

The logo for AVCA Advocat features the acronym 'AVCA' in a grey, serif font with thin blue horizontal lines above and below it. To the right of 'AVCA', the word 'Advocat' is written in a bold, blue, serif font. The entire logo is set against a dark blue rectangular background.

AVCA **Advocat**

Noble Conference
May 17, 2011



Profile

Advocat is a premier provider of long term and rehabilitation care services for senior 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 5/9/11)	
Stock Symbol	Nasdaq: AVCA
Stock Price:	\$6.33
Dividend Yield	\$0.22 / 3.5%
52 Week High/Low	\$7.60-\$4.00
Market Capitalization	\$36.8 million
Shares Outstanding	5.817 million
Average Daily Volume	Approx. 26,000



Key Fundamental

Funds Provided by Operations
(per diluted common share)

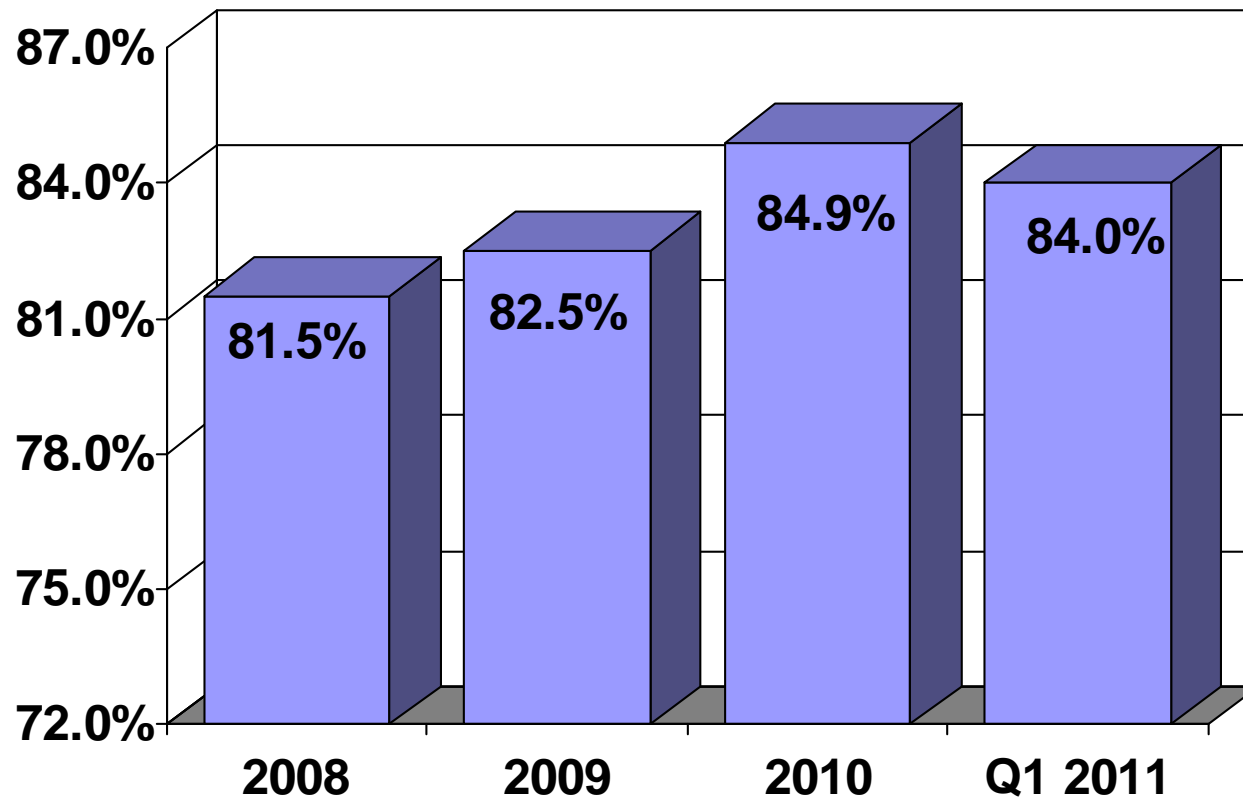
- Q1 2011 - \$0.54
- 2010 - \$2.52
- 2009 - \$2.26
- 2008 - \$1.78



