

**Assisted Living Concepts, Inc. Announces 2007 First Quarter Results.
Continues To Successfully Position Towards A Higher Private Pay Mix.**

First Quarter Highlights:

- Net income from continuing operations up 37.7% from the pro forma first quarter of 2006
- Private pay census 6.1% over the pro forma first quarter of 2006
- Planned Medicaid population reductions were 14.2% from the first quarter
- Adjusted EBITDAR margins of 29.2%

MILWAUKEE, WISCONSIN – Assisted Living Concepts, Inc. (“ALC”) (NYSE:ALC) reported \$4.7 million of net income and net income from continuing operations in the 2007 first quarter as compared to net income and net income from continuing operations of \$2.3 million and \$3.5 million, respectively in the 2006 first quarter.

“During the first quarter of 2007 we continued to move forward with our overall strategy of growing our private pay occupancy and reducing our reliance on Medicaid funding as a percentage of revenue,” commented Laurie Bebo, President and Chief Executive Officer of Assisted Living Concepts, Inc. “In addition, we accomplished other strategic goals to further improve our position for future operational performance. We decreased our Medicaid unit occupancy an average of 226 units in the first quarter 2007 over fourth quarter 2006. This provides us with additional opportunity for private pay occupancy growth in 2007.”

On a fully diluted basis, earnings per share were \$0.07 and \$0.03 in the March 31, 2007 and 2006 quarter, respectively and earnings per share from continuing operations were \$0.07 and \$0.05 in the quarters ended March 31, 2007 and 2006, respectively.

Until November 10, 2006, ALC was a wholly owned subsidiary of Extencicare Inc. (“Extencicare”), now known as Extencicare Real Estate Investment Trust (TSX: EXE.UN). The financial results reported until that time reflect the combined historical financial statements of the assisted living operations of Extencicare in the United States. As of March 31, 2007, ALC operated 207 assisted living residences representing 8,324 units.

Certain pro forma adjustments in the three month period ended March 31, 2006 are necessary to reflect the ongoing operations of ALC following the November 10, 2006 separation of ALC from Extencicare. These adjustments remove data related to assets and liabilities that were not transferred to ALC in connection with the separation, including: (i) three assisted living facilities (168 units) that were closed in the three months ended March 31, 2006 and (ii) two free-standing assisted living facilities (141 units) and another 129 assisted living units contained in skilled nursing facilities that were retained by Extencicare.

Pro forma income statement information for the three months ended March 31, 2006 is included for informational purposes and does not purport to reflect the results of operations of ALC that would have occurred had ALC operated as a separate independent company in that period. The pro forma financial statements do not reflect the additional cost of being a publicly listed company nor do they remove any interest expense related to the capital structure prior to the separation.

The basic weighted average number of shares of common stock is based upon the number of shares of Class A and Class B common stock of ALC outstanding. For purposes of determining the diluted weighted average number of shares, the Class B shares were deemed to have been converted into Class A shares at the 1 to 1.075 conversion rate applicable to the Class B common stock. This resulted in an additional 0.7 million shares included in the fully diluted weighted average number of shares outstanding in the quarter ended March 31, 2007. For the three month period ended March 31, 2006, the basic average number of shares of common stock was determined by adding the number of outstanding Subordinate Voting Shares and the number of Multiple Voting shares of Extencicare upon completion of the separation which was equal to the number of shares of Class A and Class B common stock of ALC distributed in conjunction with the separation. For

purposes of determining the diluted weighted average number of shares, the Multiple Voting Shares were deemed to have been converted into Subordinated Voting Shares at the 1 to 1.075 conversion rate applicable to the Class B common stock. This resulted in an additional 0.9 million shares included in the diluted weighted average number of shares outstanding in the quarter ended March 31, 2006.

First quarters ended March 31, 2007 and 2006 and the fourth quarter ended December 31, 2006

Revenues increased \$0.7 million or 1.3 % to \$57.5 million during the 2007 first quarter from \$56.8 million in the 2006 first quarter and decreased \$1.0 million or 1.8% from the fourth quarter of 2006.

Adjusted EBITDA increased \$0.2 million or 1.4% to \$13.1 million during the 2007 first quarter from \$12.9 million in the 2006 first quarter and decreased \$0.8 million or 5.6% from the fourth quarter of 2006. As a percent of revenue, adjusted EBITDA for the 2007 first quarter was unchanged from the 2006 quarter at 22.7% and decreased from 23.7% in the fourth quarter of 2006.

