



**FOR IMMEDIATE RELEASE**

**ARCADIA RESOURCES ANNOUNCES FISCAL 2010 THIRD QUARTER RESULTS**

INDIANAPOLIS, IN – February 5, 2010 – Arcadia Resources, Inc. (NYSE Amex: KAD), a leading provider of innovative consumer health care services under the Arcadia HealthCare<sup>SM</sup> brand, today announced net revenues of \$26.1 million and a net loss of \$3.2 million, or \$0.02 per share for the fiscal third quarter ended December 31, 2009.

**Third-Quarter Highlights**

- Pharmacy revenues increased 169.0% over prior year quarter and 20.5% sequentially
- Pharmacy gross margins increase to 17.3%, or 226 bps over second quarter and 59 bps, over prior year quarter
- DailyMed<sup>TM</sup> and WellPoint's affiliated health plan launched a public awareness campaign in California

For the third quarter of fiscal 2010, Arcadia reported net revenues of \$26.1 million, compared with net revenues of \$26.7 million for the same period last year. In its Pharmacy segment, Arcadia reported net revenues of \$4.1 million, or a 169.0% increase for its DailyMed medication management system for the current quarter compared with the same period a year ago. Additionally, Pharmacy gross margins increased to 17.3% during the third quarter compared to 16.8% in the third quarter of fiscal 2009. Net revenue in the Services segment was \$21.6 million, a decrease of \$2.9 million, or 12.0%, compared to the same quarter last year, due primarily to a decline in medical staffing revenue.

Arcadia reported a net loss from continuing operations of \$3.0 million, or \$0.02 per share, in the current quarter compared to a net loss from continuing operations of \$2.9 million, or \$0.02 per share, in the same period in fiscal 2009. The consolidated net loss, including discontinued operations, was \$3.2 million, or \$0.02, for both fiscal third quarters in 2010 and 2009.

"We continued to make solid progress in our Pharmacy business as an organization and in tandem with our customers. As an example, just yesterday, we jointly launched a much anticipated state-wide public awareness campaign in Sacramento, California on the value of the DailyMed Pharmacy Program with WellPoint's affiliated health plan for its high-risk Medi-Cal members. The event emphasized our interest in improving care while simultaneously reducing costs, and was aimed at lawmakers, regulators, providers and an initial 50,000 Medi-Cal members most likely to benefit from the program," said Marvin R. Richardson, President and Chief Executive Officer of Arcadia.

Richardson continued, "This event follows on the successful launch of the DailyMed program in Virginia, where we are on track to achieve our enrollment goal of 15%-20% of the targeted members in WellPoint's affiliated health plans in the state. In short, we are beginning to see quantifiable results, where our DailyMed program lowers health care costs through a reduction in unnecessary hospitalizations, emergency room visits and nursing home admissions, leading to a higher quality of life for our customers. The committed outreach, growing enrollment and the results to date underscore the depth of this opportunity and further our commitment to achieve similar success in California and beyond."

"We continue to focus on narrowing our operating losses through both enhanced profitability of our Pharmacy business as well as a disciplined approach to our overall spending. Through these efforts we reduced our operating losses by approximately \$825,000 over the prior quarter," concluded Richardson.



## Fiscal 2010 Third Quarter Results

Arcadia reported \$26.1 million in revenue from continuing operations during the quarter, down slightly from \$26.7 million during the same period a year ago. The Company's gross margin from continuing operations was 28.6% during the third quarter, a 90 bps decline from the same period a year ago. The reduction in gross margin was driven by a shift in mix towards Pharmacy revenue, which has lower margins than the Company's Services segment.

- **Pharmacy:** Pharmacy segment revenues increased 169.0% to \$4.1 million for the third quarter of fiscal 2010, compared to \$1.5 million in revenues for the third quarter of fiscal 2009. On a sequential quarter basis, third quarter prescription volumes grew by 20.5% over the fiscal 2010 second quarter.

