

ASSISTED LIVING CONCEPTS INC

Form DEF 14A

April 08, 2008

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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)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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W140 N8981 Lilly Road
Menomonee Falls, Wisconsin 53051

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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 5, 2008 at 4:00 p.m. central time for the following purposes:

1. To elect nine persons to the corporation s Board of Directors;
2. To consider and act upon a proposal to approve amendments to and the restatement of ALC s Amended and Restated Articles of Incorporation;
3. To consider and act upon a proposal to approve the 2006 Omnibus Incentive Compensation Plan for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended; and
4. 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 21, 2008 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
April 7, 2008

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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 April 7, 2008 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 5, 2008 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 when the separation of ALC from its parent company, Extendicare Inc., pursuant to a distribution of ALC's Class A and Class B common stock to the holders of Extendicare Inc. subordinate and multiple voting shares, was effected pursuant to a Plan of Arrangement filed with and approved by the Ontario Supreme Court of Justice. Extendicare Inc. was then converted to Extendicare REIT, a Canadian Real Estate Investment Trust.

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 the proposal to approve amendments to and the restatement of the Amended and Restated Articles of Incorporation (the Articles), FOR the proposal to approve the 2006 Omnibus Incentive Compensation Plan, 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 ALC's Class A common stock, par value \$0.01 per share (Class A Common Stock), and ALC's Class B common stock, par value \$0.01 per share (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 21, 2008, are entitled to vote on all matters presented at the annual meeting. In addition, stockholders of record of Class B Common Stock vote separately as a class on certain of the proposed amendments to the Articles. 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 54,623,126 shares outstanding of Class A Common Stock and 8,722,848 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,

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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 Articles and Nevada law, the affirmative vote of the holders of a majority of the total voting power of the shares of Class A Common Stock and Class B Common Stock entitled to vote at the annual meeting, voting together without regard to class, and the affirmative vote of the holders of a majority of the voting power of the shares of Class B Common Stock entitled to vote at the annual meeting, voting separately as a class, are required to approve the proposal to approve amendments to and the restatement of the Articles. Abstentions, broker non-votes and shares that are not represented at the annual meeting will have the effect of votes cast against the proposal.

Under ALC's bylaws, if a quorum is present, the approval of the 2006 Omnibus Incentive Compensation Plan is decided by the affirmative vote of the holders of at least a majority of the total number of votes cast. Since abstentions and broker non-votes are not considered votes cast, they will not have an effect on the voting for this proposal.

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 either 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

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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

The following table shows certain information, including principal occupation and recent business experience, 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 2008 and who have been nominated to serve as directors until the 2009 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, pursuant to the authority granted to them by the Board of Directors, will have discretionary authority to select and vote for substitute nominees. The Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve.

Name		Director Since
Laurie A. Bebo	President and Chief Executive Officer of ALC since 2006. From 1999 to 2006, Ms. Bebo held a variety of management positions with Extencicare Health Services, Inc., including: Vice President Sales & Marketing; Vice President Assisted Living Operations; Area Vice President Wisconsin/Minnesota; and Area Vice President Ohio. From 1995 to 1999, Ms. Bebo was employed by Living Centers of America (Amerra & Mariner Post Acute Network) as Vice President Operations, Vice President Sales & Marketing, and Regional Sales Manager. Ms. Bebo serves as an Executive Board Member of Assisted Living Federation of America and on the Managers Board of Newton Falls Fine Paper Company, LLC. She is 37.	2007
Alan Bell	From September 2004 to present, corporate partner of the Canadian law firm Bennett Jones LLP specializing in mergers and acquisitions, private and public financing, and corporate governance. Prior to September 2004, he was a corporate partner in the Canadian law firm Blake, Cassels & Graydon LLP. He is 59.	2006
Jesse C. Brotz	Mr. Brotz has a Bachelor of Science in Economics and Psychology from Brown University and has also completed course work at the Massachusetts Institute of Technology and the University of Otago in Dunedin, New Zealand. From 1996 to 1998, Mr. Brotz 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 and is currently employed as a Journeyman Cabinetmaker at The Joint Woodworking Studio in Vancouver, British Columbia. Mr. Brotz has been a director of Scotia Investments Limited 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 34.	2007

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Name		Director Since
Derek H.L. Buntain	President of The Dundee Bank, a private bank offering banking services to international clients, and President and Chief Executive Officer of Goodman & Company (Bermuda) Limited (investment counsel). Prior to November 10, 2006, Mr. Buntain was a director of Extendicare Inc. Mr. Buntain also serves as a director of the following companies: Calibre Energy, Inc., CencoTech Inc., Dundee Precious Metals Inc., Eurogas Corporation, High Liner Foods Incorporated, and Sentex Systems Ltd. Mr. Buntain serves on the audit committees of Euorgas Corporation and CencoTech Inc. He is 67.	2006
David J. Hennigar	Chairman of the Board of Directors. Prior to November 10, 2006, he was Chairman of Extendicare Inc. Mr. Hennigar also is Chairman of Annapolis Group Inc. (a private holding company in real estate development and environmental collections and remediation), High Liner Foods Incorporated (a public value-added food processing company), and Aquarius Coatings Inc. (a public company in paint manufacturing), as well as Chairman and CEO of Landmark Global Financial Corporation (a public investment and management company), and Chairman and founder of Acadian Securities Inc. (a private investment dealer). In addition, Mr. Hennigar serves as a director of the following public companies: Crombie Real Estate Investment Trust, MedX Health Corp., Sentex Systems Ltd., SolutionInc Technologies Limited, and VR Interactive Corporation. He is a director of a number of private companies, including Minas Basin Holdings Limited, and Scotia Investments Limited. Mr. Hennigar chairs the audit committees of Crombie Real Estate Investment Trust and Sentex Systems Ltd. and is on the audit committee of MedX Health Corp. and SolutionInc Technologies Limited. He is 68.	2006
Malen S. Ng	Chief Financial Officer of the Workplace Safety and Insurance Board of Ontario since 2003. Prior to November 10, 2006, she was a director of Extendicare Inc. From 1975 to 2002, Ms. Ng was employed by Ontario Hydro and its successor, 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) and Jacques Whitford Group Ltd. Ms. Ng serves on the audit committee of Empire Company Limited. She is 56.	2006
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. 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 remains on the board of directors of Extendicare REIT as Vice Chairman. He also serves as a director of Empire Company Limited (a Canadian company whose key businesses include food	2006

retailing and related real estate). Mr. Rhineland joined the Extencicare group of companies in 1977 and served in a number of senior positions. He was appointed Chief Executive Officer of Extencicare Inc. in August 2000 following his appointment as President in August 1999. He is 58.

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Name		Director Since
Charles H. Roadman II, MD	Retired President and Chief Executive Officer of the American Health Care Association (1999 to 2004) and the former Surgeon General of the U.S. Air Force (1996 to 1999). Prior to November 10, 2006, he was a director of Extendicare Inc. Dr. Roadman serves as a director and advisor on a number of private corporate boards and associations. He is 64.	2006
Michael J. Spector	Retired Chair and Managing Partner, Quarles & Brady LLP, a Milwaukee Wisconsin based law firm with 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 a member of the University of Wisconsin System Board of Regents and Deputy Executive Director of the United States Law Firm Group, Inc. He is 68.	2007

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 14, 2008. As no notice of such other nominations was received, no other nominations for election to the Board of Directors may be made by stockholders at the annual meeting.

