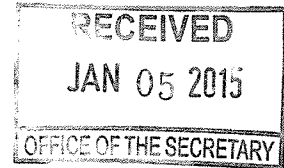


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



ADMINISTRATIVE PROCEEDING
File No. 3-16293

In the Matter of

LAURIE BEBO, and
JOHN BUONO, CPA

Respondents.

ANSWER AND AFFIRMATIVE
DEFENSES TO ORDER INSTITUTING
PUBLIC ADMINISTRATIVE AND
CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 4C AND 21C
OF THE SECURITIES EXCHANGE ACT
OF 1934 AND RULE 102(e) OF THE
COMMISSION'S RULES OF PRACTICE

Respondent Laurie Bebo ("Ms. Bebo"), by her attorneys Reinhart Boerner Van Deuren, s.c., files the following answer and affirmative defenses to the Securities and Exchange Commission's ("Commission") Order Instituting Public Administrative Cease-And-Desist Proceedings ("OIP"), pursuant to the direction contained in that order, Judge Elliot's order dated December 17, 2014, and Rule 220 of the Securities and Exchange Commission's Rules of Practice:

I.

Part I of the OIP contains legal conclusions to which no answer is required. To the extent an answer is deemed necessary, Ms. Bebo denies that it is in the public interest that a public administrative and cease-and-desist proceeding be instituted against Ms. Bebo and John Buono. Ms. Bebo further denies that the Commission is entitled to institute proceedings pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Ms. Bebo anticipates filing a federal court action to enjoin these proceedings and declare them unconstitutional prior to the January 5 pre-hearing conference in this matter. By filing and serving this answer, Ms. Bebo does not intend to waive, is not waiving her rights to pursue her federal court action, and

raises constitutional objections here to preserve them in the unlikely event the federal court fails or refuses to consider them. A hearing in this matter, particularly on an accelerated basis, violates the Due Process and Equal Protection Clauses of the Constitution by failing to afford Ms. Bebo appropriate discovery, failing to abide by the federal rules of civil procedure and evidence, and depriving Ms. Bebo of the important right to a jury trial under the Seventh Amendment, among other grounds.

II.

The preface to Part II of the OIP does not contain allegations for which a response is required.

A. Summary¹

1. Ms. Bebo admits that she and John Buono ("Buono") were CEO and CFO, respectively, of Assisted Living Concepts, Inc. ("ALC") a company that was a publicly-traded assisted living and senior residence provider headquartered in Menomonee Falls, Wisconsin. Ms. Bebo denies the remaining allegations and legal conclusions contained in paragraph 1.

2. Ms. Bebo admits that ALC leased at least eight of the facilities it operated; these written leases are documents which speak for themselves and as such Ms. Bebo denies the allegations characterizing the documents. Except as expressly admitted, Ms. Bebo denies the allegations contained in paragraph 2.

3. Deny.

4. Deny.

5. Deny.

¹ To the extent a response is required to the OIP's headings, Bebo denies the factual allegations and characterizations contained in each and every heading.

6. Ms. Bebo admits that she and Buono provided written certifications in connection with ALC's Form 10-K and 10-Q from the third quarter of 2009 to the fourth quarter of 2011; the certifications are documents which speak for themselves and Ms. Bebo denies the allegations characterizing the documents. The remaining allegations contained in paragraph 6 constitute conclusions of law to which no response is required. To the extent an answer is deemed necessary, Ms. Bebo denies the remaining allegations of paragraph 6. Except for the expressly admitted, Ms. Bebo denies the allegations of paragraph 6.

B. Respondents

7. Ms. Bebo admits the allegations with respect to her age and residence. Ms. Bebo further admits that she was a member of ALC's board of directors from May 2008 through July 2012. Except as expressly admitted, Ms. Bebo denies the remaining allegations of paragraph 7.

