AVCA Advocat

Annual Shareholders Meeting

June 2010

Will Council

- President and Chief Executive Officer
- Joined AVCA in 2001

Profile

Advocat is a leading provider of long term care services to nursing home patients, primarily in the Southeast and Southwest in a blend of urban, suburban and rural areas.

- Pure play in skilled nursing home sector
- 46 Facilities in 8 states
- 117 average licensed beds per facility

Advocat Mission Statement

- Committed to Compassion
- Striving for Excellence
- Serving Responsibly

We aim to be the facility of choice in every community we serve.

Market Data

(As of 6/8/2010)	
Stock Symbol	NASDAQ: AVCA
Stock Price:	$5.45
Dividend Yield	$0.22 / 4%
52 Week High/Low	$8.94 - $2.67
Market Capitalization	$31.3 million
Shares Outstanding	5.74 million
Average Daily Volume	Approx. 23,900

Profession

- Demographics: Here come the baby boomers
- Cost containment favors nursing homes
- Limited supply of facilities

Key Fundamental - Funds Provided by Operations – Cash Flow per share

- Q1 2010 - $0.55 per diluted common share
- 2009 – $2.26 per diluted common share
- 2008 – $1.78 per diluted common share

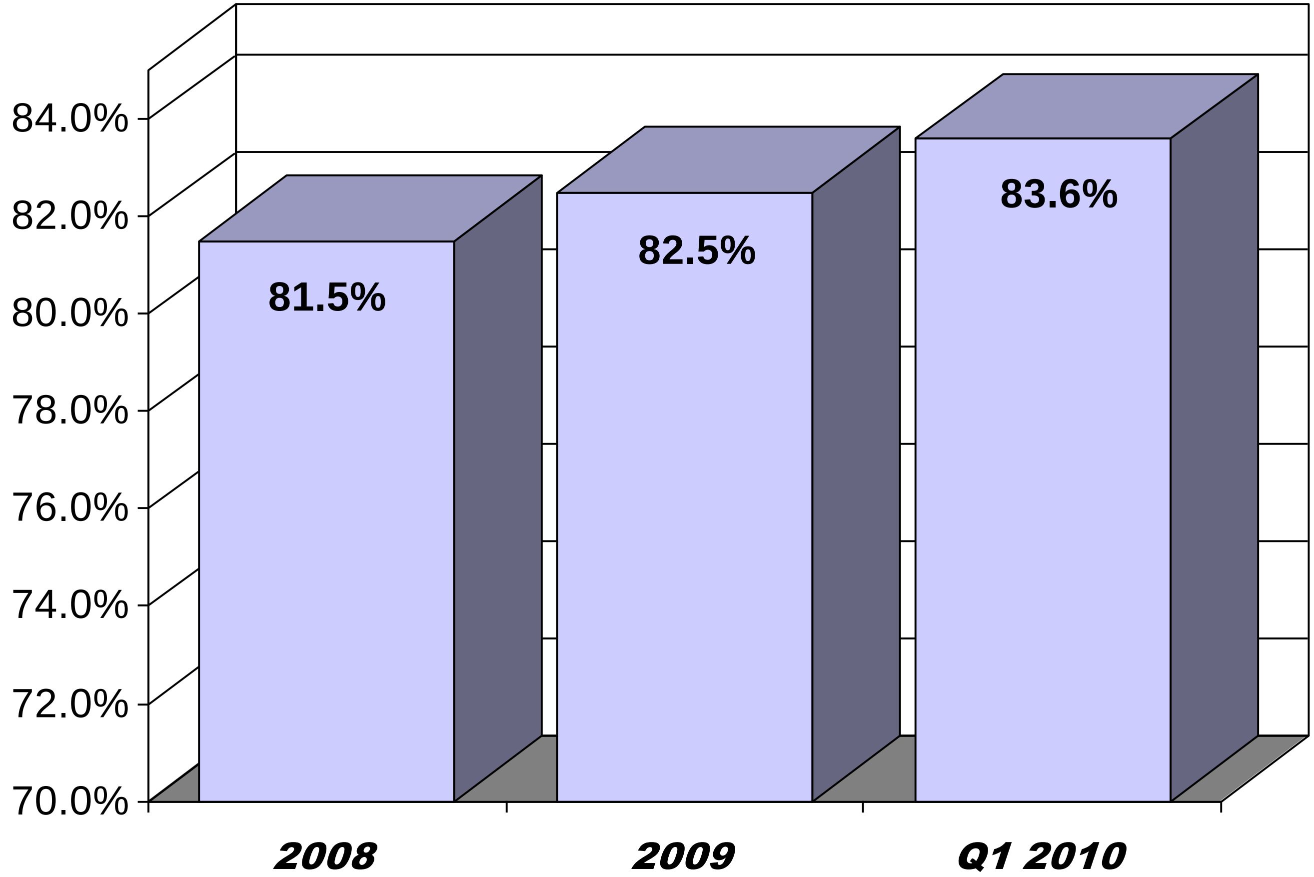
Drivers for Cash Flow Success

- Occupancy
- Patient mix – Short term Medicare patients and Managed Care focus
- How do we achieve success?

