SASOL LTD
Form 6-K
February 09, 2015

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

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

Report on Form 6-K for February 09, 2015

Commission File Number 1-31615

Sasol Limited
1 Sturdee Avenue
Rosebank 2196
South Africa

(Name and address of registrant's principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F __X__ Form 40-F _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make publicunder the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or underthe rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _____ No __X__

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-_______________.

Enclosures: Change in directors' executive responsibilities and optimized top management structure announced

Sasol Limited
(Incorporated in the Republic of South Africa)
(Registration number 1979/003231/06)

Sasol Ordinary Share codes:	JSE : SOL	NYSE : SSL
Sasol Ordinary ISIN codes:	ZAE000006896	US8038663006
Sasol BEE Ordinary Share code:	JSE : SOLBE1	
Sasol BEE Ordinary ISIN code:	ZAE000151817	

("Sasol" or "the Company")

CHANGE IN DIRECTORS' EXECUTIVE RESPONSIBILITIES AND OPTIMISED TOP MANAGAMENT STRUCTURE ANNOUNCED

In accordance with paragraph 3.59(c) of the JSE Listings Requirements, Sasol today announced a change in the executive responsibilities of executive director, Ms V N Fakude, who currently has accountability for the Sustainability and Human Resources portfolio, and the soon to be appointed executive director, Mr B Nqwababa, who will be joining Sasol as its new Chief Financial Officer on 1 March 2015. The portfolio changes will be effective from 1 March 2015 and are pursuant to Sasol's announcement to further optimise its top management structure.

With the retirement of Mr E Oberholster, as Executive Vice President: Strategy, Development and Planning, and as part of the Company's ongoing drive to enhance its structures and business processes, Sasol has decided not to appoint a new Group Executive Committee (GEC) member to assume responsibility for Mr Oberholster's portfolio. Instead, these accountabilities will be reallocated to current members of the GEC.

Given the reallocation:
* Ms Fakude will be directly accountable for the Strategy and Sustainability portfolio comprising the following Group functions: Strategy; Risk & Safety, Health and Environment; and Human Resources. Ms Fakude will relinquish the South Africa Shared Services and Public & Regulatory Affairs functions, which will be assumed by other members of the GEC.

* Mr Nqwababa will be directly accountable for the Finance portfolio, comprising the following Group functions: Financial Control; Corporate Finance, Business Development and Portfolio Management; Investor Relations and Information Management.

On 28 January 2015, Sasol confirmed that it is formulating a comprehensive plan to respond to the current low oil price environment. The further optimisation of its top management structure is an important step in the Company's response plan efforts, ensuring that the organisation is much more focused and cost-conscious.

9 February 2015
Johannesburg

Sponsor: Deutsche Securities (SA) Proprietary Limited

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934,

the registrant, Sasol Limited, has duly caused this report to be
signed on its behalf by the undersigned, thereunto duly authorized.

Date February 09, 2015	By: /s/ V D Kahla
	Name: Vuyo Dominic Kahla
	Title: Company Secretary

00;font-weight:normal;text-decoration:none;">June 30, 2014, compared with $0.2 million for the same period in 2013. The Company incurred certain retirement and salary continuation costs related to a separation agreement with a prior officer of the Company of approximately $0.9 million and approximately $0.4 million related to the amendment to the consulting agreement with the Company's Vice Chairman during the six months ended June 30, 2014. During the six months ended June 30, 2013, approximately $0.1 million related to separation agreements with prior officers of the Company which included wage continuation and fringe benefit costs.

Interest Expense, net—Interest expense, net decreased by $1.0 million, or 16%, to $5.3 million for the six months ended June 30, 2014, compared with $6.3 million for the same period in 2013. The decrease is primarily due to the decrease of approximately $0.9 million related to the holders of the Company's subordinated convertible promissory notes due August 2014 conversion of approximately $4.8 million of principal and accrued and unpaid interest outstanding under such notes into shares of common stock and the decrease of approximately $0.1 million relating to the repayment of the outstanding bonds on March 3, 2014 at par plus accrued interest in the amount of $3.1 million from funds that were previously deposited into a restricted defeased bonds escrow account.

Acquisition Costs, net of Gains—The Company did not incur an expense for acquisition costs for the six months ended June 30, 2014 as a result of limited acquisition activity. This was a decrease of $0.6 million, compared with the same period in 2013.

Derivative Gain —For the six months ended June 30, 2014, there was no derivative gain compared to $0.2 million for the six months ended June 30, 2013. The derivative is a product of a convertible debt instrument entered into during the third quarter of 2010. The expense associated with the derivative is subject to volatility based on a number of factors including increases or decreases in our stock price. Increases in our stock price generally result in increases in expense. Conversely, a decrease in our stock price generally results in the recognition of a gain in our statements of operations. The expense or gain recognized in a period is based on the fair value of the derivative instrument at the end of the year in comparison to the beginning of the year. The Company amended the debt instruments in October 2013 to eliminate the derivative feature, among other items. Consequently, the fair value of the derivative instrument was eliminated as of October 2013.

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Loss on Extinguishment of Debt —The Company recognized a $0.6 million loss on extinguishment of debt during the six months ended June 30, 2014 compared with the same period in 2013 due to the difference between the conversion price and the market price on the date the subordinated convertible promissory notes were converted into shares of common stock.
Other Expense—The Company recognized approximately $0.2 million of legal fees associated with on going litigation matters for the six months ended June 30, 2014 compared with the same period in 2013.
Income Tax Expense—The Company recognized a minimal income tax expense for the six months ended June 30, 2014, compared with an income tax expense of $0.1 million for the same period in 2013. Income tax expense for the Company is related to state and local taxes.
Liquidity and Capital Resources

