FIVE STAR QUALITY CARE INC
Form 424B5
March 31, 2006

QuickLinks -- Click here to rapidly navigate through this document

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-121910

PROSPECTUS SUPPLEMENT

(To Prospectus dated January 28, 2005)

10,000,000 Shares

Common Stock

We are selling all of the 10,000,000 shares of common stock offered in this prospectus supplement.

Our common shares are traded on the American Stock Exchange under the symbol "FVE". On March 30, 2006, the last reported sale price of our common shares on the American Stock Exchange was $10.45 per share.

Investing in our common shares involves a high degree of risk. You should read carefully this entire prospectus supplement and the accompanying prospectus, including the section entitled "Risk factors" that begins on page S-7 of this prospectus supplement, which describes the material risks.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 10.450	$ 104,500,000
Underwriting discounts and commissions	$ 0.548	$ 5,480,000
Proceeds, before expenses, to us	$ 9.902	$ 99,020,000

The underwriters may also purchase from us up to an additional 1,500,000 shares at the public offering price, less the underwriting discounts and commissions payable by us, to cover over-allotments, if any, within 30 days from the date of this prospectus supplement. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be $6,302,000, and the total proceeds, before expenses, to us will be $113,873,000.

The underwriters are offering our common shares as described in "Underwriting". Delivery of the common shares will be made on or about April 5, 2006.

Sole Book-Running Manager

UBS Investment Bank

Co-Lead Manager

RBC Capital Markets

Stifel Nicolaus

Davenport & Company LLC

Ferris, Baker Watts Incorporated

The date of this prospectus supplement is March 31, 2006

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Changes may occur after those dates and we may not update this information except as required by applicable law.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus Supplement

Prospectus

References in this prospectus supplement to "we", "us", "our", the "Company" or "Five Star" mean Five Star Quality Care, Inc. and its subsidiaries, unless otherwise expressly stated or the context otherwise requires.

The company

We operate senior living communities, including independent living and congregate care communities, assisted living communities and nursing homes. We operate 153 senior living communities containing 17,110 living units located in 28 states. Since we became a public company, we have selectively acquired independent and assisted living communities where residents' private resources account for a large majority of revenues and divested nursing homes. The following charts illustrate the changes in our business since we became a public company on December 31, 2001 to December 31, 2005:

At December 31, 2001	At December 31, 2005
54 nursing homes (5,074 living units) 2 assisted living communities (137 living units)	51 nursing homes (4,707 living units) 102 independent and assisted living communities (12,403 living units)
$229.6 million revenues[(1)]	**$757.5 million revenues**[(2)]

---

(1) Revenues for the year ended December 31, 2001.

(2) Revenues for the year ended December 31, 2005.

RECENT DEVELOPMENTS

The following summarizes our material developments since January 1, 2006:

> *Termination of SLS Management Agreements.* Sunrise Senior Living Services, Inc., or SLS, a wholly-owned subisidiary of Sunrise Senior Living, Inc., currently manages 17 communities for us under long term management agreements. The revenues and expenses from all of these communities, as well as the rent we pay to Senior Housing Properties Trust, or Senior Housing, the owner of the communities, and the management fees we pay to SLS for these communities, are recorded in our income statements. Under SLS management, the results of operations of these 17 communities have historically been volatile and unpredictable. Furthermore, over the last six months, the income we realized from these communities has also declined. As a result, the performance of these communities may adversely affect our consolidated results of operations for our first quarter ending March 31, 2006.

After the offering, we intend to terminate six of the remaining SLS management agreements. After the termination of the SLS management agreements for these six communities, we will manage them and will no longer pay management fees for them to SLS. We believe we can increase our profitability at these communities by operating them for our own account.

We currently expect that the termination fees payable to SLS for the six communities will total approximately $57.1 million, which amount may change if we terminate different management agreements than those currently contemplated. We will record a charge to earnings for this amount in the quarter in which we deliver termination notices, which is expected to be either our first or second quarter ending March 31, 2006 or June 30, 2006, respectively. We expect to fund these termination fees with a portion of the proceeds of this offering.

