
| Michael J. Spector   | 4,602 <sup>(7)</sup>   |       | 4,602                   |   |   |   |   |
| John Buono   | 6,667 <sup>(10)</sup>  |       | 6,667                   | * | * | * | * |
| Eric B. Fonstad  | 1,734 <sup>(11)</sup>  |       | 1,734                   | * | * | * | * |
| Walter A. Levonowich                                       | 1,734 <sup>(11)</sup>  |       | 1,734                   | * | * | * | * |
| All directors & executive officers as a group (12 persons) | 95,979 <sup>(12)</sup> | 4,120 | 100,408 <sup>(12)</sup> | * | * | * | * |

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\* Less than 1.0%.  
No shares have  
been pledged as  
security by  
directors,  
nominees or  
executive  
officers except  
as noted below.

**Notes**

- (1) Each Class B share may be converted into 1.075 Class A shares at the option of the holder. These columns assume that all of the outstanding Class B shares were converted into Class A shares such that a single class of common stock remained outstanding.
- (2) Based on a Schedule 13G filed with the Securities and Exchange Commission by Morgan Stanley and Morgan Stanley Investment Management, Inc. The Schedule 13G states that Morgan Stanley has sole voting power with respect to



1,503,975  
Class A shares  
and sole  
dispositive power  
with respect to  
1,809,420  
Class A shares  
and that Morgan  
Stanley  
Investment  
Management, Inc.  
has sole voting  
power with  
respect to  
1,243,121  
Class A shares  
and sole  
dispositive power  
with respect to  
1,548,566 Class  
A shares. The  
Schedule 13G  
also states that  
Morgan Stanley  
Investment  
Management Inc.  
is a  
wholly-owned  
subsidiary of  
Morgan Stanley.

- (3) Based on a  
Schedule 13D  
filed with the  
Securities and  
Exchange  
Commission by  
Scotia  
Investments  
Limited. The  
Schedule 13D  
states that Scotia  
Investments has  
sole voting and  
dispositive power  
with respect to  
57,848 Class A  
shares and shared  
voting and  
dispositive power  
with respect to

1,577,885  
Class A shares.  
Scotia  
Investments holds  
directly 57,848  
Class A shares  
and certain of its  
subsidiaries hold  
in the aggregate  
114,810 Class A  
shares. Scotia  
Investments has  
the right to  
indirectly acquire  
1,463,075  
Class A shares  
upon conversion  
of the aggregate  
1,361,000 Class B  
shares held  
indirectly through  
its subsidiaries.  
Substantially all  
of the outstanding  
voting shares of  
Scotia  
Investments  
Limited are held  
directly or  
indirectly by  
more than 50  
members of the  
family of the late  
R.A. Jodrey,  
including former  
spouses and  
beneficiaries of  
deceased family  
members. David  
J. Hennigar,  
Chairman of  
ALC's Board of  
Directors, and  
Jesse C. Brotz, an  
ALC director, are  
each a member of  
the Jodrey family  
and each is one of  
twelve directors  
of Scotia  
Investments

Limited, none of whom individually has the power to vote or dispose of the shares held directly or indirectly by Scotia Investments Limited. Matters relating to the voting and disposition of shares held by Scotia Investments Limited are determined exclusively by its board of directors. Mr. Hennigar and Mr. Brotz each disclaim beneficial ownership of the ALC shares held directly or indirectly by Scotia Investments Limited.

(4) Based on a Schedule 13G filed with the Securities and Exchange Commission by Advisory Research, Inc.

(5) Based on a Schedule 13G filed with the Securities and Exchange Commission by Bandera Partners LLC, Gregory

Bylinsky,  
Jefferson Gramm  
and Andrew  
Shpiz. The  
Schedule 13G  
states that  
Bandera Partners  
LLC has sole  
voting and  
dispositive power  
and Gregory  
Bylinsky,  
Jefferson Gramm  
and Andrew  
Shpiz have shared  
voting and  
dispositive power  
over 825,822  
Class A shares.

- (6) Includes 5,334  
Class A shares  
Ms. Bebo has the  
right to acquire  
through the  
exercise of  
options.
- (7) Includes 4,002  
Class A shares  
the director has  
the right to  
acquire through  
the exercise of  
options, 2,668 of  
which become  
exercisable within  
sixty days.
- (8) Owned indirectly  
through the Bank  
of Nova Scotia  
and pledged as  
collateral for a  
bank line of  
credit.
- (9) Includes 4,002  
Class A shares  
Mr. Rhineland  
has the right to

acquire through the exercise of options (2,668 of which become exercisable within sixty days), 1,000 Class A shares held jointly with his spouse, and 1,430 Class A shares held as custodian for Mr. Rhinelander's minor children.

(10) Includes 2,667 shares Mr. Buono has the right to acquire through the exercise of stock options and 3,000 shares held jointly with his spouse, who is a partner in the law firm of Quarles & Brady LLP.

(11) Includes 1,334 shares the officer has the right to acquire through the exercise of stock options.

(12) Includes 47,485 Class A shares directors and executive officers have the right to acquire through the exercise of options, 21,344 of which become exercisable within sixty days.

Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934 for purposes of this Proxy Statement. It is not necessarily to be construed as beneficial ownership for other purposes.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### *Overview of Compensation Programs*

The compensation programs for executive officers consist principally of annual base salaries, annual performance-based cash bonus awards, long-term equity-based compensation awards, a defined contribution retirement program, an executive retirement program, a deferred compensation plan, and employment agreements.

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The Compensation/Nomination/Governance Committee of the Board of Directors is responsible for establishing, implementing and monitoring adherence to ALC's compensation philosophy. The Committee oversees ALC's compensation plans and practices, including its executive officer compensation plans and practices.

The Committee feels that base salary levels should be restrained with above average opportunities for incentive compensation as ALC's strategic goals are met. Accordingly, the Committee has focused on developing short- and long-term incentive compensation programs that reward the achievement of ALC's strategic objectives.

*Compensation Philosophy and Objectives*

The Committee believes ALC's compensation programs should reward the achievement of specific annual and long-term strategic goals and align executives' interests with the interests of stockholders by rewarding performance above established goals, with the ultimate objective of increasing stockholder value. The Committee evaluates both performance and compensation to ensure that ALC has the ability to attract and retain superior employees and that compensation levels remain competitive. It is the policy of the Committee to include provisions in performance-based compensation awards that provide for the recovery or repayment of awards if the relevant performance measure is restated or otherwise adjusted in a manner that would reduce the size of the award.

*Role of Management in Compensation Decisions* The Committee makes decisions regarding compensation for ALC's executive officers. The Committee considers recommendations from the Chief Executive Officer on annual base salaries, annual performance-based compensation, and equity-based compensation awards to executive officers (other than the Chief Executive Officer). The Committee can exercise its discretion in modifying any recommended compensation or awards to executive officers.