Gross margins increased to 17.3% in the third quarter of fiscal 2010 from 15.1% in the second quarter of fiscal 2010 and 16.8% in the year ago quarter. The gross margin improvement within the Pharmacy segment was due to improved generic pricing from its primary vendor, improved pricing and additional manufacturer and wholesaler rebates obtained through a new agreement with a pharmacy group purchasing organization, and improvements in inventory management and billing procedures. Additionally, the increased use of generic drugs improved margins as generics have a higher margin percentage.

- **Services:** The Company's Services segment, which includes Arcadia's home healthcare and medical staffing business, reported net revenues of \$21.6 million for the quarter compared to net revenues of \$24.5 million for the third quarter a year ago. Within the Services segment, home health care revenues decreased by \$0.4 million, or 2.5%, to \$17.1 million, compared to net revenue of \$17.5 million in the same period last year. The primary driver of the decrease in the Services segment was a decline in medical staffing and travel nursing staffing revenue to \$4.5 million in the current quarter, compared with \$7.0 million during the third quarter of fiscal 2009. Gross margins within the Services segment increased slightly to 30.5% compared with 30.3% for the same period last year.

## Capital Resources and Liquidity

As previously announced on November 9, 2009, the Company entered into definitive agreements in connection with an \$11.1 million equity financing. Following the closing, after fees and debt extinguishment, the Company had an additional \$7.9 million of cash to fund future operations.

At December 31, 2009, the Company had total cash plus line-of-credit availability of \$7.8 million.

Arcadia reported negative cash flow from total operations of \$5.5 million for the first nine months of fiscal 2010, compared to positive cash flow of \$38,000 for the same period a year ago. Negative cash flow from operations for the third quarter was \$2.2 million compared to \$1.7 and \$1.6 million for the second and first quarter of the current fiscal year, respectively. The increase in negative cash flow during the third quarter of fiscal 2010 was primarily related to additional working capital investments in the pharmacy business and one additional payroll period during October 2009.

## Conference Call Information

Arcadia will conduct a conference call and simultaneous Internet webcast to review these financial results on Friday, February 5, 2010, at 11:00 a.m. Eastern Time.

To access the webcast, visit the Company's website at [www.arcadiahealthcare.com](http://www.arcadiahealthcare.com), 5-10 minutes prior to the start time and click on the webcast link. The Company's press release, which contains financial information to be discussed in the presentation, will also be available on Arcadia's website.



To participate in the live conference call, please dial 1-877-407-9205 (for U.S.-based callers) or 1-201-689-8054 (for international callers). The call can also be accessed (listen-only mode) via the Company's web site at [www.arcadiahealthcare.com](http://www.arcadiahealthcare.com) through the "Investors" page.

A replay of the webcast will be available approximately one hour after the completion of the call and will be accessible at [www.arcadiahealthcare.com](http://www.arcadiahealthcare.com) until February 19, 2010. A telephone replay will be available by dialing 1-877-660-6853 (for US-based callers) or 1-201-612-7415 (for international callers). For telephone replay, callers must use Account number 286 and Conference ID number 343511. The telephone replay will be available until February 19, 2010.

### **Use of Non-GAAP Financial Information**

In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, Arcadia reports non-GAAP financial results. Arcadia's management believes these non-GAAP measures are useful to investors because they provide supplemental information that facilitates comparisons to prior periods. Management uses these non-GAAP measures to evaluate its financial results, develop budgets and manage expenditures. The method Arcadia uses to produce non-GAAP results is likely to differ from the methods used by other companies and should not be regarded as a replacement for corresponding GAAP measures. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to the comparable GAAP results, which are attached to this release.

### **About Arcadia HealthCare**

Arcadia HealthCare is a service mark of Arcadia Resources, Inc. (NYSE Amex: KAD), and is a leading provider of home care, medical staffing and pharmacy services under its proprietary DailyMed program. The Company, headquartered in Indianapolis, Indiana, has 65 locations in 20 states. Arcadia HealthCare's comprehensive solutions and business strategies support the Company's vision of "Keeping People at Home and Healthier Longer."

