

ADCARE HEALTH SYSTEMS, INC  
Form DEF 14A  
June 27, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

ADCARE HEALTH SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
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  - (4) Proposed maximum aggregate value of transaction:
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- Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:

(4) Date Filed:

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ADCARE HEALTH SYSTEMS, INC.

1145 Hembree Road  
Roswell, Georgia 30076

Dear AdCare Shareholders:

It is my pleasure to invite you to this year's Annual Meeting of Shareholders, which will be held on Friday, August 8, 2014, at The Westin Buckhead Atlanta, 3391 Peachtree Road, N.E., Atlanta, Georgia, at 10:00 a.m., local time. We look forward to personally seeing as many of our shareholders as possible.

The Notice of 2014 Annual Meeting of Shareholders and the accompanying proxy statement provide information concerning matters to be considered and voted on at the Annual Meeting. At the Annual Meeting, we also will report on our operations and other matters of current interest to our shareholders and respond to appropriate questions. I understand that most of our shareholders are unable to attend the Annual Meeting in person. However, it is important that your shares of common stock be represented and voted at the Annual Meeting. Whether or not you plan to attend, you can be sure your shares of common stock are represented by promptly voting and submitting your proxy by phone, by Internet or by completing, signing, dating and returning your proxy card in the enclosed postage-paid envelope.

Thank you for your continued interest in AdCare.

Sincerely,  
/s/DAVID A. TENWICK  
David A. Tenwick

Chairman of the Board

ADCARE HEALTH SYSTEMS, INC.  
1145 Hembree Road  
Roswell, Georgia 30076

NOTICE OF 2014 ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON AUGUST 8, 2014

DATE AND TIME..... Friday, August 8, 2014, at 10:00 a.m., local time  
PLACE..... The Westin Buckhead Atlanta, 3391 Peachtree Road, N.E., Atlanta,  
Georgia  
ITEMS OF BUSINESS.....

- To elect two Class I directors to serve until the Annual Meeting of Shareholders to be held in 2017, or until their successors are duly elected and qualified or until their earlier death, resignation or removal;
- To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014; and
- To transact such other business as may properly come before the Annual Meeting and any adjournments and postponements thereof.

RECORD DATE..... June 25, 2014. Only shareholders of record of the common stock at the close of business on the record date are entitled to receive notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.  
ANNUAL REPORT..... Our Annual Report on Form 10-K for the year ended December 31, 2013, accompanies the proxy statement.  
PROXY VOTING..... Even if you plan to attend the Annual Meeting in person, please promptly vote in one of the following ways so that your shares of common stock may be represented and voted at the Annual Meeting:

1. Call the toll-free telephone number shown on the enclosed proxy card;
2. Vote via the Internet on the website shown on the enclosed proxy card; or
3. Mark, sign, date and return the enclosed proxy card in the postage-paid envelope.

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Important Notice Regarding the Availability of Proxy Materials for the 2014 Annual Meeting to be Held on August 8, 2014: This notice, the accompanying proxy statement, a form of proxy card and the Company's Annual Report on Form 10-K for the year ended December 31, 2013 are available free of charge at [www.cstproxy.com/adcarehealth/2014](http://www.cstproxy.com/adcarehealth/2014).

By Order of the Board of Directors,  
/s/ RONALD W. FLEMING  
Ronald W. Fleming  
Corporate Secretary  
Roswell, Georgia

Roswell, Georgia  
June 27, 2014

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June 27, 2014

ADCARE HEALTH SYSTEMS, INC.

1145 Hembree Road

Roswell, Georgia 30076

## PROXY STATEMENT

### QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Why am I receiving these materials?

AdCare Health Systems, Inc. is furnishing this proxy statement in connection with the solicitation by its Board of Directors (the "Board of Directors") of proxies for our 2014 Annual Meeting of Shareholders and any adjournments and postponements thereof (the "Annual Meeting") for the purposes set forth in the accompanying Notice of 2014 Annual Meeting of Shareholders. The Annual Meeting will be held on Friday, August 8, 2014, at The Westin Buckhead Atlanta, 3391 Peachtree Road, N.W., Atlanta, Georgia, at 10:00 a.m., local time. Shareholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement.