Independence, Meetings, Committees, Governance Documents, Communications and Director Compensation
Independence

ALC's Board of Directors has affirmatively determined that all of ALC's directors and director nominees other than Ms. Bebo and Mr. Rhineland are independent as defined in the corporate governance standards of the New York Stock Exchange. Ms. Bebo and Mr. Rhineland are not considered to be independent because Ms. Bebo is currently ALC's President and Chief Executive Officer and Mr. Rhineland has been an ALC officer within the last three years.

The Board considered the relationship of Mr. Bell and the law firm of Bennett Jones LLP to ALC and determined that relationship did not interfere with the exercise of his independent judgment and independence from the management of ALC. ALC has not used the services of Bennett Jones LLP since 2006. 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 approximately 54% of the voting power of stockholders, as well as the familial relationship between Mr. Hennigar and Mr. Brotz 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.

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Meetings

ALC's Board of Directors held five in-person meetings and one telephonic meeting in 2007. 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.

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.

Audit Committee and Audit Committee Financial Expert. The Audit Committee met five times in 2007. 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.

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 2007. 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, administers 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.

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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 nominee, 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.

In looking at the qualifications of each candidate to determine if his or her election would further the goals described above, the Committee takes into account all factors it considers appropriate, which may include leadership, independence, interpersonal skills, financial acumen, business experiences, industry knowledge and diversity of viewpoints. At a minimum, each director nominee must have displayed the highest personal and professional ethics, integrity, values and sound business judgment. In addition, the Committee believes that all directors should possess all of the following specific qualities and skills:

(i) **Integrity and Accountability** Directors should demonstrate high ethical standards and integrity in their personal and professional dealings and be willing to act on and remain accountable for their boardroom decisions.

(ii) **Informed Judgment** Directors should have the ability to provide wise, thoughtful counsel on a broad range of issues. Directors should possess high intelligence and apply it to decision-making. Their backgrounds and experiences should add value to the skill set of the Board of Directors as a whole.

(iii) **Financial Literacy** Board members 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 value Board and team performance over individual performance. 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.

(vi) **Loyalty** Directors should feel strongly about the performance of ALC, both in absolute terms and relative to its peers. They should have no conflicts of interest with ALC or its goals.

(vii) **Ability to Consult and Advise** Directors should possess the creative talents and advisory capacity needed to counsel management.

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 2009 Annual Meeting, the nomination must be received by the Secretary between February 19, 2009 and March 16, 2009.

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Executive Committee. The Executive Committee met once in 2007. Current members are Mr. Hennigar (Chair), Mr. Rhinelander and Mr. Buntain. 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 at: www.alcco.com. These documents are also available in print upon written request to the Secretary, Assisted Living Concepts, Inc., W140 N8981 Lilly Road, Menomonee Falls, Wisconsin 53051.

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 2007. The Stock Awards, Option 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, option awards, non-equity incentive plan compensation, pension values, or deferred compensation earnings for directors during 2007.

Director Compensation for Fiscal 2007

Name	Fees Earned or Paid in Cash (\$)	All Other Compensation (\$)	Total (\$)
Alan Bell	33,500	*	33,500
Jesse C. Brotz	19,000	*	19,000
Derek H.L. Buntain	47,000	*	47,000
Sir Graham Day ⁽¹⁾	11,000	*	11,000
David Dunlap ⁽¹⁾	14,000	*	14,000
David J. Hennigar	97,500	*	97,500
Malen S. Ng	43,500	*	43,500
Melvin A. Rhinelander	62,500	*	62,500
Charles H. Roadman II, MD	31,000	*	31,000
Michael J. Spector	18,000	*	18,000

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

Notes

(1) Sir Graham Day and David

Dunlap served
as directors
through May 3,
2007, the date
of the 2007
annual meeting
of stockholders.

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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 and 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. Directors are reimbursed for expenses incurred in connection with attending Board and committee meetings.

PROPOSAL 2: APPROVAL OF AMENDMENTS TO AND RESTATEMENT OF AMENDED AND RESTATED ARTICLES OF INCORPORATION

Our Board has unanimously approved, and recommends that our stockholders approve, amendments to and a restatement of ALC's Amended and Restated Articles of Incorporation (the "Articles"). The amendments make two kinds of changes to the Articles:

Update language to reflect historical facts; and

Clarify and loosen restrictions on transfers of Class B Common Stock.

A summary of the proposed amendments to the Articles is included below. We also have made changes to correct an error by filing a Certificate of Correction, as described below. The full text of the Articles marked to indicate the proposed amendments and the changes to correct an error is included as Exhibit A to this proxy statement.

Our Board of Directors Recommends a Vote In Favor of This Proposal

The amendments proposed to be made to the Articles are outlined below. This summary is qualified in its entirety by reference to the complete text of the Articles marked to indicate the proposed amendments. Stockholders are urged to read the complete text of the marked Articles, which is set forth as Exhibit A to this proxy statement.

Amendments to Update Articles

The proposed amendments to Sections 5.01(b), 5.02(e)(vii) and 5.02(g)(iii)(E) update the Articles to reflect the fact that the Articles, as filed with the Nevada Secretary of State on October 31, 2006, became effective on that date and the fact that ALC's separation from Extencicare Inc. occurred on November 10, 2006.

The proposed amendments to Section 5.01(b) also change the word "Company" to "Corporation" to conform the use of that term to the rest of the Articles.

Amendments to Clarify and Loosen Class B Common Stock Transfer Restrictions

The proposed amendments to Sections 5.02(g)(i), (ii) and (iii) clarify and, in some instances, loosen restrictions on transfers of Class B Common Stock. Under the Articles, any Transfer (as defined in Section 5.02(g)(iii)(A) of the Articles) of Class B Common Stock that does not qualify as a Transfer to an Eligible Transferee (as defined in Section 5.02(g)(iii)(B) of the Articles) results in the automatic conversion of the Class B Common Stock into shares of Class A Common Stock at the rate of 1.075 shares of Class A Common Stock for each share of Class B Common Stock.

The proposed amendment to the Section 5.02(b)(iii)(A) definition of "Transfer" is intended to clarify that a change in beneficial ownership of Class B Common Stock will not be deemed to have occurred, and therefore no "Transfer" will have occurred, if after or as a result of the transaction, the shares of Class B Common Stock remain beneficially owned by an Eligible Transferee.

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The proposed amendments to the Section 5.02(g)(iii)(B) definition of Eligible Transferee would change the term wholly owned to majority owned in clause (v) of that definition. This change would enable beneficial owners of Class B Common Stock, such as Scotia Investments Limited, who indirectly own shares of Class B Common Stock through subsidiary entities (some of which are majority owned but not all of which are wholly owned) to transfer Class B Common Stock among their majority owned subsidiary entities without triggering an automatic conversion of the Class B Common Stock to Class A Common Stock. The proposed amendments to clauses (ii), (iii) and (iv) of Section 5.02(g)(iii)(B) would similarly expand the definition of Eligible Transferee to include corporations which are majority owned by Family Members (as defined in Section 5.02(g)(iii)(C)), trusts of which Family Members are a majority in interest of the beneficiaries, and partnerships of which Family Members are a majority of the partners. To be considered Eligible Transferees, the current Articles require corporations to be wholly owned by Family Members, trusts to have only Family Members as beneficiaries, and partnerships to have only Family Members as partners.