For the six months ended and as of June 30, 2014, we had a net loss of $5.3 million and negative working capital of $34.7 million. At June 30, 2014, we had $11.1 million in cash and cash equivalents and $153.2 million in indebtedness, including current maturities and discontinued operations, of which $55.6 million is current debt (including the Company's outstanding subordinated convertible promissory notes with a principal amount of $4.0 million and $6.5 million that mature in August 2014 and April 2015, respectively). Our ability to achieve profitable operations is dependent on continued growth in revenue and controlling costs.
On July 23, 2014, the Company announced that the Board of Directors had approved, and management has begun to implement, a strategic plan (the "New Plan") to transition the Company to a healthcare property holding and leasing company (see Note 16 - Subsequent Events). The Company's final assessment of liquidity and profitability under the New Plan is dependent on the timing of the leasing and sub-leasing transactions contemplated by the New Plan. However, the Company believes the New Plan, when fully implemented, will enhance cash flow from operations, reduce capital expenditure requirements, and require significantly less working capital.
We estimate that cash flow from operations and other working capital changes under the existing business model will be approximately $7.3 million and cash outlays for capital expenditures, dividends on our Series A Preferred Stock and income taxes will total approximately $5.1 million for the twelve months ending June 30, 2015. We anticipate that scheduled debt service (excluding approximately $6.4 million of bullet maturities due January 2015 and $21.0 million of bullet maturities due in February 2015 that the Company believes will be refinanced on a longer term basis and $4.0 million and $6.5 million in outstanding subordinated convertible promissory notes that mature in August 2014 and April 2015, respectively, but including principal and interest), will total approximately $16.3 million for the twelve months ending June 30, 2015. We anticipate the conversion to common stock of $2.9 million of the Company's outstanding subordinated convertible promissory notes that mature in August 2014, which excludes subordinated convertible promissory notes with a principal amount in the aggregate of $1.1 million that were converted into shares of common stock of the Company in July and August 2014 (see Note 16 - Subsequent Events), and $6.5 million of the Company's outstanding subordinated convertible promissory notes that mature in April 2015. These promissory notes are convertible into shares of common stock of the Company at $3.73 per share and $4.50 per share, respectively. The closing price of the common stock exceeded $3.73 per share from January 1, 2014 through August 5, 2014 and exceeded $4.50 per share from July 23, 2014 through August 5, 2014. As discussed further below, if we were unable to refinance the $6.4 million of bullet maturities due January 2015 or the $21.0 million of bullet maturities due in February 2015, then the Company may be required to restructure its outstanding indebtedness, implement further cost reduction initiatives, sell assets, as well as delay, modify, or abandon its expansion plans due to our limited liquidity in such an event.
During February and March 2014, the Company issued 693,761 shares of common stock to holders of the Company's warrants dated September 30, 2010 upon conversion at an exercise price of $3.57 per share. The Company received proceeds of approximately $2.3 million, net of broker commissions of approximately $0.1 million. On March 28, 2014, we received net proceeds of approximately $6.3 million from the issuance and sale of the Company's 10% subordinated convertible promissory notes due April 30, 2015. We routinely have ongoing discussions with existing

and potential new lenders to refinance current debt on a longer term basis and, in recent periods, have refinanced shorter term acquisition debt, including seller notes, with traditional longer term mortgage notes, some of which have been executed under government guaranteed lending programs. We have been successful in recent years in raising new equity capital and believe, based on recent discussions, that these markets will continue to be available to us for raising capital in 2015.

Based on existing cash balances, anticipated cash flows for the twelve months ending June 30, 2015, the anticipated refinancing of $6.4 million of bullet maturities due January 2015 and $21.0 million of bullet maturities due February 2015, and the expected conversion of $2.9 million of the Company's outstanding subordinated convertible promissory notes that mature in August 2014, which excludes subordinated convertible promissory notes with a principal amount in the aggregate of $1.1 million that were converted into shares of common stock of the Company in July and August 2014 (see Note 16 - Subsequent Events), and $6.5 million of subordinated convertible promissory notes due April 2015, into shares of common stock, we believe there will be sufficient funds for our operations, scheduled debt service, and capital expenditures at least through the next 12 months. On a longer term basis, at June 30, 2014 we have approximately $44.2 million of debt payments and maturities due between July 2015 and June 2018, excluding subordinated convertible promissory notes which are convertible into shares of common stock. We have been successful in recent years in raising new equity capital and believe, based on recent discussions, that these markets will continue to be available to us for raising capital in 2014. We believe our long-term liquidity needs will be satisfied by these same sources, borrowings as required to refinance indebtedness and new sources of equity capital.

In order to satisfy our capital needs, we will seek to: (i) improve our operating results by increasing facility occupancy, optimizing our payor mix by increasing the proportion of sub-acute patients within our skilled nursing facilities, and continuing our cost optimization and efficiency strategies; (ii) expand our borrowing arrangements with certain existing lenders; (iii) refinance current debt where possible to obtain more favorable terms; (iv) raise capital through the issuance of debt or equity securities; and (v) implement the New Plan. We anticipate that these actions, if successful, will provide the opportunity for us to maintain liquidity on a short and long term basis, thereby permitting us to meet our operating and financing obligations for the next 12 months. However, there is no guarantee that such actions will be successful or that anticipated operating results will be achieved. We currently have limited borrowing availability under our existing revolving credit facilities. If the Company is unable to improve operating results, expand existing borrowing agreements, refinance current debt (including $6.4 million of bullet maturities due January 2015 and $21.0 million of bullet maturities due February 2015), the subordinated convertible promissory notes due August 2014 and April 2015 are not converted into shares of common stock and are required to be repaid by us in cash, then the Company may be required to restructure its outstanding indebtedness, implement further cost reduction initiatives, sell assets, or delay or modify its strategic plan.

The following table presents selected data from the Company's consolidated statement of cash flows for the periods presented:

	Six Months Ended June 30,	
(Amounts in 000's)	2014	2013
Net cash used in operating activities - continuing operations	$(7,690)	$(286)
Net cash (used in) provided by operating activities - discontinued operations	(942)	30
Net cash provided by (used in) investing activities - continuing operations	4,602	(4,610)
Net cash (used in) provided by investing activities - discontinued operations	(497)	671
Net cash flows (used in) provided by financing activities - continuing operations	(3,744)	422
Net cash flows provided by (used in) financing activities - discontinued operations	44	(1,942)
Net change in cash and cash equivalents	(8,227)	(5,715)
Cash and cash equivalents at beginning of period	19,374	15,937
Cash and cash equivalents at end of period	$11,147	$10,222

Six Months Ended June 30, 2014

Net cash used in operating activities - continuing operations for the six months ended June 30, 2014, was approximately $7.7 million, consisting primarily of the Company's loss from operations, non-cash charges and changes in working capital, consisting of decreased accounts payable and accrued expenses of $3.0 million, increased accounts receivable of $5.0 million and increased prepaid expenses and other of $3.1 million.

Net cash provided by investing activities—continuing operations for the six months ended June 30, 2014, was approximately $4.6 million. This is primarily the result of a decrease in restricted cash and investments, offset by capital expenditures.

Net cash used in financing activities—continuing operations was approximately $3.7 million for the six months ended June 30, 2014. This is primarily the result of proceeds received of $6.1 million under the 2014 Convertible Notes, $3.3

million under the Company’s insurance premium financing and $2.3 million received from the exercise of warrants and options, offset by repayment of $6.2 million on notes payable, repayment of $3.0 million on bonds payable, repayment of $4.0 million of subordinated convertible promissory notes, payment of $1.3 million in preferred stock dividends, and changes in the line of credit and debt issuance costs of $0.8 million.

Six Months Ended June 30, 2013

Net cash used in operating activities - continuing operations for the six months ended June 30, 2013, was $0.3 million, consisting primarily of the Company’s loss from operations, non cash charges and changes in working capital, including increased accounts payable and accrued expenses of $5.6 million, increased accounts receivable $4.9 million, and increased prepaid expenses and other of $1.2 million.

