FIVE STAR QUALITY CARE INC
Form 10-Q/A
April 16, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q/A

Amendment No. 1

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

For the quarterly period ended March 31, 2013

or

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

Commission File Number 001-16817

FIVE STAR QUALITY CARE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**04-3516029**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

400 Centre Street, Newton, Massachusetts 02458

(Address of Principal Executive Offices) (Zip Code)

(Registrant s Telephone Number, Including Area Code): **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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Number of registrant s shares of common stock, $.01 par value, outstanding as of April 30, 2013: 48,234,022.

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FORM 10-Q/A

MARCH 31, 2013

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

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EXPLANATORY NOTE

(dollars in thousands)

We are filing this Amendment No. 1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, or this Amended Quarterly Report, to amend and restate financial statements and other financial information in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, or our Quarterly Report, which was filed with the Securities and Exchange Commission, or the SEC, on May 1, 2013.

As more fully described in Note 12 to the Notes to our Condensed Consolidated Financial Statements included in Item 1 of this Amended Quarterly Report, subsequent to the filing of our Quarterly Report our management and the Audit Committee of our Board of Directors, or our Audit Committee, concluded that our consolidated financial statements for the years ended December 31, 2012 and 2011 contained within our Annual Report on Form 10-K for the year ended December 31, 2012, or our 2012 Annual Report, and our condensed consolidated financial statements for the quarters ended March 31, 2013 and June 30, 2013 contained within our Quarterly Report and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, respectively, should be restated, and that those financial statements previously filed with the SEC should no longer be relied upon. We are restating our condensed consolidated financial statements for the quarters ended March 31, 2013 and 2012 contained within this Amended Quarterly Report to correct certain errors in the accounting for income taxes and other errors. Specifically, the accounting for income tax errors relate to, among other things, the measurement of deferred tax assets for net operating losses and tax credits and the measurement of deferred tax assets and liabilities for temporary differences related to fixed assets, intangible assets and investments. In addition, as part of the restatement we have corrected certain other errors related to insurance receivables, security deposits, accrual of fixed asset additions, classification of senior living operating expenses and certain other immaterial items. The net impact of correcting the errors resulted in an increase to our shareholders equity of $6,948 and $6,749 at March 31, 2013 and December 31, 2012, respectively, and an increase to net income of $205 and $103 for the three months ended March 31, 2013 and 2012, respectively. We corrected the presentation and disclosure of our consolidated statements of cash flows to separately identify the net cash flows from discontinued operations, by category and in total and reflect the correction of other errors in the separate disclosures of cash flows for continuing operations and discontinued operations. These corrections increased cash provided by operating activities by $661 and $580 for the three months ended March 31, 2013 and 2012, respectively. We have also corrected the footnote presentation of the classification of $13,221 and $11,550 as of March 31, 2013 and December 31, 2012, respectively, of our available for sale debt securities from Level 1 assets to Level 2 assets as defined in the fair value hierarchy and corrected the disclosure of the fair value of our mortgage notes payable which increased $10,142 and $9,947 as of March 31, 2013 and December 31, 2012, respectively.

In the second quarter of 2013, we and Senior Housing Properties Trust, or SNH, offered for sale 10 senior living communities that we lease from SNH and classified those communities as discontinued operations. Also, during the second quarter of 2013, we offered for sale one senior living community we own and classified this community as discontinued operations. In the third quarter of 2013, in connection with entering into a purchase agreement with SNH and certain unrelated parties, we reclassified our rehabilitation hospital business as discontinued operations. These 11 senior living communities and our rehabilitation hospital business are retrospectively presented as discontinued operations throughout this Amended Quarterly Report. Please see Note 12 to the Notes to our Condensed Consolidated Financial Statements included in Item 1 of this Amended Quarterly Report for more information regarding the effect of the retrospective adjustments to reflect discontinued operations and the correction of errors for the quarters ended March 31, 2013 and 2012.

As a result of the errors described above, we determined that our disclosure controls and procedures were not effective as of March 31, 2013. In addition, we reassessed the effectiveness of our internal control over financial reporting as of December 31, 2012 and determined that we had material weaknesses in our internal controls over accounting for income taxes, that we lacked sufficient personnel with requisite technical accounting competencies and that we had an insufficient level of oversight in the financial statement close process. As a result, we concluded that our internal control over financial reporting was ineffective at December 31, 2012. Those material weaknesses continued to exist as of March 31, 2013.