8. On information and belief, Ms. Bebo admits the allegations of paragraph 8.

C. Relevant Entities

9. Admit.

10. Admit.

D. ALC and the Ventas Lease

11. Ms. Bebo admits the allegations of the first sentence of paragraph 11. Further answering, Ms. Bebo admits that during the relevant time period, ALC employed approximately 4, 200 people, approximately 200 of whom worked at ALC's corporate headquarters. Except as expressly admitted, Ms. Bebo denies the allegations of paragraph 11.

12. Admit.

13. Ms. Bebo admits ALC acquired the operations of the Ventas facilities and entered into a lease with an affiliate of Ventas (the "Ventas lease"). The Ventas lease is a document that speaks for itself and Ms. Bebo denies the remaining allegations contained in paragraph 13 characterizing the lease's terms. Except as expressly admitted, Ms. Bebo denies the allegations of paragraph 13.

14. Ms. Bebo admits that ALC entered into the Ventas lease. The lease speaks for itself, as such Ms. Bebo denies the remaining allegations contained in paragraph 14 characterizing the lease. Accordingly, except as expressly admitted, Ms. Bebo denies the allegations of paragraph 14.

15. Ms. Bebo admits that ALC entered into the Ventas lease. The lease speaks for itself, as such Ms. Bebo denies the remaining allegations contained in paragraph 15 characterizing the lease. Accordingly, except as expressly admitted, Ms. Bebo denies the allegations of paragraph 15.

16. Ms. Bebo admits that she approved of entering into the Ventas lease. Ms. Bebo further admits that one director at around the time ALC entered into the lease stated the Ventas lease was onerous and another director concurred. Except as expressly admitted, Ms. Bebo denies the remaining allegations and characterizations contained in paragraph 16.

17. Ms. Bebo admits that ALC filed a Form 8-K on January 7, 2008 related to the Ventas lease. The Form 8-K speaks for itself, as such Ms. Bebo denies the remaining allegations contained in paragraph 17.

E. Less Than a Year After Entering the Ventas Lease, Bebo and Buono Realized that a Financial Covenant Default Was Likely

18. Ms. Bebo admits that ALC entered into the Ventas lease. The lease speaks for itself, as such Ms. Bebo denies the remaining allegations contained in paragraph 18

characterizing the lease. Except as expressly admitted, Ms. Bebo denies the allegations of paragraph 18.

19. Ms. Bebo admits that she was generally aware of the occupancy rates of the facilities that ALC owned and/or operated, including the Ventas facilities. Further answering, Ms. Bebo admits that, from time to time, was made aware of the coverage ratios at the Ventas facilities. Further answering, Ms. Bebo admits that Buono and other employees at ALC reviewed and monitored occupancy and coverage ratios at the Ventas facilities for compliance with the Ventas lease and to prepare documentation submitted to Ventas. Further answering, Ms. Bebo admits that she and Mr. Buono discussed compliance with the Ventas lease covenants in materials provided to the ALC board of directors and at board of director meetings, in part because the board requested such discussions. Further answering, Ms. Bebo admits that she and Mr. Buono reported accurately and in good faith that ALC was meeting the Ventas lease covenants. Except as expressly admitted, Ms. Bebo denies the allegations of paragraph 19.

20. Ms. Bebo admits she participated in certain calls and meetings with Ventas personnel. Except as expressly admitted, she denies the remaining allegations of paragraph 20.

21. Ms. Bebo admits that reported occupancy began declining at the Ventas facilities after ALC assumed their operations for a number of reasons. Further answering, Ms. Bebo admits that Mr. Buono prepared memoranda to the board of directors at various times, and that Ms. Bebo typically had an opportunity to review and comment on such memoranda. The contents of any board memoranda speak for themselves, as such Ms. Bebo denies the allegations characterizing the same. Except as expressly admitted, Ms. Bebo denies the allegations contained in paragraph 21.