Adjusted EBITDAR increased \$0.4 million or 2.4% to \$16.8 million during the 2007 first quarter from \$16.4 million in the 2006 first quarter and decreased \$0.8 million or 4.4% from the fourth quarter of 2006. As a percent of revenue, adjusted EBITDAR for the 2007 first quarter increased to 29.2% compared to 28.9% in the 2006 first quarter and decreased from 30.0% in the fourth quarter of 2006.

See attached tables for definitions of adjusted EBITDA and adjusted EBITDAR and reconciliations of net income to adjusted EBITDA and adjusted EBITDAR.

Quarter ended March 31, 2007 compared to the quarter ended March 31, 2006

Increased revenues in the March 31, 2007 quarter were primarily due to higher average daily revenue as a result of an increase of 298 units occupied by our private pay residents (\$2.6 million), rate increases (\$1.4 million), and revenue from the current tenant of ALC's recently purchased corporate office (\$0.2 million), partially offset by a decrease of 288 units occupied by Medicaid residents (\$1.7 million) and decreases in revenues associated with the properties retained by Extencicare (270 units) that were included only in the 2006 period (\$1.4 million) and in revenues associated with the amortization of below market leases from Extencicare's 2005 acquisition of ALC which ended in January 2007 (\$0.4 million).

The \$0.2 million increase in adjusted EBITDA resulted primarily from the growth in revenues discussed above (\$0.7 million) and reductions in residence operations expenses (\$0.2 million), partially offset by increased residence lease expense and general and administrative expense items (\$0.7 million after adjusting for non-cash equity compensation expense in the 2006 quarter of \$0.3 million). The \$0.2 million reduction in residence operations expenses resulted primarily from residences retained by Extencicare which were included only in the 2006 first quarter (\$1.1 million), partially offset by inflationary factors (\$0.9 million).

Adjusted EBITDA margins in the first quarter of 2007 remained unchanged from the first quarter of 2006. Margin improvement resulting from improved private pay mix and rate increases in the first quarter of 2007 were offset by the increased general and administrative expenses discussed above.

In the first quarter of 2007, rental expense increased by \$0.2 million over the first quarter of 2006. Other than the increase in rental expense, adjusted EBITDAR increased for the same reasons as explained in adjusted EBITDA above.

See attached tables for definitions of adjusted EBITDA and adjusted EBITDAR and reconciliations of net income to adjusted EBITDA and adjusted EBITDAR.

Quarter ended March 31, 2007 compared to the quarter ended December 31, 2006

Revenues in the first quarter of 2007 declined from the quarter ended December 31, 2006 primarily due to a decrease of 264 units occupied by our Medicaid residents (\$1.4 million), two less days in the first quarter 2007 reporting period (90 days in the quarter ended March 31, 2007 vs. 92 in the quarter ended December 31, 2006) (\$1.3 million), and decreases in revenues associated with the properties retained by Extencicare (270 units) that were included only in the 2006 period (\$0.5 million) and in revenues associated with the amortization of below market leases from Extencicare's 2005 acquisition

of ALC which ended in January 2007 (\$0.1 million), partially offset by a higher average daily revenue as a result of rate increases (\$2.0 million) and an increase of 18 units occupied by our private pay residents (\$0.2 million).

The \$0.8 million decrease in adjusted EBITDA resulted primarily from lower revenues in the first quarter of 2007 as compared to the fourth quarter of 2006 as discussed above (\$1.0 million), partially offset by a reduction in residence operations expenses (\$0.2 million). The reduction in residence operations expenses resulted primarily from residences retained by Extencicare which were included for a portion of the 2006 fourth quarter (\$0.4 million), partially offset by inflationary factors (\$0.2 million).

Adjusted EBITDA margins in the first quarter of 2007 declined from the fourth quarter of 2006 as improvements in private pay mix were offset by expense increases.

Rental expense remained substantially unchanged in the 2006 and 2007 periods. Adjusted EBITDAR increased for the same reasons as explained in adjusted EBITDA above.

See attached tables for definitions of adjusted EBITDA and adjusted EBITDAR and reconciliations of net income to adjusted EBITDA and adjusted EBITDAR.

First quarter ended March 31, 2007 and pro forma quarters ended March 31, 2006 and December 31, 2006

Revenues increased \$2.2 million or 3.9 % to \$57.5 million during the 2007 first quarter from \$55.4 million in the pro forma 2006 first quarter and decreased \$0.5 million or 0.9% from the pro forma fourth quarter of 2006.

For the reasons discussed above, adjusted EBITDA increased \$0.5 million or 3.7% to \$13.1 million during the 2007 first quarter from \$12.6 million in the pro forma 2006 first quarter and decreased \$0.7 million or 5.2% from the pro forma fourth quarter of 2006. As a percent of revenue, adjusted EBITDA for the 2007 first quarter decreased to 22.7% compared to 22.8% in the pro forma 2006 first quarter and decreased from 23.8% in the pro forma fourth quarter of 2006.