*Benchmarking* In connection with its review of ALC's executive compensation programs in 2009, the Committee reviewed the compensation practices of selected companies as disclosed in their proxy statements. The Committee requested that management prepare comparisons of compensation practices of five peer companies (Brookdale Senior Living, Inc., Capital Senior Living Corporation, Emeritus Corporation, Five Star Quality Care, Inc. and Sunrise Senior Living, Inc.) and one Wisconsin-based public company in a related industry and with a similar-sized market capitalization (The Marcus Corporation).

*Equity Ownership Guidelines* The Board has not established equity ownership guidelines for ALC's management.

*Equity-Based Compensation Grant Policy* It is the policy of the Board that no director or member of ALC's management shall backdate any equity award or manipulate the timing of any equity award or of the public release of material information with the intent of benefiting a grantee under an equity-based award. The Compensation/Nomination/Governance Committee has adopted written equity-based compensation grant policies and procedures.

The Committee expects to consider equity-based compensation grants to ALC employees annually under the terms of the 2006 Omnibus Incentive Compensation Plan. In addition to consideration of annual grants, the Committee recognizes that situations may arise during the course of the year that warrant equity-based compensation grants (off-cycle grants), including situations where ALC is seeking to hire new senior level employees or recognize employees for certain achievements.

Annual grants are considered by the Committee during the first quarter of each year. The grant date is the date of the Committee meeting unless the meeting date is before or within one business day following the date of ALC's public release of financial results for the previous fiscal year in which case the grant date is the second business day following such release of financial results. The exercise price corresponds to the market price of the stock on the grant date.

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Off-cycle grants may be granted as of the fifth business day of June, September or December, whichever next follows the date the grant is approved, provided that the grant date of any off-cycle grants made by the Committee at a meeting held on or after the fifth business day in December but before the Board's first quarter meeting shall be determined as if approved on the date of such Committee meeting. The vesting schedule of an off-cycle grant award can relate to the date of the commitment to make the grant (*e.g.*, the date of hire or promotion) instead of the grant date.

*2009 Compensation*

*Base Salary.* ALC provides executive officers and other employees with a base salary to compensate them for services rendered during the fiscal year. Base salary ranges for executive officers are determined for each executive based on his or her position and responsibility. Base salary ranges are designed so that salary opportunities for a given position will be between 80% and 125% of the midpoint of the base salary established for each salary range.

During its review of base salaries for executives, the Committee primarily considers the executive's compensation, both individually and relative to other officers, and individual performance of the executive.

Salary levels are typically considered annually as part of ALC's performance review process as well as upon a promotion or other change in job responsibility. Merit-based increases to salaries of executives are based on the Committee's assessment of the individual's performance.

*Cash Incentive Compensation.* ALC's performance-based cash incentive compensation program is an annual cash award program for ALC senior corporate and divisional management members based on annual operating results. For 2009, awards for senior corporate management members were conditioned on ALC as a whole achieving budgeted net income from continuing operations before income taxes, interest expense net of interest income, depreciation and amortization, equity-based compensation expense, transaction costs, non-cash, non-recurring gains and losses, including disposal of assets and impairment of goodwill and other long-lived assets, and rent expenses incurred for leased assisted living properties ( Adjusted EBITDAR ) targets while awards for divisional management members were based on achievement of a combination of corporate and divisional Adjusted EBITDAR targets. Adjusted EBITDAR is reported in ALC's publicly disclosed financial information and was selected as a performance measure for this program because it indicates earnings at residences. Targets ranged from 30% to 75% of base salary for the named executive officers. An additional incentive (stretch targets) of up to 10% of base salary may be awarded for exceeding budgeted Adjusted EBITDAR targets. Achievement of 90% of the performance targets entitled participants to awards equal to 90% of target amounts. No awards are made under ALC's performance-based cash incentive compensation program for performance below the 90% level.

The performance-based cash incentive compensation program gives ALC the ability to design cash incentives to promote high performance and achieve corporate goals, encourage growth of stockholder value, and allow managers to share in ALC's growth and profitability. For 2009, fourteen employees (including the officers included in the Summary Compensation Table) were eligible to receive awards under this performance-based cash incentive compensation program.

During the first quarter of each year, the Committee determines whether target levels for the previous year were achieved and sets target levels for corporate and divisional financial objectives and base salary percentages for the current year. For 2009, the performance targets for executive officers under the performance-based cash incentive compensation program were \$69.4 million of Adjusted EBITDAR and an Adjusted EBITDAR margin percentage (defined as total revenues divided by Adjusted EBITDAR) of 29.0%. For purposes of the performance-based cash compensation program, Adjusted EBITDAR and Adjusted EBITDAR margin are further adjusted to account for changes in the number of residential units during the year. Both threshold targets must be achieved in order to qualify for an award. The Committee determined that, based upon ALC financial results for 2009, corporate results for purposes of the performance-based cash compensation program for 2009 were \$74.2 million 32.1%. Accordingly, the Committee determined that the corporate performance targets under the 2009 Cash Incentive Compensation Program were achieved and the stretch targets for the named executive officers were achieved at the 107% level. The Committee has discretion to reduce but not to increase any awards under the performance-based cash incentive compensation program whenever the Committee determines that particular circumstances so warrant. The Committee also has discretion to grant additional bonuses that do not qualify as performance-based compensation for purposes of



Section 162(m) of the Internal Revenue Code.

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*Long-term Incentive Compensation.* The Committee believes that long-term incentive compensation programs are important elements of an overall compensation package because they encourage participants to focus on long-term ALC performance. Equity-based long-term incentive compensation programs also can increase the stake of executives in ALC and further align the interests of executives with the interests of stockholders.

On February 22, 2009, the Committee granted a total of 95,000 tandem options and stock appreciation rights to senior ALC managers, including the officers named in the summary compensation table. The tandem options and stock appreciation rights have both time vesting and performance vesting features. The grants provided that one-fifth of the awards vest February 22, 2010 and up to four-fifths of the grants would vest in 2010 if specific performance goals related to increasing private pay occupancy were attained in 2009. The number of tandem options and stock appreciation rights granted to each of the officers named in the summary compensation table was determined by the Committee based on each individual's role in achieving the performance targets and the relative retention value of the grants as recommended by the Chair of the Committee. The performance targets for the performance-based portion of the 2009 equity-based compensation awards were to increase private pay occupancy. One-fourth of the performance-based portion of the grants would vest if average private pay occupancy for the month of December 2009 equaled 5,425 and all of the performance-based portion of the awards would vest if average private pay occupancy for the month of December 2009 equaled or exceeded 5,600. Achievement of defined performance targets between 5,425 and 5,600 would result in vesting from half to three-fourths of the performance-based portion of the awards. The Committee has determined that the target for three-fourths of the performance-based portion of the awards was achieved. As a result, a total of 76,000 tandem options and stock appreciation rights awarded to ALC employees in 2009 vested and 19,000 expired without becoming exercisable. The vested tandem options and stock appreciation rights become exercisable in one-third annual increments beginning February 22, 2010 and expire February 22, 2014. Accordingly, 25,337 of the awards became exercisable February 22, 2010. Once exercisable, the awards may be exercised either by exercising the stock option and purchasing shares of Class A Common Stock at the exercise price or exercising the related stock appreciation right. The Committee has sole discretion to determine whether stock appreciation rights are settled in shares of Class A Common Stock, cash or a combination of Class A Common Stock and cash.