>

Rehabilitation Hospitals. In February 2006, we agreed to lease two hospitals from Senior Housing. The term of the lease for the two hospitals will commence when we receive all health regulatory approvals required to operate the hospitals. We recently submitted our applications for approval to the appropriate Massachusetts state regulatory authorities; however we expect the lease to commence sometime in our third or fourth quarter of 2006. The hospitals are currently owned by Senior Housing but operated by HealthSouth Corporation, or HealthSouth. Recently, the Massachusetts Superior Court has decided that Senior Housing validly terminated HealthSouth's lease and ordered HealthSouth to cooperate in the transfer of the hospitals' operations to a new tenant designated by Senior Housing. HealthSouth has appealed these decisions, but the trial court and the appeals court have both denied HealthSouth's requests to stay these decisions until the appeal is decided.

These two hospitals provide health rehabilitation services and are located in Braintree and Woburn, Massachusetts. These hospitals offer extensive inpatient and outpatient services that we believe are similar to the services we currently provide in many of the senior living communities we operate. Although fully reliable financial information about the current operations at these hospitals is not presently available, we believe that in 2005 these two hospitals generated in excess of $100 million of revenues, received about 70% of their revenues from the Medicare program and generated operating margins that are significantly greater than operating margins of our nursing homes. As a result, we believe that the operations of these hospitals may be material to our future operating results. We also believe the successful operation of these hospitals may enhance our reputation as a provider of health and rehabilitation services and this enhanced reputation may benefit us at other healthcare and senior living facilities which we operate.

OUR GROWTH STRATEGY

We believe that the aging of the U.S. population will increase demand for existing independent living communities, assisted living communities and nursing homes. Our principal growth strategy is to profit from this demand by operating and acquiring communities that provide high quality services to residents who pay with private resources.

We seek to improve the profitability of our existing operations by increasing revenues and improving margins. We attempt to increase revenues by increasing rates and occupancies. We attempt to improve margins by limiting increases in expenses and improving operating efficiencies. For example, by terminating SLS management agreements we expect to increase our profitability by lowering our expenses. Accordingly, we may terminate the 11 SLS management agreements that will remain after this offering sometime in the future.

In addition to managing our existing operations, we intend to continue to grow our business through acquisitions of independent and assisted living communities where residents' private resources account for a large majority of revenues. Since we became a public company in late 2001, we added 101 primarily independent and assisted living communities to our business which generate approximately 88% of their revenue from residents' private resources, rather than from Medicare or Medicaid. We prefer to purchase communities which have achieved, or are close to, stabilized operations. We also try to make acquisitions where we can realize cost savings by combining operations with our existing operations.

Although expansion of our businesses' operations that are dependent upon revenues from the Medicare and Medicaid programs is not our primary growth strategy, we will opportunistically expand in these areas when the potential for profit outweighs the risks of being dependent upon government rate settings. For example, we recently agreed to lease two rehabilitation hospitals from Senior Housing that we believe receive approximately 70% of their revenues from the Medicare program because we believe these hospitals may generate significant profits for us in the future. Assuming we obtain the necessary regulatory approvals and depending on the results we achieve at these rehabilitation hospitals, we may seek to expand our rehabilitation hospitals' operations. In the past, we have also considered acquiring additional nursing homes which are dependent upon the Medicare and Medicaid programs, and we have been unable to buy nursing homes at prices we consider appropriate in the past few years. We may continue to investigate nursing home acquisition opportunities in the future.

We also intend to expand our pharmacy business. We acquired our first pharmacy in Wisconsin in 2003. During 2004 and 2005, we acquired three additional pharmacies; two located in Nebraska and one located in California. One of our pharmacies provides mail order pharmaceuticals to the general public. Whenever we buy an institutional pharmacy business, we seek to grow its business by providing pharmacy services at our senior living communities within the same service area. Operations at our current pharmacy businesses generated $33.5 million of our revenues in 2005, and generated approximately $43.3 million of pro forma annualized revenues based on the three months ended December 31, 2005. We are currently in discussions regarding other possible acquisitions of pharmacies in other areas where we own senior living communities.