Drivers for Growth

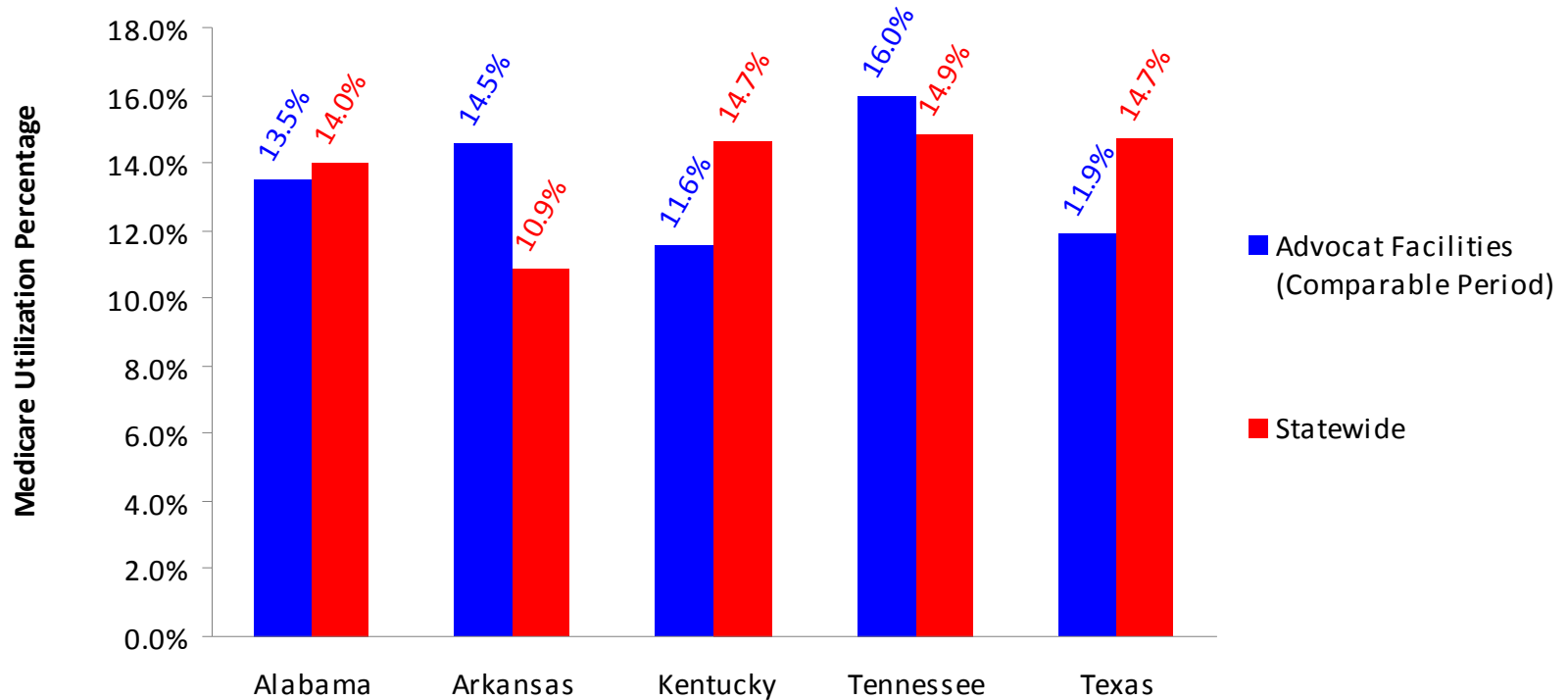
- Occupancy
- Patient mix
- Cost Control

Occupancy Rates – available beds



Patient Mix

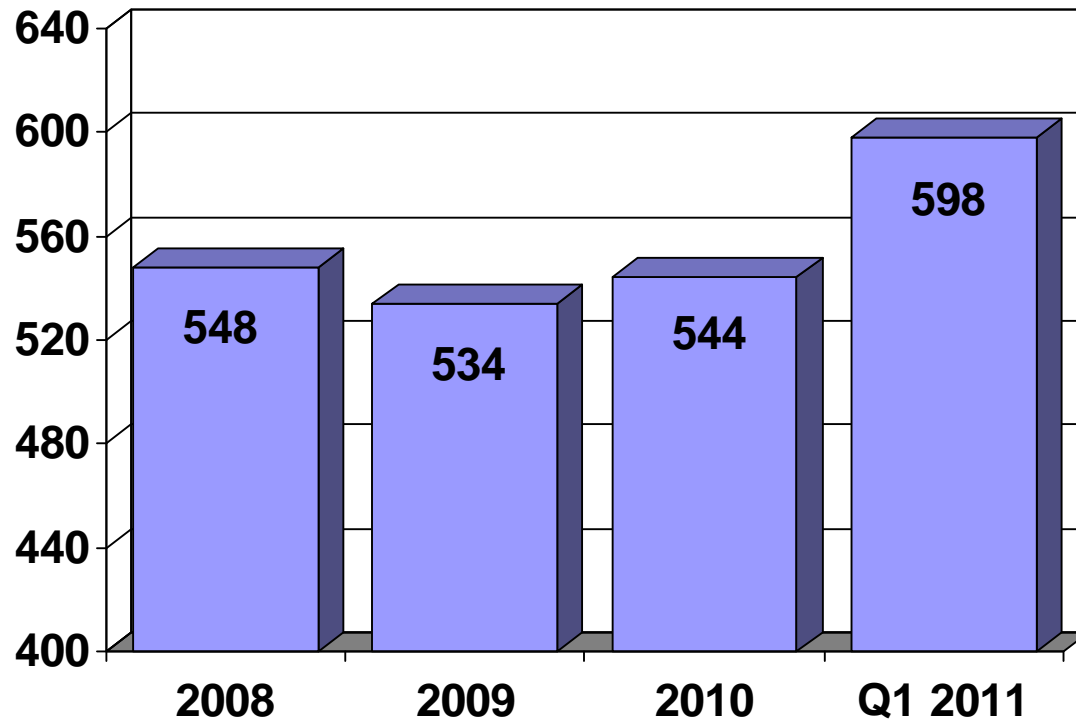
Medicare Utilization: Advocat vs. States in which we Operate