The Committee will continue to discuss the design of long-term incentive compensation programs and expects that future awards will include multi-year programs tied to ALC's long-term strategic objectives as those objectives are further refined.

*Discretionary Bonus Compensation.* As noted above, the Committee determined that the corporate performance targets under the 2009 Cash Incentive Compensation Program were achieved. While the Committee has discretion to grant additional bonuses, the Committee elected not to award discretionary bonuses for 2009.

*Retirement and Deferred Compensation Benefits.* ALC maintains an Executive Retirement Program and a Deferred Compensation Plan for the named executive officers and certain other key employees. ALC also provides a 401(k) plan to which ALC contributes 25% on a matching basis of employee contributions up to the first 6% of the employees' pretax contributions. For highly compensated employees (as defined in the 401(k) plan), the match is limited to 4% of up to \$225,000 of annual earnings. ALC matching contributions vest according to the number of years of employment with ALC as follows: 20% after two years; 40% after three years; 70% after four years; and 100% after five years. ALC provides the 401(k) plan, the Executive Retirement Program and the Deferred Compensation Plan because it believes that these programs help attract and retain key employees.

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Under the Executive Retirement Program, ALC makes a book entry to an account each month equal to 10% of the participant's base monthly salary. Participants are not allowed to make contributions to the Executive Retirement Program. Accounts are credited with deemed earnings as if it were invested in investment funds designated by the participant from a list of funds determined by the plan administrator. Participants' interests in the accounts vest according to the number of years of employment with ALC as follows: 20% after two years; 40% after three years; 70% after four years; and 100% after five years. A participant's interest in an account also vests upon the death or disability of the participant. Withdrawals or distributions are not allowed while the executive remains an ALC employee. Following a participant's separation from ALC for any reason, the participant's vested interest in the account is paid to the participant (or the participant's beneficiary in the event of the participant's death) either in a lump sum or in five, ten or twenty annual installments, as elected by the participant. Payments for reasons other than death are not started until at least six months after separation.

ALC also offers a Deferred Compensation Plan which allows designated key employees to elect annually to defer up to 10% of their base salaries. Compensation deferred is retained by ALC and credited to participants' deferral accounts. ALC credits participants' accounts with matching contributions equal to 50% of participants' elective deferrals. Participants are fully vested in their deferral accounts as to amounts they elect to defer. Participants' interests in amounts ALC credits to their accounts as matching contributions vest according to the number of years of employment with ALC as follows: 20% after two years; 40% after three years; 70% after four years; and 100% after five years. The deferral and matching accounts are credited with interest at the prime rate. During employment, amounts are payable from an executive's account only in the case of financial hardship due to unforeseen emergency. Following a participant's separation from ALC for any reason, the participant's vested interest in the account is paid to the participant (or the participant's beneficiary in the event of the participant's death) either in a lump sum or in five, ten or twenty annual installments, as elected by the participant. Payments for reasons other than death are not started until at least six months after separation.

*Perquisites and Other Personal Benefits.* ALC provides the named executive officers with perquisites and other personal benefits that ALC and the Compensation/Nomination/Governance Committee believe are reasonable and consistent with the overall compensation program to allow ALC to attract and retain key employees. The Committee periodically reviews the levels of perquisites and other personal benefits of the named executive officers and currently feels that perquisites and other personal benefits for ALC executives should be limited. Accordingly, ALC executives are not given perquisites or other personal benefits that are not made available to ALC employees generally except for the rental of an automobile in the case of the Chief Executive Officer, a monthly automobile allowance in the case of other executives, and long-term care and supplemental long-term disability insurance for certain of the executives. Premiums attributable to the insurance programs are grossed-up so that executives realize no net taxable income as a result of the provision of these policies.

*Employment Agreements.* In connection with ALC becoming an independent, publicly traded company in 2006, ALC entered into employment agreements with certain key employees, including the named executive officers. The agreements were modified in 2008. Termination benefits under the agreements are triggered if ALC terminates an agreement without cause or if a covered employee terminates his or her employment after the employee's work location is shifted more than 50 miles or if the employee's base salary is reduced by 5% or more (or, in the case of Ms. Bebo and Mr. Buono, if the employee's duties and responsibilities are materially diminished), in each instance, if the employee notifies ALC in writing within 30 days of the change that he or she objects to the change and ALC does not rescind the change within 30 days of receiving the employee's notice. These trigger events were chosen to help retain these key employees and to assure key employees that they could apply their full attention to ALC's business. The employment agreements were designed to promote stability and continuity of senior management. Termination benefits under the employment agreements include: (i) any earned but unpaid salary; (ii) one year base salary (two years in the case of Ms. Bebo); (iii) 150% of target bonus (225% of base salary in the case of Ms. Bebo); (iv) one year auto allowance (two years of auto lease payments in the case of Ms. Bebo); (v) one year (two years in the case of Ms. Bebo) company contributions to deferred compensation plans; and (vi) up to one year (eighteen months in the case of Ms. Bebo) COBRA premiums. Except for any earned but unpaid salary at the time of termination, benefits under the employment agreements would be paid out monthly over a one-year (two-year in the case of Ms. Bebo)

period. Information regarding potential payments under the agreements for the named executive officers is provided under the heading Employment Contracts and Termination of Employment and Change-in Control Agreements. Payment of termination benefits is contingent on the employee executing a release and complying with non-disclosure, non-competition and non-solicitation covenants for a period of two years following termination of employment.

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*Section 162(m) Limitations.* Section 162(m) of the Internal Revenue Code limits the tax deductibility of certain executive officers' compensation that exceeds \$1 million per year unless certain requirements are met. The Compensation/Nomination/Governance Committee intends to qualify a sufficient amount of compensation to ALC's executive officers so that Section 162(m) of the Code will not adversely impact ALC.

**Summary Compensation Table for Fiscal 2009**

The following table sets forth certain information regarding compensation paid by ALC to the named executive officers, and one additional officer who is a key employee but not an executive officer, for services rendered in all capacities to ALC at any time during 2007, 2008 and 2009. The Board of Directors determined that the executive officers at the end of 2009 were Ms. Bebo, Mr. Buono, Mr. Fonstad and Mr. Levonowich.