Net cash used in investing activities—continuing operations for the six months ended June 30, 2013, was approximately $4.6 million. This is primarily the result of capital expenditures. The net cash provided by investing activities - discontinued operations was approximately $0.7 million for the six months ended June 30, 2013, related to proceeds from the sale of two additional assisted living facilities.

Net cash provided by financing activities—continuing operations was approximately $0.4 million for the six months ended June 30, 2013. This is primarily the result of proceeds received under the Company's lines of credit and insurance premium financing, offset by repayment on notes payable, debt issuance costs and payment of the preferred stock dividend. Net cash used in financing activities - discontinued operations was approximately $1.9 million consisting of repayment of existing debt obligations related to the sale of the Lincoln Lodge Retirement Residence facility.

Notes Payable and Other Debt

Total notes payable and other debt obligations as of June 30, 2014 and December 31, 2013 were as follows:

(Amounts in 000’s)	June 30, 2014	December 31, 2013
Revolving credit facilities and lines of credit(a)	$8,435	$8,503
Senior debt - guaranteed by HUD	4,004	4,063
Senior debt - guaranteed by USDA	27,454	27,763
Senior debt - guaranteed by SBA	5,835	5,954
Senior debt - bonds, net of discount(b)	12,956	16,102
Senior debt - other mortgage indebtedness(c)	74,508	78,408
Other debt	2,038	625
Convertible debt issued in 2010, net of discount	4,000	6,930
Convertible debt issued in 2011	—	4,459
Convertible debt issued in 2012	7,500	7,500
Convertible debt issued in 2014	6,500	—
Total	$153,230	$160,307
Less: current portion	44,469	26,154
Less: portion included in liabilities of disposal group held for sale(a),(c)	5,197	—
Less: portion included in liabilities of variable interest entity held for sale(b)	$5,953	$6,034
Notes payable and other debt, net of current portion	$97,611	$128,119

(a) The revolving credit facilities and lines of credit includes $0.2 million related to the outstanding loan entered into in conjunction with the acquisition of the Companions skilled nursing facility in August 2012.

(b) The senior debt - bonds, net of discount includes $6.0 million at both June 30, 2014 and December 31, 2013 related to the Company's consolidated variable interest entity, Riverchase Village ADK, LLC, revenue bonds, in two series, issued by the Medical Clinical Board of the City of Hoover in the State of Alabama, which the Company has guaranteed the obligation under such bonds.

(c) The senior debt-other mortgage indebtedness includes $5.0 million related to the outstanding loan entered into in conjunction with the acquisition of Companions in August 2012.

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Scheduled Maturities

The schedule below summarizes the scheduled maturities as of June 30, 2014 for each of the next five years and thereafter. The 2015 maturities include $0.2 million and $5.0 million, respectively, related to the Companions Specialized Care Center's outstanding loans classified as liabilities of disposal group held for sale and $6.0 million related to the Riverchase bonds classified as liabilities of a variable interest entity held for sale at June 30, 2014.

	(Amounts in 000's)
2015	$55,796
2016	15,205
2017	32,881
2018	3,633
2019	1,660
Thereafter	44,459
Subtotal	153,634
Less: unamortized discounts ($178 classified as current)	(404)
Total notes and other debt	$153,230

Debt Covenant Compliance

As of June 30, 2014, the Company (including its consolidated variable interest entity) has approximately 36 credit related instruments (credit facilities, mortgage notes, bonds and other credit obligations) outstanding that include various financial and administrative covenant requirements. Covenant requirements include, but are not limited to, fixed charge coverage ratios, debt service coverage ratios, minimum EBITDA or EBITDAR, current ratios and tangible net worth requirements. Certain financial covenant requirements are based on consolidated financial measurements whereas others are based on measurements at the subsidiary level (i.e.; facility, multiple facilities or a combination of subsidiaries comprising less than the Company's consolidated financial measurements). Some covenants are based on annual financial metric measurements whereas others are based on quarterly financial metric measurements. The Company routinely tracks and monitors its compliance with its covenant requirements. In recent periods, including as of June 30, 2014, the Company has not been in compliance with certain financial and administrative covenants. For each instance of such non-compliance, the Company has obtained waivers or amendments to such requirements including as necessary modifications to future covenant requirements or the elimination of certain requirements in future periods.
The following table includes financial covenant requirements as of the last measurement date as of or prior to June 30, 2014 in instances where the Company was not in compliance with the financial covenant or it achieved compliance with the covenant requirement by a margin of 10% or less. The table also identifies the related credit facility, outstanding balance at June 30, 2014 and the next applicable future financial covenant requirement inclusive of adjustments to covenant requirements resulting from amendments executed subsequent to June 30, 2014.

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Credit Facility	Balance at June 30, 2014 (000's)	Consolidated or Subsidiary Level Covenant Requirement	Financial Covenant	Measurement Period	Min/Max Financial Covenant Required	Financial Covenant Metric Achieved		Future Financial Covenant Metric Required
Gemino - Line of Credit	$2,625	Consolidated	Fixed Charge Coverage Ratio (FCCR)	Quarterly	1.05	1.09		1.10
Contemporary Healthcare Capital - Term Note and Line of Credit - CSCC Nursing, LLC	$5,000	Subsidiary	DSCR	Quarterly	1.15	0.87	*	1.15
	$197	Subsidiary	Minimum Occupancy	Quarterly	70 %	67 %	*	70 %
PrivateBank - Mortgage Note - Valley River Nursing, LLC; Park Heritage Nursing, LLC; Benton Nursing, LLC	$11,129	Subsidiary	Minimum EBITDAR	Quarterly	$450	$364	*	$450
		Subsidiary	Fixed Charge Coverage Ratio (FCCR)	Quarterly	1.05	0.86	*	1.05
PrivateBank - Mortgage Note - Little Rock HC&R Nursing, LLC	$11,741	Subsidiary	Minimum EBITDAR	Quarterly	$311	$68	*	$358
PrivateBank - Mortgage Note - Woodland Manor Nursing, LLC	$4,554	Subsidiary	Minimum EBITDAR	Quarterly	$250	$182	*	$250

* Waiver or amendment for violation of covenant obtained.

Revolving Credit Facilities and Lines of Credit

Gemino Northwest Credit Facility

On May 30, 2013, NW 61st Nursing, LLC (“Northwest”), a wholly-owned subsidiary of the Company, entered into a Credit Agreement (the “Northwest Credit Facility”) with Gemino Healthcare Finance, LLC ("Gemino"). The Northwest Credit Facility provides for a $1.0 million principal amount senior-secured revolving credit facility.
The Northwest Credit Facility matures on January 31, 2015 and interest accrues on the principal balance thereof at an annual rate of 4.75% plus the current LIBOR rate. Northwest also pays to Gemino: (i) a collateral monitoring fee equal to 1.0% per annum of the daily outstanding balance of the Northwest Credit Facility; and (ii) a fee equal to 0.5% per annum of the unused portion of the Northwest Credit Facility. In the event the Northwest Credit Facility is terminated prior to January 31, 2015, Northwest shall also be required to pay a fee to Gemino in an amount equal to

1.0% of the Northwest Credit Facility. The Northwest Credit Facility is secured by a security interest in the accounts receivable and the collections and proceeds thereof relating to the Company's skilled nursing facility located in Oklahoma City, Oklahoma known as the Northwest Nursing Center. The Company has unconditionally guaranteed all amounts owing under the Northwest Credit Facility.