HISTORICAL AND CURRENT RELATIONS WITH SENIOR HOUSING AND SLS

We were formed in 2000 as a subsidiary of Senior Housing, a publicly owned real estate investment trust, or REIT. We were created to operate nursing homes owned by Senior Housing which were repossessed from Senior Housing's former tenants. During 2000 and 2001, we closed certain unprofitable nursing homes and we stabilized operations at others. On December 31, 2001, we began to lease the nursing homes from Senior Housing which we formerly operated for it, and substantially all of our shares were distributed to Senior Housing shareholders. Although we are now a separate public company, we maintain close relations with Senior Housing. Two of our directors are also trustees of Senior Housing. We and Senior Housing sometimes consider joint acquisition opportunities. Of the 153 senior living communities which we currently operate, 135 are leased from Senior Housing. We believe our close relationship with Senior Housing benefits us because it affords us an ability to consider larger investments than our independent resources might permit.

At the time of our spin off from Senior Housing, we agreed to lease 31 senior living communities with 7,418 living units which Senior Housing had agreed to purchase. These communities were operated under long term management agreements by a subsidiary of Marriott International, Inc., or Marriott. In 2003, Marriott sold its senior living subsidiary to SLS. At about that time, Marriott and we had litigation concerning whether we could terminate SLS's management as a result of this sale, among other matters. This litigation was settled in early 2004, and SLS now operates these communities for our account. By mutual agreement between us and SLS, one of these communities was closed in May 2004. In November 2005, we terminated SLS management agreements for an additional 12 communities. In February 2006, we terminated the management agreement for one additional community. After this offering, we intend to terminate six of the remaining SLS management agreements and to operate these communities for our own account. Furthermore, sometime in the future we may terminate the 11 SLS management agreements that will remain after this offering. All of the SLS management agreements allow us to terminate them at any time upon 120 days advance notice and payment of a termination fee, calculated based on formulas outlined in the agreements. We expect that the termination fees for the six agreements we currently intend to terminate will total approximately $57.1 million, which amount may change if we terminate different management agreements than those currently contemplated. We will record a charge to earnings for this amount in the quarter in which we deliver the termination notices, which is expected to be either our first or second quarter ending March 31, 2006 or June 30, 2006, respectively.

PRINCIPAL PLACE OF BUSINESS

We are a Maryland corporation. Our principal place of business is 400 Centre Street, Newton, Massachusetts 02458, and our telephone number is (617) 796-8387.

S-3

The offering

Common shares being offered	10,000,000 shares
Common shares to be outstanding after the offering	30,060,934 shares
Use of proceeds	The net proceeds to us from this offering will be approximately $98.8 million. We intend to use the net proceeds to fund the termination payments we expect to pay to SLS and for general business purposes, including reducing amounts outstanding under our revolving credit facility, working capital for the hospitals we expect to begin operating later this year and possibly for termination of additional SLS management agreements.
American Stock Exchange symbol	FVE
Risk factors	An investment in our common shares involves significant risks. Before making an investment in our common shares, you should carefully review the information under the caption "Risk factors".

The number of shares to be outstanding after the offering is based on 20,060,934 shares outstanding on March 30, 2006. If the underwriters exercise their over allotment option in full, we will issue an additional 1,500,000 shares. Unless otherwise stated, all information contained in this prospectus supplement assumes no exercise of the over allotment option we granted to the underwriters.

S-4

Summary historical and pro forma financial data

The following summary financial data has been derived from our historical financial statements for the year ended December 31, 2005. The pro forma income statement for the year ended December 31, 2005 shows our summary historical and pro forma income statement data, giving effect to (1) our acquisition of Gordon Health Ventures, LLC, or Gordon, communities, including the related sale leaseback and line of credit financing entered to fund the Gordon acquisition, our August 2005 equity offering, and our termination of 12 SLS management agreements in November 2005, including the payment of related termination fees to SLS, the reduction in our management fees payable to SLS in respect of those 12 management agreements and the related sale leaseback transaction with Senior Housing of the six Gordon communities; (2) this offering and (3) the use of a portion of the proceeds from this offering to pay the termination fees for six SLS management agreements we intend to terminate, including the reduction in our management fees payable to SLS in respect of those management agreements, as if all of these events had been completed as of January 1, 2005. The pro forma balance sheet shows, as of December 31, 2005, our summary historical and pro forma balance sheet data, giving effect to this offering and the use of a portion of the proceeds to fund our payment of termination fees in respect of the six SLS management agreements we intend to terminate. The following data should be read in conjunction with, and is qualified in its entirety by reference to, our historical financial statements incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2005 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein and "Risk factors" contained therein and herein. As discussed under "Risk factors", our historical financial information is not necessarily reflective of our current operations. Comparability of financial results from period to period is affected by acquisitions, closures and our termination of SLS management agreements. Pro forma financial information may not be reflective of what our financial results or financial position would have been had the Gordon acquisition and related financing transactions, the August 2005 equity offering, the termination of 12 SLS management agreements in November 2005 and the related sale leaseback transaction, this offering and the termination of the six SLS management agreements we intend to terminate been completed as of January 1, 2005. You should not place undue reliance on our pro forma financial information.