**Summary Compensation Table**

| Name and Principal Position  | Year | Salary (\$) | Bonus (\$) | Option Awards (\$) <sup>(1)</sup> | Change in Pension Value and Non-Equity Incentive Plan |  | All Other Compensation (\$) <sup>(3)</sup> | Total (\$) |
|--|------|-------------|------------|-----------------------------------|---|--|--|------------|
|  |      |             |            |                                   | Non-Equity Incentive Plan Compensation (\$)           | Deferred Compensation Earnings (\$) <sup>(2)</sup> |  |            |
| Laurie A. Bebo<br><i>President &amp; Chief Executive Officer</i>                             | 2009 | 424,400     | 0          | 171,000                           | 340,185   | 0  | 93,387                                     | 1,028,972  |
|  | 2008 | 410,000     | 0          | 258,000                           |   | 0  | 77,289                                     | 745,289    |
|  | 2007 | 400,000     | 130,000    | 420,700                           |   | 3,172  | 85,481                                     | 1,039,353  |
| John Buono<br><i>Senior Vice President, Chief Financial Officer &amp; Treasurer</i>          | 2009 | 259,600     | 0          | 85,500                            | 138,724   | 16,764   | 54,754                                     | 555,342    |
|  | 2008 | 250,000     | 0          | 129,000                           |   | 0  | 58,473                                     | 437,473    |
|  | 2007 | 240,000     | 60,000     | 240,400                           |   | 131  | 53,027                                     | 593,558    |
| Eric B. Fonstad<br><i>Senior Vice President, General Counsel &amp; Secretary</i>             | 2009 | 162,200     | 0          | 42,750                            | 60,673  | 0  | 37,948                                     | 303,571    |
|  | 2008 | 156,250     | 0          | 64,500                            |   | 5  | 37,930                                     | 258,685    |
|  | 2007 | 150,000     | 15,000     | 183,300                           |   | 789  | 36,633                                     | 385,722    |
| Walter A. Levonowich<br><i>Vice President &amp; Controller</i>                               | 2009 | 163,600     | 0          | 42,750                            | 52,455  | 1,946  | 38,100                                     | 298,851    |
|  | 2008 | 157,230     | 0          | 64,500                            |   | 0  | 9,255                                      | 230,985    |
|  | 2007 | 153,375     | 30,000     | 183,300                           |   | 9,027  | 38,676                                     | 414,378    |
| Terrance Usher <sup>(4)</sup><br><i>Divisional Vice President, Midwest Atlantic Division</i> | 2009 | 190,550     | 0          | 64,125                            | 50,913  | 42,876   | 45,999                                     | 394,463    |
|  | 2008 | 189,625     | 0          | 96,750                            |   | 0  | 48,293                                     | 334,668    |
|  | 2007 | 185,000     | 25,000     | 183,300                           |   | 12,574   | 47,622                                     | 453,496    |

**Notes**

(1) Represents the aggregate grant

date fair value of tandem stock options/stock appreciation rights granted during the year computed in accordance with Accounting Standards Codification Topic 718. The assumptions made in these valuations can be found in the Long-Term Equity-Based Compensation Program footnote to the financial statements in ALC's Annual Report on Form 10-K. Four-fifths of the awards for 2009 were subject to performance conditions. All of the awards in 2007 and 2008 were subject to performance conditions. The ultimate value of these awards depends upon, among other things, the number of awards that vest (based upon actual performance as compared to pre-defined goals). The amount listed is the maximum value of the awards at the grant date assuming that the highest level of performance condition was achieved. The

actual value, if any, that a recipient will realize will depend on the excess of the market price of our common stock over the exercise price on the date the award is exercised, which cannot be forecasted with reasonable accuracy. Tandem stock options/stock appreciation rights granted in 2007 and 2008 were forfeited without becoming exercisable because the performance-based vesting conditions for those awards were not achieved.

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- (2) Represents above market earnings on deferred compensation benefit and defined contribution retirement benefit accounts.
- (3) The All Other Compensation column includes the following dollar amounts of perquisites and other benefits for 2009.

| Name                         | ALC Contributions to  |                              | ALC Contributions to          |                                  | Long-Term Care & Supplemental  | Tax                   | Total     |
|------------------------------|-----------------------|------------------------------|-------------------------------|----------------------------------|--------------------------------|-----------------------|-----------|
|                              | Car Rental/ Allowance | Executive Retirement Program | to Deferred Compensation Plan | ALC Contributions to 401(k) Plan | Long-Term Disability Insurance | Gross Up on Insurance |           |
| Laurie A. Bebo               | \$ 24,832             | \$ 42,233                    | \$ 21,117                     | \$ 2,450                         | \$ 1,626                       | \$ 1,129              | \$ 93,387 |
| John Buono                   | \$ 7,800              | \$ 25,833                    | \$ 12,917                     | \$ 2,450                         | \$ 2,758                       | \$ 2,996              | \$ 54,754 |
| Eric B. Fonstad<br>Walter A. | \$ 7,800              | \$ 16,142                    | \$ 7,875                      | \$ 1,614                         | \$ 1,759                       | \$ 2,758              | \$ 37,948 |
| Levonowich                   | \$ 7,800              | \$ 16,280                    | \$ 8,140                      | \$ 1,628                         | \$ 2,401                       | \$ 1,851              | \$ 38,100 |
| Terrance Usher               | \$ 9,600              | \$ 19,055                    | \$ 9,528                      | \$ 1,906                         | \$ 3,075                       | \$ 2,835              | \$ 45,999 |

- (4) Mr. Usher is one of four Divisional Vice Presidents and one of our key employees.

As noted above, the Board has determined that ALC has four executive officers. Information regarding Mr. Usher's compensation is included in the table and the following sections on compensation in order to provide stockholders with additional information about ALC's compensation practices for significant employees.

**2009 Grants of Plan-Based Awards**



The following table provides information regarding awards during 2009 under ALC's annual performance-based cash incentive compensation program ( ACI ) and long-term incentive compensation program ( LTI ) to the individuals named in the Summary Compensation Table.

**Grants of Plan-Based Awards**

| Name                 | Grant Date        | Type of Award: | Estimated Possible Future |  |                | Estimated Possible Future |                                    |                    | All Other Option Awards | Exercise or Base Price | Closing Market Price | Grant Date | Fair Value of Stock and Option Awards |
|----------------------|-------------------|----------------|---------------------------|--|----------------|---------------------------|------------------------------------|--------------------|-------------------------|------------------------|----------------------|------------|---------------------------------------|
|                      |                   |                | Annual Cash Incentive     | Payouts Under Non-Equity Incentive Plan Awards | Future Payouts | Future Payouts            | Under Equity Incentive Plan Awards | Underlying Options |                         |                        |                      |            |                                       |
|                      |                   |                | Threshold                 | Target   | Maximum        | Threshold                 | Target                             | Maximum            | (#)                     | (\$/Sh)                | (\$/Sh)              |            |                                       |
| Laurie A. Bebo       | February 22, 2009 | ACI            | 286,443                   | 318,270  | 350,097        |                           |                                    |                    |                         |                        |                      |            |                                       |
|                      |                   | LTI            |                           |  |                | 4,000                     | 12,000                             | 16,000             | 4,000                   | 15.35                  | 16.60                |            | \$ 171,000                            |
| John Buono           | February 22, 2009 | ACI            | 116,802                   | 129,780  | 142,758        |                           |                                    |                    |                         |                        |                      |            |                                       |
|                      |                   | LTI            |                           |  |                | 2,000                     | 6,000                              | 8,000              | 2,000                   | 15.35                  | 16.60                |            | \$ 85,500                             |
| Eric B. Fonstad      | February 22, 2009 | ACI            | 51,101                    | 56,779   | 62,457         |                           |                                    |                    |                         |                        |                      |            |                                       |
|                      |                   | LTI            |                           |  |                | 1,000                     | 3,000                              | 4,000              | 1,000                   | 15.35                  | 16.60                |            | \$ 42,750                             |
| Walter A. Levonowich | February 22, 2009 | ACI            | 44,169                    | 49,077   | 53,985         |                           |                                    |                    |                         |                        |                      |            |                                       |
|                      |                   | LTI            |                           |  |                | 1,000                     | 3,000                              | 4,000              | 1,000                   | 15.35                  | 16.60                |            | \$ 42,750                             |
| Terrance Usher       | February 22, 2009 | ACI            | 85,748                    | 95,275   | 104,803        |                           |                                    |                    |                         |                        |                      |            |                                       |
|                      |                   | LTI            |                           |  |                | 1,500                     | 4,500                              | 6,000              | 1,500                   | 15.35                  | 16.60                |            | \$ 64,125                             |

