

ADCARE HEALTH SYSTEMS INC

Form 8-K/A

August 16, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

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

Date of Report: August 5, 2010

Date of Earliest Event Reported: July 30, 2010

AdCare Health Systems, Inc.

(Exact Name of Registrant as specified in its Charter)

Ohio

(State or other jurisdiction of

incorporation or organization)

31-1332119

(I.R.S. Employer Identification No.)

5057 Troy Rd, Springfield, OH

(Address of principal executive offices)

45502-9032

(Zip Code)

Registrant's Telephone Number, Including Area Code

(937) 964-8974

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Check the appropriate box below if the form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c)).

Explanatory Note

On August 5, 2010, AdCare Health Systems, Inc. (the Company) filed a Form 8-K in connection with its entry into a lease agreement for five privately held nursing homes in Georgia. The Company erroneously reported the entry into the lease agreement as Item 2.01, Completion of Acquisition or Disposition of Assets . This should have been disclosed under Item 1.01, Entry into a Material Definitive Agreement . Additionally, the Company has expanded on the information provided in the original Form 8-K to provide additional clarity as to the definitive material agreement.

Except as described above, this Amendment No. 1 does not amend any other information set forth in the Original Filing and the Company has not updated disclosures included therein to reflect any events that occurred subsequent to August 5, 2010.

While the remainder of the Original Filing is unchanged, this Amendment No. 1 is an amendment and restatement of the Original Filing in its entirety in order to provide a complete presentation.

Item 1.01. Entry into a Material Definitive Agreement.

On July 30, 2010, the Company entered into various agreements to take over as the operator of ten skilled nursing facilities located in Georgia. These facilities were previously being operated by another company (the prior operator) that filed for bankruptcy relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Northern District of Georgia. The prior operator was operating these facilities under operating lease agreements with two different owners. The lessors of these facilities own the bed licenses required to operate them as skilled nursing facilities. Management is currently evaluating the potential accounting impacts of these transactions.

For eight of the ten skilled nursing facilities (the G8 facilities), the Company entered into an Operations Transfer Agreement (OTA) with the prior operator to transfer the operations to the Company. The Company has also established a new operating lease agreement with the lessor of the G8 facilities. The Company began leasing and managing the operations of five of the G8 facilities effective August 1, 2010. The facilities have on aggregate 615 beds that generate approximately \$35 million in annualized revenue. With the close of this transaction, AdCare estimates its revenue run-rate will exceed \$61 million annually, representing an increase of more than 120% over the company s 2009 revenues. The Company anticipates commencement of the lease and operations on the remaining three G8 facilities effective October 1, 2010.

For the G8 facilities, under the OTA, the Company paid the prior operator cash of approximately \$3,100,000 in exchange for the transfer of the operations, the acquisition of certain receivables, and the assumption of liabilities up to a maximum of \$1,300,000 as outlined by the bankruptcy court. Under the new lease agreements for the G8 facilities, the Company entered into a 10 year operating lease agreement. On August 1, 2010, the lease agreements went into effect for five of the G8 facilities. The Company was required to pay the lessor of the facilities a total of approximately \$1,200,000 for the security deposit, two months of advance rent, and the August 2010 rent. The Company expects rent payments for the G8 facilities to total \$397,650 per month with an annual rate increase of 2% over the term of the lease agreement.

For the remaining two skilled nursing facilities (the G2 facilities), the Company entered into an Assignment and Transfer Agreement (ATA) with the prior operator to assign the operating leases of these facilities and transfer the operations to the Company. The Company anticipates commencement of the leases and operations of the G2 facilities effective October 1, 2010.

For the G2 facilities, at a future closing date under the ATA, the Company will be required to provide the prior operator \$4,250,000 in cash, \$1,250,000 in common stock of the Company, and a promissory note for \$500,000. Additionally, the Company has agreed to enter into consulting agreements with certain principles of the prior operator. The consulting agreements will be for a period of three years with combined consulting fees of \$500,000 per year. On July 30, 2010, the Company paid the prior operator a \$200,000 cash advance and an earnest money deposit of \$1,000,000 which will be returned to the Company at closing.