Amendments to our Quarterly Report included in this Amended Quarterly Report

The following sections of our Quarterly Report are amended and being filed in their entirety in this Amended Quarterly Report:

- Part I, Item 1. Condensed Consolidated Financial Statements;
- Part I, Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations;
- Part I, Item 4. Controls and Procedures; and
- Part II, Item 6. Exhibits.

This Amended Quarterly Report contains only the items and exhibits to our Quarterly Report that are being amended and restated, and unaffected items are not included herein.

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Part I. Financial Information

Item 1. Condensed Consolidated Financial Statements

FIVE STAR QUALITY CARE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(unaudited)

	March 31, 2013 (Restated)	December 31, 2012 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,156	$ 24,638
Accounts receivable, net of allowance of $3,479 and $2,792 at March 31, 2013 and December 31, 2012, respectively	42,955	39,205
Due from related persons	5,581	6,881
Investments in available for sale securities, of which $4,104 and $3,684 are restricted at March 31, 2013 and December 31, 2012, respectively	17,602	12,920
Restricted cash	11,502	6,548
Prepaid expenses and other current assets	30,346	38,318
Assets of discontinued operations	32,654	30,100
Total current assets	155,796	158,610
Property and equipment, net	330,707	337,494
Equity investment in Affiliates Insurance Company	5,697	5,629
Restricted cash	9,378	12,166
Restricted investments in available for sale securities	8,472	10,580
Goodwill and other intangible assets	27,415	27,708
Other long term assets	41,187	40,382
	$ 578,652	$ 592,569
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Revolving credit facility, secured, principally by real estate	$	$
Revolving credit facility, secured, principally by accounts receivable		
Convertible senior notes	24,872	24,872
Accounts payable	27,239	38,035
Accrued expenses	22,029	28,010
Accrued compensation and benefits	37,453	35,302
Due to related persons	19,514	19,484
Mortgage notes payable	1,109	1,092

Accrued real estate taxes	8,461	10,723
Security deposit liability	9,029	9,057
Other current liabilities	18,015	14,775
Liabilities of discontinued operations, of which $7,510 and $7,547 relate to mortgage notes payable at March 31, 2013 and December 31, 2012, respectively.	18,235	16,977
Total current liabilities	185,956	198,327
Long term liabilities:		
Mortgage notes payable	37,337	37,621
Continuing care contracts	1,694	1,708
Accrued self-insurance obligations	31,485	34,647
Other long term liabilities	6,281	6,712
Total long term liabilities	76,797	80,688
Commitments and contingencies		
Shareholders equity:		
Common stock, par value $.01; 75,000,000 shares authorized, 48,234,022 shares issued and outstanding at March 31, 2013 and December 31, 2012	482	482
Additional paid in capital	354,369	354,164
Accumulated deficit	(42,315)	(44,455)
Accumulated other comprehensive income	3,363	3,363
Total shareholders equity	315,899	313,554
	$ 578,652	$ 592,569

See accompanying notes.

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FIVE STAR QUALITY CARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	Three months ended March 31, 2013 (Restated)	Three months ended March 31, 2012 (Restated)
Revenues:		
Senior living revenue	$ 269,240	$ 266,805
Management fee revenue	2,302	1,088
Reimbursed costs incurred on behalf of managed communities	52,058	23,405
Total revenues	323,600	291,298
Operating expenses:		
Senior living wages and benefits	132,427	131,810
Other senior living operating expenses	66,338	64,260
Costs incurred on behalf of managed communities	52,058	23,405
Rent expense	48,013	47,361
General and administrative	15,132	15,499
Depreciation and amortization	6,370	5,818
Total operating expenses	320,338	288,153
Operating income	3,262	3,145
Interest, dividend and other income	197	205
Interest and other expense	(1,456)	(1,426)
Gain (loss) on sale of available for sale securities reclassified from other comprehensive income	87	(1)
Income from continuing operations before income taxes and equity in earnings of Affiliates Insurance Company	2,090	1,923
Benefit (provision) for income taxes	775	(801)
Equity in earnings of Affiliates Insurance Company	76	45
Income from continuing operations	2,941	1,167
Loss from discontinued operations	(801)	(695)
Net income	$ 2,140	$ 472
Weighted average shares outstanding - basic	48,234	47,899
Weighted average shares outstanding - diluted	50,147	50,767
Basic and diluted income per share from:		
Continuing operations	$ 0.06	$ 0.02
Discontinued operations	(0.02)	(0.01)
Net income per share - basic and diluted	$ 0.04	$ 0.01

See accompanying notes.