Proxies are being solicited by the Board of Directors to give all shareholders of record and entitled to vote at the Annual Meeting an opportunity to vote on the proposals to be presented at the Annual Meeting, even if they cannot attend the Annual Meeting in person. David A. Tenwick, our Chairman of the Board, Interim Chief Executive Officer and President, and Ronald W. Fleming, our Chief Financial Officer (together, the "Proxy Holders"), will vote the shares represented by the proxies at the Annual Meeting in the manner indicated by the proxies.

As permitted by the rules of the Securities and Exchange Commission ("SEC"), we have elected to send you this full set of proxy materials, including a proxy card, and additionally to notify you of the availability of these proxy materials on the Internet. The Notice of 2014 Annual Meeting of Shareholders, this proxy statement, a form of proxy card and our Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Annual Report") are available free of charge at [www.cstproxy.com/adcarehealth/2014](http://www.cstproxy.com/adcarehealth/2014). We expect to mail this proxy statement and accompanying form of proxy card to shareholders of record beginning on or before July 1, 2014.

Unless the context otherwise requires, all references in this proxy statement to "AdCare," the "Company," "we," "us," and "our" refer to AdCare Health Systems, Inc. and its consolidated subsidiaries.

Who is entitled to vote on the proposals discussed in this proxy statement?

You are entitled to vote if you were a shareholder of record of AdCare's common stock (the "common stock") at the close of business on June 25, 2014 (the "record date"). Your shares of common stock can be voted at the Annual Meeting only if you are present in person or represented by a valid proxy.

What constitutes a quorum for the Annual Meeting?

The holders of one-third of the outstanding shares of common stock at the close of business on the record date must be present, either in person or represented by valid proxy, to constitute a quorum necessary to conduct the Annual Meeting. At the close of business on the record date, there were issued and outstanding 17,512,917 shares of common stock. Shares of common stock represented by valid proxies received but marked as abstentions or as withholding voting authority, and shares of common stock represented by valid proxies received but reflecting broker non-votes, will be counted as present at the Annual Meeting for purposes of establishing a quorum.

What if a quorum is not present at the Annual Meeting?

If a quorum is not present at the scheduled time of the Annual Meeting, then we may adjourn or postpone the Annual Meeting until a quorum is present. The time and place of the adjourned or postponed Annual Meeting will be announced at the time the adjournment is taken, and, unless such adjournment or postponement is for more than 120 days, no other notice will be given. An adjournment or postponement will have no effect on the business that may be conducted at the Annual Meeting.

How many votes am I entitled to for each share of the common stock I hold?

Each share of common stock is entitled to one vote on each of the two director nominees and one vote on each other matter to be voted on at the Annual Meeting.

What proposals will require my vote?

You are being asked to vote on the following proposals:

- Election of two Class I directors to serve until the Annual Meeting of Shareholders to be held in 2017, or until their successors are duly elected and qualified or until their earlier death, resignation or removal ("Proposal 1");
- Ratification of the appointment of KPMG LLP ("KPMG") as our independent registered public accounting firm for the year ending December 31, 2014 ("Proposal 2"); and
- The transaction of any other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

Your proxy will give the Proxy Holders the authority to vote in their discretion on any other business properly coming before the Annual Meeting or any adjournments or postponements thereof.

What vote is required to approve each proposal, and how will my vote be counted?

Proposal 1: Election of Directors

The two director nominees receiving the highest number of "FOR" votes cast at the Annual Meeting will be elected to serve as Class I directors. This number is called a "plurality." Any shares of common

stock that are not voted (whether by abstention or otherwise) will have no impact in determining the outcome of the vote with respect to Proposal 1.

Proposal 2: Ratification of the Appointment of KPMG as Our Independent Registered Public Accounting Firm  
To ratify the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2014, the votes cast “FOR” Proposal 2 must exceed the votes cast “AGAINST” Proposal 2. Any shares of common stock that are not voted (whether by abstention or otherwise) will have no impact on the outcome of the vote with respect to Proposal 2.

How will a proposal or other matter that was not included in this Proxy Statement be handled for voting purposes if it is raised at the Annual Meeting?