The Northwest Credit Facility contains customary events of default, including material breach of representations and warranties, failure to make required payments, failure to comply with certain agreements or covenants and certain events of bankruptcy and insolvency. Upon the occurrence of an event of default, Gemino may terminate the Northwest Credit Facility.

In connection with entering into the Northwest Credit Facility, certain affiliates of the Company and Northwest, as applicable, also entered into an intercreditor and subordination agreement, governmental depository agreement and subordination of management fee agreement, each containing customary terms and conditions.

On June 25, 2013, Northwest entered into a First Amendment to the Credit Agreement which amended the Northwest Credit Facility. The amendment, among other things: (i) amends certain financial covenants regarding fixed charge coverage ratio and minimum EBITDA; and (ii) amends the credit facility to include the Gemino-Bonterra Credit Facility (discussed below) as an affiliated credit agreement in determining whether certain financial covenants are being met.

On June 28, 2013, two wholly-owned subsidiaries of the Company entered into a Joinder Agreement, Second Amendment and Supplement to Credit Agreement with Northwest and Gemino pursuant to which such subsidiaries became additional borrowers under the Northwest Credit Facility. Pursuant to the joinder, the borrowers granted a continuing security interest in, among other things, their accounts receivables, payment intangibles, chattel paper, general intangibles, collateral relating to any accounts or payment intangibles, commercial lockboxes and cash, as additional collateral under the Northwest Credit Facility. In connection with the execution of the joinder, the borrowers issued an amended and restated revolving promissory note in favor of Gemino in the amount of $1.5 million.

On February 10, 2014, certain wholly-owned subsidiaries of the Company entered into a letter agreement with Gemino which modified the: (i) Northwest Credit Facility; and (ii) Gemino-Bonterra Credit Facility. The Waiver and Amendment, among other things, adjusted the required: (a) minimum fixed charge coverage ratio; (b) maximum loan turn days; (c) minimum earnings before interest, taxes, depreciation and amortization; and (d) waived certain specified defaults in existence as of the date of the Waiver and Amendment.

As of June 30, 2014, $1.3 million was outstanding of the maximum borrowing amount of $1.5 million under the Northwest Credit Facility.

Gemino-Bonterra Credit Facility

On September 20, 2012, ADK Bonterra/Parkview, LLC ("Bonterra"), a wholly owned subsidiary of the Company entered into a Second Amendment to the Credit Agreement with Gemino ("Gemino-Bonterra Credit Facility"), which amended the original Credit Agreement dated April 27, 2011 between Bonterra and Gemino. The Gemino-Bonterra Credit Facility is a secured credit facility for borrowings up to $2.0 million. The amendment extended the term of the Gemino-Bonterra Credit Facility from October 29, 2013 to January 31, 2014 and amended certain financial covenants regarding Bonterra's fixed charge coverage ratio, maximum loan turn days and applicable margin. Interest accrues on the principal balance outstanding at an annual rate equal to the LIBOR rate plus the applicable margin of 4.75% to 5.00%, which fluctuates depending upon the principal amount outstanding.

On December 20, 2012, Bonterra entered into a Third Amendment to the Gemino-Bonterra Credit Facility, which altered the financial covenant in the original credit agreement to exclude the five entities controlled by Christopher Brogdon (Vice Chairman of the Board of Directors, owner of greater than 5% of the outstanding common stock and former Chief Acquisition Officer of the Company and his wife, which entities own five skilled-nursing facilities located in Oklahoma (the “Oklahoma Owners”) that were previously managed by an AdCare subsidiary, under another credit agreement with Gemino from the covenant calculation of maximum loan turn days and acknowledged that Bonterra shall not be obligated, directly or indirectly, for any indebtedness or obligations of the Oklahoma Owners to Gemino.

On May 30, 2013, Bonterra entered into a Fourth Amendment to Credit Agreement with Gemino, which among other things: (i) extends the term of the Gemino-Bonterra Credit Facility from January 31, 2014 to January 31, 2015; (ii) amended certain financial covenants regarding Bonterra’s fixed charge coverage ratio and maximum loan turn days; and (iii) amended the Gemino-Bonterra Credit Facility to include the Northwest Credit Facility as an affiliated credit agreement in determining whether certain financial covenants are being met.

On February 10, 2014, certain wholly-owned subsidiaries of the Company entered into a letter agreement with Gemino which modified the: (i) Northwest Credit Facility; and (ii) Gemino-Bonterra Credit Facility. The Waiver and Amendment, among other things, adjusted the required: (a) minimum fixed charge coverage ratio; (b) maximum loan turn days; (c) minimum earnings before interest, taxes, depreciation and amortization; and (d) waived certain specified defaults in existence as of the date of the Waiver and Amendment.

As of June 30, 2014, $1.3 million was outstanding of the maximum borrowing amount of $2.0 million under the Gemino-Bonterra Credit Facility.

Senior Debt—Bonds, net of Discount

Quail Creek

In July 2012, a wholly owned subsidiary of AdCare financed the purchase of a skilled nursing facility located in Oklahoma City, Oklahoma known as Quail Creek Nursing & Rehabilitation Center by the assumption of existing indebtedness under that certain Loan Agreement and Indenture of First Mortgage with The Bank of New York Mellon Global Corporate Trust, as assignee of The Liberty National Bank and Trust of that certain Bond Indenture, dated September 1, 1986, as amended as of September 1, 2001. The indebtedness under the Loan Agreement and Indenture consisted of a principal amount of $2.8 million. In July of 2012, the purchase price allocation of fair value totaling $3.2 million was assigned to this indebtedness resulting in a $0.4 million premium that was amortized to maturity. The loan was scheduled to mature in August 2016 and accrued interest at a fixed rate of 10.25% per annum. The loan was secured by the Quail Creek Nursing & Rehabilitation Center. On September 27, 2013, the outstanding principal and accrued interest to the prepayment date in the amount of $3.1 million was deposited into a restricted defeased bonds escrow account.

Pursuant to the loan agreement and indenture, the outstanding bonds were prepaid on March 3, 2014 at par plus accrued interest in the amount of $3.1 million from funds that were deposited into a restricted defeased bonds escrow account.