	For the year ended December 31, 2005			
	Actual	**Adjusted for Gordon Acquisition, August 2005 Equity Offering and 2005 SLS Terminations and Sale Leaseback**	**Adjusted for Gordon Acquisition, August 2005 Equity Offering, 2005 SLS Terminations and Sale Leaseback and this Equity Offering**	**Adjusted for Gordon Acquisition, August 2005 Equity Offering, 2005 SLS Terminations and Sale Leaseback, this Equity Offering and 2006 SLS Terminations**
	(amounts in thousands, except per share data)			
Statement of Income Data				
Revenues:				
Net revenues from residents	$ 724,051	$ 732,452	$ 732,452	$ 732,452
Pharmacy revenue	33,476	33,476	33,476	33,476
Total revenues	757,527	765,928	765,928	765,928
Operating Expenses:				
Property level operating expenses	559,952	564,226	564,226	564,226
Termination payment to SLS	86,286	86,286	86,286	143,356
Pharmacy expenses	32,167	32,167	32,167	32,167
Management fee to SLS	21,256	14,536	14,536	9,465
Rent expense	99,691	104,959	104,959	104,959
General and administrative	27,775	28,933	28,933	28,933
Depreciation and amortization	7,114	6,179	6,179	6,179
Impairment of assets	2,333	2,333	2,333	2,333
Total operating expenses	836,574	839,619	839,619	891,618
Operating loss	(79,047)	(73,691)	(73,691)	(125,690)
Interest and other income	1,543	1,597	1,597	1,597
Interest expense	(3,743)	(3,520)	(3,520)	(3,520)
Loss from continuing operations before income taxes	(81,247)	(75,614)	(75,614)	(127,613)
Provision for income taxes				

	For the year ended December 31, 2005			
Loss from continuing operations	$ (81,247)	$ (75,614)	$ (75,614)	$ (127,613)
Weighted Average Shares Outstanding	14,879	20,061	30,061	30,061
Basic and diluted loss per share from:				
Continuing operations	$ (5.46)	$ (3.77)	$ (2.52)	$ (4.25)(1)

	For the year ended December 31, 2005			
	Actual	Adjusted for Gordon Acquisition, August 2005 Equity Offering and 2005 SLS Terminations and Sale Leaseback	Adjusted for Gordon Acquisition, August 2005 Equity Offering, 2005 SLS Terminations and Sale Leaseback and this Equity Offering	Adjusted for Gordon Acquisition, August 2005 Equity Offering, 2005 SLS Terminations and Sale Leaseback, this Equity Offering and 2006 SLS Terminations
	(dollars in thousands)			
Loss from continuing operations	$ (81,247)	$ (75,614)	$ (75,614)	$ (127,613)
Add: income taxes				
Add: depreciation and amortization	7,114	6,179	6,179	6,179
Add: interest expense	3,743	3,520	3,520	3,520
Less: interest and other income	(1,543)	(1,597)	(1,597)	(1,597)
EBITDA(2)	$ (71,933)	$ (67,512)	$ (67,512)	$ (119,511)

	As of December 31, 2005		
	Actual	Adjusted Pro Forma for Equity Offering	Adjusted Pro Forma for Equity Offering and SLS Terminations
	(dollars in thousands)		
Balance Sheet Data			
Cash and cash equivalents	$ 16,729	$ 115,499	$ 58,429
Total current assets	94,880	193,650	136,580
Total assets	228,940	327,710	270,640
Total current liabilities	89,968	89,968	89,968
Total long term liabilities	70,168	70,168	70,168
Total shareholders' equity	$ 68,804	$ 167,574	$ 110,504

(1) The pro forma loss per share includes a loss of $(4.77) per share relating to payment of SLS management fees (consisting of $2.87 per share relating to the termination fees we incurred in 2005 and pro forma termination fees of $1.90 per share in respect of the six SLS management agreements we intend to terminate as described in this prospectus supplement).