DailyMed™ Pharmacy dispenses a monthly cycle of a patient's prescriptions, over-the-counter medications and vitamins, and organizes them into pre-sorted packets clearly marked with the date and time the medications should be taken. In the dispensing process, a DailyMed pharmacist reviews each patient's medication profile and utilizes state-of-the-art medication therapy management tools in order to improve the safety and efficacy of the medications being dispensed. A DailyMed pharmacist provides routine communication with the patient, the primary care physician, caregivers and payers in order to maximize the pharmaceutical care administered. The DailyMed program improves patient care and drug utilization while reducing drug and hospitalization costs for private and government payers.

### **Forward Looking Statements**

Any statements contained in this release that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21A of the Securities Exchange Act of 1934, as amended and otherwise within the meaning of court opinions construing such forward-looking statements. The Company claims all safe harbor and other legal protections provided to it by law for all of its forward-looking statements. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, estimates, uncertainties and other factors, which could cause actual financial or operating results, performances or achievements expressed or implied by such forward-looking statements not to occur or be realized, including our estimates of consumer demand for our services and products, required capital investment, competition, and other factors. Actual events and results may differ materially from those expressed, implied or forecasted in forward-looking statements due to a number of factors. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are described in the



Company's filings with the Securities and Exchange Commission from time to time, including the section entitled "Risk Factors" and elsewhere in the Company's most recent Annual Report on Form 10-K and subsequent periodic reports. Among the factors that could cause future results to differ materially from those provided in our press release are: (i) we cannot be certain of our ability to generate sufficient cash flow to meet our obligations on a timely basis; (ii) we may be required to make significant business investments that do not produce offsetting increases in revenue; (iii) we may be unable to execute and implement our growth strategy; (iv) we may be unable to achieve our targeted performance goals for our business segments; and (v) other unforeseen events may impact our business. The forward-looking statements speak only as of the date hereof. The Company disclaims any obligation to update or alter its forward-looking statements, except as may be required by law.

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ASSETS	December 31, 2009	March 31, 2009
	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 7,308	\$ 1,522
Accounts receivable, net of allowance of \$3,403 and \$3,386, respectively	13,478	15,679
Inventories, net	832	863
Prepaid expenses and other current assets	1,408	1,764
Current assets of discontinued operations	0	5,458
Total current assets	<u>23,026</u>	<u>25,286</u>
Property and equipment, net	1,759	2,308
Goodwill	17,099	17,053
Acquired intangible assets, net	7,829	8,305
Other assets	522	590
Restricted cash	500	-
Assets of discontinued operations	0	5,850
Total assets	<u>\$ 50,735</u>	<u>\$ 59,392</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit, current portion	\$ -	\$ 437
Accounts payable	2,504	2,765
Accrued expenses:		
Compensation and related taxes	1,906	2,986
Interest	91	89
Health insurance	470	545
Other	1,538	917
Payable to affiliated agencies	749	1,284
Fair value of warrant liability	2,109	-
Long-term obligations, current portion	939	596
Capital lease obligations, current portion	68	59
Current liabilities of discontinued operations	-	2,037
Total current liabilities	<u>10,374</u>	<u>11,715</u>
Lines of credit, less current portion	9,012	10,889
Long-term obligations, less current portion	24,691	26,918
Capital lease obligations, less current portion	36	37
Total liabilities	<u>44,113</u>	<u>49,559</u>
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, \$.001 par value, 5,000,000 shares authorized, none outstanding	-	-
Common stock, \$.001 par value, 300,000,000 shares authorized; 177,771,794 shares and 161,249,529 shares issued, respectively	178	161
Additional paid-in capital	144,564	135,920
Accumulated deficit	(138,120)	(126,248)
Total stockholders' equity	<u>6,622</u>	<u>9,833</u>
Total liabilities and stockholders' equity	<u>\$ 50,735</u>	<u>\$ 59,392</u>