An individual who is a Family Member, as defined in Section 5.02(g)(iii)(C) of the Articles, and an entity in which Family Members have the requisite interests, as provided in Section 5.02(g)(iii)(B), qualify as Eligible Transferees under Section 5.02(g)(iii)(B). Consequently, a Transfer of Class B Common Stock to such an individual or entity would be a Permitted Transfer and, therefore, would not trigger an automatic conversion of the Class B Common Stock to Class A Common Stock. The proposed amendment to Section 5.02(g)(iii)(C) of the Articles would clarify the meaning of the word spouses in the definition of Family Member to expressly include former and surviving spouses of Family Members.

The Board of Directors considers the proposed amendments to the Articles to be entirely consistent with the original intent of the restrictions on transfers of Class B Common Stock. The expansion of the definition of Eligible Transferee to include majority owned entities preserves the concept of not restricting transfers of Class B Common Stock to entities controlled by Family Members while avoiding the automatic conversion of Class B Common Stock that would result from a transfer of Class B Common Stock to an entity that is controlled by Family Members but that is not wholly owned by Family Members. The addition of former and surviving spouses to the definition of Family Member clarifies the meaning of spouses and provides holders of Class B Common Stock more certainty regarding the effect of a death or divorce. The Board of Directors also feels that the proposed amendments to the Section 5.02(g)(iii) are in the best interest of stockholders because they clarify Class B Common Stock transfer restrictions and provide more certainty to stockholders.

Vote Required

Under ALC's Articles and Nevada law, the affirmative vote of the holders of a majority of the total voting power of the shares of Class A Common Stock and Class B Common Stock entitled to vote at the annual meeting, voting together without regard to class, and the affirmative vote of the holders of a majority of the voting power of the shares of Class B Common Stock entitled to vote at the annual meeting, voting separately as a class, are required to approve the proposal to amend and restate the Articles. Abstentions, broker non-votes and shares that are not represented at the meeting will have the effect of votes cast against the proposal.

Changes to Correct Error

The changes to Section 5.02(e)(ii) correct an error in the Articles by correcting the statement of the formula for converting Class B Common Stock to Class A Common Stock in that subsection. As allowed by the Nevada Corporation Law, ALC has made this correction without stockholder approval by filing a Certificate of Correction with the Nevada Secretary of State.

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PROPOSAL 3: APPROVAL OF 2006 OMNIBUS INCENTIVE COMPENSATION PLAN

You are being asked to approve the 2006 Omnibus Incentive Compensation Plan (the Plan) so that ALC can continue to grant awards under the Plan that are fully tax deductible to ALC as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended. Under Section 162(m), certain remuneration in excess of \$1 million paid to the chief executive officer and up to three other executive officers whose compensation must be included in this proxy statement because they are the most highly compensated executive officers is not deductible. However, compensation that qualifies as performance-based compensation should be fully deductible by ALC if the plan under which such compensation is awarded is approved by stockholders and certain other requirements are met.

The federal income tax regulations provide a transitional rule for a new public company like ALC that became a public company by being separated from another public company. The transitional rule provides that performance-based compensation is exempt from the \$1 million limitation if such compensation was awarded or paid prior to the first regularly scheduled meeting of stockholders that occurs more than 12 months after the date the company becomes a separate public company.

Our Board of Directors and our sole stockholder adopted the Plan on October 31, 2006, when we were a privately held company. Now that we are a publicly traded company, the Plan must be approved by stockholders once again in order for us to receive the benefit of a potential tax deduction pursuant to Section 162(m).

No changes have been made to the terms of the Plan and no additional shares are being requested. We are only requesting stockholder approval for purposes of a potential tax deduction under Section 162(m).

In accordance with U.S. Treasury regulations issued under Section 162(m), compensation attributable to an award granted under the Plan will qualify as performance-based compensation if the award is granted by a committee of our board of directors consisting solely of outside directors (as defined under Section 162(m)), the award vests, is granted or is exercisable only upon the achievement (as certified in writing by the committee) of objective performance goals established in writing by the committee while the outcome is substantially uncertain, the maximum amount of compensation payable upon achievement of the performance goals is fixed, and the material terms of the incentive compensation plan under which the award is granted are approved by stockholders. A stock option or stock appreciation right may be considered performance-based compensation if it meets the requirements described in the prior sentence or by meeting the following requirements: the Plan contains a per-employee limitation on the number of shares for which stock options and stock appreciation rights may be granted during a specified period, the stock option or stock appreciation right is granted by the committee consisting solely of outside directors, the material terms of the Plan are approved by the stockholders, and the exercise price of the option or right is no less than the fair market value of the stock on the date of grant.

A summary of the material terms of the Plan is included below. In addition, the full text of the Plan is included as Exhibit B to this proxy statement.

Failure to approve the Plan for purposes of Section 162(m) would mean that awards that could qualify as performance-based compensation under Section 162(m) may be granted under the Plan to those employees subject to Section 162(m) with adverse tax consequences to ALC. As a result, if the stockholders fail to approve the material terms of the Plan for purposes of Section 162(m), our Board of Directors will determine whether any further awards that would qualify as performance-based compensation under Section 162(m) may be granted to those employees subject to Section 162(m). We believe that any such determination would limit our ability to provide incentive to valued executives.

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Our Board of Directors Recommends a Vote In Favor of This Proposal

The essential features of the Plan are outlined below. This summary is qualified in its entirety by reference to the complete text of the incentive compensation plan. Stockholders are urged to read the actual text of the Plan in its entirety, which is set forth as Exhibit B to this proxy statement.

2006 Omnibus Incentive Compensation Plan

The Plan was established in connection with our separation from Extencicare for the benefit of our and our affiliates directors, officers, employees or consultants (including any prospective director, officer, employee or consultant). The following description of the Plan is qualified by reference to the full text of the Plan which is attached as Exhibit B to this proxy statement.

Eligibility

Any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of ALC or any of its affiliates is eligible to be a participant in the Plan. During 2007, the Compensation/Nomination/Governance Committee awarded cash incentive compensation and equity-based compensation award opportunities under the Plan to fourteen ALC officers and employees. No cash incentive compensation was paid and no equity-based compensation opportunities became exercisable under these awards because the related performance targets were not achieved. During 2008, the Committee awarded cash incentive compensation and equity-based compensation award opportunities under the Plan to sixteen ALC officers and employees. As of the end of 2007, ALC had nine directors, eleven officers, and approximately 4,400 employees.

Awards

The Plan provides for the grant of options intended to qualify as incentive stock options (ISOs) under Sections 421 and 422 of the Internal Revenue Code of 1986, as amended (the Code), non-statutory stock options (NSOs), stock appreciation rights (SARs), restricted stock awards, restricted stock units (RSUs), performance units, cash incentive awards and other equity-based or equity-related awards.