(2) We consider earnings before interest, taxes, depreciation and amortization, or EBITDA, to be an indicative measure of our operating performance. We believe EBITDA is also useful in measuring our ability to service debt, fund capital expenditures and expand our business. Furthermore, we believe that EBITDA is a meaningful disclosure that may help shareholders to understand better our financial performance, including comparing our performance to other companies. However, EBITDA as presented may not be comparable to amounts calculated by other companies. This information should not be considered as an alternative to net income, income from continuing operations, operating profit, cash flow from operations, or any other operating or liquidity performance measure prescribed by accounting principles generally accepted in the United States. Other income excluded from EBITDA consists primarily of amortization of deferred gains.

Risk factors

Investing in our common shares entails significant risks. The following is a description of the material risks which we can identify. There may be additional risks and uncertainties not presently known to us or that we currently consider immaterial but which may become material. You should carefully consider the risks and uncertainties described below and elsewhere in this prospectus supplement and the documents incorporated by reference before deciding to purchase our shares.

A small percentage decline in our revenues or increase in our expenses could have a material negative impact upon our operating results.

For the year ended December 31, 2005, our revenues were $757.5 million and our operating expenses were $836.6 million (including our SLS termination expense for 13 management agreements of approximately $86.3 million). A small percentage decline in our revenues or increase in our expenses could have a material negative impact upon our operating results.

We may not achieve the anticipated benefits of our termination of management agreements for 13 communities that SLS managed for us or of management agreements for an additional six communities we intend to terminate.

The financial benefits we expect to realize from our termination in November 2005 of management agreements for 13 communities that SLS managed for us, and from our intended termination of an additional six management agreements, are largely dependent upon our ability to maintain or increase the occupancy of these communities and to lower certain operating costs. Changing management at senior living communities sometimes results in decreased occupancy, declining revenues and increased costs. The transition of operations at senior living communities is often complicated and we can provide no assurance that the benefits we hope to achieve by terminating these SLS management agreements will be realized.

Our termination of certain SLS management agreements will result in a significant loss.

When we send SLS our notice terminating its management agreements for the six communities, we will recognize a charge equal to the amount of the termination fees. We expect that this charge of approximately $57.1 million will cause us to report a significant loss in either our first or second quarter ending March 31, 2006 or June 30, 2006, respectively, and for the year 2006. This amount may change if we terminate different management agreements than those currently contemplated.

SLS's continuing management of some of our communities may result in adverse consequences to us.

In March 2003, Marriott sold its subsidiary which managed 31 communities for us to SLS. In 2004, we and SLS closed one of these communities by mutual agreement because of the poor financial results at that community. In November 2005, we terminated SLS management agreements for an additional 12 communities. In February 2006, we terminated an SLS management agreement for one additional community. Under SLS management, the results of operations of these 17 communities have historically been volatile and unpredictable. Furthermore, over the last six months, the income we realized from these communities has also declined. As a result, the performance of these communities may adversely affect our consolidated results of operations for our first quarter ending March 31, 2006. After this offering, we intend to terminate SLS management agreements for an additional six communities. As a result of these terminations, SLS may be unwilling to operate, or may not be able to profitably operate, the remaining 11 communities which it operates for our account and the income we realize from these operations may decline. We cannot predict the effect that our terminations of these management agreements will have on our ongoing relationship with SLS.

We may be unable to lease the two hospitals from Senior Housing that are currently operated by HealthSouth, and, if we are able to lease these hospitals, we may not achieve the anticipated benefits.

We may not receive the required regulatory approvals to lease the two hospitals from Senior Housing and our lease with Senior Housing may not become effective. Also, HealthSouth's appeal of the Massachusetts Superior Court's order to cooperate in the transfer of these two hospitals may be successful, HealthSouth's lease of these hospitals may be reinstated and our agreement with Senior Housing regarding our proposed tenancy may be terminated.