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Senior Debt - Other Mortgage Indebtedness
Northridge, Woodland Hills and Abington
On March 28, 2014, the Company entered into a Fourth Amendment to Secured Loan Agreement and Payment Guaranty with KeyBank National Association ("KeyBank"), which amended the Secured Loan Agreement between the Company and KeyBank (the "KeyBank Credit Facility"), which amended the KeyBank Credit Facility. Pursuant to the amendment, among other things: (i) KeyBank waives the failure of certain financial covenants of such subsidiaries regarding fixed charge coverage ratio, implied debt service coverage, and compliance of making a certain sinking fund payment due on March 1, 2014 such that no default or events of default under the KeyBank Credit Facility occurred due to such failure; (ii) modified and amended certain financial covenants regarding the Company's fixed charge ratio and implied debt service coverage, and (iii) paid down $3.4 million of loan principal from the release of $3.4 million from a certain collateral account.
As of June 30, 2014, $12.0 million was outstanding under the KeyBank Credit Facility. The Company has $2.0 million of restricted assets related to this loan.
Convertible Debt

Subordinated Convertible Promissory Notes Issued in 2010 (the "2010 Notes")

During the six months ended June 30, 2014, holders of the Company's subordinated convertible promissory notes due August 2014 converted approximately $2.9 million of principal and accrued and unpaid interest outstanding under such notes into shares of common stock at a price of $3.73 per share. The Company recognized a $0.6 million loss on extinguishment of debt during the three months ended March 31, 2014 related to the difference between the conversion price and the market price on the date the subordinated convertible promissory notes were converted into shares of common stock. The schedule below summarizes the note conversions and number of shares of common stock issued for each conversion since inception:

Date of conversion	Conversion Price	Shares of Common Stock Issued	Debt and Interest Converted
2011:			
July	$4.13	18,160	$75,000
November	$3.92	19,132	$75,000
Subtotal		37,292	$150,000
2013:			
February	$3.73	6,635	$24,749
March	$3.73	6,635	$24,749
April	$3.73	67,024	$250,000
August	$3.73	284,878	$1,062,595
September	$3.73	246,264	$918,553
October	$3.73	448,215	$1,671,840
November	$3.73	136,402	$508,778
December	$3.73	82,326	$307,067
Subtotal		1,278,379	$4,768,331
2014:			
January	$3.73	788,828	$2,942,328
Total		2,104,499	$7,860,659

Subordinated Convertible Promissory Notes Issued in 2011 (the "2011 Notes")

On March 28, 2014, certain holders of the 2011 Notes with an aggregate principal amount of $0.4 million surrendered and cancelled such 2011 Notes in payment for 2014 Notes (as discussed and defined below) with an equal principal amount. On March 31, 2014, the Company repaid the remaining outstanding principal amount of $4.0 million for the 2011 Notes plus all interest accrued and unpaid under the 2011 Notes (including those 2011 Notes surrendered and cancelled in payment for 2014 Notes).

Subordinated Convertible Promissory Notes Issued in 2014 (the "2014 Notes")

The Company entered into Subscription Agreements with certain accredited investors pursuant to which the Company issued and sold, on March 28, 2014 an aggregate of $6.5 million in principal amount of the 2014 Notes. The 2014 Notes bear interest at 10.0% per annum and such interest is payable quarterly in cash in arrears beginning on June 30, 2014. The 2014 Notes mature on April 30, 2015. The 2014 Notes are unsecured and subordinated in right of payment to existing and future senior indebtedness of the Company.

At any time on or after the date of issuance of the 2014 Notes, the 2014 Notes are convertible at the option of the holder into shares of the common stock at an initial conversion price equal to $4.50 per share, subject to adjustment for stock dividends, stock splits, combination of shares, recapitalization and other similar events.

The Company may prepay at any time, without penalty, upon 60 days prior notice, any portion of the outstanding principal amount and accrued and unpaid interest thereon with respect to any 2014 Note; provided, however, that: (i) the shares of common stock issuable upon conversion of any 2014 Note which is to be so prepaid must be: (a) registered for resale under the Securities Act; or (b) otherwise sellable under Rule 144 of the Securities Act without volume limitations thereunder; and (ii) at any time after the issue date of the 2014 Notes, the volume-weighted average price of the common stock for ten consecutive trading days has equaled or exceeded 105% of the then-current conversion price.

In addition, the holders holding a majority of the outstanding principal amount with respect to all the 2014 Notes may require the Company to redeem all or any portion of the 2014 Notes upon a change of control at a redemption price equal to the outstanding principal amount to be redeemed plus all accrued and unpaid interest thereon. Furthermore, upon a change of control, the Company may redeem all or any portion of the 2014 Notes for a redemption price equal to the outstanding principal amount to be redeemed plus all accrued and unpaid interest thereon.

Park City Capital Offshore Master, Ltd. ("Park City Offshore:), an affiliate of Michael J. Fox, entered into a Subscription Agreement with the Company pursuant to which the Company issued $1.0 million in principal amount of the 2014 Notes. Mr. Fox is a director of Park City Offshore and a director of the Company and beneficial owner of greater than 5% of the outstanding common stock. The 2014 Note was offered to and sold to Park City Offshore on the same terms and conditions as all other buyers in the offering.

Other Debt

During the six months ended June 30, 2014, the Company obtained financing from AON Premium Finance, LLC and entered into Commercial Insurance Premium Finance Security Agreements for several insurance programs, including general and professional liability, property, casualty, crime, and employment practices liability effective January 1, 2014 and maturing on December 31, 2014. The total amount financed was approximately $3.3 million requiring monthly payments of $0.3 million with interest ranging from 2.87% to 4.79%. At June 30, 2014, the outstanding amount was approximately $2.0 million.

Receivables

The Company's operations could be adversely affected if we experience significant delays in reimbursement from Medicare, Medicaid or other third-party revenue sources. The Company's future liquidity will continue to be dependent upon the relative amounts of current assets (principally cash and patient accounts receivable) and current liabilities (principally accounts payable and accrued expenses). In that regard, accounts receivable can have a significant impact on our liquidity. Continued efforts by governmental and third-party payors to contain or reduce the acceleration of costs by monitoring reimbursement rates, by increasing medical review of bills for services, or by negotiating reduced contract rates, as well as any delay by the staff at our facilities in the processing of our invoices, could adversely affect our liquidity and results of operations.

Accounts receivable attributable to patient services of continuing operations totaled $28.7 million at June 30, 2014, compared to $26.3 million at December 31, 2013, representing approximately 47 and 41 days of revenue in accounts

receivable as of June 30, 2014 and December 31, 2013, respectively.
The allowance for bad debt was $5.7 million and $5.0 million at June 30, 2014 and December 31, 2013, respectively. The Company continually evaluates the adequacy of its bad debt reserves based on patient mix trends, aging of older balances, payment terms and delays with regard to third-party payors, as well as other factors. The Company continues to evaluate and implement additional processes to strengthen our collection efforts and reduce the incidence of uncollectible accounts.