Plan Administration

The Plan is administered by the Compensation/Nominating/Governance committee of the Board of Directors or such other committee as the Board may designate to administer the plan (referred to below as the committee). Subject to the terms of the Plan and applicable law, the committee has sole and plenary authority to administer the Plan, including, but not limited to, the authority to:

designate Plan participants;

determine the type or types of awards to be granted to a participant;

determine the number of shares of our common stock to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with, awards;

determine the terms and conditions of any awards, including vesting schedules (and whether to accelerate such schedules), performance criteria and whether awards may be deferred or settled or exercised in cash, shares of our Class A Common Stock, other securities or other property, or canceled, forfeited or suspended;

amend an outstanding award or grant a replacement award for an award previously granted under the Plan if, in its sole discretion, the committee determines that (i) the tax consequences of such award to us or the participant differ from those consequences that were initially anticipated or (ii) clarifications or interpretations of, or changes to, tax law or regulations permit awards to be granted that have more favorable tax consequences than initially anticipated;

interpret, administer, reconcile any inconsistency in, correct any default in and supply any omission in, the Plan and any instrument or agreement relating to, or award made under, the Plan;

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establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan;

accelerate the vesting or exercisability of, payment for or lapse of restrictions on, awards; and

make any other determination and take any other action that the committee deems necessary or desirable for the administration of the Plan.

Committee Decisions

Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any award shall be within the sole and plenary discretion of the committee, may be made at any time and shall be final, conclusive and binding upon all persons, including ALC, any ALC affiliates, any participant, any holder or beneficiary of any award, and any stockholder.

Indemnification

No member of the Board of Directors, the committee or any of our employees (each such person, a Covered Person) will be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any award under the Plan. Each Covered Person will be indemnified and held harmless by us against and from (i) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any award agreement and (ii) any and all amounts paid by such Covered Person, with our approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; provided that we will have the right, at our expense, to assume and defend any such action, suit or proceeding, and, once we give notice of our intent to assume the defense, we will have sole control over such defense with counsel of our choice. The foregoing right of indemnification will not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by our Certificate of Incorporation or Bylaws. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under our Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any other power that we may have to indemnify such persons or hold them harmless.

Awards to Independent Directors

Notwithstanding anything to the contrary contained in the Plan, the Board of Directors may, in its sole and plenary discretion, at any time and from time to time, grant awards to independent directors or administer the Plan with respect to such awards. In any such case, the Board will have all the authority and responsibility granted to the committee pursuant to the Plan.

Shares Available For Awards

Subject to adjustment as provided below, the aggregate number of shares of our Class A Common Stock that may be delivered pursuant to awards granted under the Plan is 4,000,000. 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 such award will again be available to be delivered pursuant to awards under the Plan. If shares issued upon exercise, vesting or settlement of an award, or shares owned by a participant (which are not subject to any pledge or other security interest and which have been owned by the participant for at least six months), are surrendered or tendered to us in payment of the exercise price of an award or any taxes required to be withheld in respect of an

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award, in each case, in accordance with the terms and conditions of the Plan and any applicable award agreement, such surrendered or tendered shares shall again become available to be delivered pursuant to awards under the Plan; provided, however, that in no event shall such shares increase the number of shares that may be delivered pursuant to ISOs granted under the Plan. Subject to adjustment for changes in capitalization and similar events:

the maximum number of shares of our Class A Common Stock with respect to which awards may be granted to any Participant in any fiscal year of ALC shall be 200,000, and

the maximum aggregate amount of cash and other property (valued at its fair market value) other than shares that may be paid or delivered pursuant to awards to any Participant in any fiscal year of ALC shall be \$2,000,000.

In the event of any corporate event affecting the shares of our common stock, the committee in its discretion may make such adjustments and other substitutions to the Plan and awards under the Plan as it deems equitable or desirable in its sole discretion.

Stock Options

The committee may grant both ISOs and NSOs under the Plan. Except as otherwise determined by the committee in an award agreement, the exercise price for options shall be not less than 100% of the fair market value of the stock on the date of the grant. On April 2, 2008, the closing price of the Class A Common Stock on the New York Stock Exchange was \$5.97 per share. In the case of ISOs granted to an employee who, at the time of the grant of an option, owns stock representing more than 10% of the voting power of all classes of our stock or the stock of any of our affiliates, the exercise price cannot be less than 110% of the fair market value of a share of our common stock on the date of grant. All options granted under the Plan will be NSOs unless the applicable award agreement expressly states that the option is intended to be an ISO.

Subject to any applicable award agreement, options shall vest and become exercisable on each of the first four anniversaries of the date of grant. The term of each option will be determined by the committee; provided that no option will be exercisable (i) after the tenth anniversary of the date the option is granted or (ii) 90 days after the date the participant who is holding the option ceases to be a director, officer, employee or consultant of us or one of our affiliates. The exercise price will be payable with cash (or its equivalent) or by other methods as permitted by the committee. All options are intended to qualify as performance-based compensation under Section 162(m) of the Code.

Stock Appreciation Rights

The committee may grant SARs under the Plan either alone or in tandem with, or in addition to, any other award permitted to be granted under the Plan. SARs granted in tandem with, or in addition to, an award may be granted either at the same time as the award or at a later time. Subject to the applicable award agreement, the exercise price of each share of our Class A Common Stock covered by a SAR is the price specified in the applicable award agreement as the price-per-share used to calculate the amount payable to the participant. Upon exercise of a SAR, the holder will receive cash, shares of our Class A Common Stock, or other property or a combination thereof, as determined by the committee, equal in value to the excess, if any, of the fair market value of the Class A Common Stock subject to the SAR at the exercise date over the exercise price. All SARs are intended to qualify as performance-based compensation under Section 162(m) of the Code. Subject to the provisions of the Plan and the applicable award agreement, the committee will determine, at or after the grant of a SAR, the vesting criteria, term, methods of exercise, methods and form of settlement and any other terms and conditions of any SAR.

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Restricted Shares and Restricted Stock Units

The committee may grant restricted shares of our Class A Common Stock and restricted stock units to participants. Upon the grant of a restricted share, certificates will be issued and registered in the name of the participant and deposited by the participant, together with a stock power endorsed in blank, with us or a custodian designated by the committee or us. Upon lapse of the restrictions applicable to such restricted shares, we or the custodian, as applicable, will deliver such certificates to the participant or his or her legal representative. An RSU will represent an unfunded and unsecured promise to deliver shares of our Class A Common Stock, cash, other securities, other awards permitted under the Plan or other property in accordance with the terms of the applicable award agreement.

Restricted shares and RSUs may not be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the Plan or the applicable award agreement; provided, however, that the committee may determine that restricted shares and RSUs may be transferred by the participant.

Performance Units

Subject to the provisions of the Plan, the committee may grant performance units to participants. Performance units are awards with an initial value established by the committee (or that is determined by reference to a valuation formula specified by the committee or the fair market value of shares of our Class A Common Stock). In its discretion, the committee will set performance goals that, depending on the extent to which they are met during a specified performance period, will determine the number and/or value of performance units that will be paid out to the participant. The committee, in its sole and plenary discretion, may pay earned performance units in the form of cash, shares of our Class A Common Stock or any combination thereof that has an aggregate fair market value equal to the value of the earned performance units at the close of the applicable performance period. The determination of the committee with respect to the form and timing of payout of performance units will be set forth in the applicable award agreement.

