

FIVE STAR QUALITY CARE INC
Form 10-Q
May 10, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2006

OR

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

For the transition period from to .

Commission File Number 001-16817

FIVE STAR QUALITY CARE, INC.

Maryland

(State or Other Jurisdiction of Incorporation or Organization)

04-3516029

(IRS Employer Identification No.)

400 Centre Street, Newton, Massachusetts 02458

617-796-8387

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

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

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Large accelerated filer Accelerated filer Non-accelerated filer

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

Number of Common Shares outstanding at May 9, 2006: 31,560,934 shares of common stock, \$0.01 par value.

FIVE STAR QUALITY CARE, INC.

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As used herein the terms "we", "us", "our" and "Five Star" include Five Star Quality Care, Inc. and its consolidated subsidiaries unless otherwise expressly stated or the context otherwise requires.

Part I. Financial Information**Item 1. Consolidated Financial Statements**

FIVE STAR QUALITY CARE, INC.
CONSOLIDATED BALANCE SHEET
(dollars in thousands, except share amounts)

	March 31, 2006 (unaudited)	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,288	\$ 16,729
Accounts receivable, net of allowance of \$7,143 and \$6,124 at March 31, 2006 and December 31, 2005, respectively	45,353	46,124
Prepaid expenses	9,010	8,047
Restricted cash and investments insurance arrangements	4,584	4,869
Restricted cash other	8,712	10,281
Other current assets	7,919	8,830
Total current assets	87,866	94,880
Property and equipment, net		
Restricted cash and investments insurance arrangements	11,926	12,043
Restricted cash other	792	914
Mortgage notes receivable	5,064	5,971
Goodwill and other intangible assets	14,089	14,059
Other long term assets	4,253	4,330
	\$ 223,633	\$ 228,940
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts Payable	\$ 14,384	14,595
Accrued expenses	15,282	14,514
Accrued compensation and benefits	15,223	18,341
Due to Senior Housing Properties Trust (SNH)	8,622	8,659
Due to Sunrise Senior Living Services, Inc. (SLS)	5,078	7,185
Mortgage notes payable	626	626
Accrued real estate taxes	4,464	7,872
Security deposit liability	11,894	11,854
Other current liabilities	6,525	6,322
Total current liabilities	82,098	89,968
Long term liabilities:		
Mortgage notes payable	44,564	44,703
Continuing care contracts	3,674	3,638
Other long term liabilities	22,856	21,827
Total long term liabilities	71,094	70,168
Commitments and contingencies		
Shareholders equity:		
Preferred stock, par value \$0.01: 1,000,000 shares authorized, none issued		
Common stock, par value \$0.01: 50,000,000 shares authorized, 20,060,934 shares issued and outstanding at March 31, 2006 and December 31, 2005, respectively	201	201
Additional paid-in capital	171,552	171,552
Accumulated deficit	(101,111)	(102,770)
Unrealized loss on investments	(201)	(179)
Total shareholders equity	70,441	68,804
	\$ 223,633	\$ 228,940

See accompanying notes.

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FIVE STAR QUALITY CARE, INC.
CONSOLIDATED STATEMENT OF INCOME
(dollars in thousands, except per share amounts)
(unaudited)

	Three months ended March 31,	
	2006	2005
Revenues:		
Net revenues from residents	\$ 188,394	\$ 174,840
Pharmacy revenue	11,345	5,256
Total revenues	199,739	180,096
Operating expenses:		
Wages and benefits	96,552	92,427
Other operating expenses	49,879	42,014
Pharmacy expenses	10,782	5,024
Management fee to SLS		