Inflation

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The Company has historically derived a substantial portion of our revenue from the Medicare program. The Company also derives revenue from state Medicaid and similar reimbursement programs. Payments under these programs generally provide for reimbursement levels that are adjusted for inflation annually based upon the state's fiscal year for the Medicaid programs and in each October for the Medicare program. These adjustments may not continue in the future, and even if received, such adjustments may not reflect the actual increase in our costs for providing healthcare services.

Labor and supply expenses make up a substantial portion of our cost of services. Those expenses can be subject to increase in periods of rising inflation and when labor shortages occur in the marketplace. To date, the Company has generally been able to implement cost control measures or obtain increases in reimbursement sufficient to offset increases in these expenses. The Company may not be successful in offsetting future cost increases.

Off-Balance Sheet Arrangements

There were $3.2 million and $2.8 million of outstanding letters of credit at June 30, 2014 and December 31, 2013, respectively, that are pledged as collateral of borrowing capacity on the Loan and Security Agreement with The PrivateBank (the "PrivateBank Credit Facility"). The PrivateBank Credit Facility provides a $10.6 million senior secured revolving credit facility for through September 20, 2015 with the borrowings thereunder subject to a borrowing base and offset by the outstanding letters of credit.

Contractual Obligations - Operating Leases

The Company leases certain office space and nine skilled nursing facilities under non-cancelable operating leases, most of which have initial lease terms of ten to twelve years with rent escalation clauses and provisions for payments by the Company of real estate taxes, insurance and maintenance costs. For the three months ended June 30, 2014 and 2013, facility rent expense totaled $1.8 million and $1.8 million, respectively. For the six months ended June 30, 2014 and 2013, facility rent expense totaled $3.5 million and $3.5 million, respectively.

Five of the Company's facilities are operated under a single master lease arrangement. The lease has a term of ten years terminating in 2020. Under the master lease, a breach at a single facility could subject one or more of the other facilities covered by the same master lease to the same default risk. Failure to comply with regulations or governmental authorities, such as Medicare and Medicaid provider requirements, is a default under the Company's master lease agreement. In addition, other potential defaults related to an individual facility may cause a default of the entire master lease agreement. With an indivisible lease, it is difficult to restructure the composition of the portfolio or economic terms of the lease without the consent of the landlord. The Company is not aware of any defaults as of June 30, 2014.

Two of the Company's facilities are operated under a separate lease agreement. The lease is a single indivisible lease; therefore, a breach at a single facility could subject the second facility to the same default risk. The lease has a term of 12 years into 2022 and includes covenants and restrictions. A covenant is included that requires minimum capital expenditures of $375 per licensed bed per lease year at each facility which amounts to $0.1 million per year for both facilities. The Company has been in compliance with financial and administrative covenants of this lease agreement during the three months ended June 30, 2014.

Adjusted EBITDA from continuing operations and Adjusted EBITDAR from continuing operations

Due to the material amount of non-cash related items included in the Company's results of operations, the Company has developed an Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization ("Adjusted EBITDA from continuing operations") metric which provides management with a clearer view of operational use of cash (see the table below). The Adjusted EBITDA from continuing operations for the three months ended June 30, 2014 was $5.4

million compared with $4.8 million for the three months ended June 30, 2013 . The Adjusted EBITDA from continuing operations for the six months ended June 30, 2014 was $7.3 million compared $5.3 million for the six months ended June 30, 2013. The Company has also developed an Adjusted Earnings Before Interest, Taxes, Depreciation, Amortization and Rent ("Adjusted EBITDAR from continuing operations") metric that is used primarily in some debt covenants of the Company's loans.

"Adjusted EBITDA from continuing operations" and "Adjusted EBITDAR from continuing operations" are measures of operating performance that are not calculated in accordance with GAAP. The Company defines: (i) "Adjusted EBITDA from continuing operations" as net income (loss) from continuing operations before interest expense, income tax expense; depreciation and amortization (including amortization of non-cash stock-based compensation), acquisition costs (net of gains), loss on extinguishment of debt, derivative loss or gain, other non-routine adjustments; and (ii) "Adjusted EBITDAR from continuing operations" as net income (loss) from continuing operations before interest expense; income tax expense, depreciation and amortization (including amortization of non-cash stock-based compensation), acquisition costs (net of gains), loss on extinguishment of debt, derivative loss, rent, other non-routine adjustments. The Company has provided below supplemental financial disclosure for these measures, including the most directly comparable GAAP measure (Net Loss) and an associated reconciliation.

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The following table provides reconciliation of reported Net Loss on a GAAP basis to Adjusted EBITDA from continuing operations and EBITDAR from continuing operations for the three and six months ended June 30, 2014 and 2013:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in 000's)	2014	2013	2014	2013
Condensed Consolidated Statement of Operations Data:				
Net loss	$(2,795)	$(6,945)	$(5,318)	$(9,695)
Discontinued operations	260	1,365	767	2,065
Loss from continuing operations (Per GAAP)	(2,535)	(5,580)	(4,551)	(7,630)
Add back:				
Interest expense, net	2,650	3,087	5,273	6,256
Income tax expense	—	—	8	78
Amortization of stock based compensation	226	291	739	551
Depreciation and amortization	1,954	1,778	3,810	3,500
Acquisition costs, net of gain	—	487	—	577
Loss on extinguishment of debt	—	25	583	27
Derivative loss (gain)	—	1,947	—	(189)
Loss on disposal of assets	—	4	—	4
Audit committee investigation expense	—	848	—	1,982
Salary retirement and continuation costs	1,282	149	1,282	149
Other expense	84	—	191	—
Adjusted EBITDA from continuing operations	3,661	3,036	7,335	5,305
Facility rent expense	1,751	1,758	3,510	3,495
Adjusted EBITDAR from continuing operations	$5,412	$4,794	$10,845	$8,800

Adjusted EBITDA from continuing operations and Adjusted EBITDAR from continuing operations should not be considered in isolation or as a substitute for net income, income from operations or cash flows provided by, or used in, operations as determined in accordance with GAAP. Adjusted EBITDA from continuing operations and Adjusted EBITDAR from continuing operations are used by management to focus on operating performance and management without mixing in items of income and expense that relate to the financing and capitalization of the business, fixed rent or lease payments of facilities, derivative loss or gain, certain acquisition related charges and other non-routine adjustments.

The Company believes these measures are useful to investors in evaluating the Company's performance, results of operations and financial position for the following reasons:

- They are helpful in identifying trends in the Company's day-to-day performance because the items excluded have little or no significance to the Company's day-to-day operations;
- They provide an assessment of controllable expenses and afford management the ability to make decisions which are expected to facilitate meeting current financial goals as well as achieve optimal financial performance; and
- They provide data that assists management determine whether or not adjustments to current spending decisions are needed.