Item 7.01. Regulation FD Disclosure.

The press release announcing the agreement to lease five nursing homes is attached hereto as Exhibit 99.1 and incorporated herein by reference. The press release announcing the closing of the Offering is attached hereto as Exhibit 99.2 and incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information presented under this Item 7.01 and attached as Exhibits 99.1 and 99.2 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, regardless of any general incorporation language in such filing.

Item 8.01 Other Matters

In addition, on August 4, 2010 AdCare closed the sale of an additional 225,400 shares of common stock at the offering price of \$3.50 per share for gross proceeds of \$788,900, pursuant to the over-allotment option exercised by the underwriter in connection with AdCare's offering that closed on June 30, 2010. The exercise of the over-allotment option brings the total number of common shares sold by AdCare in the offering to 1,939,686 and gross proceeds to approximately \$6.8 million. The aggregate net proceeds to the Company from the offering totaled approximately \$6.1 million, after deducting underwriting discounts, commissions, legal fees and other offering-related expenses payable by the Company. AdCare plans to use the net proceeds of the offering for acquisition purposes, working capital and general corporate purposes. As of the close of the exercise of the over-allotment, the Company has approximately 7.5 million common shares outstanding.

Item 9.01. Financial Statements and Exhibits.

(d)

Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
99.1	Press Release dated August 2, 2010
99.2	Press Release dated August 4, 2010

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

Date: August 9, 2010

ADCARE HEALTH SYSTEMS, INC.

By: /s/ Scott Cunningham

Name: Scott Cunningham

Title: Chief Financial Officer

EXHIBIT INDEX

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FOR IMMEDIATE RELEASE

AdCare Health Systems Closes Lease of Five Nursing Homes in Georgia, More than Doubles Annualized Revenue

Also Signs Agreement to Acquire Additional Five Nursing Homes Leases, with Additional Annualized Revenue of Approximately \$37 Million

SPRINGFIELD, Ohio, August 2, 2010 - AdCare Health Systems, Inc. (NYSE AMEX: ADK), an Ohio-based long-term care, home care and management company, has closed on a previously announced agreement to lease five privately held nursing homes in South Georgia that is expected to more than double its revenue.

The five facilities have been leased under a five-year term from the owner, with an extension option for an additional five years. The facilities have on aggregate 615 beds that generate approximately \$35 million in annualized revenue.

AdCare's upfront cost for the transaction was \$700,000 in cash, plus legal and accounting closing costs. At closing, the company assumed approximately \$1.3 million in negative working capital and purchased for \$2 million approximately \$5.5 million in existing receivables due to these facilities. In addition, AdCare provided the lessor \$1.16 million, comprised of the first month's lease payment and a security deposit that includes an amount equal to two months lease payment.

With the close of this transaction, AdCare estimates its revenue run-rate will exceed \$61 million annually, representing an increase of more than 120% over the company's 2009 revenues.

This lease is the first major transaction we closed since we began our acquisition campaign at the end of last year, said Chris Brogdon, AdCare's vice chairman and chief acquisitions officer. We expect these facilities to be very profitable for AdCare, especially as they come under our more capable management and benefit from the economies of scale we bring to the table.

AdCare also reported it signed an agreement to lease an additional five nursing homes in Georgia that produce annualized revenues of approximately \$37 million, which it plans to close on September 30, 2010.

We are also now moving quickly toward closing the other two acquisitions we announced in the first half of 2010, noted Brogdon. As we have outlined in our M&A strategy, we are also continuing to evaluate foreclosures and other poorly run facilities that we can secure at below-market prices, as well as target acquisitions of both profitable and turnaround properties to grow our business.

Brogdon joined AdCare last September when the company announced a new M&A growth strategy to build upon its strong reputation for operational efficiency and high-quality living environments.