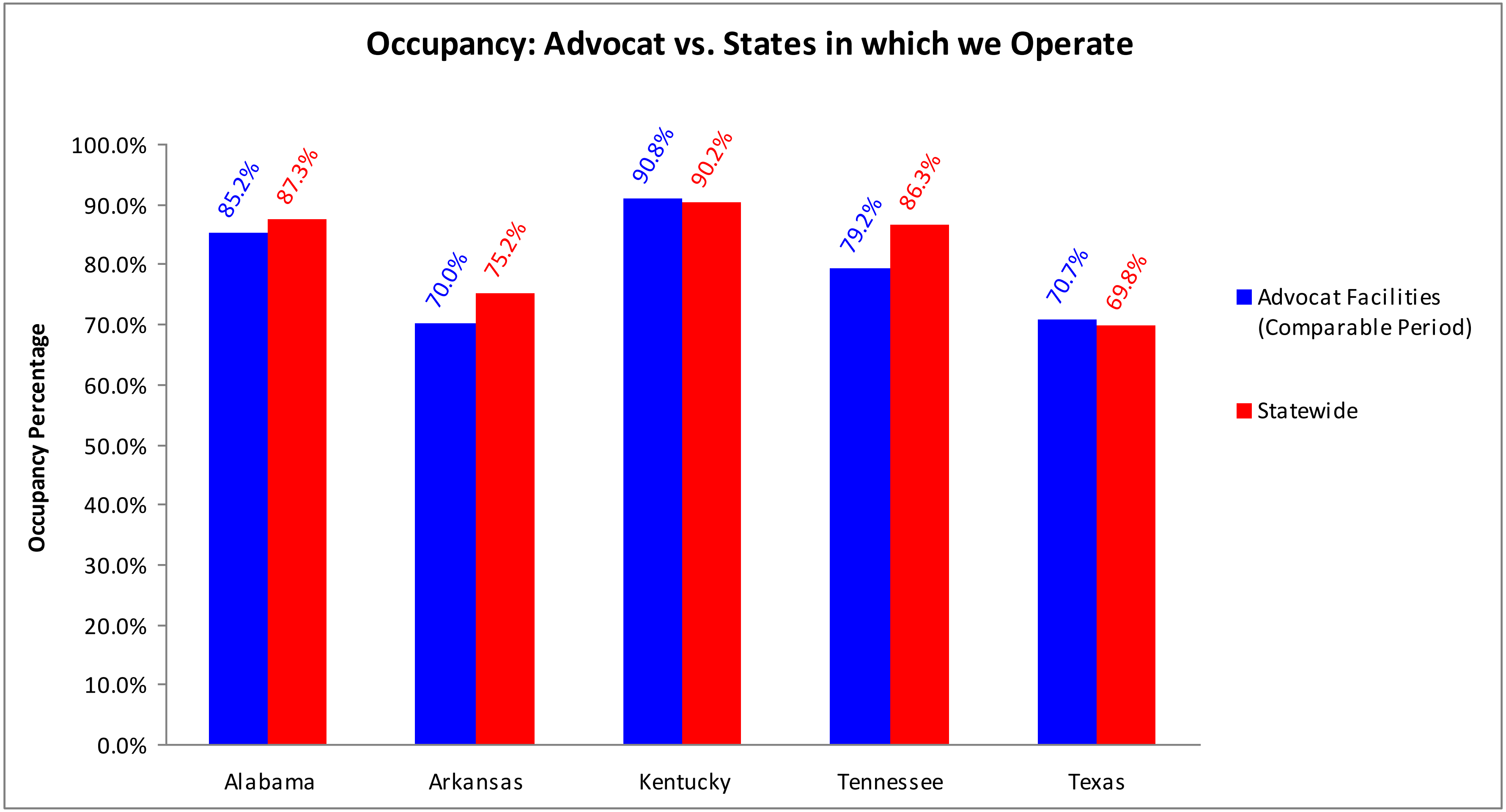
Drive Occupancy and Patient Mix

- Specialty Services – Higher Reimbursement
- Specialty Marketing Programs
- Nursing Center Renovation

Occupancy Rates – available beds



Occupancy



Note: Advocat operates two facilities in West Virginia and one each in Ohio and Florida not included in the comparison above