F. Bebo and Buono's Scheme to Include ALC Employees and Other Non-Residents in the Ventas Lease Covenant Calculations

22. Deny.

23. Ms. Bebo admits she sought and obtained legal advice from ALC's general counsel in early 2009 with respect to compliance with the Ventas lease and that general counsel approved of the manner in which ALC met the covenants. Except as expressly admitted, Ms. Bebo denies the allegations of paragraph 23.

24. Deny.

25. Deny.

26. Deny.

27. Deny.

G. ALC's Process for Including Employees and Other Non-Residents in the Ventas Lease Covenant Calculations

28. Deny.

29. Deny.

30. Deny.

31. Ms. Bebo admits that ALC accounting personnel performed certain financial covenant calculations and verified the financial covenants had been met for each quarter. Except as expressly admitted, Ms. Bebo denies the allegations of paragraph 31.

32. Ms. Bebo admits that she was usually involved in identifying employees and other non-residents who would be included certain lists that were prepared by ALC accounting personnel, and understood those lists would be provided to ALC's auditors. Except as expressly admitted, Ms. Bebo denies the allegations of paragraph 32.

33. Ms. Bebo admits that she understood there were periodic reporting obligations to Ventas under the lease. Ms. Bebo lacks information sufficient to form a belief regarding the

remaining allegations and, therefore, denies them. Except as expressly admitted, Ms. Bebo denies the allegations of paragraph 33.

H. Bebo and Buono Actively Sought to Prevent Ventas from Learning About the Inclusion of Non-Residents in the Covenant Calculations

34. Deny.

35. Deny.

36. Ms. Bebo lacks information sufficient to form a belief regarding the allegations contained in paragraph 36 and, therefore, denies the same.

37. Ms. Bebo lacks information sufficient to form a belief regarding the allegations contained in paragraph 37 and, therefore, denies the same.

38. Ms. Bebo admits that ALC was exploring a sale of the company in summer 2011 and was preparing due diligence materials to be reviewed by potential buyers, including Ventas. Except as expressly admitted, Ms. Bebo denies the allegations contained in paragraph 38.

39. Deny.

40. Deny.

I. ALC's False and Misleading Disclosures in its Commission Filings

41. Ms. Bebo admits that she signed ALC's Forms 10-K for the years ending December 31, 2009, 2010 and 2011. Ms. Bebo admits that ALC filed forms 10-Q for the first three quarters of those same years, which Buono signed. Those filings are documents that speak for themselves, and Ms. Bebo denies the allegations characterizing the same. Except as expressly admitted, Ms. Bebo denies the allegations of paragraph 41.

42. Ms. Bebo admits that ALC filed a Form 10-K for the year ending December 31, 2011 and filed Forms 10-Q for the second and third quarter of 2011. Those filings are

documents that speak for themselves, and Ms. Bebo denies the allegations characterizing the same. Except as expressly admitted, Ms. Bebo denies the allegations of paragraph 41.

43. Deny.

44. Ms. Bebo admits that, in connection with Forms 10-K and 10-Q she and Mr. Buono signed certain written certifications. The contents of the certifications speak for themselves; as such Ms. Bebo denies the allegations of paragraph 44 characterizing the same. Except as expressly admitted, Ms. Bebo denies the allegations of paragraph 44.

45. Deny.

46. Deny.

J. Bebo and Buono Made False Representations to ALC's Auditors

47. Deny.

48. Deny.

49. Deny.

50. Ms. Bebo admits that she and Buono signed a representation letter addressed to ALC's auditors in connection with the audit of ALC's financial statements for the year ended December 31, 2011. The letter is a document which speaks for itself; as such Ms. Bebo denies the alleged characterizations of the letter which is not attached to the OIP. Except as expressly admitted, Ms. Bebo denies the allegations of paragraph 50.

K. The Scheme Unravels

51. Ms. Bebo admits that Ventas filed a lawsuit against ALC unrelated to the financial covenants. Except as expressly admitted, Ms. Bebo denies the allegations contained in paragraph 51.