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

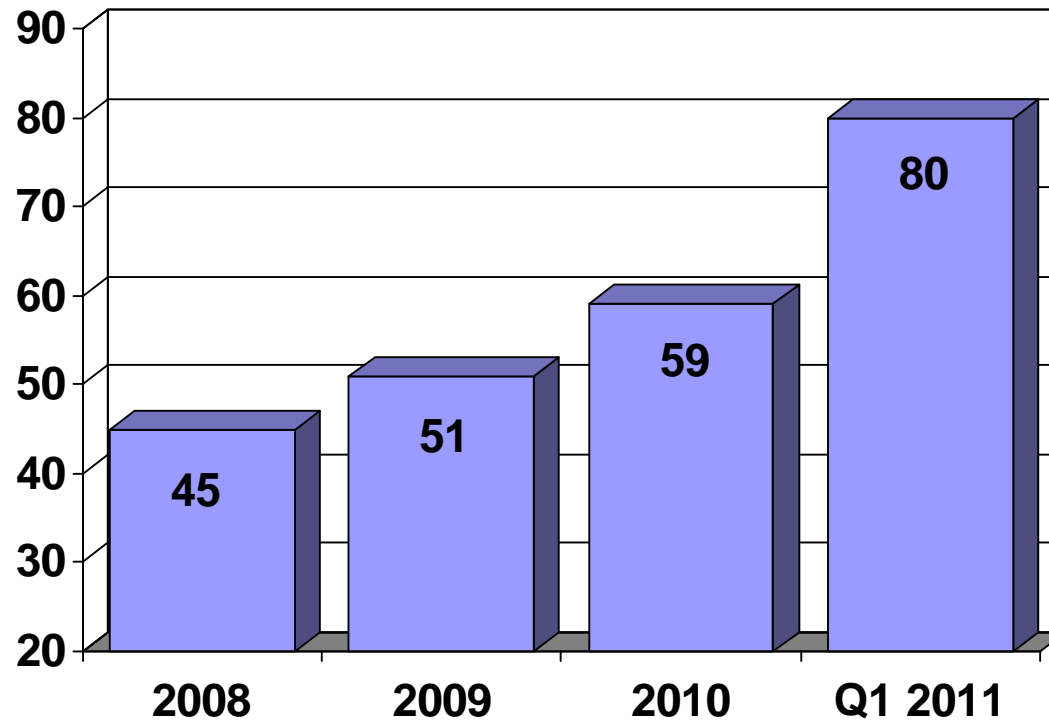


Medicare average daily census





Managed care average daily census





Cost Control Operating Expense As a Percentage of Revenue

- Q1 2011 – 78.9%
- 2010 – 79.0%
- 2009 – 79.3%



Patient Mix Improvement

One percentage point improvement in Medicare utilization increases annual revenue \$4.5 Million and pre-tax income \$2.9 Million



Key Operational Performance Improvement Initiatives

- Expanded Clinical Care Delivery Capability
- Expanded Marketing and Sales Infrastructure
- Electronic Medical Records
- Facilities Renovation



Skilled Care Development Initiatives

- 24 Hour RN Coverage
- Sub Acute Clinical Care Capability
- Specialized Clinical Care
- Drives Favorable Reimbursement
- Marketing Advantage