Cash Incentive Awards

Subject to the provisions of the Plan, the committee may grant cash incentive awards payable upon the attainment of performance goals.

Other Stock-Based Awards

Subject to the provisions of the Plan, the committee may grant to participants other equity-based or equity-related awards (including, but not limited to, fully-vested shares of our Class A Common Stock). The committee may determine the amounts and terms and conditions of any such awards provided that they comply with applicable laws.

Dividend Equivalents

In the sole and plenary discretion of the committee, an award (other than an option or SAR or cash incentive award) may provide the participant with dividends or dividend equivalents, payable in cash, shares of our Class A Common Stock, other securities, other awards or other property, on such terms and conditions as determined by the committee in its sole and plenary discretion.

Performance Compensation Awards

The committee may designate any award granted under the Plan (other than ISOs, NSOs and SARs) as a performance compensation award in order to qualify such award as qualified performance-based compensation

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under Section 162(m) of the Code. The committee will, in its sole discretion, designate within the first 90 days of a performance period which participants will be eligible to receive performance compensation awards in respect of such performance period, as well as the performance criteria and other terms related to the award (to the extent required under Section 162(m) of the Code).

The performance measure or measures shall be limited to the following:

net income before or after taxes;

earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization, or EBITDA);

operating income;

earnings per share;

return on shareholders' equity;

return on investment;

return on assets;

level or amount of acquisitions;

share price;

profitability/profit margins (including EBITDA margins);

market share;

revenues or sales (based on units or dollars);

costs;

cash flow;

working capital; and

project completion time and budget goals.

Such performance criteria may be applied on an absolute basis and/or be relative to one or more of our peer companies or indices or any combination thereof.

The committee may adjust or modify the calculation of performance goals for a performance period in the event of, in anticipation of, or in recognition, of any unusual or extraordinary corporate item, transaction, event or development or any other unusual or nonrecurring events affecting our company; provided that such adjustment or modification does not cause the performance based award to fail to qualify as "qualified performance-based compensation" under Section 162(m) of the Code. In order to be eligible for payment in respect of a performance compensation award for a particular performance period, participants must be employed by us on the last day of such performance period (unless otherwise determined in the discretion of the committee), the performance goals for such period must be satisfied and certified by the committee and the performance formula must determine that all or some portion of such performance compensation award has been earned for such period. The committee may, in its sole and plenary discretion, reduce or eliminate the amount of a performance compensation award earned in a particular performance period, even if

applicable performance goals have been attained. In no event shall any discretionary authority granted to the committee under the Plan be used to grant or provide payment in respect of performance compensation awards for which performance goals have not been attained, increase a performance compensation award for any participant at any time after the first 90 days of the performance period or increase a performance compensation award above the maximum amount payable under the underlying award.

Amendment and Termination of the Plan

Subject to any applicable law or regulation, to any requirement that must be satisfied if the Plan is intended to be a shareholder approved plan for purposes of Section 162(m) of the Code, and to the rules of the NYSE or any successor exchange or quotation system on which shares of our Class A Common Stock may be listed or quoted, the Plan may be amended, modified or terminated by our Board of Directors without the approval of our stockholders, except that stockholder approval shall be required for any amendment that would (i)

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increase the maximum number of shares of our Class A Common Stock available for awards under the Plan or increase the maximum number of shares of our Class A Common Stock that may be delivered pursuant to ISOs granted under the Plan or (ii) modify the requirements for participation under the Plan. No modification, amendment or termination of the Plan may, without the consent of the participant to whom any award was granted, materially and adversely affect the rights of such participant (or his or her transferee) under such award, unless otherwise provided by the committee in the applicable award agreement.

The committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any award previously granted, prospectively or retroactively; provided, however, that, unless otherwise provided by the committee in the applicable award agreement, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair the rights of any participant to any award previously granted will not to that extent be effective without the consent of the affected participant.

Adjustment of Awards upon the Occurrence of Certain Unusual or Nonrecurring Events

The committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, awards in recognition of unusual or nonrecurring events (including, without limitation, changes in capitalization or the occurrence of a change of control) affecting ALC, any affiliate, or the financial statements of ALC or any affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law;

whenever the committee, in its sole and plenary discretion, determines that such adjustments are appropriate or desirable, including, without limitation, providing for a substitution or assumption of awards, accelerating the exercisability of, lapse of restrictions on, or termination of, awards, or providing for a period of time for exercise prior to the occurrence of such event;

if deemed appropriate or desirable by the committee, in its sole and plenary discretion, by providing for a cash payment to the holder of an award in consideration for the cancelation of such award, including, in the case of an outstanding option or SAR, a cash payment to the holder of such option or SAR in consideration for the cancelation of such option or SAR in an amount equal to the excess, if any, of the fair market value (as of a date specified by the committee) of the shares of our Class A common stock subject to such option or SAR over the aggregate exercise price of such option or SAR; and

if deemed appropriate or desirable by the committee, in its sole and plenary discretion, by canceling and terminating any option or SAR having a per share exercise price equal to, or in excess of, the fair market value of a share subject to such option or SAR without any payment or consideration therefor.

Change of Control

The Plan provides that, unless otherwise provided in an award agreement, 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:

any options and SARs outstanding as of the date the change of control is determined to have occurred will become fully exercisable and vested, as of immediately prior to the change of control;

all performance units and cash incentive awards will be 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

all other outstanding awards will automatically be deemed exercisable or vested and all restrictions and forfeiture provisions related thereto will lapse as of immediately prior to such change of control.

Unless otherwise provided pursuant to an award agreement, a change of control is defined to mean any of the following events, generally:

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the consummation of a merger, reorganization or consolidation or sale or other disposition of all or substantially all of our assets;
the approval by our stockholders of a plan of our complete liquidation or dissolution; or
an acquisition by any individual, entity or group of beneficial ownership of 20% or more of the combined voting power of our then outstanding voting securities entitled to vote generally in the election of directors.

Term of the Plan

The Plan became effective October 31, 2006, the date of its adoption by the Board of Directors. No award may be granted under the Plan after October 31, 2016, the tenth anniversary of the date the Plan was first approved by our then sole stockholder.

Tax Consequences

The following is a brief summary of the principal federal income tax consequences of awards made under the Plan based upon the applicable provisions of the Code in effect on the date hereof.

Incentive Stock Options. A participant will not recognize taxable income at the time an ISO is granted. Further, a participant will not recognize taxable income upon exercise of an ISO if the participant complies with two separate holding periods: shares acquired upon exercise of an ISO must be held for at least two years after the date of grant and for at least one year after the date of exercise. The difference between the exercise price and the fair market value of the stock at the date of exercise is, however, a tax preference item. When the shares of stock received pursuant to the exercise of an ISO are sold or otherwise disposed of in a taxable transaction, the participant will recognize a capital gain or loss, measured by the difference between the exercise price and the amount realized.

Ordinarily, an employer granting an ISO will not be allowed any business expense deduction with respect to stock issued upon exercise of the ISO. However, if all of the requirements for an ISO are met except for the holding period rules set forth above, the participant will be required, at the time of the disposition of the stock, to treat the lesser of the gain realized or the difference between the exercise price and the fair market value of the stock at the date of exercise as taxable ordinary income and the excess, if any, as capital gain. We will be entitled to a corresponding business expense deduction equal to the amount of ordinary income recognized by the participant.