For the reasons discussed above, adjusted EBITDAR increased \$0.7 million or 4.2% to \$16.8 million during the 2007 first quarter from \$16.1 million in the pro forma 2006 first quarter and decreased \$0.7 million or 4.1% from the pro forma fourth quarter of 2006. As a percent of revenue, adjusted EBITDAR for the 2007 first quarter increased to 29.2% compared to 29.1% in the 2006 first quarter and decreased from 30.2% in the pro forma fourth quarter of 2006.

See attached tables for pro forma and non-GAAP reconciliation information and definitions of adjusted EBITDA and adjusted EBITDAR.

Pro forma Adjustments

Pro forma adjustments to revenue, adjusted EBITDA and adjusted EBITDAR in the first quarter of 2006 included revenues associated with the properties retained by Extencicare (270 units) that were included only in the 2006 period (\$1.4 million, \$0.3 million and \$0.3 million, respectively). No pro forma adjustments were necessary in the 2007 financial information.

Pro forma adjustments to revenue, adjusted EBITDA and adjusted EBITDAR in the fourth quarter of 2006 included revenues associated with the properties retained by Extencicare (270 units) that were included only in the 2006 period (\$0.5 million, \$0.1 million and \$0.1 million, respectively).

See attached tables for pro forma and non-GAAP reconciliation information and definitions of adjusted EBITDA and adjusted EBITDAR.

About Us

Assisted Living Concepts, Inc. of Milwaukee, Wisconsin, separated from Extencicare Inc. on November 10, 2006 and is an operator of assisted living residences in the United States. ALC and its subsidiaries operate 207 assisted living residences with capacity for over 8,300 residents in 17 states. ALC's assisted living facilities typically consist of 35 to 60 units and offer residents a supportive, home-like setting and assistance with the activities of daily living. ALC employs approximately 4,500 people.

ALC has scheduled a conference call on May 4, 2007 at 10:00 a.m. (ET) to discuss its financial results for the first quarter. The toll-free number for the live call is 800-475-4971; the passcode is 8902807, and the leader name is Laurie Bebo. A

taped rebroadcast will be available approximately one hour following the live call until midnight on June 4, 2007. To access the rebroadcast of the call, click on the Investor Relations section of ALC's website: www.alcco.com.

The attached statements reflect certain reclassifications to the prior period figures to conform to the 2007 presentation.

Forward-looking Statements

Statements contained in this release other than statements of historical fact, including statements regarding anticipated financial performance, business strategy and management's plans and objectives for future operations including management's expectations about its expansion plans and plans to improve private payer mix, are forward-looking statements. These forward-looking statements can be identified as such because the statements generally include words such as "expect", "intend", "will", "anticipate", "believe", "estimate", "plan", "strategy" or "objective" or other similar expressions. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied. In addition to the risks and uncertainties related to these statements, other risks and uncertainties are identified in ACL's filings with United States Securities and Exchange Commissions and include, but are not limited to, the following: changes in the health care industry in general and the long-term care industry in particular because of political and economic influences; changes in regulations governing the industry and ACL's compliance with such regulations; changes in government funding levels for health care services; resident care litigation, including exposure for punitive damage claims and increased insurance costs, and other claims asserted against ALC; ALC's ability to maintain and increase census levels; ALC's ability to attract and retain qualified personnel; the availability and terms of capital to fund ALC's capital expenditures; changes in competition; and demographic changes. Given these risks and uncertainties, readers are cautioned not to place undue reliance on ALC's forward-looking statements. All forward-looking statements contained in this report are necessarily estimates reflecting the best judgment of the party making such statements based upon current information, and ALC assumes no obligation to update any forward-looking statement.

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ASSISTED LIVING CONCEPTS, INC.
Consolidated Statements of Income
(In thousands, except earnings per share)
(Unaudited)