Marketing Infrastructure Development

- Facility-Based Sales Representatives
- Business Development
 - Managed Care
 - Physician Relationships
- Clinical Program Development
 - Customized for Physician Needs



Operations Improvement

- Goal - #1 Referral Destination in each Market
- Improvements:
 - Clinical Care Expansion
 - Marketing Components
 - Business Development
- Advocat Well Positioned for Continued Success



EMR Components

- Activities of Daily Living (ADL) Tracking
- Nursing Notes and Assessment
- Medication and Treatment Administration



18 month deployment - by Dec. 2011

- As of April 30, 2011; 29 Facilities on EMR
 - Twelve (12) Arkansas Facilities – Full EMR
 - Four (4) Kentucky Facilities – Full EMR
 - Thirteen (13) Texas Facilities ADL Capture Only



Remaining 2011 Deployment schedule

- By year end, all Facilities deployed with Full EMR
 - 4-6 Facilities Completed every Two Months



Typical Facility Deployment Costs

- Total Cost of \$130,000

<input type="checkbox"/> Hardware/Installation	\$70,000
<input type="checkbox"/> Software	\$10,000
<input type="checkbox"/> Training	\$50,000



EMR Operational Benefits

- Improves customer and employee satisfaction
 - Easier/faster Documentation
 - Resident Family Inquiry Response
- Improves facility regulatory compliance
 - Consistency
 - Surveyor Access
- Provides timely monitoring of care delivery
 - Easier/More Broad Monitoring
 - Faster Response and Control



Renovation & Building Program

- Rose Terrace Facility
- Renovations – accelerating timeline

Rose Terrace - Rendering



Rose Terrace, Culloden, WV



- Under Construction -



- 90 Bed Facility
- Bedroom community of Huntington West Virginia
- Huntington-Charleston Corridor
- Expected to open at the end of 2011



Rose Terrace

- Lease with purchase option
- Company supervised construction
- \$7.2 million facility



Rose Terrace

- 2011 Impact
- Positive cash flow
- Breakeven
- Current West Virginia average Daily Rates
 - Medicare - \$343
 - Medicaid - \$186



Facility Renovations Initiative

- Program Accelerates
- Historical ROI – 42%
- \$22.2 million Invested
- 15 Facilities Renovated



Facility Renovations Initiative

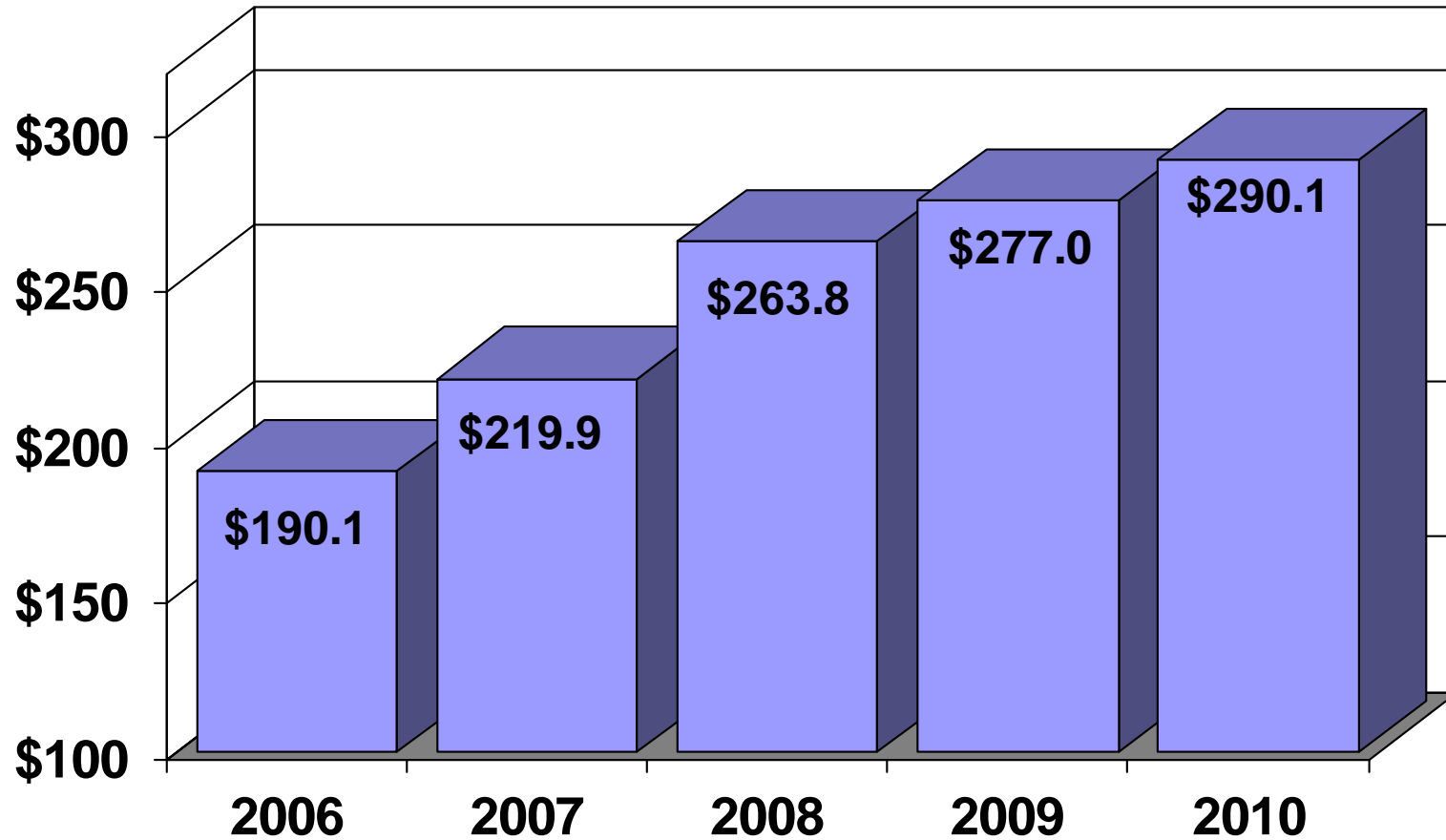
- \$5 million lease financing committed
- \$2.4 million available cash – mortgage refinancing