If any matter that is not described in this proxy statement should properly come before the Annual Meeting, then the Proxy Holders will vote the shares represented by valid proxies in their discretion. At the time this proxy statement was printed, management was unaware of any other matters that might be properly brought for shareholder action at the Annual Meeting.

How does the Board of Directors recommend that I vote?

The Board of Directors recommends that you vote:

•“FOR” election as Class I directors of each of the two director nominees named in this proxy statement; and

•“FOR” ratification of the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2014.

How do I vote?

If you are a shareholder of the common stock of record, meaning that your shares of common stock are registered directly in your name and are not held through a broker, bank or other nominee, then you have four voting options.

You may vote your shares in any one of the following ways:

•Call the toll-free number shown on the proxy card;

•Vote on the Internet on the website shown on the proxy card;

•Mark, sign, date and return the enclosed proxy card in the postage-paid envelope; or

•Vote in person at the Annual Meeting.

Even if you plan to attend the Annual Meeting in person, we encourage you to vote your shares as soon as possible by proxy.

If you are a beneficial holder of common stock, meaning that your shares of common stock are held through a broker, bank or other nominee, then please refer to the instructions provided by your broker, bank or other nominee regarding how to vote.

What is the difference between a shareholder of record and a beneficial holder of shares?

If your shares of common stock are registered directly in your name with our transfer agent, Continental Stock Transfer & Trust Company (“Continental”), then you are considered a shareholder of record with respect to those shares. Shareholders of record will receive proxy materials, including a proxy card, by mail.

If your shares of common stock are held in “street name” through a broker, bank or other nominee, then you are the “beneficial holder” of the shares held for you. Beneficial holders of shares should refer to the instructions provided by their broker, bank or other nominee regarding how to vote their shares or to revoke voting instructions. The availability of Internet and telephone voting depends on the voting processes of the broker, bank or other nominee. As a beneficial holder of shares, you have the right to direct how your broker, bank or other nominee votes your shares. If your shares of common stock are held in street name, through a broker, bank or other nominee, then to be able to vote your shares in person at the Annual Meeting you must obtain a legal proxy from your bank, broker or nominee that specifies the number of shares of common stock you owned at the close of business on the record date and bring the legal proxy with you to the Annual Meeting.

I am a beneficial holder. How are my shares voted if I do not return voting instructions?

Your shares of common stock may be voted if they are held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority, under the rules of the New York Stock Exchange, to vote shares on certain routine matters for which their customers do not provide voting instructions by the tenth day before the Annual Meeting. The proposal ratifying the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2014, is considered a routine matter. The election of directors is not considered a routine matter. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial holder of the shares with respect to that proposal, the brokerage firm CANNOT vote the shares on that proposal. This is called a “broker non-vote.” In tabulating the voting result for any particular proposal, shares that are subject to broker non-votes with respect to that proposal will not be considered votes either for or against the proposal. It is very important that you provide voting instructions to your brokerage firm if you want your shares to be voted at the Annual Meeting on a non-routine matter.

What if I return my proxy card or vote by Internet or phone but do not specify how I want to vote?

If you are a shareholder of record and sign and return your proxy card or complete the Internet or telephone voting procedure, but do not specify how you want to vote your shares, then we will vote them as follows:

• “FOR” the election as Class I directors of each of the two director nominees named in this proxy statement; and  
• “FOR” the ratification of the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2014.

Can I change my vote or revoke my proxy?

If you are a shareholder of record, then you can change your vote within the regular voting deadlines by voting again by telephone or on the Internet, executing and returning a later dated proxy card or attending the Annual Meeting and voting in person. If you are a shareholder of record, then you can revoke your proxy by delivering a written notice of your revocation to the Corporate Secretary at AdCare Health Systems, Inc., 1145 Hembree Road, Roswell, Georgia 30076.

Who will count the votes?

A representative of Continental will act as the inspector of elections and count the votes.

What does it mean if I receive more than one set of proxy materials?

If you receive more than one set of proxy materials, it means that you have multiple accounts holding shares of common stock with brokers, banks, other nominees or our transfer agent. You will need to vote separately with respect to each set of proxy materials that you receive. Please vote all of the shares you own.