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FIVE STAR QUALITY CARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three months ended March 31, 2013 (Restated)	Three months ended March 31, 2012 (Restated)
Net income	$ 2,140	$ 472
Other comprehensive income:		
Unrealized gain on investments in available for sale securities, net of tax	60	112
Unrealized loss on equity investment in Affiliates Insurance Company	(8)	(1)
Less: Realized (gain) loss on investments in available for sale securities reclassified and included in net income, net of tax	(52)	1
Other comprehensive income		112
Comprehensive income	$ 2,140	$ 584

See accompanying notes.

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FIVE STAR QUALITY CARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three months ended March 31, 2013 (Restated)	2012 (Restated)
Cash flows from operating activities:		
Net income	$ 2,140	$ 472
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	6,370	5,818
Loss from discontinued operations	1,462	1,275
(Gain) loss on sale of available for sale securities	(87)	1
Equity in earnings of Affiliates Insurance Company	(76)	(45)
Stock-based compensation	205	261
Provision for losses on receivables	1,439	946
Changes in assets and liabilities:		
Accounts receivable	(5,189)	(879)
Prepaid expenses and other assets	7,168	(608)
Accounts payable and accrued expenses	(12,346)	228
Accrued compensation and benefits	2,151	3,038
Due from (to) related persons, net	1,330	(4,972)
Other current and long term liabilities	(2,657)	702
Cash provided by operating activities	1,910	6,237
Cash flows from investing activities:		
Payments from restricted cash and investment accounts, net	(2,166)	(3,136)
Acquisition of property and equipment	(11,250)	(11,046)
Purchase of available for sale securities	(4,882)	
Proceeds from disposition of property and equipment held for sale	7,522	4,261
Proceeds from sale of available for sale securities	2,409	772
Cash used in investing activities	(8,367)	(9,149)
Cash flows from financing activities:		
Proceeds from borrowings on credit facilities	20,000	
Repayments of borrowings on credit facilities	(20,000)	
Repayments of mortgage notes payable	(267)	(251)
Cash used in financing activities	(267)	(251)
Cash flows from discontinued operations:		
Net cash (used in) provided by operating activities	(1,931)	1,443
Net cash (used in) provided by investing activities	(790)	26
Net cash used in financing activities	(37)	(35)
Net cash flows (used in) provided by discontinued operations	(2,758)	1,434
Change in cash and cash equivalents during the period	(9,482)	(1,729)

Cash and cash equivalents at beginning of period		24,638		28,374
Cash and cash equivalents at end of period	$	15,156	$	26,645
Supplemental cash flow information:				
Cash paid for interest	$	709	$	1,002
Cash paid for income taxes	$	296	$	122

See accompanying notes.

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FIVE STAR QUALITY CARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(unaudited)

Note 1. Basis of Presentation and Organization

General

The accompanying condensed consolidated financial statements of Five Star Quality Care, Inc. and its subsidiaries, which we refer to as we, us or our, have been prepared without audit. Certain information and disclosures required by U.S. generally accepted accounting principles for complete financial statements have been condensed or omitted. We believe the disclosures made are adequate to make the information presented not misleading. However, the accompanying financial statements should be read in conjunction with the financial statements and notes contained in our Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2012, or our Amended 2012 Annual Report. In the opinion of our management, all adjustments, which include only normal recurring adjustments, considered necessary for a fair presentation have been included. All material intercompany transactions and balances have been eliminated. Our operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. Reclassifications have been made to the prior year s condensed consolidated financial statements to conform to the current year s presentation.

We operate senior living communities, including independent living communities, assisted living communities and skilled nursing facilities, or SNFs. As of March 31, 2013, we operated 250 senior living communities located in 31 states containing 29,697 living units, including 219 primarily independent and assisted living communities with 26,852 living units and 31 SNFs with 2,845 living units. As of March 31, 2013, we owned and operated 30 communities (2,937 living units), we leased and operated 181 communities (20,078 living units) and we managed 39 communities (6,682 living units). Our 250 senior living communities included 10,306 independent living apartments, 14,129 assisted living suites and 5,262 skilled nursing units. We have classified as discontinued operations two SNFs and one assisted living community owned and operated by us containing 303 living units as well as seven SNFs and four assisted living communities we lease from Senior Housing Properties Trust or its subsidiaries, or SNH, and operate containing 824 living units, and have excluded such SNFs and assisted living communities from all the preceding data in this paragraph.