Non-Statutory Stock Options. A participant will not recognize taxable income at the time an NSO is granted. Upon exercise of an NSO, a participant will recognize taxable ordinary income in an amount equal to the difference between the exercise price and the fair market value of the shares at the date of exercise. We will be entitled to a corresponding business expense deduction for tax purposes. On a subsequent sale or exchange of shares acquired pursuant to the exercise of an NSO, the participant will recognize a taxable gain or loss, measured by the difference between the amount realized on the disposition and the tax basis of such shares. The tax basis will, in general, be the amount paid for the shares plus the amount treated as ordinary income at the time the shares were acquired pursuant to the exercise of the option.

Stock Appreciation Rights. A participant granted an SAR will not recognize taxable income at the time the SAR is granted. The participant will recognize taxable ordinary income at the time the SAR is exercised in an amount equal to the fair market value of the shares or cash distributed to the participant. We will be entitled to a corresponding business expense deduction equal to the amount of ordinary income recognized by the participant.

Restricted Shares. A participant receiving restricted shares will generally recognize taxable ordinary income in an amount equal to the fair market value of the shares at the time the shares are no longer subject to

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forfeiture. While the restrictions are in effect, the participant will recognize compensation income equal to the amount of any dividends received and we will be allowed a deduction for that amount. A participant may elect, under Section 83(b) of the Code, within 30 days of the grant, to recognize taxable ordinary income on the date of grant equal to the fair market value of the shares (determined without regard to the restrictions) on such date. We will be entitled to a corresponding business expense deduction equal to the amount of ordinary income recognized by the participant in the year that such income is taxable to the participant (subject to the satisfaction of an exclusion from the Section 162(m) limit, if applicable).

Restricted Stock Units; Performance Units. A participant will not recognize taxable income upon the grant of restricted stock units or performance units. The participant will recognize taxable income at such time as cash or shares are distributed with respect to the restricted stock units or performance units in an amount equal to the fair market value of the shares or cash distributed. We will be entitled to a corresponding business expense deduction equal to the amount of ordinary income recognized by the participant (subject to the satisfaction of an exclusion from the Section 162(m) limit, if applicable).

Cash Incentive Awards. A participant who is paid a cash incentive award will recognize taxable ordinary income equal to the amount of cash paid to the participant. We will be entitled to a corresponding business expense deduction for tax purposes (subject to the satisfaction of an exclusion from the Section 162(m) limit, if applicable).

Other Stock-Based Awards; Dividend Equivalents. In the case of other stock-based awards and dividend equivalents, a participant will recognize taxable ordinary income in an amount equal to the fair market value of the shares or cash distributed. We will be entitled to a corresponding business expense deduction equal to the amount of ordinary income recognized by the participant (subject to the satisfaction of an exclusion from the Section 162(m) limit, if applicable).

Vote Required

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

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 of our common stock; each nominee for director; 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 60 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 21, 2008. 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.

Name of Beneficial Owner	Number of Shares Owned		Assuming Full Conversion ⁽¹⁾ Class A	Percentage of Issued Shares		Percent of Total Votes No If Fully Converted ⁽¹⁾	
	Class A	Class B		Class A	Class B	Conversion	Converted
5% Beneficial Holders:							
Morgan Stanley and Morgan Stanley Investment Management Inc. ⁽²⁾	11,193,603		11,193,603	20.5%		7.9%	17.5%
Scotia Investments Limited ⁽³⁾	8,667	7,600,000	8,178,667	*	87.1%	53.6%	12.8%
Americus Capital Advisors, LLC and Paul J. Reiferson ⁽⁴⁾	3,994,391		3,994,391	7.3%		2.8%	6.2%
Bandera Partners LLC ⁽⁵⁾	2,932,150		2,932,150	5.4%		2.1%	4.6%
Directors, Director Nominees and Named Executive Officers							
Laurie A. Bebo	93,265		93,265	*	*	*	*
Alan Bell	5,000		5,000	*	*	*	*
Jesse C. Brotz ⁽³⁾	7,000	5,000	12,375	*	*	*	*
Derek H.L. Buntain	115,900	200	116,115	*	*	*	*
David J. Hennigar ⁽³⁾	80,000 ⁽⁶⁾	15,400 ⁽⁶⁾	96,555	*	*	*	*
Malen S. Ng	3,488		3,488	*	*	*	*
Melvin A. Rhinelandier	211,700 ⁽⁷⁾	2,000 ⁽⁷⁾	213,850	*	*	*	*
Charles H. Roadman II, MD	2,665		2,665	*	*	*	*
Michael J. Spector	3,000		3,000				
John Buono	20,000 ⁽⁸⁾		20,000	*	*	*	*
Eric B. Fonstad	2,000		2,000	*	*	*	*
Walter A. Levonowich	2,000		2,000	*	*	*	*
All Directors and Executive Officers as a Group (12 persons)	546,018	22,600	570,313	1.0%	*	*	*

* 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 6,260,093 Class A shares and sole dispositive power with respect to 9,633,486 Class A shares and that Morgan Stanley

Investment
Management,
Inc. has sole
voting power
with respect to
4,933,510
Class A shares

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and sole
dispositive power
with respect to
7,684,825
Class A shares.
The
Schedule 13G
also states that
Morgan Stanley
Investment
Management Inc.
is a
wholly-owned
subsidiary of
Morgan Stanley.

- (3) Scotia
Investments
Limited holds
directly 8,667
Class A shares
and 261,000
Class B shares.
The remaining
Class B shares are
held indirectly
through related
companies. All of
the outstanding
voting shares of
Scotia
Investments
Limited are held
directly or
indirectly by
approximately 50
members of the
family of the late
R.A. Jodrey.
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
shares held
directly or
indirectly by
Scotia
Investments
Limited.

- (4) Based on a
Schedule 13G
filed with the
Securities and
Exchange
Commission by
Americus Capital
Advisors LLC
and Paul J.
Reiferson. The
Schedule 13G
states that
Americus Capital
Advisors, LLC

and Paul J. Reiferson have shared voting and shared dispositive power over 3,994,391 Class A shares.

- (5) Based on a Schedule 13G filed with the Securities and Exchange Commission by Bandera Partners LLC. The Schedule 13G states that Bandera Partners LLC has sole voting and dispositive power over 2,932,150 Class A shares, Gregory Bylinsky and Jefferson Gramm have shared voting and dispositive power over 2,932,150 Class A shares, and William Gramm has sole voting and dispositive power over 40,000 Class A shares.

- (6) The Class A shares are held in brokerage margin accounts and the Class B shares are owned indirectly through the Bank of Nova Scotia and pledged as collateral for a bank line of credit.

- (7) Includes 5,000 Class A shares held jointly with his spouse and 5,000 shares held as custodian for Mr. Rhinelanders minor child and 2,000 Class B shares held as custodian for Mr. Rhinelanders minor child.
- (8) Includes 15,000 shares held jointly with Mr. Buonos spouse.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Programs

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

The Compensation/Nomination/Governance Committee of the Board of Directors is responsible for establishing, implementing and monitoring adherence to ALCs compensation philosophy. The Committee oversees ALCs compensation plans and practices, including its executive officer compensation plans and practices and its incentive compensation and equity-based plans.