The historical operating and financial information concerning the two hospitals' operations that we have from HealthSouth may not be accurate. Also, recent changes in Medicare rate formulas applicable to rehabilitation hospitals make it difficult to project the hospitals' future financial results. In these circumstances, our projection that our future operation of these hospitals will be profitable may prove to be inaccurate. In fact, we may be unable to operate these hospitals profitably and we may experience losses from our operation of these hospitals.

The failure of Medicare and Medicaid rates to match our costs will reduce our income.

Some of our current operations, especially our nursing homes, receive significant revenues from the Medicare and Medicaid programs. During the year ended December 31, 2005, approximately 36% of our net revenues from residents were received from these programs. The federal government and some states are now experiencing fiscal deficits. Historically, when governmental deficits have increased, cut backs in Medicare and Medicaid funding have often followed. These cut backs sometimes include rate reductions, but more often result in a failure of Medicare and Medicaid rates to increase by sufficient amounts to offset increasing costs. For example, since the beginning of 2006, there have been cut backs to Medicare funding which have affected profitability of our current and continuing nursing home operations. We cannot now predict whether future Medicare and Medicaid rates will be sufficient to cover our future cost increases. Medicare and Medicaid rate declines or a failure of these rates to cover increasing costs will result in our experiencing lower earnings or losses. The rehabilitation hospitals that we expect to begin operating in 2006 receive a significant part of their revenues from the Medicare programs, and these operations will increase our exposure to Medicare rate risks.

Our growth strategy may not succeed.

Since our spin-off from Senior Housing on December 31, 2001, we have grown rapidly through acquisitions. Our business plan includes acquiring additional senior living communities, pharmacies and, possibly, rehabilitation hospitals. Our growth strategy involves risks, including the following:

> we may be unable to locate senior living communities, pharmacies or rehabilitation hospitals available for purchase at acceptable prices;

> we may be unable to access capital to make acquisitions or operate acquired businesses;

> acquired operations may not perform in line with our expectations;

> acquired operations may subject us to unanticipated contingent liabilities or regulatory problems;

> to the extent we incur acquisition debt or leases, our operating leverage may increase and, to the extent we issue additional equity, our shareholders' percentage of ownership will be diluted; and

> combining our present operations with newly acquired operations may disrupt operations or cost more than anticipated.

For these reasons and others:

> our business plan to grow may not succeed;

> the benefits which we hope to achieve by growing may not be achieved;

> we may suffer declines in profitability or suffer recurring losses; and

> our existing operations may suffer from a lack of management attention or financial resources if such attention and resources are devoted to a failed growth strategy.

When we acquire new communities, we frequently see a decline in community occupancy and it often takes some period of time for us to stabilize acquired community operations. For example, occupancy levels for the Gordon communities we acquired in June 2005 are still somewhat below their historical levels. Our efforts to restore occupancy or stabilize acquired communities' operations may not be successful. In addition, we have recently expanded into the institutional and mail order pharmacy businesses and plan to operate two rehabilitation hospitals. These are businesses with which we have limited experience, and our initiatives in these areas may not be successful.

If we are unable to operate these hospitals successfully, our reputation as a provider of health and rehabilitation services may be damaged. Even if we successfully operate these hospitals, these operations may have little or no benefit to our other operations.

We may not achieve the anticipated benefits of our acquisition of the Gordon communities.

The financial benefits we expect to realize from our 2005 acquisition of the Gordon communities continue to be largely dependent upon our ability to increase the occupancy of the Gordon communities and to realize cost savings by combining the Gordon communities' operations and our existing operations. Changing management at senior living communities sometimes results in decreased occupancy, declining revenues and increased costs. If our management of the Gordon communities does not increase occupancy, increase revenues and lower costs, we may not achieve the anticipated benefits and we may experience losses.

The nature of our business exposes us to litigation risks. As a result, our insurance costs have increased and may continue to increase, and we self insure a large portion of our litigation risks.