As of March 31, 2013, we also leased from SNH and operated two rehabilitation hospitals with 321 beds that provide inpatient rehabilitation services to patients at the two hospitals and at three satellite locations. In addition, as of that date, we leased and operated 13 outpatient clinics affiliated with these rehabilitation hospitals.

In the second quarter of 2013, we reclassified 11 of our held for sale senior living communities as discontinued operations. In the third quarter of 2013, in connection with entering into a purchase agreement with SNH and certain unrelated parties, we reclassified our rehabilitation hospital business as discontinued operations. These 11 senior living communities and our rehabilitation hospital business are retrospectively presented as discontinued operations throughout this Amendment No. 1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, or our Amended Quarterly Report.

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FIVE STAR QUALITY CARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(unaudited)

Restatement of Previously Issued Financial Statements

As discussed further in Note 12, we are restating our condensed consolidated financial statements for the quarters ended March 31, 2013 and 2012 contained within our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, or our Quarterly Report, to correct certain errors in the accounting for income taxes. In addition, as part of the restatement we have corrected certain other errors related to insurance receivables, security deposits, accrual of fixed asset additions, classification of senior living operating expenses and certain other immaterial items. We corrected the presentation and disclosure of our consolidated statements of cash flows to separately identify the net cash flows from discontinued operations, by category and in total. We have also corrected the footnote presentation of certain of our available for sale debt securities from Level 1 assets to Level 2 assets as defined in the fair value hierarchy and corrected the disclosure of the fair value of our mortgage notes payable.

Segment Information

We have three operating segments: senior living communities, rehabilitation and wellness and rehabilitation hospitals. In the senior living community segment, we operate for our own account or manage for the account of SNH independent living communities, assisted living communities and SNFs that are subject to centralized oversight and provide housing and services to elderly residents. Our rehabilitation and wellness operating segment does not meet any of the quantitative thresholds of a reportable segment as prescribed under Financial Accounting Standards Board, or FASB, *Accounting Standards Codification*™, or ASC, Topic 280, and as discussed further in Note 11, our rehabilitation hospital operating segment has been reclassified as discontinued operations. After the reclassification of our rehabilitation hospital business as discontinued operations, our business is comprised of one reportable segment, senior living.

Note 2. Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board, or FASB, issued an accounting standards update 2013-02, *Comprehensive Income (Topic 220), Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, or ASU 2013-02. ASU 2013-02 sets requirements for presentation of significant items reclassified out of accumulated other comprehensive income, or AOCI, to net income in their entirety during the period and for items not reclassified in their entirety during the period, and requires companies to present information about reclassification out of AOCI in one place. ASU 2013-02 is effective for fiscal periods beginning after December 15, 2012 and the adoption of this update did not cause any material changes to the disclosures in, or presentation of, our condensed consolidated financial statements.

In April 2014, the FASB issued Accounting Standards Update 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* or ASU 2014-08. ASU 2014-08 changes the criteria for reporting a discontinued operation. Under the new pronouncement, a disposal of a part of an organization that has a major effect on its operations and financial results is a discontinued operation. We are required to adopt ASU 2014-08 prospectively for all disposals or components of our business classified as held for sale during fiscal period beginning after December 15, 2014 and are currently evaluating what impact, if any, its adoption will have to the presentation of our condensed consolidated financial statements.

Note 3. Property and Equipment

Property and equipment, at cost, consists of the following:

	March 31, 2013 (Restated)	December 31, 2012 (Restated)
Land	$ 21,714	$ 21,714
Buildings and improvements	273,188	277,330
Furniture, fixtures and equipment	107,145	103,707
	402,047	402,751
Accumulated depreciation	(71,340)	(65,257)
	$ 330,707	$ 337,494

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FIVE STAR QUALITY CARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(unaudited)

For the three months ended March 31, 2013 and 2012 we recorded depreciation expense of $6,084 and $5,802, respectively, relating to our property and equipment.

As of March 31, 2013, we had $3,125 of assets included in our property and equipment that we currently expect to request that SNH purchase from us for an increase in future rent; however, we are not obligated to make these sales and SNH is not obligated to purchase these assets.