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The Grant Date Fair Value of Stock and Option Awards represents the aggregate grant date fair value of tandem stock options/stock appreciation rights granted during the year computed in accordance with Accounting Standards Codification Topic 718. The assumptions made in these valuations can be found in the Long-Term Equity-Based Compensation Program footnote to the financial statements in ALC's Annual Report on Form 10-K. The Compensation/Nomination/Governance Committee of the Board has determined that four-fifths of the grants vested and become exercisable in one-third annual increments beginning February 22, 2010. The remaining one-fifth expired. The actual value, if any, that a recipient will realize upon exercise of an option/stock appreciation right will depend on the excess of the market price of our common stock over the exercise price on the date the option/stock appreciation right is exercised, which cannot be forecasted with reasonable accuracy. The exercise price is lower than the closing market price on the grant date because the awards specified that the exercise price would be determined on the second full trading day following release of year-end financial results.

**Outstanding Equity Awards at Fiscal Year-End; Option Exercises and Stock Vested in 2009**

The following table provides information about equity awards that were outstanding at fiscal year-end. There were no option exercises or stock vesting for any of the named executive officers during 2009.

**Outstanding Equity Awards at Fiscal Year-End<sup>(1)</sup>**

| Name                 | Number<br>of<br>Securities<br>Underlying<br>Unexercised<br>Options | Number of<br>Securities<br>Underlying<br>Unexercised<br>Options | Equity Incentive Plan<br>Awards: Number of<br>Securities Underlying<br>Unexercised<br>Unearned<br>Options (#) |         | Option<br>Exercise<br>Price<br>(\$) | Option<br>Expiration<br>Date |
|----------------------|--|---|---|---------|-------------------------------------|------------------------------|
|                      | (#)<br>Exercisable   | (#)<br>Unexercisable  | Threshold   | Maximum |                                     |                              |
| Laurie A. Bebo       | 0  | 4,000   | 4,000   | 16,000  | 15.35                               | February 22,<br>2014         |
| John Buono           | 0  | 2,000   | 2,000   | 8,000   | 15.35                               | February 22,<br>2014         |
| Eric B. Fonstad      | 0  | 1,000   | 1,000   | 4,000   | 15.35                               | February 22,<br>2014         |
| Walter A. Levonowich | 0  | 1,000   | 1,000   | 4,000   | 15.35                               | February 22,<br>2014         |
| Terrance Usher       | 0  | 1,500   | 1,500   | 6,000   | 15.35                               | February 22,<br>2014         |

**Notes**

- (1) As discussed in the Compensation Discussion and Analysis, the Compensation/Nomination/Governance Committee determined that performance targets for these awards were partially achieved and, consequently, four-fifths of the total number of awards vested on February 22, 2010, and one-fifth expired without becoming vested. The awards become exercisable in one-third increments on each of the first three

anniversaries of the grant date.

### Nonqualified Defined Contribution Plans

The following table provides information regarding ALC's defined contribution retirement plans, the Executive Retirement Program ( ERP ) and the Deferred Compensation Plan ( DCP ). ALC does not maintain defined benefit retirement plans.

#### 2009 Nonqualified Deferred Compensation

| Name                 | Plan | Executive     | Registrant                | Aggregate                 | Aggregate     | Aggregate                  |
|----------------------|------|---------------|---------------------------|---------------------------|---------------|----------------------------|
|                      |      | Contributions | Contributions             | Earnings                  | Withdrawals/  | Balance                    |
|                      |      | in Last FY    | in Last FY <sup>(1)</sup> | in Last FY <sup>(2)</sup> | Distributions | at Last FYE <sup>(3)</sup> |
|                      |      | (\$)          | (\$)                      | (\$)                      | (\$)          | (\$)                       |
| Laurie A. Bebo       | ERP  |               | 42,233                    | 1,633                     | 0             | 300,348                    |
|                      | DCP  | 42,233        | 21,117                    | 10,053                    | 0             | 347,900                    |
| John Buono           | ERP  |               | 25,833                    | 19,320                    | 0             | 78,661                     |
|                      | DCP  | 25,833        | 12,917                    | 3,441                     | 0             | 128,055                    |
| Eric B. Fonstad      | ERP  |               | 16,142                    | 237                       | 0             | 50,710                     |
|                      | DCP  | 16,142        | 7,875                     | 2,084                     | 0             | 73,526                     |
| Walter A. Levonowich | ERP  |               | 16,280                    | 3,860                     | 0             | 52,044                     |
|                      | DCP  | 16,280        | 8,140                     | 16,460                    | 0             | 527,926                    |
| Terrance Usher       | ERP  |               | 19,055                    | 51,625                    | 0             | 227,189                    |
|                      | DCP  | 19,055        | 9,528                     | 12,503                    | 0             | 395,617                    |

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**Notes**

- (1) Amounts in the Registrant Contributions in Last FY column are included in the All Other Compensation column of the Summary Compensation Table for 2009.
  
- (2) The following amounts listed in the Aggregate Earnings in Last FY column are considered above market earnings: \$16,764 for Mr. Buono; \$1,946 for Mr. Levonowich; and \$42,876 for Mr. Usher. These amounts are included in the Change in Pension Value and Deferred Compensation Earnings column of the Summary Compensation Table for 2009.
  
- (3) The following amounts in the Aggregate Balance at Last FYE column were previously reported in the Summary Compensation Table for previous years:

Ms. Bebo,  
 \$256,482  
 Executive  
 Retirement and  
 \$274,496  
 Deferred  
 Compensation;  
 Mr. Buono,  
 \$33,508  
 Executive  
 Retirement and  
 \$85,864 Deferred  
 Compensation;  
 Mr. Fonstad,  
 \$34,331  
 Executive  
 Retirement and  
 \$47,817 Deferred  
 Compensation;  
 Mr. Levonowich,  
 \$31,903  
 Executive  
 Retirement and  
 \$487,045  
 Deferred  
 Compensation;  
 and Mr. Usher,  
 \$156,509  
 Executive  
 Retirement and  
 \$354,532  
 Deferred  
 Compensation.