52. Deny.

53. Deny

54. Ms. Bebo lacks knowledge and information sufficient to form a belief as to the truth of the allegations of paragraph 54, and therefore denies the same.

L. Violations

55. Deny.

56. Deny.

57. Deny.

58. Deny.

59. Deny.

60. Deny.

III.

Part III of the OIP contains the Commission's statement that it deems it necessary and appropriate in the public interest to initiate public administrative cease-and-desist proceedings to which no response is required. Ms. Bebo re-alleges and incorporates her answers to Parts I and II of the OIP herein and denies that the initiation of public administrative cease-and-desist proceedings is in the public interest; denies that the Commission is entitled to seek or obtain the penalties and relief it seeks in Part III in this forum. Ms. Bebo anticipates filing a federal court action to enjoin these proceedings and declare them unconstitutional prior to the January 5 pre-hearing conference in this matter. By filing and serving this answer, Ms. Bebo does not intend to waive, is not waiving her rights to pursue her federal court action, and raises constitutional objections here to preserve them in the unlikely event the federal court fails or refuses to consider them. A hearing in this matter, particularly on an accelerated basis, violates the Due Process and Equal Protection Clauses of the Constitution by failing to afford Ms. Bebo

appropriate discovery, failing to abide by the federal rules of civil procedure and evidence, and depriving Ms. Bebo of the important right to a jury trial under the Seventh Amendment, among other grounds.

IV.

Part IV does not contain allegations for which admissions or denials are required.

AFFIRMATIVE DEFENSES

Ms. Bebo alleges the following affirmative defenses to the allegations set forth in the OIP. These affirmative defenses are in addition to the defense that the Commission lacks jurisdiction over this proceeding; fails to state a claim; and does not have proof of the required elements for each of its claims.

First Affirmative Defense

To the extent the claims alleged in the complaint are founded on alleged violations of law occurring more than five years before the date of the OIP, they are barred by the applicable statute of limitations.

Second Affirmative Defense

The civil penalties authorized under Dodd-Frank may not be applied retroactively based on conduct or filings occurring before July 2010.

Third Affirmative Defense

Ms. Bebo lacked fraudulent intent for an intentional or willful violation of securities law because she had a good faith belief in the truth of the allegedly fraudulent statements.

Fourth Affirmative Defense

Ms. Bebo did not intentionally, recklessly or negligently violate securities law based on her good faith reliance upon the professional judgment and advice of ALC's legal professionals which she reasonably believed to be within such person's professional or expert competence.

Fifth Affirmative Defense

Ms. Bebo did not intentionally, recklessly or negligently violate securities law based on her good faith reliance upon the professional judgment and advice of ALC's outside auditors as to matters which she reasonably believed to be within such person's professional or expert competence.

Sixth Affirmative Defense

Ms. Bebo did not intentionally, recklessly or negligently violate securities law based on her good faith reliance upon the opinions, information and/or statements prepared or presented by one or more officers, employees or advisors of ALC, ALC's Audit Committee, and ALC's Board, whom Ms. Bebo reasonably believed to be reliable and competent in the matters presented.

Seventh Affirmative Defense

Ms. Bebo received no profits, ill-gotten gains, or any pecuniary benefit from the alleged misconduct making the Commission's request for disgorgement unwarranted.

Eighth Affirmative Defense

Spoilation of critical evidence in this case has occurred which has severely prejudiced Ms. Bebo's ability to defend herself against these charges.

Ninth Affirmative Defense

The Commission's claims are barred in whole or in part because Ms. Bebo did not know and, in the exercise of reasonable diligence, could not have known or had reasonable grounds to believe that, any misstatements or omissions of material fact existed in any of ALC's publicly filed annual or quarterly reports, or any statement issued in connection therewith.

Tenth Affirmative Defense

The civil penalties sought constitute an excessive fine prohibited by the Eighth Amendment to the United States Constitution.