What do I need to do if I want to attend the Annual Meeting?

You do not need to make a reservation to attend the Annual Meeting. However, attendance at the Annual Meeting is limited to shareholders of the common stock or their designated representatives. If your shares are held by a bank or broker, then you must bring your bank or broker statement evidencing your beneficial ownership of common stock as of the record date to gain admission to the Annual Meeting. We reserve the right to limit the number of designated representatives who may attend the Annual Meeting.

Who is soliciting proxies?

The Board of Directors is soliciting your proxy. The expense of preparing and printing and mailing this proxy statement and the proxies solicited hereby will be borne by us. Solicitation will be made principally by mail. In addition to soliciting shareholders by mail, we will request banks, brokers and other custodians, nominees, and fiduciaries to forward solicitation materials or send a voting instruction form to the beneficial owners of the common stock held of record by such persons, and we will reimburse them for their reasonable out-of-pocket expenses incurred in doing so. We may use the services of our directors, officers and other Company employees, who will receive no compensation for their services, other than their regular compensation, to solicit proxies personally, by telephone or by facsimile transmission.

Are you "householding" for shareholders sharing the same address?

We are sending only one 2013 Annual Report and one proxy statement to shareholders who share a single address. This is known as "householding." However, if a shareholder of record residing at such an address wishes to receive a separate 2013 Annual Report or this proxy statement, he or she may contact Continental Stock Transfer by phone at (917) 262-2373, by e-mail at [www.proxy@continentalstock.com](mailto:www.proxy@continentalstock.com) or by mail at the following address: 17 Battery Place, New York, New York 10004. Shareholders of record who receive multiple copies of the 2013 Annual Report or this proxy statement may request householding by contacting Continental Stock Transfer using the preceding options. Beneficial holders who own shares of common stock through a broker, bank or other nominee may request householding by contacting the holder of record.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on August 8, 2014: The proxy statement and the 2013 Annual Report are available free of charge at [www.cstproxy.com/adcarehealth/2014](http://www.cstproxy.com/adcarehealth/2014).



## PROPOSAL 1:

## ELECTION OF DIRECTORS

## Number of Directors; Terms of Office

Our Bylaws provide that the number of directors shall be no less than three and no greater than 12 as may be determined by resolution of the Board of Directors from time to time. The Board of Directors has fixed the number of directors at six. Our Articles of Incorporation and Bylaws provide that the Board of Directors shall be divided into three classes designated as Class I, Class II and Class III, each of which shall be as nearly equal in number of directors as possible. The members of each class are elected for a term of office to expire at the third succeeding Annual Meeting of Shareholders following their election. The term of office of the current Class I directors expires at the Annual Meeting. The terms of office of the Class II and Class III directors expire at the Annual Meeting of Shareholders to be held in 2015 and 2016, respectively.

## Director Nominees

The two director nominees identified below have been nominated by the Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee of the Board of Directors (the "Nominating Committee"), for election at the Annual Meeting to the Board of Directors as Class I directors to serve until the Annual Meeting of Shareholders to be held in 2017, or until their successors are duly elected and qualified or until their earlier death, resignation or removal. Also set forth below is, as of June 25, 2014, certain biographical information for each of the director nominees, as well as a description of the experiences, qualifications, attributes or skills that caused the Nominating Committee and the Board of Directors to determine that each such individual should serve as a director.

Name	Age	Position Currently Held With the Company	Nominees for Class I Director with Term Expiring
Christopher F. Brogdon	65	Vice Chairman of the Board; Class III Director; Consultant <sup>(1)</sup>	2017
Michael J. Fox	36	Class I Director	2017

Christopher F. Brogdon was elected as a Class III director at the Annual Meeting of Shareholders held in 2013. We are now asking that he be reelected and reclassified as a Class I director to ensure that the number of directors in <sup>(1)</sup> each of Class I, Class II and Class III is as nearly equal in number as possible, in accordance with our Articles of Incorporation and Bylaws. Mr. Brogdon's reelection and reclassification will result in the extension of his term as a director for one additional year.