ALC's defined contribution retirement plan for executives, the Executive Retirement Program, provides for a book entry to an account each month equal to 10% of the participant's base monthly salary. Executives are not allowed to make contributions to the Executive Retirement Program. Accounts are credited with deemed earnings as if it were invested in investment funds designated by the participant from a list of funds determined by the plan administrator. Participants may prospectively elect to reallocate their accounts among investment funds at times established by the plan administrator, which shall be no less frequently than quarterly. Participants' interests in the accounts vest according to the number of years of employment with ALC as follows: 20% after two years; 40% after three years; 70% after four years; and 100% after five years. A participant's interest in an account also vests upon the death or disability of the participant. The individuals listed in the summary compensation table are vested in their plan accounts as follows: Ms. Bebo 100%; Mr. Buono 40%; Mr. Fonstad 40%; Mr. Levonowich 100%; and Mr. Usher 100%. Withdrawals or distributions are not allowed while the executive remains an ALC employee. Following a participant's separation from ALC for any reason, the participant's vested interest in the account is paid to the participant (or the participant's beneficiary in the event of the participant's death) either in a lump sum or in five, ten or twenty annual installments, as elected by the participant. Payments for reasons other than death do not begin until at least six months after separation.

ALC also sponsors a Deferred Compensation Plan that allows participating executives to elect to defer up to 10% of their base salaries. Compensation deferred is retained by ALC and credited to the participant's deferral account. The Deferred Compensation Plan credits participants' accounts with matching contributions equal to 50% of participants

elective deferrals. Participants are fully vested in their deferral accounts as to amounts they elect to defer. Participants interests in amounts ALC credits to their accounts as matching contributions vest according to the number of years of employment with ALC as follows: 20% after two years; 40% after three years; 70% after four years; and 100% after five years. Withdrawals or distributions are not allowed while the executive remains an ALC employee other than the case of financial hardship due to unforeseen emergency. Following a participant's separation from ALC for any reason, the participant's interest in the account is paid to the participant (or the participant's beneficiary in the event of the participant's death) either in a lump sum or in five, ten or twenty annual installments, as elected by the participant. Payments for reasons other than death do not begin until at least six month after separation. The deferral and matching accounts are bookkeeping accounts only and are credited with interest at the prime rate.

**Employment Contracts and Termination of Employment and Change-in-Control Agreements**

Please see the Compensation Discussion and Analysis above for a discussion of the terms of employment agreements entered into between ALC and the individuals listed in the summary compensation table. The approximate dollar amounts that would have been payable to the individuals listed in the summary compensation table under the provisions of the employment agreements if the respective executive's employment had been terminated as of December 31, 2009, by ALC for reasons other than cause, death or disability are: Ms. Bebo \$2,168,608; Mr. Buono \$610,964; Mr. Fonstad \$334,527; Mr. Levonowich \$324,546; and Mr. Usher \$457,346. These amounts include the following values for outstanding stock options/stock appreciation rights (which under the terms of the 2006 Omnibus Incentive Compensation Plan would become immediately vested and fully exercisable in the event of a change of control of ALC): Ms. Bebo \$220,000; Mr. Buono \$110,000; Mr. Fonstad \$55,000; Mr. Levonowich \$55,000; and Mr. Usher \$87,500. Not included are vested amounts under deferred compensation programs which would be paid in accordance with their terms and reimbursement of up to one year (eighteen months in case of Ms. Bebo) of COBRA premiums of approximately \$1,200 per month that might be paid by the executives following termination of employment.

**Table of Contents****COMPENSATION COMMITTEE REPORT**

In accordance with its written Charter adopted by the Board of Directors, the Compensation/Nomination/ Governance Committee has oversight responsibility for compensation matters. The Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement and, based on that review and discussion, recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

The foregoing report has been approved by all members of the Committee.

Derek H.L. Buntain, Chair

Alan Bell

Michael J. Spector

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets forth securities authorized for issuance under equity compensation plans as of December 31, 2009. As discussed in the Compensation Discussion and Analysis, the performance targets related to 19,000 of the tandem stock options/stock appreciation rights granted to employees in 2009 were not achieved and those grants expired in 2010 without becoming exercisable. Tandem stock options/stock appreciation rights with respect to 76,000 tandem stock options/stock appreciation rights granted to employees in 2009 and all 64,000 tandem stock options/stock appreciation rights granted to directors in 2008 and 2009 remain outstanding.

|  | <b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b><br>(a) | <b>Weighted-average exercise price of outstanding options, warrants and rights</b><br>(b) | <b>Number of securities remaining available for future issuance under equity compensation plans</b><br><br>(excluding securities reflected in column (a))<br>(c) |
|--|---|---|--|
| Equity compensation plans approved by security holders     | 159,000   | \$ 18.96  | 641,000  |
| Equity compensation plans not approved by security holders |   |   |  |
| <b>Total</b>   | <b>159,000</b>  | <b>\$ 18.96</b>   | <b>641,000</b>   |

The 2006 Omnibus Incentive Compensation Plan was initially approved by ALC's sole stockholder in 2006 and approved again by ALC stockholders at the 2008 annual meeting. The plan provides for the grant of equity incentive compensation awards and non-equity incentive compensation awards to ALC directors, officers, employees or consultants (including prospective directors, officers, employees or consultants). The plan provides for the grant of options, stock appreciation rights, restricted stock awards, restricted stock units, performance units, cash incentive awards and other equity-based or equity-related awards. The plan is administered by the Compensation/Nominating/Governance Committee.

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The aggregate number of shares of our Class A Common Stock that may be delivered pursuant to awards granted under the plan is 800,000, subject to anti-dilution adjustments as provided in the plan. If an award granted under the plan is forfeited, or otherwise expires, terminates or is canceled without the delivery of shares, then the shares covered by the award will again be available to be awarded. In general, if shares are surrendered or tendered in payment of the exercise price of an award or any taxes required to be withheld in respect of an award, the surrendered or tendered shares become available to be awarded under the plan. Unless otherwise specified in the applicable award agreement, options vest and become exercisable in 25% increments on each of the first four anniversaries of the date of grant. Since 2006, all award agreements for option grants under the 2006 Omnibus Incentive Compensation have specified that, subject to any performance-based vesting requirements, the options vest and become exercisable in one-third increments on each of the first three anniversaries of the date of grant.

In the event of a change of control of ALC, unless provision is made in connection with the change of control for assumption, or substitution of, awards previously granted and unless otherwise provided in an award agreement: (i) any options and stock appreciation rights outstanding as of the date the change of control become fully exercisable and vested immediately prior to such change of control; (ii) all performance units and cash incentive awards are paid out as if the date of the change of control were the last day of the applicable performance period and target performance levels had been attained; and (iii) all other outstanding awards are automatically deemed vested and exercisable and all restrictions and forfeiture provisions lapse.

### **CERTAIN BUSINESS RELATIONSHIPS; RELATED PERSON TRANSACTIONS**

The Board of Directors recognizes that related person transactions (generally, transactions between an officer or director or members of their immediate families and entities ALC does business with or which own a significant amount of ALC's voting stock) may raise questions among stockholders as to whether those transactions are consistent with the best interests of ALC and its stockholders. It is ALC's policy to enter into or ratify a related person transaction only when the Board, acting through the Audit Committee, determines that the transaction in question is in, or is not inconsistent with, the best interests of ALC and its stockholders.