The Committee feels that, because ALC is a relatively new public company, base salary levels should be restrained with above average opportunities for incentive compensation as ALCs strategic goals are met. Accordingly, the Committee has focused on developing short- and long-term incentive compensation programs that reward the accomplishment of ALCs strategic objectives.

Compensation Philosophy and Objectives

The Committee believes that ALCs compensation programs should reward the achievement of specific annual, long-term and strategic goals and that they should be designed to 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

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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. In making decisions regarding discretionary bonuses for 2007 for executive officers other than the Chief Executive Officer, the Committee received recommendations from the Chief Executive Officer. The level of discretionary bonus for the Chief Executive Officer for 2007 was determined solely by the Committee and without involvement of the Chief Executive Officer. 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.

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 meeting unless such date is before or within two business days following the date of ALC's public release of financial results for the previous fiscal year in which case the grant date is the third business day following such release of financial results.

Off-cycle grants are 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 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 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.

2007 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.

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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 Cash Incentive Compensation Program is an annual cash award program for ALC senior corporate and divisional management members based on annual operating results. For 2007, 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, transaction costs associated with the separation of ALC from Extencicare Inc., non-cash, non-recurring gains and losses, including disposal of assets and impairment of long-lived assets, loss on refinancing and retirement of debt, 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 range 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.

The 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 2007, fourteen employees (including the officers included in the Summary Compensation Table) were eligible to receive awards under this performance-based 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 executive officers for the current year. For 2007, the performance targets for executive officers under the Cash Incentive Compensation Program were \$77.3 million of adjusted EBITDAR and an adjusted EBITDAR margin percentage (defined as total revenues divided by adjusted EBITDAR) of 30.4% on a same residence basis. The Committee has determined that these performance targets were not achieved. The Committee has discretion to reduce but not to increase any awards under the 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.

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.

During the first quarter of 2007, the Committee discussed implementing a long-term, equity-based incentive compensation program. The compensation consulting firm of Towers Perrin was retained by ALC to assist the Committee and management in developing the long-term incentive compensation program. The Committee feels that it is in the best interest of investors that the compensation program for senior management for ALC include an equity-based component.

In considering possible long-term incentive compensation programs, the Committee felt that, because ALC is a relatively new public company that is still developing its long-term strategic goals and was about to undertake a strategic initiative that could impact earnings and occupancy on a short-term basis, it was prudent to implement an equity-based incentive compensation program with performance goals tied to 2007 rather than

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performance goals that go beyond 2007. On March 30, 2007, the Committee granted tandem options and stock appreciation rights to senior ALC managers, including the officers named in the summary compensation table, that were to become exercisable beginning in 2008 if specific performance goals related to overall occupancy and reductions in the proportion of units rented to residents who rely on Medicaid payments were attained in 2007. 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 based upon discussion with the Chief Executive Officer and the Vice Chair of the Board of Directors. The performance targets for the 2007 equity-based compensation awards were to reduce the percentage of Medicaid occupied units to below a threshold of 20%, a target of 18%, and a maximum of 16.4% based on the December 2007 actual Medicaid occupied units on a same residence basis while maintaining year-end occupancy of at least 6,950 residents on a same residence basis. The Medicaid reduction goal for 2007 was achieved but the overall occupancy goal was not. Accordingly, all tandem options and stock appreciation rights awarded in 2007 expired without becoming exercisable.

On March 29, 2008, the Committee granted tandem options and stock appreciation rights to senior ALC managers, including the officers named in the summary compensation table, that will become exercisable beginning in 2009 if specific performance goals related to private pay occupancy are attained in 2008. 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 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. The Committee determined that unanticipated events in 2007 rather than any lack of effort by management were responsible for the failure to achieve the performance targets in 2007 under the Cash Incentive Compensation Program and the long-term incentive compensation program. In particular, changes initiated by the State of Texas in the Medicaid program in that state resulted in a more rapid decline in the number of Medicaid occupied units than had been expected. In addition, implementation of the strategy to no longer allow current residents to rollover into Medicaid programs resulted in the unanticipated move out of some private pay residents who decided to relocate to other assisted living residences that still accept Medicaid. As a result, the Medicaid reduction target was exceeded by a wide margin while the overall occupancy and adjusted EBITDAR and adjusted EBITDAR margin targets were not met.

The Committee determined that the implementation of the Board of Directors approved strategy of reducing the number of residents who rely on Medicaid for funding constrained senior management's ability to achieve the performance-based incentive compensation targets for 2007 and that management's efforts to implement the strategy should be rewarded. The Committee also determined that it was in the best interest of ALC to seek the agreement of the executive officers to modifications to the terms of their employment agreements. In general, the modifications: (i) expand the "good cause" provision for employee termination to include "fraud, dishonesty and misconduct affecting job performance, willful violation of any material company policy, and breach of, negligence with respect to, or the failure or refusal by the employee to perform and discharge his or her duties, responsibilities or obligations under the agreement or as defined by ALC as reasonably determined by the Board in its discretion, where such breach, neglect, failure or refusal is not corrected within 30 days following written notice to the employee as reasonably determined by the Board in its discretion; (ii) change the basis under which an employee would have "good reason" to terminate the agreement to be either if the corporate office moves more than 50 miles or if the employee's base salary is reduced by 5% or more, in either 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; and (iii) change the termination benefits that would be paid so that they would be paid to the employee on a salary continuance

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basis for 12 months (24 months in the case of the Chief Executive Officer) instead of a lump sum payout and so that one year's base salary (two years' base salary in the case of the Chief Executive Officer) and 150% (300% in the case of the Chief Executive Officer) of maximum cash bonus would be paid along with other benefits the employee would have received in the year (car allowance, deferred compensation, executive retirement plan, etc.)(two years in the case of the Chief Executive Officer). Additionally, COBRA payments for insurance would be reimbursed to the employee for one year (two years in the case of the Chief Executive Officer) unless he or she is able to enroll in a separate group health plan under new employment.

Accordingly, the Committee authorized the payment of discretionary cash bonuses for participants in the 2007 Cash Incentive Compensation Program that ranged from 27% to 100% of the cash compensation that would have been earned had the performance targets been achieved, on the condition that each of the executives agree to the modifications to his or her employment agreement. The amount of discretionary bonus awarded to each of the officers named in the summary compensation table other than the Chief Executive Officer was determined by the Committee based on recommendations by the Chief Executive Officer. The amount awarded the Chief Executive Officer was determined solely by the Committee based on the Committee's evaluation of the Chief Executive Officer's performance in 2007 and the value to ALC of the changes to her employment agreement. The Committee determined that these discretionary bonuses were in the best interest of ALC in order to attract and retain key employees and to obtain the benefits of the changes in the employment agreements.

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 Salary and Deferred Compensation Plans because it believes that these programs help attract and retain key employees.

Under the Executive Retirement Plan, 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 Plan. 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

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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 and 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 employment agreements were designed to promote stability and continuity of senior management. Termination benefits under these agreements would have been triggered if ALC terminated an agreement without cause or if the employee terminated his or her employment after the employee's work location was shifted more than a specified distance or the employee's duties and responsibilities were materially diminished over the employee's objections. 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 without concern that their roles within ALC would be materially altered without their consent.