Eleventh Affirmative Defense

The OIP fails to allege fraud with particularity.

Twelfth Affirmative Defense

Ms. Bebo asserts all other affirmative defenses as may be discovered during the course of this action and expressly reserves the right to amend her answer to the OIP.

Thirteenth Affirmative Defense

This administrative proceeding violates Ms. Bebo's right to procedural due process under the United States Constitution. A hearing in this matter, particularly on an accelerated basis, violates the Due Process and Equal Protection Clauses of the Constitution by failing to afford Ms. Bebo appropriate discovery, failing to abide by the federal rules of civil procedure and evidence, and depriving Ms. Bebo of the important right to a jury trial under the Seventh Amendment, among other grounds. In addition, given the time constraints, Ms. Bebo's defense will necessarily be prejudiced in light of the need to review and digest the massive investigative file, including the millions of documents that the SEC has collected over the course of its two-year investigation, retain and prepare experts, and do all the other necessary things that go into

defending complex litigation with a fact pattern extending over four years. This is particularly unfair given the SEC has had over two years to prepare its case.

Fourteenth Affirmative Defense

This administrative proceeding violates Ms. Bebo's right to equal protection of the laws under the United States Constitution. Where the government affords similarly situated citizens the right to a jury trial, the procedural protections of the federal rules of civil procedure and evidence, and the reasonable time to prepare a defense as afforded in federal district court but arbitrarily deprives other citizens, like Ms. Bebo, of those same rights, the government has deprived Ms. Bebo of her right to equal protection of the laws.

Fifteenth Affirmative Defense

This administrative proceeding violates Article II of the United States Constitution.

Sixteenth Affirmative Defense

The alleged false or misleading statements were immaterial.


Seventeenth Affirmative Defense

Section 13 of the Exchange Act and the rule promulgated thereunder do not apply to the alleged books, records, or internal controls.

WHEREFORE, respondent Laurie Bebo asks for judgment as follows:

1. Dismissing the OPI in its entirety with prejudice on the merits;
2. Awarding judgment in her favor and against the Commission;
3. Granting her costs and fees, including reasonably attorneys' fees; and
4. Granting such further and other relief as the Court deems equitable and just.

REINHART BOERNER VAN DEUREN S.C.
Counsel for Respondent Laurie Bebo

By:  _____

Mark A. Cameli
WI State Bar No.: 1012040
Ryan S. Stippich
IL State Bar No.: 6276002

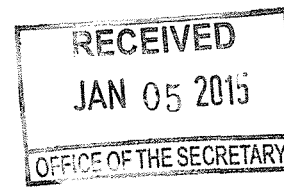
1000 North Water Street, Suite 1700
Milwaukee, WI 53202
Telephone: 414-298-1000
Facsimile: 414-298-8097
E-mail: mcameli@reinhartlaw.com
E-mail: rstippich@reinhartlaw.com

December 31, 2014

Ryan S. Stippich
Direct Dial: 414-298-8264
rstippich@reinhartlaw.com

DELIVERED BY COURIER

Brent J. Fields, Secretary
Office of the Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549



Dear Mr. Fields:

Re: In the Matter of Laurie Bebo and John
Buono, CPA
AP File No. 3-16293

I enclose for filing in the above-referenced matter an original and three copies of the following:

1. Answer and Affirmative Defenses to Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of The Securities Exchange Act of 1934 and Rule 102(e) of The Commission's Rules of Practice; and
2. Certificate of Service.

Thank you for your assistance.

Yours very truly,

A handwritten signature in black ink, appearing to read "R. Stippich".

Ryan S. Stippich

27573155RSS:amb

Encs.

cc The Honorable Cameron Elliot (w/encs.)
Patrick S. Coffey, Esq. (w/encs.)
Benjamin J. Hanauer, Esq. (w/encs.)
Eric M. Phillips, Esq. (w/encs.)
Scott B. Tandy, Esq. (w/encs.)