The Audit Committee has adopted written policies and procedures for the review, approval, or ratification of related person transactions. The Committee reviews the material facts of related person transactions and either approves or disapproves of the entry into the transactions. If advance Committee approval is not feasible, then the transaction may be ratified at the Committee's next regularly scheduled meeting. In determining whether to approve or ratify a transaction, the Committee takes into account, among other factors it deems appropriate, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the officer, director or family member interest in the transaction. No director may participate in any discussion or approval of a transaction for which he or she is a related person, except that the director is required to provide all material information concerning the transaction to the Audit Committee. If a transaction is ongoing, the Audit Committee may establish guidelines for ALC's management to follow in its ongoing dealings with the related person. The Audit Committee has reviewed and pre-approved certain types of related person transactions, including ordinary course compensation of officers and directors, transactions with other companies where the interest of the related person and the size of the transaction are limited, certain charitable transactions, transactions where all stockholders receive proportional rights, and certain banking-related services.

Other than transactions with Extencicare Real Estate Investment Trust (formerly Extencicare Inc.) ( Extencicare ) discussed below, there were no related person transactions in 2009 that are required to be disclosed under Item 404(a) of Regulation S-K. Prior to November 10, 2006, ALC was wholly-owned by Extencicare. Following that date, none of ALC's voting stock was owned by Extencicare. In connection with the separation of ALC from Extencicare, the two companies entered into agreements in respect of the allocation of liabilities between the companies and certain services to be provided by Extencicare to ALC on an arms length basis and which are subject to a formal arbitration process if disputes arise. In 2009, Extencicare provided services to ALC primarily related to payroll and benefit services. These agreements are discussed in more detail in ALC's proxy statement for the 2009 annual meeting of stockholders. Our Vice Chairman, Mr. Rhinelander, is also a trustee and Chairman of Extencicare. The Board determined that Mr. Rhinelander's roles as Chairman of Extencicare and as Vice Chairman of ALC do not interfere with the exercise of his independent judgment and independence from the management of ALC.





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**AUDIT COMMITTEE REPORT**

In accordance with its written Charter adopted by the Board of Directors, the Audit Committee has oversight responsibility for the quality and integrity of the financial reporting, disclosure controls and procedures, and internal control and procedure practices of ALC. While the Audit Committee has oversight responsibility, the primary responsibility for ALC's financial reporting, disclosure controls and procedures, and internal controls and procedures rests with management, and with ALC's independent auditors responsible for auditing ALC's financial statements. In discharging its oversight responsibility as to the audit process, the Audit Committee has received from Grant Thornton LLP the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding communications with the Audit Committee concerning independence, discussed with the independent auditors any relationships that may impact their objectivity and independence, and satisfied itself as to the independent auditors' independence. The Audit Committee also discussed with management, the internal auditors, and the independent auditors the quality and adequacy of ALC's internal controls and the internal audit group. The Audit Committee reviewed with both the independent and the internal auditors their audit plans, audit scope, and identification of audit risk.

The Audit Committee discussed and reviewed with Grant Thornton LLP all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61 and Rule 2-07 of Regulation S-X and, with and without management present, discussed and reviewed the results of the independent auditors' examination of the financial statements. The Audit Committee also discussed the results of the internal audit examinations.

The Audit Committee reviewed the audited financial statements of ALC contained in its annual report on Form 10-K for the fiscal year ended December 31, 2009 with management and the independent auditors. Based on this review and discussion with management, the internal auditors and the independent auditors, the Audit Committee recommended to the Board of Directors that ALC's audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the Securities and Exchange Commission.

The foregoing report has been approved by all members of the Audit Committee.

Malen S. Ng, Chair

Alan Bell

Jesse C. Brotz

Derek H. L. Buntain

Charles H. Roadman II, MD

**PROPOSAL 2: PROPOSAL RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

The Audit Committee has appointed Grant Thornton LLP ( Grant Thornton ), independent registered public accountants, to be our principal independent auditors and to audit our consolidated financial statements for the year 2010 and has further directed that the appointment of Grant Thornton be submitted for ratification by our stockholders. Grant Thornton has served as our independent registered public accounting firm since October 16, 2006, and has reported on our consolidated financial statements since then.

A representative of Grant Thornton is expected to be present at the annual meeting and will be given the opportunity to make a statement and to respond to questions that may be asked by stockholders.

The Audit Committee has the responsibility for the selection of our independent auditors. Although stockholder ratification is not required for the selection of Grant Thornton, and although such ratification will not obligate us to continue the services of such firm, the Board of Directors is submitting the selection for ratification with a view towards soliciting our stockholders' opinion thereon, which may be taken into consideration in future deliberations. If the appointment is not ratified, the Audit Committee must then determine whether to appoint other auditors before the end of the current fiscal year and, in such case, our stockholders' opinions would be taken into consideration.

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**The Board of Directors unanimously recommends a vote FOR the ratification of Grant Thornton as our independent auditors.**

**FEES PAID TO INDEPENDENT AUDITORS**

The Audit Committee retained Grant Thornton as independent registered public accountants to audit ALC's consolidated financial statements for the fiscal year ended December 31, 2009, and for the fiscal year ending December 31, 2010.

The following table summarizes fees for professional services rendered to ALC by Grant Thornton for the fiscal years ended December 31, 2009 and 2008, respectively.

| <b>Fees</b>        | <b>2009</b> | <b>2008</b> |
|--------------------|-------------|-------------|
| Audit Fees         | \$ 227,100  | \$ 210,805  |
| Audit-Related Fees |             |             |
| Tax Fees           |             |             |
| All Other Fees     |             |             |
| Total              | \$ 227,100  | \$ 210,805  |

*Audit Fees.* For the fiscal years ended December 31, 2009 and 2008, the Audit Fees reported above were billed by Grant Thornton for professional services rendered for the audit of ALC's annual financial statements, reviews of ALC's quarterly financial statements, and for services normally provided by the independent auditors in connection with statutory and regulatory filings and engagements.

*Audit-Related Fees.* No Audit-Related Fees were billed by Grant Thornton for the fiscal years ended December 31, 2009 and 2008.

*Tax Fees.* No Tax Fees were billed by Grant Thornton for the fiscal years ended December 31, 2009 and 2008.

*All Other Fees.* For the fiscal years ended December 31, 2009 and 2008, there were no other fees billed by Grant Thornton for professional services rendered for assistance not related to Audit Fees, Audit-Related Fees or Tax Fees.

*Pre-Approval Policy and Independence*

The Audit Committee has a policy requiring the pre-approval of all audit and permissible non-audit services provided by ALC's independent auditors. Under the policy, the Audit Committee is to specifically pre-approve any recurring audit and audit-related services to be provided during the following fiscal year. The Audit Committee also may generally pre-approve, up to a specified maximum amount, any nonrecurring audit and audit-related services for the following fiscal year. All pre-approved matters must be detailed as to the particular service or category of services to be provided, whether recurring or non-recurring, and reported to the Audit Committee at its next scheduled meeting. Permissible non-audit services are to be pre-approved on a case-by-case basis. The Audit Committee may delegate its pre-approval authority to any of its members, provided that such member reports all pre-approval decisions to the Audit Committee at its next scheduled meeting. ALC's independent auditors and members of management are required to report periodically to the Audit Committee the extent of all services provided in accordance with the pre-approval policy, including the amount of fees attributable to such services.