AdCare believes that the use of the measures provides a meaningful and consistent comparison of the Company's underlying business between periods by eliminating certain items required by GAAP, which have little or no significance in the Company's day-to-day operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Disclosure in response to Item 3. of Form 10-Q is not required to be provided by smaller reporting companies.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our interim Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our interim Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report (the "Evaluation Date"). Based on such evaluation, our interim Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings.

We are party to various legal actions and administrative proceedings and are subject to various claims arising in the ordinary course of business, including claims that our services have resulted in injury or death to the residents of our facilities and claims related to employment, staffing requirements and commercial matters. Although we intend to vigorously defend ourselves in these matters, there is no assurance that the outcomes of these matters will not have a material adverse effect on our business, results of operations and financial condition.

We operate in an industry that is extremely regulated. As such, in the ordinary course of business, we are continuously subject to state and federal regulatory scrutiny, supervision and control. Such regulatory scrutiny often includes inquiries, investigations, examinations, audits, site visits and surveys, some of which are non-routine. In addition, we believe that there has been, and will continue to be, an increase in governmental investigations of long-term care providers, particularly in the area of Medicare/Medicaid false claims, as well as an increase in enforcement actions resulting from these investigations. Adverse determinations in legal proceedings or governmental investigations against or involving us, whether currently asserted or arising in the future, could have a material adverse effect on our business, results of operations and financial condition.

On June 24, 2013, South Star Services, Inc. (“SSSI”), Troy Clanton and Rose Rabon (collectively, the “Plaintiffs”) filed a complaint in the District Court of Oklahoma County, State of Oklahoma against: (i) AdCare, certain of its wholly owned subsidiaries and AdCare’s Chief Executive Officer (collectively, the “AdCare Defendants”); (ii) Christopher Brogdon (Vice Chairman of the Board of Directors, owner of greater than 5% of the outstanding common stock and former Chief Acquisition Officer of the Company,) and his wife; and (iii) five entities controlled by Mr. and Mrs. Brogdon, which entities own five skilled-nursing facilities located in Oklahoma (the “Oklahoma Owners”) that were previously managed by an AdCare subsidiary. The complaint alleges, with respect to the AdCare Defendants, that: (i) the AdCare Defendants tortuously interfered with contractual relations between the Plaintiffs and Mr. Brogdon, and with Plaintiffs’ prospective economic advantage, relating to SSSI’s right to manage the Oklahoma Facilities and seven other skilled-nursing facilities located in Oklahoma (collectively, the “Facilities”), respectively; (ii) the AdCare Defendants fraudulently induced the Plaintiffs to perform work and incur expenses with respect to the Facilities; and (iii) one of the AdCare subsidiaries which is an AdCare Defendant provided false and defamatory information to an Oklahoma regulatory authority regarding SSSI’s management of one of the Oklahoma Facilities. The complaint seeks damages against the AdCare Defendants, including punitive damages, in an unspecified amount, as well as costs and expenses, including reasonable attorney fees. On March 7, 2014, the Plaintiffs filed an amended complaint in which they alleged additional facts regarding the alleged fraudulent inducement caused by Mr. and Mrs. Brogdon and the AdCare Defendants. On April 4, 2014, the Company responded to the amended complaint and filed a motion to dismiss the case and is waiting on a decision by the court. The trial is scheduled to begin in January 2015. The Company believes that the complaint is without merit and intends to vigorously defend itself against the claims set forth therein.

On March 7, 2014 the Company responded to a letter received from the Ohio Attorney General ("OAG") dated February 25, 2014 demanding repayment of approximately $1.0 million as settlement for alleged improper Medicaid payments related to seven Ohio facilities affiliated with the Company. The OAG alleged that the Company had submitted improper Medicaid claims for independent laboratory services for glucose blood tests and capillary blood draws. The Company intends to defend itself against the claims. The Company has not recorded a liability for this matter because the liability, if any, and outcome can not be determined at this time.

As of June 30, 2014, the Company is owed approximately $1.2 million from a prior owner of a certain 118-bed skilled nursing facility located in Oklahoma City, Oklahoma and has submitted the matter to a commercial arbitrator in order to resolve the issue. Arbitration is currently scheduled for August 25, 2014. The Company has not recorded a reserve against this receivable because the Company believes the amount will be collected.

Item 1A. Risk Factors.

Disclosure in response to Item 1A of Form 10-Q is not required to be provided by smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

In July 2014 and August 2014, the Company issued to holders of the Company’s subordinated convertible promissory notes dated October 26, 2010, an aggregate of 294,906 shares of the Company’s common stock upon conversion of $1,100,000 of the aggregate principal amount thereof. Specifically, the Company issued on the following dates: (i) July 22, 2014, an aggregate amount of 26,810 shares; and (ii) August 1, 2014, an aggregate amount of 268,096 shares. The conversion price was

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$3.73 per share of common stock. The subordinated convertible promissory notes were issued, and the shares of common stock issuable upon conversion thereof were issued, pursuant to an exemption from the registration requirements of the Securities Act afforded by Section 4(a)(2) thereof. The Company relied upon such exemption based upon the private nature of the transaction, the lack of general solicitation and representations made by each such holder regarding, among other things, the holder's sophistication and access to information about the Company.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The agreements included as exhibits to this Quarterly Report are included to provide information regarding the terms of these agreements and are not intended to provide any other factual or disclosure information about the Company, its business or the other parties to these agreements. These agreements may contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time, and should not be relied upon by investors.

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EXHIBIT INDEX

Exhibit No.	Description	Method of Filing
3.1	Declaration of Conversion of AdCare Health Systems, Inc., an Ohio corporation, to AdCare Health Systems, Inc., a Georgia corporation	Incorporated by reference to Appendix A of the Registrant's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on October 29, 2013
3.2	Certificate of Conversion of AdCare Health Systems, Inc.	Incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K filed on December 18, 2013
3.3	Certificate for Conversion for Entities Converting Within or Off the Records of the Ohio Secretary of State	Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on December 18, 2013
3.4	Articles of Incorporation of AdCare Health Systems, Inc., filed with the Secretary of State of the State of Georgia on December 12, 2013	Incorporated by reference to Exhibit 3.3 of the Registrant's Current Report on Form 8-K filed on December 27, 2013
3.5	Articles of Correction to Articles of Incorporation of AdCare Health Systems, Inc., filed with the Secretary of State of the State of Georgia on December 12, 2013	Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on December 27, 2013
3.6	Bylaws of AdCare Health Systems, Inc.	Incorporated by reference to Exhibit 3.4 of the Registrant's Current Report on Form 8-K filed on December 27, 2013
3.7	Amendment No. 1 to the Bylaws of AdCare Health Systems, Inc.	Incorporated by reference to Exhibit 3.7 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013
4.1	Form of Registration Rights Agreement, dated March 28, 2014, by and among AdCare Health Systems, Inc. and the investors named therein	Incorporated by reference to Exhibit 4.23 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013
4.2	Form of 10% Subordinated Convertible Note Due April 30, 2015 issued by AdCare Health Systems, Inc.	Incorporated by reference to Exhibit 4.24 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013
4.3	Form of Warrant, dated March 28, 2014, issued by AdCare Health Systems, Inc. to the placement agent and its affiliates in connection with the offering of 10% Subordinated Convertible Notes Due April 30, 2015	Incorporated by reference from Exhibit 4.3 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014
10.1	Waiver and Amendment, dated February 10, 2014, by and among the Company and Gemino Healthcare Finance, LLC	Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on February 14, 2014
10.2	Termination Notice, dated December 31, 2013 to Living Center, LLC, Kenmetal, LLC, Senior NH, LLC, BAN NH, LLC, and Oak Lake, LLC	Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed on February 14, 2014
10.3		