Projects expected to start in 2011

NURSING CENTER LOCATION	NUMBER OF CENTERS TO RENOVATE	TOTAL LICENSED BEDS	EXPECTED COMPLETION	TOTAL ESTIMATED COSTS
Kentucky	1	120	Q4 2011	\$1.7 Million
Ohio	1	139	Q4 2011	\$0.4 Million
Texas	3	544	Q2 2012	\$5.6 Million
Tennessee	1	125	Q3 2012	\$2.8 Million
Arkansas	1	105	Q2 2012	\$1.2 Million
Alabama	<u>1</u>	<u>86</u>	<u>Q4 2011</u>	<u>\$0.8 Million</u>
Total	<u>8</u>	<u>1,119</u>		<u>\$12.5 Million</u>



Revenue Growth 2006-2010 (\$ in millions)



First Quarter Highlights

	Q1 Ending March 31,	
	<u>2011</u>	<u>2010</u>
Occupancy	77.3%	77.5%
Total Average Daily Census – Medicare & Managed Care	678	614
Revenue	\$77.1 million	\$70.2 million
Medicare Rate Per Day	\$455.36	\$393.64
Medicaid Rate Per Day	\$148.67	\$145.25
Professional Liability Expense	\$1.7 million	\$1.4 million
Operating Income	\$1.3 million	\$1.6 million
Net Income Per Diluted Common Share	\$0.06	\$0.11
Funds from Operations	\$3.2 million	\$3.3 million

Strategic Investing Q1 2011

(In millions)	
Operating expenses	\$0.9
General and administrative expenses	<u>\$0.9</u>
Total investment expenses	<u>\$1.8</u>
Recurring expenses	\$1.2
Non-recurring expenses	<u>\$0.6</u>
Total investment expenses	<u>\$1.8</u>
Non-recurring EMR (Capital Spending)	<u>\$0.4</u>

Comparative Financial Ratios

Symbol	EV/EBITDAR	EV/EBITDA
AVCA	1.4x	3.9x
SKH	7.1x	8.2x
ENSG	6.0x	7.0x
KND	2.4x	6.2x
SUNH	1.5x	2.4x

- Multiples calculated using May 9, 2011 share price and 12/31/2010 historical financial information
- Enterprise value determined by market capitalization and debt, less cash



Investment Highlights

- Exceptional performances
- Strong cash flow
- Dividends – current yield ~ 3.5%
- Exceptional Demographic Trends
- Program for Accelerating Growth



Forward-Looking Statements

Forward-looking statements made in this presentation involve a number of risks and uncertainties, but not limited to, our ability to successfully construct and operate the new nursing center in West Virginia, our ability to increase census at our renovated facilities, changes in governmental reimbursement, including the impact of an April 2011 proposed regulation that could result in a reduction in Medicare reimbursement as of October 2011, 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, costs and impacts associated with the implementation of our electronic medical records plan, the costs of investing in our business initiatives and development, 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, 2010, 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.