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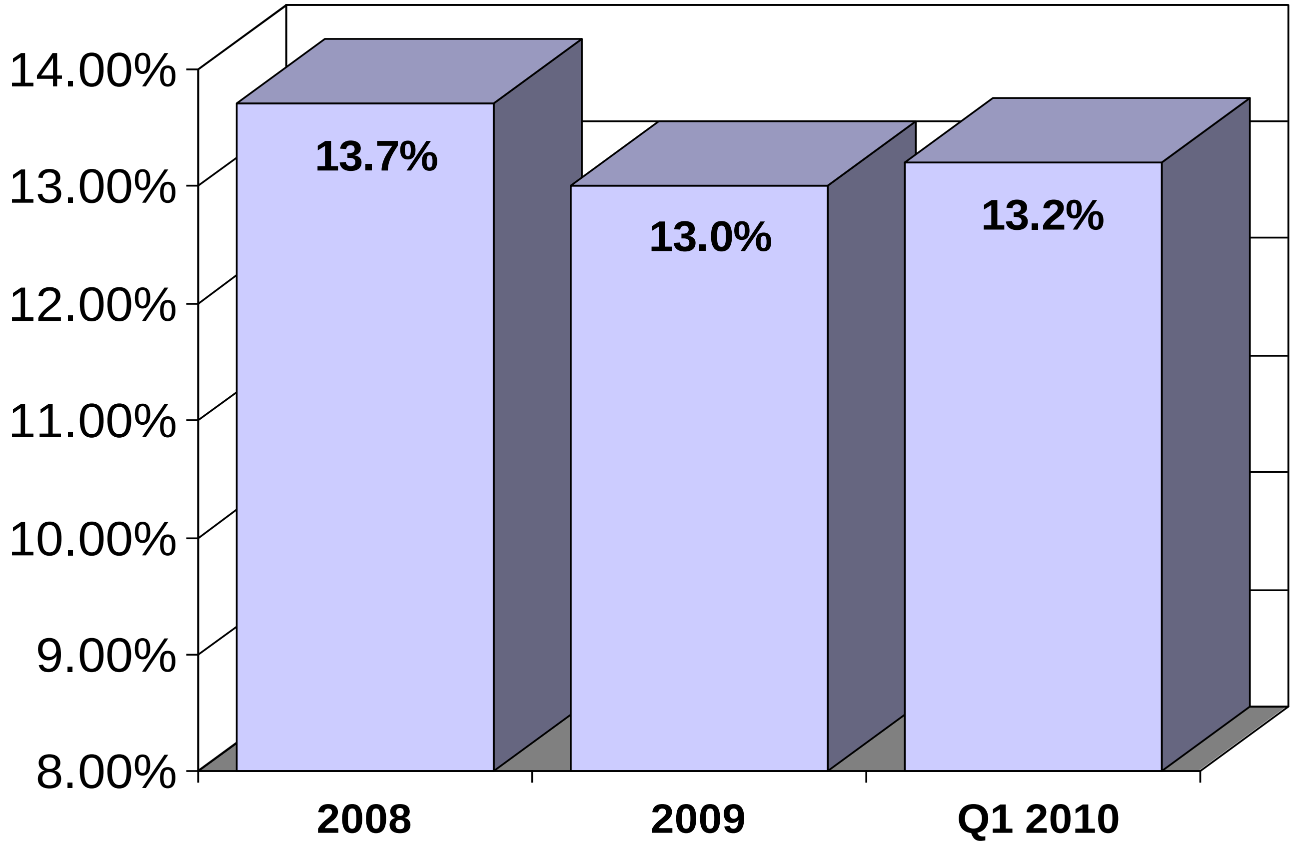
Medicare Census



Medicare census is defined as Medicare days as a % of total census.