About AdCare Health Systems

AdCare Health Systems, Inc. (NYSE AMEX: ADK) develops, owns and manages assisted living facilities, nursing homes and retirement communities and provides home healthcare services. Prior to becoming a publicly traded company in November of 2006, AdCare operated as a private company for 18 years. AdCare's 900 employees provide high-quality care, management services and other services for patients and residents residing in 19 facilities, seven of which are assisted living facilities, 11 skilled nursing centers and one

independent senior living community. The company owns eight of those facilities. In the ever-expanding marketplace of long-term care, AdCare's mission is to provide quality healthcare services to the elderly. For more information about AdCare, visit www.adcarehealth.com.

Safe Harbor Statement

Statements contained in this press release that are not historical facts may be forward-looking statements within the meaning of federal law, which can be identified by the use of forward-looking terminology, such as "believes," "expects," plans, anticipates or similar expressions. Statements in this announcement that are forward-looking include, but are not limited to, statements that with the closing of this transaction, AdCare estimates its revenue run-rate will exceed \$61 million annually, representing an increase of more than 120% over the company's 2009 revenues; that the leased facilities mentioned in this release will be very profitable for AdCare; that it plans to close the newly announced additional five leases on September 30, 2010; and that the company is moving quickly toward closing the other two acquisitions it announced in the first half of 2010. Such forward-looking statements reflect management's beliefs and assumptions, and are based on information currently available to management. The forward-looking statements involve known and unknown risks that may make the results, performance or achievements of the company differ materially from those expressed or implied in such statements. Such factors are also identified in the public filings made by the company with the U.S. Securities and Exchange Commission, and they include, but are not limited to, the company's ability to secure lines of credit and/or an acquisition credit facility, find suitable acquisition properties at favorable terms, changes in the health care industry because of political and economic influences, changes in regulations governing the industry, changes in reimbursement levels including those under the Medicare and Medicaid programs, and changes in the competitive marketplace. There can be no assurance that such factors or other factors will not affect the accuracy of such forward-looking statements.

Company Contact

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AdCare Closes Exercise of Over-Allotment Option

SPRINGFIELD, Ohio, August 4, 2010 AdCare Health Systems, Inc. (NYSE AMEX: ADK), an Ohio-based long-term care, home care and management company, has closed the sale of an additional 225,400 shares of common stock at the offering price of \$3.50 per share for gross proceeds of \$788,900, pursuant to the over-allotment option exercised by the underwriter in connection with AdCare's offering that closed on June 30, 2010.

The full exercise of the over-allotment option brings the total number of common shares sold by AdCare in the offering to 1,939,686 and gross proceeds to approximately \$6.8 million. The aggregate net proceeds to the company from the offering totaled approximately \$6.1 million, after deducting underwriting discounts, commissions, legal fees and other offering-related expenses payable by the Company. AdCare plans to use the net proceeds of the offering for acquisition purposes, working capital and general corporate purposes. As of the close of the exercise of the over-allotment, the Company has approximately 7.5 million common shares outstanding.

C. K. Cooper & Company was the sole manager for the public offering.

This press release does not constitute an offer to sell or solicitation of an offer to buy any securities. Any such offer may be made only pursuant to the company's prospectus supplement and accompanying base prospectus for the offering and only in states in which the offering is registered or exempt from registration and by broker-dealers authorized to do so. The securities offered by the prospectus involve a high degree of risk. Copies of the prospectus supplement and accompanying base prospectus may be obtained from the SEC's website at www.sec.gov or from C. K. Cooper & Company, 18300 Von Karman Avenue, Suite 700, Irvine, California 92612, Attention: Hue Lapham/Syndicate Department, or hlapham@ckcooper.com, or via fax +1-949-477-9211.

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company owns eight of those facilities. In the ever-expanding marketplace of long-term care, AdCare's mission is to provide quality healthcare services to the elderly. For more information about AdCare, visit www.adcarehealth.com.

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