| | Three Months Ended | |
|--|---------------------------|--------------------|
| | March 31, | |
| | <u>2007</u> | <u>2006</u> |
| Revenues..... | \$ <u>57,521</u> | \$ <u>56,776</u> |
| Expenses: | | |
| Residence operations (exclusive of depreciation and amortization and residence lease expense shown below)..... | 37,758 | 37,917 |
| General and administrative..... | 2,987 | 2,751 |
| Residence lease expense..... | 3,699 | 3,488 |
| Depreciation and amortization..... | 4,181 | 4,123 |
| Transaction costs..... | <u>56</u> | <u>—</u> |
| Total operating expenses..... | <u>48,681</u> | <u>48,279</u> |
| Income from operations..... | 8,840 | 8,497 |
| Other expense: | | |
| Interest expense, net..... | <u>(1,215)</u> | <u>(2,830)</u> |
| Income from continuing operations before income taxes..... | 7,625 | 5,667 |
| Income tax expense..... | <u>(2,898)</u> | <u>(2,189)</u> |
| Net income from continuing operations..... | 4,727 | 3,478 |
| Loss from discontinued operations, net of taxes..... | <u>—</u> | <u>(1,168)</u> |
| Net income..... | <u>\$ 4,727</u> | <u>\$ 2,310</u> |
| Weighted average common shares: | | |
| Basic..... | 69,482 | 69,322 |
| Diluted..... | 70,205 | 70,205 |
| Per share data: | | |
| Basic earnings per common share: | | |
| Income from continuing operations..... | \$ 0.07 | \$ 0.05 |
| Loss from discontinued operations..... | <u>—</u> | <u>(0.02)</u> |
| Net income..... | <u>\$ 0.07</u> | <u>\$ 0.03</u> |
| Diluted earnings per common share: | | |
| Income from continuing operations..... | \$ 0.07 | \$ 0.05 |
| Loss from discontinued operations..... | <u>—</u> | <u>(0.02)</u> |
| Net income..... | <u>\$ 0.07</u> | <u>\$ 0.03</u> |
| Adjusted EBITDA (1)..... | <u>\$ 13,083</u> | <u>\$ 12,898</u> |
| Adjusted EBITDAR (1)..... | <u>\$ 16,782</u> | <u>\$ 16,386</u> |

(1) See attached tables for definitions of adjusted EBITDA and adjusted EBITDAR and reconciliations of net income to adjusted EBITDA and adjusted EBITDAR

ASSISTED LIVING CONCEPTS, INC.
Consolidated Balance Sheets
(In thousands, except share and per share data)

| ASSETS | March 31, 2007 (Unaudited) | December 31, 2006 |
|--|---|------------------------------|
| Current Assets: | | |
| Cash and cash equivalents..... | \$ 28,396 | \$ 19,951 |
| Investments..... | 4,938 | 5,332 |
| Accounts receivable, less allowances of \$936 and \$1,086 respectively..... | 5,180 | 5,395 |
| Supplies, prepaid expenses and other current assets..... | 7,828 | 8,178 |
| Income tax receivable..... | — | 90 |
| Deferred income taxes..... | <u>1,325</u> | <u>1,552</u> |
| Total current assets..... | 47,667 | 40,498 |
| Property and equipment, net..... | 374,943 | 374,612 |
| Goodwill and other intangible assets, net..... | 17,569 | 18,102 |
| Restricted cash..... | 9,949 | 10,947 |
| Other assets..... | <u>3,292</u> | <u>3,181</u> |
| Total Assets..... | <u>\$ 453,420</u> | <u>\$ 447,340</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable..... | \$ 4,120 | \$ 5,134 |
| Accrued liabilities..... | 20,022 | 19,580 |
| Current maturities of long-term debt..... | 2,781 | 2,732 |
| Income taxes payable..... | 2,219 | — |
| Current portion of self-insured liabilities..... | <u>300</u> | <u>300</u> |
| Total current liabilities..... | 29,442 | 27,746 |
| Accrual for self-insured liabilities..... | 1,164 | 1,171 |
| Long-term debt..... | 87,187 | 87,904 |
| Deferred income taxes..... | 5,470 | 5,146 |
| Other long-term liabilities..... | <u>8,755</u> | <u>8,535</u> |
| Total Liabilities..... | <u>132,018</u> | <u>130,502</u> |
| Preferred stock, par value \$0.01 per share, 25,000,000 shares authorized, none issued or outstanding..... | — | — |
| Series A Common Stock, par value \$0.01 per share, 400,000,000 authorized 60,056,892 issued and outstanding..... | 601 | 595 |
| Series B Common Stock, par value \$0.01 per share, 75,000,000 authorized 9,440,074 issued and outstanding..... | 94 | 100 |
| Additional paid-in capital..... | 313,553 | 313,474 |
| Accumulated other comprehensive income..... | 288 | 530 |
| Retained earnings..... | <u>6,866</u> | <u>2,139</u> |
| Total Stockholders' Equity..... | <u>321,402</u> | <u>316,838</u> |
| Total Liabilities and Stockholders' Equity..... | <u>\$ 453,420</u> | <u>\$ 447,340</u> |