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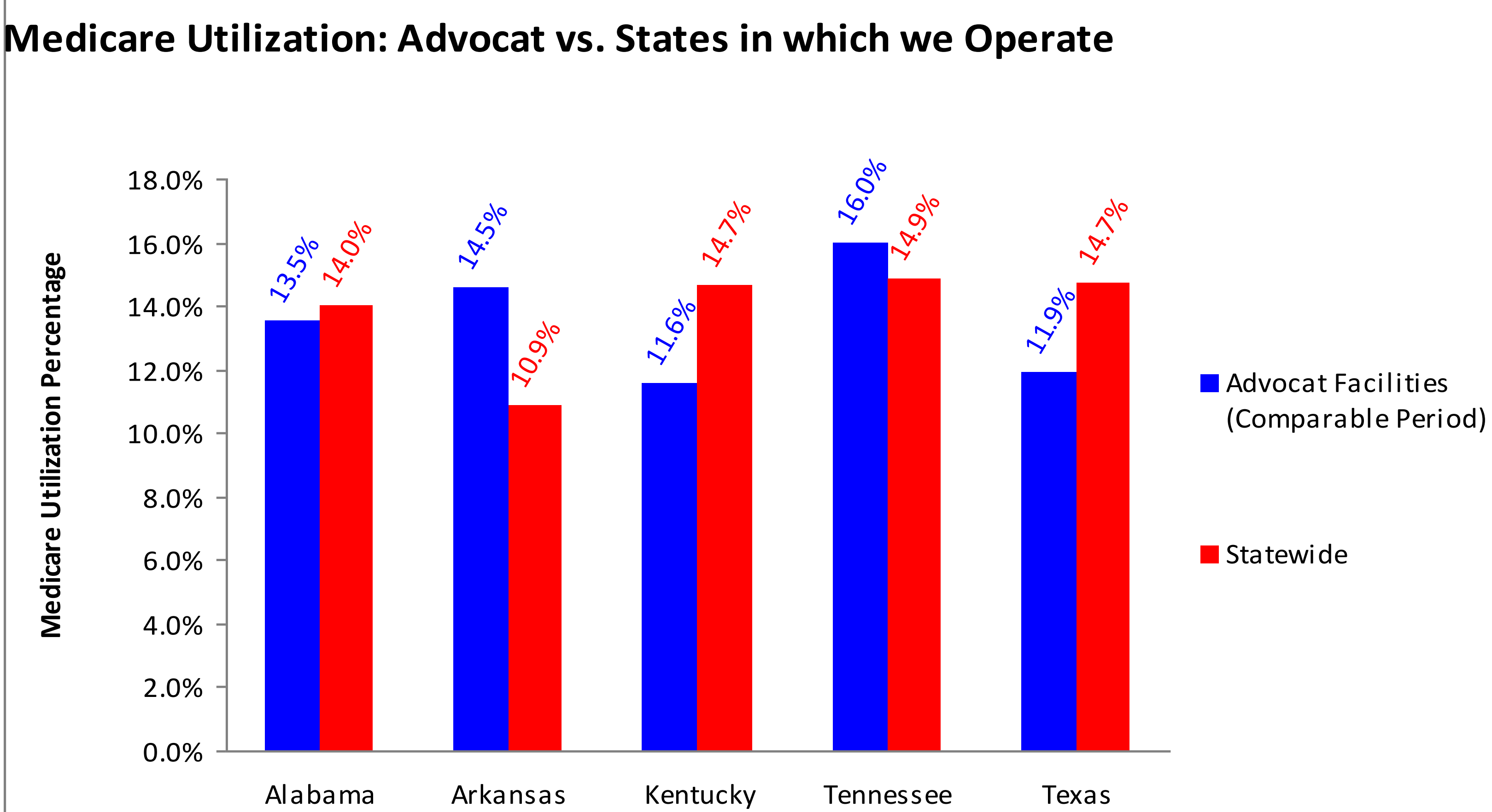
Patient Mix



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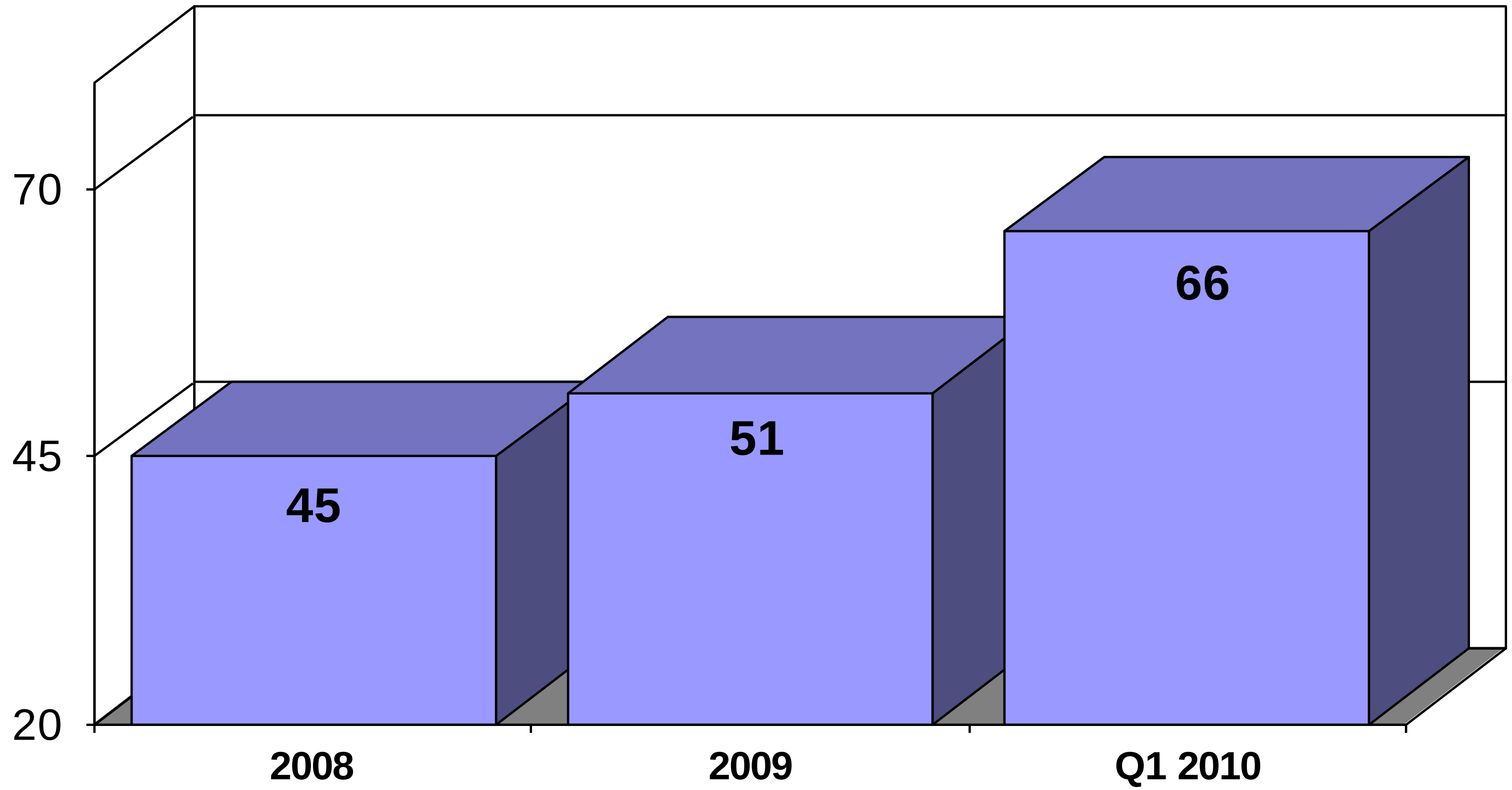
Managed care average daily census