Note 4. Accumulated Other Comprehensive Income

The following table details the changes in accumulated other comprehensive income for the three months ended March 31, 2013:

	Equity Investment in Affiliates Insurance Company	Investments in Available for Sale Securities (Restated)	Accumulated Other Comprehensive Income (Restated)
Balance at January 1, 2013	$ 99	$ 3,264	$ 3,363
Unrealized (loss) gain on investments, net of tax	(8)	60	52
Reclassification adjustment:			
Realized gain on investments, net of tax		(52)	(52)
Balance at March 31, 2013	$ 91	$ 3,272	$ 3,363

Accumulated other comprehensive income represents the net unrealized appreciation of investments and our share of other comprehensive income of Affiliates Insurance Company, or AIC.

Note 5. Income Taxes

For the three months ended March 31, 2013, we recognized a net tax benefit from continuing operations of $775, which includes a tax benefit of $1,468 relating to a work opportunity tax credit program that expired in 2012 and which was retroactively reinstated on January 3, 2013 and extended by the American Taxpayer Relief Act of 2012, which was enacted on January 2, 2013. As prescribed by FASB ASC Topic 740, Accounting for Income Taxes, the effects of tax law changes are recognized in the period in which new legislation is enacted; and the total effect of the reinstatement of the work opportunity tax credit program relating to 2012 employee wages is recorded as a component of income tax expense in continuing operations during the first quarter of 2013. We also recognized a tax benefit from discontinued operations of $661. As of December 31, 2012, our federal net operating loss carry forward, which begins to expire in 2026 if unused, was approximately $70,765, and our tax credit carry forward, which begins to expire in 2022 if unused, was approximately $11,729. Our net operating loss carry forwards and tax credit carry forwards are subject to audit and adjustments by the Internal Revenue Service.

We maintain a partial valuation allowance against certain deferred tax assets related to impaired investments. If and when we believe that we will more likely than not realize the benefit of these deferred tax assets, we will record deferred tax assets as an income tax benefit in our consolidated statements of income, which will affect our results of operations.

Note 6. Earnings Per Share

We computed basic earnings per common share, or EPS, for the three months ended March 31, 2013 and 2012 using the weighted average number of shares outstanding during the periods. Diluted EPS reflects the more dilutive earnings per common share amount calculated using the two-class method or the treasury stock method. The treasury stock method reflects dilutive potential common shares related to the Notes that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income applicable to common shareholders that would result from their assumed issuance. For the three months ended March 31, 2013

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FIVE STAR QUALITY CARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(unaudited)

and 2012, the effect of our convertible senior notes due in 2026, or the Notes, was not included in the computation of diluted EPS because to do so would have been antidilutive. See Note 8 for further information regarding the Notes. The weighted average shares outstanding used to calculate basic and diluted EPS include 547 and 565 unvested common shares as of March 31, 2013 and 2012, respectively, issued to our officers and others under our equity compensation plan, or the Share Award Plan. Unvested shares issued under the Share Award Plan are deemed participating securities because they participate equally in earnings with all of our other common shares.

The following table provides a reconciliation of income from continuing operations to diluted loss from discontinued operations and a reconciliation of the number of common shares used in the computations of EPS from continuing operations to diluted EPS from continuing operations and diluted loss per share from discontinued operations:

	Three Months Ended March 31,					
	2013 (Restated)			2012 (Restated)		
	Income (loss)	Shares	Per Share	Income (loss)	Shares	Per Share
Income from continuing operations	$ 2,941	48,234	$ 0.06	$ 1,167	47,899	$ 0.02
Effect of the Notes	171	1,913		221	2,868	
Diluted income from continuing operations	$ 2,941	50,147	$ 0.06	$ 1,167	50,767	$ 0.02
Diluted loss from discontinued operations	$ (801)	50,147	$ (0.02)	$ (695)	50,767	$ (0.01)

Note 7. Fair Values of Assets and Liabilities

Our assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC Topic 820. We apply the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and quoted prices in inactive markets.

Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

The table below presents the assets measured at fair value at March 31, 2013 and December 31, 2012 categorized by the level of inputs used in the valuation of each asset.

	As of March 31, 2013				As of December 31, 2012			
Description	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1) (Restated)**	**Significant Other Observable Inputs (Level 2) (Restated)**	**Significant Unobservable Inputs (Level 3)**	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1) (Restated)**	**Significant Other Observable Inputs (Level 2) (Restated)**	**Significant Unobservable Inputs (Level 3)**
Cash equivalents (1)	$ 16,789	$ 16,789	$	$	$ 22,149	$ 22,149	$	$
Available for sale securities: (2)								