As discussed above under *2007 Compensation Discretionary Bonus Compensation*, the employment agreements put in place in 2006 were modified in 2008. Information regarding terms and applicable payments under the agreements in effect at the end of 2007 for the named executive officers is provided under the heading *Employment Contracts and Termination of Employment and Change-in Control Agreements*.

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 its executive officers so that Section 162(m) of the Code will not adversely impact ALC.

Summary Compensation Table for Fiscal 2007

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 2006 and 2007. The Board of Directors determined that the executive officers at the end of 2007 were Ms. Bebo, Mr. Buono, Mr. Fonstad and Mr. Levonowich.

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Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)⁽¹⁾	Total (\$)
Laurie A. Bebo <i>President and Chief Executive Officer</i>	2007	400,000	130,000		3,172	85,481	618,653
John Buono <i>Senior Vice President, Chief Financial Officer and Treasurer</i>	2006	357,019	270,000		2,683	91,013	720,715
Eric B. Fonstad <i>Senior Vice President, General Counsel and Secretary</i>	2007	240,000	60,000		131	53,027	353,158
	2006 ⁽²⁾	50,000	16,200			5,000	71,200
Walter A. Levonowich <i>Vice President and Contoller</i>	2007	150,000	15,000		789	36,633	202,422
Terrance Usher ⁽³⁾ <i>Divisional Vice President, Midwest & Central</i>	2006 ⁽²⁾	26,154	7,875			2,500	36,529
	2007	153,375	30,000		9,027	38,676	231,078
	2006	148,408	40,298		7,617	37,537	233,860
	2007	185,000	25,000		12,574	47,622	270,196
	2006	185,000	74,925		12,899	47,567	320,391

Notes

- (1) The All Other Compensation column includes the following dollar amounts of perquisites and other benefits for 2007:

Name	Car Rental/ Allowance	ALC Contributions to Executive Retirement Plan	ALC Contributions to Deferred Compensation Plan	ALC Contributions to 401(k) Plan	Long-Term Care & Supplemental Long-Term Disability Insurance	Tax Gross Up on Insurance	Total

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Laurie A. Bebo	18,252	40,694	20,000	2,250	1,552	2,733	85,481
John Buono	7,800	24,000	14,500	2,050	1,732	2,945	53,027
Eric B. Fonstad	7,800	15,000	7,500	1,500	1,882	2,951	36,633
Walter A. Levonowich	7,800	15,337	7,669	1,937	2,311	3,622	38,676
Terrance Usher	9,600	18,500	9,250	2,250	2,970	5,052	47,622

(2) Mr. Buono and Mr. Fonstad joined ALC in mid- and late October 2006, respectively.

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

As discussed under *2007 Compensation Discretionary Bonus Compensation* in the Compensation Discussion and Analysis, amounts reported in the Bonus column are discretionary bonuses awarded by the

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Compensation/Nomination/Governance Committee that the Committee determined were justified in light of the unanticipated events affecting ALC's operating results in 2007 and as consideration for the agreement of the executives to modifications to their employment agreements. No amounts were earned in 2007 under ALC's Cash Incentive Compensation Program because budgeted adjusted EBITDAR and adjusted EBITDAR margin targets were not achieved.

Amounts reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column reflect above market earnings on deferred compensation and defined contribution retirement benefit accounts.

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 of compensation in order to provide stockholders with additional information about ALC's compensation practices for significant employees.

2007 Grants of Plan-Based Awards

The following table provides information regarding awards during 2007 under ALC's Cash Incentive Compensation Program and Long-Term Incentive Program to the individuals named in the summary compensation table.

Name	Grant Date	Type of Award: Annual Cash Incentive or Long-Term Incentive	Estimated Possible Future Payouts Under Non-Equity Incentive Awards		Estimated Possible Future Payouts Under Equity Incentive Plan Awards			Exercise or Base Price of Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards
			Threshold & Target \$	Maximum \$	Threshold #	Target #	Maximum #		
Laurie A. Bebo	March 30, 2007	ACI LTI	300,000	340,000	57,272	63,636	70,000	11.80	\$420,700
John Buono	March 30, 2007	ACI LTI	120,000	144,000	32,728	36,364	40,000	11.80	\$240,400
Eric B. Fonstad	March 30, 2007	ACI LTI	52,500	67,500	24,546	27,273	30,000	11.80	\$180,300
Walter A. Levonowich	March 30, 2007	ACI LTI	46,013	61,388	24,546	27,273	30,000	11.80	\$180,300
Terrance Usher	March 30, 2007	ACI LTI	92,500	111,000	24,546	27,273	30,000	11.80	\$180,300

As discussed in the Compensation Discussion and Analysis, none of the estimated possible future payouts listed in this table were or will be paid. No amounts were earned in 2007 under the 2007 Cash Incentive Compensation Program because budgeted adjusted EBITDAR and adjusted EBITDAR margin targets were not achieved. None of the tandem stock option/stock appreciation rights awards made in 2007 under the 2007 Long-Term Incentive Program became exercisable because the overall occupancy target was not achieved in 2007.

The Black-Scholes option value model was used to estimate the grant date fair value of the tandem stock option/stock appreciation rights granted on March 30, 2007. The following assumptions were used in this calculation: (i) a risk free rate of 5.45% equal to the five year U.S. Treasury yield in effect on the grant date; (ii)

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an expected life of five years based on the expected exercise behavior of option holders: (iii) expected volatility of 53.1% based on an average of a peer group's historical volatility for a period equal to the tandem stock option/stock appreciation rights' expected life, ending on the date of grant; (iv) no dividend yield; and (v) forfeitures rate estimated at 0 percent. This calculation results in a fair value of the tandem stock option/stock appreciation rights at the date of grant of \$6.01 per share.

Outstanding Equity Awards at Fiscal Year-End; Option Exercises and Stock Vested in 2007

The following table provides information about equity awards that were outstanding at fiscal year-end. As discussed in the Compensation Discussion and Analysis, the Compensation/Nomination/Governance Committee has determined that the performance targets for these awards were not achieved and, consequently, the awards expired without becoming exercisable. There were no option exercises or stock vesting for any of the named executive officers during 2007.

Outstanding Equity Awards at Fiscal Year-end

Name	Number of Securities Underlying Unexercised Options		Equity Incentive Plan Awards:		Option Exercise Price	Option Expiration Date
	Exercisable (#)	Unexercisable (#)	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unearned Options		
Laurie A. Bebo	0	0	70,000	11.80		(1)
John Buono	0	0	40,000	11.80		(1)
Eric B. Fonstad	0	0	30,000	11.80		(1)
Walter A. Levonowich	0	0	30,000	11.80		(1)
Terrance Usher	0	0	30,000	11.80		(1)

Notes

- (1) All options reported in this table were granted on March 30, 2007 and would have expired on March 30, 2012 if they had become exercisable. All options expired on February 26, 2008 in accordance with their terms when the Compensation/Nomination/Governance Committee determined that the applicable performance targets with respect to the awards were not achieved.

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Nonqualified Defined Contribution Plans

The following table provides information regarding ALC's defined-contribution retirement plans. ALC does not maintain defined-benefit plans.

2007 Nonqualified Deferred Compensation