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Specialty Services

Rehabilitation

- Life Steps Units
- Short-term rehabilitation following an incident such as a stroke or bone fracture
- Return To Home
- AVCA – 18 units as of March 2010

Specialty Services (Continued)

Enhanced Therapy Services

- AVCA – 41 units as of March 2010
- Includes specialty equipment to enhance therapeutic outcomes, including:
  - Electrotherapy
  - Ultrasound
  - Shortwave Diathermy

Specialty Services (continued)

Alzheimer's/Dementia Services

- Lighthouse Units
- Secure unit for memory impaired illnesses
- Features include programming to enhance memory and security in a safe and open environment.
- AVCA - 22 units as of March 2010

Specialty Programming

- Specialty Treatment Programs include:
  - Fall Prevention
  - Contracture Prevention
  - Continence
  - Edema
  - Wound Management
- Care oriented, training is facility specific

Specialty Marketing

- Short stay, rehabilitative patients
- Managed Care
- Key Markets

Facility Renovation Program

Facility Renovations IMPROVE:

- Physical appearance
- Marketability
- Consumer satisfaction
- Employee satisfaction
- Investor return
- Built with the future in mind

Internal Growth

- 13 renovations completed
- 2 more renovations to be completed June 2010
- 15 in 5 years of program
- Brentwood Terrace – replacement facility completed in August 2009

Return on Investment

- Target projects - ROI of 25% or greater
- Completed Projects – 31% actual ROI

Brentwood Terrace, Paris Texas
Newly completed facility

- Lessor funded and Company supervised construction of ~ $7.7 million facility
- Completed in August 2009
- Since completion, average daily census has increased by approximately 50%

Facility Quality Awards

- 72% of our facilities awarded Bronze or Silver quality awards
- American Health Care Association
- Based on the Malcolm Baldrige award criteria

Professional liability

- Over the last three years, 77% of our PL cash payments have been in Arkansas
- Electronic Medical Records
  - Pilot
  - Additional implementations in 2010