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In accordance with Section 10A of the Securities Exchange Act of 1934, as amended by Section 202 of the Sarbanes-Oxley Act of 2002, ALC is required to disclose the approval by the Audit Committee of the Board of non-audit services performed by ALC's independent auditors. Non-audit services are services other than those provided in connection with an audit review of the financial statements. During the period covered by this filing, all audit-related fees, tax fees and all other fees, and the services rendered in connection with those fees, as reported in the table shown above, were approved by ALC's Audit Committee.

The Audit Committee considered the fact that Grant Thornton did not provide non-audit services to ALC in 2009, which the Committee determined was compatible with maintaining auditor independence.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers, and the persons who beneficially own more than ten percent of our Class A Common Stock to file reports of ownership and changes in ownership of ALC equity securities with the Securities and Exchange Commission. Based solely on the reports received by us and on the representations of the reporting persons, we believe that these persons have complied with all applicable filing requirements during the fiscal year ended December 31, 2009.

**OTHER MATTERS**

**Additional Matters**

The Board of Directors is not aware of any other matters that will be presented for action at the 2010 annual meeting. Should any additional matters properly come before the meeting, the persons named in the enclosed proxy will vote on those matters in accordance with their best judgment.

**Submission of Stockholder Proposals**

A stockholder who intends to present a stockholder's proposal at the 2011 annual meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended ( Rule 14a-8 ), must deliver the proposal to ALC no later than November 19, 2010, if such proposal is to be included in ALC's proxy materials for the 2011 annual meeting.

A stockholder who intends to present business, other than a stockholder's proposal pursuant to Rule 14a-8, at the 2011 annual meeting must comply with the requirements set forth in ALC's bylaws. Among other things, a stockholder must give written notice to the Secretary of ALC not less than 50 days and not more than 75 days prior to the anniversary date of the immediately preceding annual meeting. Since the 2010 annual meeting is scheduled to be held May 3, 2010, ALC must receive written notice of a stockholder's intent to present business, other than pursuant to Rule 14a-8, at the 2011 annual meeting no sooner than February 17, 2011 and no later than March 14, 2011. If the notice is received after March 14, 2011, then ALC is not required to present such proposal at the 2011 annual meeting because the notice will be considered untimely. If the Board of Directors chooses to present such a stockholder's proposal submitted after March 14, 2011, at the 2011 annual meeting, then the persons named in proxies solicited by the Board of Directors for such meeting may exercise discretionary voting power with respect to such proposal.

**Cost of Proxy Solicitation**

ALC will pay the cost of preparing, printing and mailing proxy materials as well as the cost of soliciting proxies on behalf of the Board. In addition to using mail services, ALC officers and other employees, without additional remuneration, may solicit proxies in person and by telephone, e-mail or facsimile transmission. ALC may retain a professional proxy solicitation firm, and pay such firm its customary fee, to solicit proxies from direct holders and from banks, brokers and other nominees having shares registered in their names that are beneficially owned by others.

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**Annual Report on Form 10-K**

**A copy (without exhibits) of ALC's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, is being provided with this proxy statement. Pursuant to the rules of the Securities and Exchange Commission, services that deliver ALC's communications to stockholders who hold their shares through a bank, broker or other holder of record may deliver to multiple stockholders sharing the same address a single copy of ALC's 2009 Annual Report on Form 10-K and this proxy statement. ALC will provide an additional copy of such Annual Report to any stockholder, without charge, upon written request of such stockholder. Such requests should be addressed to the attention of Shareholder Relations at Assisted Living Concepts, Inc., W140 N8981 Lilly Road, Menomonee Falls, Wisconsin 53051.**

By Order of the Board of Directors,

Milwaukee, Wisconsin  
March 19, 2010

Eric B. Fonstad  
*Senior Vice President, General Counsel and Secretary*

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**Proxy Assisted Living Concepts, Inc.**

W140 N8981 Lilly Road

Menomonee Falls, Wisconsin 53051

(262) 257-8888

**ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 3, 2010**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS**

David J. Hennigar and Melvin A. Rhinelander, or either of them, with power of substitution to each, are hereby authorized to represent the undersigned at the Annual Meeting of Stockholders (the Meeting ) of Assisted Living Concepts, Inc. (the Company ) to be held at W140 N8981 Lilly Road, Menomonee Falls, Wisconsin 53051 on Monday, May 3, 2010, at 4:00 p.m. CDT, and to vote the number of shares which the undersigned would be entitled to vote if personally present on the matters listed on the reverse side hereof and in their discretion upon such other business as may properly come before the Meeting and any and all adjournments or postponements thereof, all as set out in the Notice and Proxy Statement relating to the Meeting, receipt of which is hereby acknowledged.

**This Proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, then the Proxy will be voted FOR the election of all the nominees listed and FOR ratification of the appointment of Grant Thornton LLP as the Company s independent auditors for 2010.**

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 3, 2010 the Proxy Statement and 2009 Annual Report are available under the heading Annual Reports and Proxy Statements in the Investor Relations section at [www.alcco.com](http://www.alcco.com)**

(Continued, and to be signed on the reverse side.)

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**A. Proposals The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposal 2.**

- |   |  |  |  |
|---|--|--|--|
| 1. Election of nine directors to serve one-year terms to expire at the 2011 annual meeting of stockholders: | 01 Laurie A. Bebo<br>04 Derek H.L. Buntain<br>07 Melvin A. Rhineland | 02 Alan Bell<br>05 David J. Hennigar<br>08 Charles H. Roadman II, MD | 03 Jesse C. Brotz<br>06 Malen S. Ng<br>09 Michael J. Spector |
|---|--|--|--|

.. **Mark here to vote FOR all nominees**

.. **Mark here to WITHHOLD vote from all nominees**

.. **For All EXCEPT** To withhold a vote for one or more nominees, mark the box to the left and the corresponding numbered box(es) to the right.

|    |    |    |    |    |    |    |    |    |
|----|----|----|----|----|----|----|----|----|
| 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 |
| .. | .. | .. | .. | .. | .. | .. | .. | .. |

**FOR      AGAINST      ABSTAIN**

- |  |    |    |    |    |    |    |    |
|--|----|----|----|----|----|----|----|
| 2. To ratify the Audit Committee's appointment of Grant Thornton LLP as the Company's independent auditors for 2010. | .. | .. | .. | .. | .. | .. | .. |
|--|----|----|----|----|----|----|----|

**B. Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below**  
 Note: This proxy must be signed exactly as the name appears hereon. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

|  |   |   |
|--|---|---|
| Date (mm/dd/yyyy) Please print date below. | Signature 1 Please keep signature within the box. | Signature 2 Please keep signature within the box. |
|--|---|---|

/      /