	<b>Three-Month Period Ended</b>		<b>Nine-Month Period Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Services	\$ 21,563	\$ 24,505	\$ 65,952	\$ 74,335
Pharmacy	4,106	1,527	10,732	3,846
Catalog	437	661	1,447	2,008
Revenue, net	<u>26,106</u>	<u>26,693</u>	<u>78,131</u>	<u>80,189</u>
Cost of revenues	<u>18,639</u>	<u>18,819</u>	<u>55,811</u>	<u>55,991</u>
Gross profit	7,467	7,874	22,320	24,198
Selling, general and administrative	9,422	9,426	29,170	29,750
Depreciation and amortization	484	564	1,425	1,636
Total operating expenses	<u>9,906</u>	<u>9,990</u>	<u>30,595</u>	<u>31,386</u>
Operating loss	(2,439)	(2,116)	(8,275)	(7,188)
Other expenses:				
Interest expense, net	934	1,031	2,618	3,041
Loss on extinguishment of debt	-	-	-	248
Change in fair value of warrant liability	(368)	-	(368)	-
Other	-	(2)	30	53
Total other expenses	<u>566</u>	<u>1,029</u>	<u>2,280</u>	<u>3,342</u>
Loss from continuing operations before income taxes	(3,005)	(3,145)	(10,555)	(10,530)
Income tax expense (benefit)	16	(274)	116	120
Loss from continuing operations	<u>(3,021)</u>	<u>(2,871)</u>	<u>(10,671)</u>	<u>(10,650)</u>
Discontinued operations:				
Income (loss) from discontinued operations	(147)	330	(1,595)	1,587
Net gain (loss) on disposal	15	(696)	394	(696)
	<u>(132)</u>	<u>(366)</u>	<u>(1,201)</u>	<u>891</u>
NET LOSS	<u>\$ (3,153)</u>	<u>\$ (3,237)</u>	<u>\$ (11,872)</u>	<u>\$ (9,759)</u>
Weighted average number of common shares outstanding	168,788,000	135,949,000	163,412,000	133,559,000
Basic and diluted net loss per share:				
Loss from continuing operations	\$ (0.02)	\$ (0.02)	\$ (0.07)	\$ (0.08)
Income from discontinued operations	-	-	-	0.01
Net loss per share	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.07)</u>	<u>\$ (0.07)</u>

	<b>Nine-Month Period Ended</b>	
	<b>December 31,</b>	
	<b>(Unaudited)</b>	
	<b>2009</b>	<b>2008</b>
<b>Operating activities</b>		
Net loss for the period	\$ (11,872)	\$ (9,759)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	1,432	2,598
Depreciation of property and equipment	1,241	3,353
Amortization of intangible assets	564	1,403
Gain loss on business disposals	(394)	696
Non-cash interest expense	1,789	1,677
Loss on sale of property and equipment	-	35
Amortization of deferred financing costs and debt discounts	280	738
Stock-based compensation expense	923	1,030
Change in fair value of warrant liability	(368)	-
Loss on extinguishment of debt	-	248
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	3,088	(1,845)
Inventories	648	(788)
Other assets	267	590
Accounts payable	(1,252)	(30)
Accrued expenses	(1,477)	(140)
Due to affiliated agencies	(373)	261
Deferred revenue	-	(29)
Net cash provided by (used in) operating activities	<u>(5,504)</u>	<u>38</u>
<b>Investing activities</b>		
Business acquisitions, net of cash acquired	(253)	(653)
Proceeds from business disposal	9,335	356
Increase in restricted cash	(500)	-
Proceeds from disposals of property and equipment	-	20
Purchases of property and equipment	(329)	(892)
Net cash provided by (used in) investing activities	<u>8,253</u>	<u>(1,169)</u>
<b>Financing activities</b>		
Net payments on lines of credit	(113)	(4,211)
Proceeds from equity financing, net of fees paid in cash of \$839	10,260	-
Proceeds from note payable, net of fees	2,142	-
Payments on notes payable and capital lease obligations	(9,252)	(707)
Net cash provided by (used in) financing activities	<u>3,037</u>	<u>(4,918)</u>
Net change in cash and cash equivalents	5,786	(6,049)
Cash and cash equivalents, beginning of period	1,522	6,351
Cash and cash equivalents, end of period	<u>\$ 7,308</u>	<u>\$ 302</u>