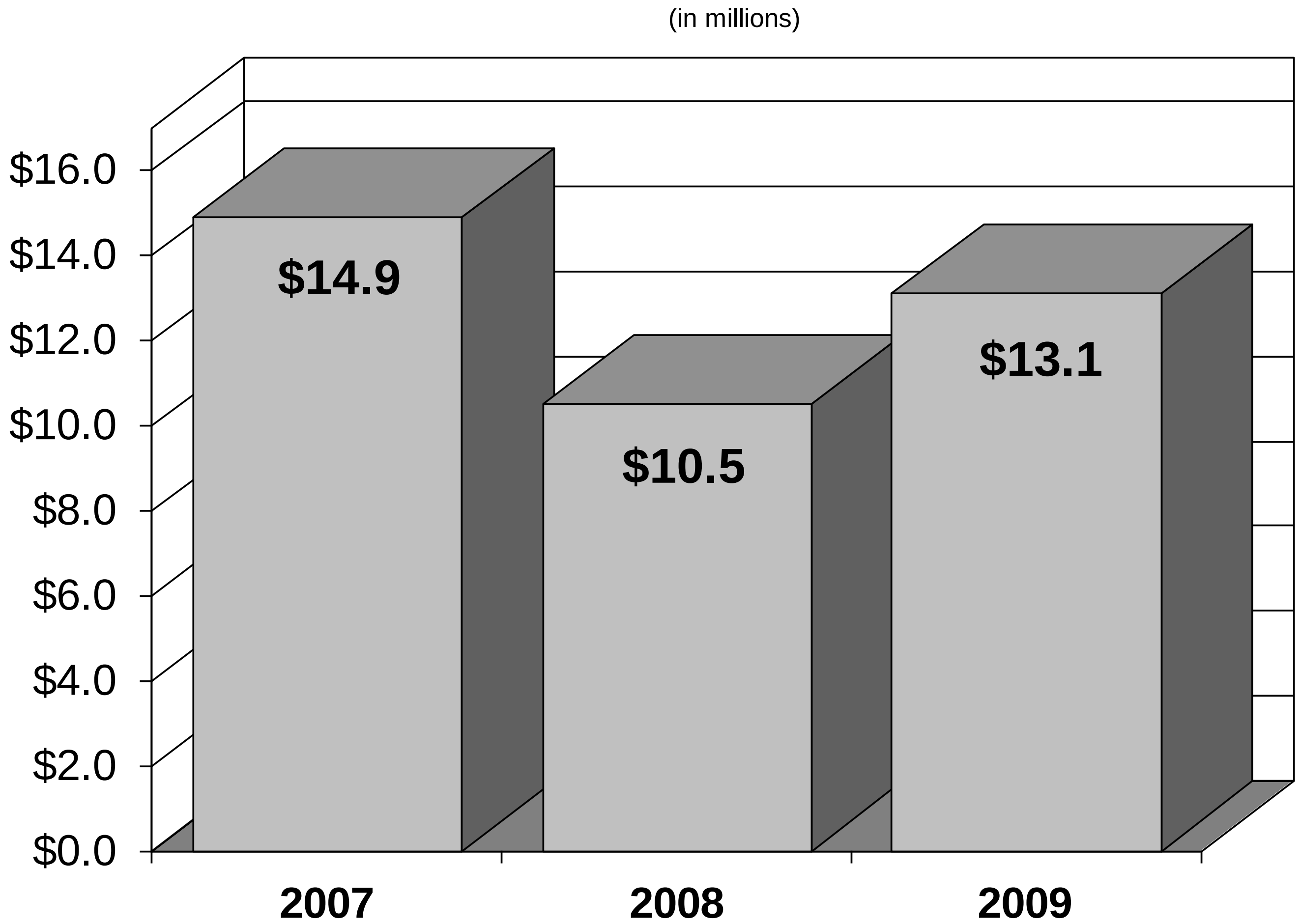
Performance

First Quarter Ending 3/31/10

First Quarter Highlights

First Quarter Ending March 31, 2010	
Occupancy (available beds)	83.6% vs. 82.5%
Total Average Daily Census	4,165 vs. 4,050
Skilled Mix Average Daily Census	614 vs. 607
Revenue	$70.2 million vs. $67.7million
Medicare Rates	Decreased (1.3%)
Medicaid Rates	Increased 2.5%
Net Income from Operations Before Taxes	$1.1mm vs. $0.4mm
Net Income Per Share from continuing ops	$0.11 vs. $0.03
Funds from Operations	$3.3mm or $0.55 per share

Funds Provided By Operations Recent Years



Use of Funds from Operations

($ amounts in millions)	2009	Average of 2007 - 2009
Funds from operations	$13.1	$12.8
Uses of Funds from Operations:		
Debt repayment	5.8	3.9
Capital expenditures (excludes financed items) :		
Routine Capital expenditures	4.7	4.2
Investment Capital expenditures	1.7	3.0
Repurchase of Common Stock	-	0.8
Payment of common stock dividends	0.6	0.2
Payment of preferred stock dividends and restructuring	0.9	0.8
Balance: impact was recorded as a change in working capital	(0.6)	(0.1)

Use of Funds - Options

- Routine Capital Spending
- Investment Capital Spending
- Debt payments
- Dividends
- Share repurchase

Growth Strategy – 2010

- Accelerate facility renovation projects
- Concentrate on quality census and total census
- Emphasize strategies for a long term reduction of professional liability expense

Comparative Financial Ratios

Symbol	EV/EBITDAR	EV/EBITDA
AVCA	1.4x	4.1x
SKH	5.6x	6.6x
ENSG	5.0x	6.0x
KND	1.2x	3.0x
SUNH	4.1x	5.8x