	Termination Notice, dated December 31, 2013 to Harrah Whites Meadows Nursing, LLC	Incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K filed on February 14, 2014
10.4	Termination Notice, dated December 31, 2013 to Meeker Nursing, LLC	Incorporated by reference to Exhibit 99.4 of the Registrant's Current Report on Form 8-K filed on February 14, 2014
10.5	Termination Notice, dated December 31, 2013 to MCL Nursing, LLC	Incorporated by reference to Exhibit 99.5 of the Registrant's Current Report on Form 8-K filed on February 14, 2014

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10.6	Letter agreement, dated February 28, 2014, by and among AdCare Health Systems, Inc., AdCare Administrative Services, LLC, AdCare Oklahoma Management, LLC, Hearth & Home of Ohio, Inc., BAN NH, LLC, Senior NH, LLC, Oak Lake, LLC, Kenmetal, LLC, Living Center, LLC, Meeker Nursing, LLC, Meeker Property Holdings, LLC, MCL Nursing, LLC, McLoud Property Holdings, LLC, Harrah Whites Meadows Nursing, LLC, Harrah property Holdings, LLC, Christopher F. Brogdon, GL Nursing, LLC, and Marsh Pointe Management, LLC	Incorporated by reference to Exhibit 10.333 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013
10.7	Note, dated February 28, 2014, by and among AdCare Health Systems, Inc. and Christopher F. Brogdon	Incorporated by reference to Exhibit 10.334 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013
10.8	Fourth Amendment to Secured Loan Agreement and Payment Guaranty, dated March 28, 2014, by and among Woodland Hills HC Property Holdings, LLC, Northridge HC&R Property Holdings, LLC, APH&R Property Holdings, LLC, Woodland Hills HC Nursing, LLC, Northridge HC&R Nursing, LLC, and APH&R Nursing, LLC, AdCare Health Systems, Inc., AdCare Property Holdings, LLC, AdCare Operations, LLC and KeyBank National Association	Incorporated by reference to Exhibit 10.335 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013
10.9	Agreement Regarding Exit Fees, dated March 28, 2014, by and among Woodland Hills HC Property Holdings, LLC, Northridge HC&R Property Holdings, LLC, APH&R Property Holdings, LLC, Woodland Hills HC Nursing, LLC, Northridge HC&R Nursing, LLC, APH&R Nursing, LLC, AdCare Health Systems, Inc., AdCare Property Holdings, LLC, AdCare Operations, LLC and KeyBank National Association	Incorporated by reference to Exhibit 10.336 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013
10.10	Sublease Termination Agreement, entered into May 6, 2014 and effective as of May 31, 2014, by and between Winter Haven Homes, Inc. and ADK Administrative Property, LLC	Incorporated by reference from Exhibit 10.10 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014
10.11	Amendment to Consulting Agreement, dated May 6, 2014, by and between AdCare Health Systems, Inc. and Christopher F. Brogdon	Incorporated by reference from Exhibit 10.11 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014
10.12	Amendment, dated May 15, 2014, by among AdCare Health Systems, Inc., AdCare Administrative Services, LLC, AdCare Oklahoma Management, LLC, Hearth & Home of Ohio, Inc., BAN NH, LLC, Senior NH, LLC, Oak Lake, LLC, Kenmetal, LLC, Living Center, LLC, Meeker Nursing, LLC, Meeker Property Holdings, LLC, MCL Nursing, LLC, McLoud Property Holdings, LLC, Harrah Whites Meadows Nursing, LLC, Harrah Property Holdings, LLC, Christopher F. Brogdon, and GL Nursing, LLC	Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on May 21, 2014
10.13		

	Amended and Restated Note, dated May 15, 2014, by and among AdCare Health Systems, Inc. and Christopher F. Brogdon	Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed on May 21, 2014
10.14	Modification Agreement, dated as of July 2, 2014, by and among Glenvue H&R Property Holdings, LLC and The PrivateBank and Trust Company	Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on July 23, 2014
10.15	Fifth Modification Agreement, dated as of July 22, 2014, by and among ADK Thomasville Operator, LLC, ADK Lumber City Operator, LLC, ADK LaGrange Operator, LLC, ADK Powder Springs Operator, LLC, ADK Thunderbolt Operator, LLC, Attalla Nursing ADK, LLC, Mountain Trace Nursing ADK, LLC, Mt. Kenn Nursing, LLC, Erin Nursing, LLC, CP Nursing, LLC Benton Nursing, LLC, Valley River Nursing, LLC, Park Heritage Nursing, LLC, Homestead Nursing, LLC, Woodland Manor Nursing, LLC, Mountain View Nursing, LLC, Little Rock HC&R Nursing, LLC, Glenvue H&R Nursing, LLC, Coosa Nursing ADK, LLC, QC Nursing, LLC, AdCare Health Systems, Inc., and The PrivateBank and Trust Company	Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on July 29, 2014

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10.16	Separation and Release Agreement, dated May 29, 2014, by and between AdCare Health Systems, Inc. and Boyd P. Gentry	Filed herewith
10.17	Escrow Agreement, dated May 29, 2014, by and between AdCare Health Systems, Inc., Boyd P. Gentry, and Hughes, White, Kralicek, P.C.	Filed herewith
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act	Filed herewith
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act	Filed herewith
32.1	Certification of CEO pursuant to Section 906 of the Sarbanes-Oxley Act	Filed herewith
32.2	Certification of CFO pursuant to Section 906 of the Sarbanes-Oxley Act	Filed herewith
101	The following financial information from AdCare Health Systems, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the three and six months ended June 30, 2014 and 2013, (ii) Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013, (iii) Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013, (iv) Consolidated Statements of Stockholders' Equity for the six months ended June 30, 2014 and (v) the Notes to Consolidated Financial Statements.	Filed herewith

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SIGNATURES

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

	ADCARE HEALTH SYSTEMS, INC. (Registrant)
Date: August 11, 2014	/s/ David A. Tenwick David A. Tenwick Interim Chief Executive Officer (Principal Executive Officer)
Date: August 11, 2014	/s/ Ronald W. Fleming Ronald W. Fleming Chief Financial Officer (Principal Financial and Accounting Officer)

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