ASSISTED LIVING CONCEPTS, INC.
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

| | Three Months Ended | |
|---|---------------------------|-----------------|
| | March 31, | |
| | 2007 | 2006 |
| OPERATING ACTIVITIES: | | |
| Net income..... | \$ 4,727 | \$ 2,310 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization..... | 4,181 | 4,177 |
| Amortization of purchase accounting adjustments for: | | |
| Leases and debt..... | (215) | (131) |
| Below market resident leases..... | (39) | (475) |
| Provision for bad debt..... | 150 | 139 |
| Provision for self-insured liabilities..... | 150 | 177 |
| Payments of self-insured liabilities..... | (143) | (117) |
| Loss on impairment of long-lived assets and discontinued operations... | — | 1,722 |
| Deferred income taxes..... | 551 | 240 |
| Equity-based compensation expense..... | 6 | 278 |
| Changes in assets and liabilities: | | |
| Accounts receivable..... | 65 | (333) |
| Supplies, prepaid expenses and other current assets..... | 350 | (171) |
| Accounts payable..... | (1,014) | (917) |
| Accrued liabilities..... | 442 | 645 |
| Income taxes payable/ receivable..... | 2,461 | 1,557 |
| Changes in other non-current assets..... | 887 | (64) |
| Other long-term liabilities..... | 353 | 232 |
| Current due to stockholder and affiliates..... | — | <u>2,882</u> |
| Cash provided by operating activities..... | <u>12,912</u> | <u>12,151</u> |
| INVESTING ACTIVITIES: | | |
| Payments for new construction projects..... | (1,152) | (771) |
| Payments for purchases of property and equipment..... | <u>(2,827)</u> | <u>(1,425)</u> |
| Cash used in investing activities..... | <u>(3,979)</u> | <u>(2,196)</u> |
| FINANCING ACTIVITIES: | | |
| Capital contributions (distributions) from (to) Extendicare..... | 73 | (35) |
| Repayment of interest bearing advances to Extendicare..... | — | (6,500) |
| Payments of long-term debt..... | <u>(561)</u> | <u>(516)</u> |
| Cash used in financing activities..... | <u>(488)</u> | <u>(7,051)</u> |
| Increase in cash and cash equivalents..... | 8,445 | 2,904 |
| Cash and cash equivalents, beginning of year..... | <u>19,951</u> | <u>6,439</u> |
| Cash and cash equivalents, end of period..... | <u>\$ 28,396</u> | <u>\$ 9,343</u> |
| Supplemental schedule of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest..... | \$ 1,792 | \$ 2,946 |
| Income tax payments, net of refunds..... | (113) | 129 |

ASSISTED LIVING CONCEPTS, INC.
Financial and Operating Statistics

| All continuing residences* | Three months ended | | |
|--|---------------------------|------------------------------|---------------------------|
| | March 31, 2007 | December 31, 2006 | March 31, 2006 |
| Average Occupied Units by Payer Source | | | |
| Private | 5,219 | 5,201 | 4,921 |
| Medicaid | 1,741 | 1,967 | 2,029 |
| Total | <u>6,960</u> | <u>7,168</u> | <u>6,950</u> |
| Occupancy Mix by Payer Source | | | |
| Private | 75.0% | 72.6% | 70.8% |
| Medicaid | 25.0% | 27.4% | 29.2% |
| Percent of Revenue by Payer Source | | | |
| Private | 81.4% | 79.5% | 78.1% |
| Medicaid | 18.6% | 20.5% | 21.9% |
| Average Revenue per Occupied Unit Day by Payer Source | | | |
| Private | \$99.18 | \$95.87 | \$96.83 |
| Medicaid | \$67.98 | \$65.36 | \$65.70 |
| Combined | \$91.38 | \$87.48 | \$87.74 |
| Occupancy Percentage | 83.7% | 86.4% | 84.2% |

* Continuing residences include all residents except (i) two freestanding residences and an additional 129 assisted living units contained in skilled nursing facilities that were retained by Extencicare and (ii) residences classified in the financial statements as discontinued operations.

In the first quarter of 2007, we enhanced our ability to track double occupied units and changed our method for calculating statistics relating to average occupied units and average revenue per occupied unit. Previously, our operating statistics reported all second residents of double occupied units as private pay residents, whether or not they were private pay or Medicaid residents. Because these second residents of double occupied units were then subtracted from the number of private pay residents to determine the number of occupied units, this methodology had the effect of somewhat understating our number of private pay occupied units and overstating our Medicaid occupied units. It also had the effect of somewhat overstating average revenue per occupied unit for private pay units and understating it for Medicaid units. The change in methodology has no impact on our previously reported income or cash flow and no material effect on our financial and operating statistics. See attached tables reconciling previously reported financial and operating statistics for all continuing residences.

Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDAR

Adjusted EBITDA is defined as net income from continuing operations before income taxes, interest expense net of interest income, depreciation and amortization, equity based compensation expense, transaction costs and non-cash, non-recurring gains and losses, including disposal of assets and impairment of long-lived assets and loss on refinancing and retirement of debt. Adjusted EBITDAR is defined as adjusted EBITDA before rent expenses incurred for leased assisted living properties. Adjusted EBITDA and adjusted EBITDAR are not measures of performance under accounting principles generally accepted in the United States of America, or GAAP. We use adjusted EBITDA and adjusted EBITDAR as key performance indicators and adjusted EBITDA and adjusted EBITDAR expressed as a percentage of total revenues as a measurement of margin.

We understand that EBITDA and EBITDAR, or derivatives thereof, are customarily used by lenders, financial and credit analysts, and many investors as a performance measure in evaluating a company's ability to service debt and meet other payment obligations or as a common valuation measurement in the long-term care industry. Moreover, ALC's revolving credit facility contains covenants in which a form of EBITDA is used as a measure of compliance, and we anticipate EBITDA will be used in covenants in any new financing arrangements that we may establish. We believe adjusted EBITDA and adjusted EBITDAR provide meaningful supplemental information regarding our core results because these measures exclude the effects of non-operating factors related to our capital assets, such as the historical cost of the assets.

We report specific line items separately, and exclude them from adjusted EBITDA and adjusted EBITDAR because such items are transitional in nature, and would otherwise distort historical trends. In addition, we use adjusted EBITDA and adjusted EBITDAR to assess our operating performance and in making financing decisions. In particular, we use adjusted EBITDA and adjusted EBITDAR in analyzing potential acquisitions and internal expansion possibilities. Adjusted EBITDAR performance is also used in determining compensation levels for our senior executives. Adjusted EBITDA and adjusted EBITDAR should not be considered in isolation or as a substitute for net income, cash flows from operating activities, and other income or cash flow statement data prepared in accordance with GAAP, or as a measure of profitability or liquidity. We present adjusted EBITDA and adjusted EBITDAR on a consistent basis from period to period, thereby allowing for comparability of operating performance.

Adjusted EBITDA and Adjusted EBITDAR Reconciliation Information

The following table sets forth a reconciliation of net income to adjusted EBITDA and adjusted EBITDAR (in thousands):

| | Three Months Ended | |
|--|---------------------------|------------------|
| | March 31, | |
| | <u>2007</u> | <u>2006</u> |
| Net income..... | \$ 4,727 | \$ 2,310 |
| Loss from discontinued operations, net of tax benefit..... | — | 1,168 |
| Provision for income taxes..... | <u>2,898</u> | <u>2,189</u> |
| Income from continuing operations before income taxes..... | 7,625 | 5,667 |
| Add: | | |
| Depreciation and amortization..... | 4,181 | 4,123 |
| Interest expense, net..... | 1,215 | 2,830 |
| Transaction costs | 56 | — |
| Non-cash equity based compensation expense..... | <u>6</u> | <u>278</u> |
| Adjusted EBITDA..... | 13,083 | 12,898 |
| Add: Lease expense..... | <u>3,699</u> | <u>3,488</u> |
| Adjusted EBITDAR..... | <u>\$ 16,782</u> | <u>\$ 16,386</u> |

The following table sets forth the calculations of adjusted EBITDA and adjusted EBITDAR percentages (in thousands except percentages):

| | Three Months Ended | |
|--|---------------------------|------------------|
| | March 31, | |
| | <u>2007</u> | <u>2006</u> |
| Revenues..... | \$ <u>57,521</u> | \$ <u>56,776</u> |
| Adjusted EBITDA..... | \$ <u>13,083</u> | \$ <u>12,898</u> |
| Adjusted EBITDAR..... | \$ <u>16,782</u> | \$ <u>16,386</u> |
| Adjusted EBITDA as percent of total revenue..... | <u>22.7%</u> | <u>22.7%</u> |
| Adjusted EBITDAR as percent of total revenue... | <u>29.2%</u> | <u>28.9%</u> |