- Multiples calculated using June 7, 2010 share price and 12/31/2009 historical financial information
- Enterprise value determined by market capitalization and debt, less cash

Investor Focused Web Site

- www.advocatinc.com
- Demonstration of Beta Site

Conclusion

- Questions

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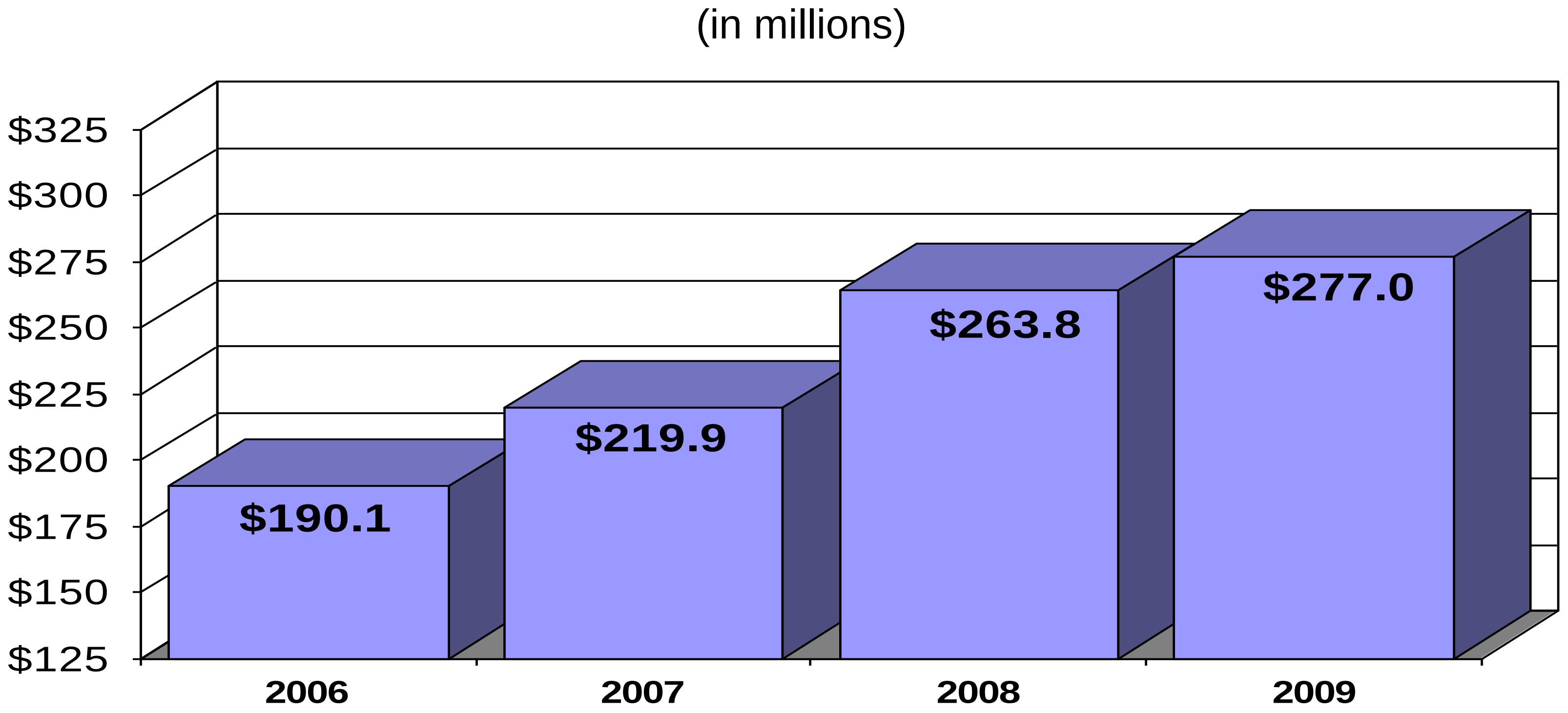
Forward-Looking Statements

Forward-looking statements made in this presentation involve a number of risks and uncertainties, but not limited to, our ability to arrange appropriate financing and successfully construct and operate the replacement facility in West Virginia, our ability to increase census at our renovated facilities, changes in governmental reimbursement, government regulation, the impact of the recently adopted federal health care reform or any future health care reform, any increases in the cost of borrowing under our credit agreements, our ability to comply with covenants contained in those credit agreements, the outcome of professional liability lawsuits and claims, our ability to control ultimate professional liability costs, the accuracy of our estimate of our anticipated professional liability expense, the impact of future licensing surveys, the outcome of regulatory proceedings alleging violations of laws and regulations governing quality of care or violations of other laws and regulations applicable to our business, our ability to control costs, changes to our valuation of deferred tax assets, changes in occupancy rates in our facilities, changing economic and competitive conditions, changes in anticipated revenue and cost growth, changes in the anticipated results of operations, the effect of changes in accounting policies as well as other risk factors detailed in the Company's Securities and Exchange Commission filings. The Company has provided additional information in its Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as well as in other filings with the Securities and Exchange Commission, which readers are encouraged to review for further disclosure of other factors that could cause actual results to differ materially from those indicated in the forward-looking statements.