Assisted Living Concepts, Inc.
Pro Forma and Non-GAAP Reconciliation Information
(in thousands, except earnings per share data)

| | Three Months Ended March 31, 2006 | | |
|--|--------------------------------------|---------------------------------|-----------------------|
| | Actual | Adjustments | Pro Forma |
| Revenues..... | \$ <u>56,776</u> | \$ <u>(1,422)^(A)</u> | \$ <u>55,354</u> |
| Expenses: | | | |
| Residence operations (exclusive of depreciation and amortization and residence lease expense shown below)..... | 37,917 | (1,146) ^(A) | 36,771 |
| General and administrative..... | 2,751 | — | 2,751 |
| Residence lease expense..... | 3,488 | (1) ^(A) | 3,487 |
| Depreciation and amortization..... | 4,123 | (189) ^(A) | 3,934 |
| Transaction costs..... | <u>—</u> | <u>—</u> | <u>—</u> |
| Total operating expenses..... | <u>48,279</u> | <u>(1,336)</u> | <u>46,943</u> |
| Income from operations..... | 8,497 | (86) | 8,411 |
| Other expense: | | | |
| Interest expense, net..... | <u>(2,830)</u> | <u>10^(A)</u> | <u>(2,820)</u> |
| Income from continuing operations before income taxes..... | 5,667 | (76) | 5,591 |
| Income tax expense..... | <u>(2,189)</u> | <u>30^(B)</u> | <u>(2,159)</u> |
| Income from continuing operations..... | 3,478 | (46) | 3,432 |
| Loss from discontinued operations, net of tax..... | <u>(1,168)</u> | <u>1,168</u> | <u>—</u> |
| Net income..... | <u>\$ 2,310</u> | <u>\$ 1,122</u> | <u>\$ 3,432</u> |
| Pro forma basic weighted average shares | 69,322 ^(C) | — | 69,322 ^(C) |
| Pro forma diluted weighted average shares | 70,205 ^(C) | — | 70,205 ^(C) |
| Adjusted EBITDA..... | <u>\$ 12,898</u> | <u>\$ (275)</u> | <u>\$ 12,623</u> |
| Adjusted EBITDAR..... | <u>\$ 16,386</u> | <u>\$ (276)</u> | <u>\$ 16,110</u> |
| Basic pro forma earnings per share..... | | | <u>\$ 0.05</u> |
| Diluted pro forma earnings per share | | | <u>\$ 0.05</u> |

**NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION ASSISTED LIVING CONCEPTS, INC.**

The pro forma adjustments included in the unaudited pro forma condensed combined financial information are as follows:

(A) To remove operations (including related depreciation and amortization and lease costs) of three discontinued assisted living facilities (168 units) and two free-standing EHSI assisted living facilities (141 units) and another 129 assisted living units contained within skilled nursing facilities were not transferred to ALC. These assets and operations are included in the historical statements of income through November 10, 2006.

(B) To reflect the income tax effect of the other pro forma adjustments at applicable income tax rates.

(C) The basic weighted average shares of common stock at March 31, 2006 was determined from the number of outstanding Subordinate Voting Shares of Extencicare on the separation date, November 10, 2006, which would have approximated the number of outstanding shares of Class A common stock, and the number of outstanding Multiple Voting Shares of Extencicare, which would have approximated the number of outstanding shares of Class B common stock. For purposes of determining the diluted weighted average shares, the Multiple Voting Shares were deemed to have been converted into Subordinate Voting Shares at the 1 to 1.075 conversion ratio applicable to the Class B common stock. This conversion feature resulted in an additional 0.9 million shares included in the diluted weighted average shares outstanding.

Pro forma adjusted EBITDA and adjusted EBITDAR

The following table sets forth a reconciliation of pro forma net income to adjusted EBITDA and adjusted EBITDAR for the quarter ended March 31, 2006. No pro forma adjustments were necessary for the quarter ended March 31, 2007. (in thousands)

| | <u>2006</u> |
|---|------------------|
| Pro forma net income..... | \$ 3,432 |
| Pro forma provision for income taxes..... | <u>2,159</u> |
| Pro forma income from continuing operations before income taxes..... | 5,591 |
| Add: | |
| Pro forma depreciation and amortization..... | 3,934 |
| Pro forma interest expense, net..... | 2,820 |
| Non-cash equity based compensation | <u>278</u> |
| Pro forma adjusted EBITDA..... | 12,623 |
| Add: Pro forma lease expense..... | <u>3,487</u> |
| Pro forma adjusted EBITDAR..... | <u>\$ 16,110</u> |

The following table sets forth the pro forma calculations of adjusted EBITDA and adjusted EBITDAR percentages for the quarter ended March 31, 2006. No pro forma adjustments were necessary in the quarter ended March 31, 2007. (in thousands except percentages)

| | <u>2006</u> |
|--|------------------|
| Pro forma revenues..... | \$ <u>55,354</u> |
| Pro forma adjusted EBITDA..... | \$ <u>12,623</u> |
| Pro Forma adjusted EBITDAR..... | \$ <u>16,110</u> |
| Pro Forma adjusted EBITDA as percent of total pro forma revenue..... | <u>22.8%</u> |
| Pro forma adjusted EBITDAR as percent of total pro forma revenue.... | <u>29.1%</u> |

ASSISTED LIVING CONCEPTS, INC.
Financial and Operating Statistics Reconciliation Information
All Continuing Residences

| | <u>Three Months Ended December 31, 2005</u> | | |
|--|---|--------------------|----------------|
| | <u>Originally Reported</u> | <u>Adjustments</u> | <u>Revised</u> |
| Average Occupied Units by Payer Source | | | |
| Private | 4,932 | 67 | 4,999 |
| Medicaid | 2,123 | (67) | 2,056 |
| Total | <u>7,055</u> | <u>-</u> | <u>7,055</u> |
| Occupancy Mix by Payer Source | | | |
| Private | 69.9% | 1.0% | 70.9% |
| Medicaid | 30.1% | -1.0% | 29.1% |
| Average Revenue per Occupied Unit Day by Payer Source | | | |
| Private | \$91.35 | \$ (1.23) | \$90.12 |
| Medicaid | \$62.97 | \$ 2.07 | \$65.04 |

| | <u>Year Ended December 31, 2005</u> | | |
|--|-------------------------------------|--------------------|----------------|
| | <u>Originally Reported</u> | <u>Adjustments</u> | <u>Revised</u> |
| Average Occupied Units by Payer Source | | | |
| Private | 4,990 | 67 | 5,057 |
| Medicaid | 2,113 | (67) | 2,046 |
| Total | <u>7,103</u> | <u>-</u> | <u>7,103</u> |
| Occupancy Mix by Payer Source | | | |
| Private | 70.3% | 0.9% | 71.2% |
| Medicaid | 29.7% | -0.9% | 28.8% |
| Average Revenue per Occupied Unit Day by Payer Source | | | |
| Private | \$89.15 | \$ (0.36) | \$88.79 |
| Medicaid | \$62.21 | \$ 2.26 | \$64.47 |

| | <u>Three Months Ended September 30, 2006</u> | | |
|--|--|--------------------|----------------|
| | <u>Originally Reported</u> | <u>Adjustments</u> | <u>Revised</u> |
| Average Occupied Units by Payer Source | | | |
| Private | 5,063 | 47 | 5,110 |
| Medicaid | 2,035 | (47) | 1,988 |
| Total | <u>7,098</u> | <u>-</u> | <u>7,098</u> |
| Occupancy Mix by Payer Source | | | |
| Private | 71.3% | 0.7% | 72.0% |
| Medicaid | 28.7% | -0.7% | 28.0% |
| Average Revenue per Occupied Unit Day by Payer Source | | | |
| Private | \$96.51 | \$ (0.99) | \$95.52 |
| Medicaid | \$65.55 | \$ 1.54 | \$67.09 |

ASSISTED LIVING CONCEPTS, INC.
Financial and Operating Statistics Reconciliation Information
All Continuing Residences (continued)

| | <u>Three Months Ended December 31, 2006</u> | | |
|--|---|--------------------|----------------|
| | <u>Originally Reported</u> | <u>Adjustments</u> | <u>Revised</u> |
| Average Occupied Units by Payer Source | | | |
| Private | 5,163 | 38 | 5,201 |
| Medicaid | 2,005 | (38) | 1,967 |
| Total | <u>7,168</u> | <u>-</u> | <u>7,168</u> |
| Occupancy Mix by Payer Source | | | |
| Private | 72.0% | 0.6% | 72.6% |
| Medicaid | 28.0% | -0.6% | 27.4% |
| Average Revenue per Occupied Unit Day by Payer Source | | | |
| Private | \$96.54 | \$ (0.67) | \$95.87 |
| Medicaid | \$64.13 | \$ 1.23 | \$65.36 |

| | <u>Year Ended December 31, 2006</u> | | |
|--|-------------------------------------|--------------------|----------------|
| | <u>Originally Reported</u> | <u>Adjustments</u> | <u>Revised</u> |
| Average Occupied Units by Payer Source | | | |
| Private | 5,012 | 46 | 5,058 |
| Medicaid | 2,037 | (46) | 1,991 |
| Total | <u>7,049</u> | <u>-</u> | <u>7,049</u> |
| Occupancy Mix by Payer Source | | | |
| Private | 71.1% | 0.7% | 71.8% |
| Medicaid | 28.9% | -0.7% | 28.2% |
| Average Revenue per Occupied Unit Day by Payer Source | | | |
| Private | \$96.90 | \$ (0.89) | \$96.01 |
| Medicaid | \$64.29 | \$ 1.48 | \$65.77 |