Appendix

Revenue Growth 2006-2009



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Funds provided by operations (FFO) and per share FFO reconciliation

	Q1 2010	FY 2009	FY 2008	FY 2007
Net income from continuing operations	$ 0.7	$ 1.9	$4.3	$ 7.5
Adjustments to reconcile net income from continuing operations to funds provided by operations:				
Depreciation and amortization	1.4	5.4	5.1	3.9
Provision for doubtful accounts	0.5	2.0	2.0	1.1
Deferred income tax provision (benefit)	(0.1)	(0.5)	0.8	5.0
Provision for self-insured professional liability, net of cash payments	0.1	2.8	(5.6)	(4.8)
Stock-based compensation	0.2	0.7	0.9	0.6
Amortization of deferred balances	0.1	0.4	0.4	0.3
Provision for leases in excess of cash payments	0.2	1.3	1.7	2.2
Other	0.2	(0.9)	0.9	(0.9)
FUNDS PROVIDED BY OPERATIONS	3.3	13.1	10.5	14.9
FUNDS PROVIDED BY OPERATIONS PER SHARE:				
Diluted	$0.55	$2.26	$1.78	$2.44
WEIGHTED AVERAGE COMMON SHARES:				
Diluted	5,913	5,797	5,887	6,127

Renovation Program

Renovation – Completion Date	Occupancy		Medicare Mix		Medicare ADC	
	LTM (1) Prior	Q1 2010	LTM (1) Prior	Q1 2010	LTM (1) Prior	Q1 2010
1st renovation – January 2006	65%	87%	12%	13%	8	12
2nd renovation – July 2006	71%	70%	12%	13%	12	12
3rd renovation – August 2006	45%	71%	11%	11%	5	8
4th renovation – October 2006	72%	80%	11%	13%	9	11
5th renovation – February 2007	56%	67%	11%	17%	8	14
6th renovation – April 2007	47%	49%	19%	16%	13	10
7th renovation – July 2007	85%	84%	12%	9%	17	12
8th renovation – January 2008	51%	73%	17%	14%	9	11
9th renovation – October 2008	83%	80%	16%	14%	17	15
10th renovation – November 2008	81%	87%	12%	13%	12	14
11th renovation – March 2009	63%	69%	7%	14%	7	15
12th renovation – November 2009	87%	87%	23%	20%	24	21
13th renovation – January 2010	96%	88%	8%	9%	5	6

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(1) Last Twelve Months prior to commencement of construction.

Operating Results (4 Florida homes reclassified as discontinued operations)	Year			Three Months Ended March 31	
(in millions, except per share amounts)	2007	2008	2009	2009	2010
Net Revenues	$219.9	$263.8	$277.0	$67.7	$70.2
Operating Expenses	167.9	208.0	219.6	53.3	55.4
	52.0	55.8	57.4	14.4	14.8
Lease Expense	18.4	21.3	21.8	5.4	5.6
Professional Liability Expense (benefit)	(1.6)	1.5	8.2	2.9	1.4
G&A Expense	17.1	18.0	17.9	4.5	4.7
EBITDA	18.1	15.0	9.5	1.6	3.1
% of Net Revenues	8.2%	5.7%	3.4%	2.4%	4.4%
Depreciation and Amortization	(3.9)	(5.1)	(5.4)	(1.3)	(1.4)
Other Income (expense)	0.8	(1.0)	0.7	0.6	(0.2)
Interest Income	1.0	0.5	0.2	0.1	0.0
Interest expense	(3.5)	(2.9)	(1.9)	(0.5)	(0.4)
Provision for Income Taxes	(5.0)	(2.2)	(1.2)	(0.2)	(0.4)
Net Income from Continuing Operations	$7.5	$ 4.3	$ 1.9	$ 0.3	$ 0.7
% of Net Revenues	3.4%	1.6%	0.7%	0.4%	1.0%
EPS - Basic	$1.22	$0.70	$0.27	$0.03	$0.11
EPS - Diluted	$1.17	$0.67	$0.26	$0.03	$0.11

AVCA reconciliation to EBITDA and EBITDAR (in thousands)	AVCA as reported 2009 10K financial information
Net Income from continuing operations	$ 2,414
Plus: interest expense, net	1,716
Plus: income tax	1,497
Plus: depreciation and amortization	5,999
EBITDA	11,626
Plus: lease expense	23,422
EBITDAR	$ 35,048

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