In several well publicized instances, private litigation by residents of senior living communities for alleged abuses has resulted in large damage awards against other operating companies. Today, some lawyers and law firms specialize in bringing litigation against senior living companies. As a result of this litigation and potential litigation, our cost of liability insurance has increased dramatically during the past few years. Medical liability insurance reform has become a topic of political debate and some states have enacted legislation to limit future liability awards. However, unless such reforms are not generally adopted, we expect our insurance costs may continue to increase. To reduce costs, we self insure a significant amount of our litigation liability risks. Although our reserves for liability self insurance have been determined with guidance from third party professionals, our reserves may prove

inadequate. Increasing liability insurance costs and increasing self insurance reserves may materially negatively affect our results of operations.

Our business is subject to extensive regulation which increases our costs and may result in losses.

Licensing and Medicare and Medicaid laws require operators of senior living communities to comply with extensive standards governing operations. There are also various laws prohibiting fraud by senior living operators, including criminal laws that prohibit false claims for Medicare and Medicaid and that regulate patient referrals. In recent years, the federal and state governments have devoted increased resources to monitoring the quality of care at senior living communities and to anti-fraud investigations. When quality of care deficiencies are identified or improper billing is uncovered, various sanctions may be imposed, including denial of new admissions, exclusion from Medicare or Medicaid program participation, monetary penalties, governmental oversight or loss of licensure. Our communities receive notices of sanctions from time to time. As a result of this extensive regulatory system and increasing enforcement initiatives, we have increased our costs of monitoring quality of care compliance and billing procedures, and we expect these costs may continue to increase. Also, if we become subject to regulatory sanctions, our business may be adversely affected and we might experience financial losses.

Compliance with the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley, will continue to increase our accounting costs and reduce our income.

Section 404 of Sarbanes-Oxley required our independent auditors to audit our internal control over financial reporting for the year ended December 31, 2005 and will require them to do so in future years. Section 404 also required our management to assess the effectiveness of our internal control over financial reporting as of December 31, 2005 and to report the results of that assessment in our Annual Report on Form 10-K. These additional requirements have increased our accounting costs and we expect that these increased costs will continue to reduce our income.

A significant increase in our labor costs may have a material adverse effect on us.

We compete with other operators of senior living communities with respect to attracting and retaining qualified personnel responsible for the day to day operations of each of our communities. A shortage of nurses or other trained personnel may require us to increase the wages and benefits offered to our employees in order to attract and retain these personnel or to hire more expensive temporary personnel. Also, we have to compete for lesser skilled workers with numerous other employers. Employment statistics recently published by the government indicate a tightening job market. Historically, these statistics have often foretold increased wage pressures and we may experience such wage pressures in the near future. For example, recent wage increases in Connecticut have made our operations in that state unprofitable. Employee benefits costs, including employee health insurance and workers compensation insurance costs, have materially increased in recent years. To help control these costs, we partially self insure our workers compensation insurance and fully self insure our employee health insurance. Although our self insurance reserves have been determined with guidance from third party professionals, our reserves may be inadequate. Increasing employee health and workers compensation insurance costs and increasing self insurance reserves for this type of insurance may materially negatively affect our earnings. No assurance can be given that our labor costs will not increase or that any increase will be matched by corresponding increases in rates charged to residents. Any significant failure by us to control our labor costs or to pass on any increased labor costs to

S-10

residents through rate increases could have a material adverse effect on our business, financial condition and results of operations.

Our business may require regular capital expenditures.

Physical characteristics of senior living communities are mandated by various governmental authorities. Changes in these regulations may require us to make significant expenditures. In the future, our communities may require significant expenditures to address ongoing required maintenance and to make them attractive to residents. Our available financial resources may be insufficient to fund these expenditures.

Our business is highly competitive and we may be unable to operate profitably.

We compete with numerous other companies that provide senior living services, including home healthcare companies and other real estate based service providers. Historically, nursing homes have been somewhat protected from competition by state laws requiring certificates of need to develop new communities; however, these barriers have been eliminated in many states. Also, there are few barriers to competition for home healthcare or for independent and assisted living services. Growth in the availability of nursing home alternatives, including assisted living communities, has had and may in the future have the effect of reducing the occupancy or profitability at nursing homes, including those we operate. Many of our existing competitors are larger and have greater financial resources than us. Accordingly, we cannot provide any assurances that we will be able to attract a sufficient number of residents to our communities or that we will be able to attract employees and keep wages and other employee benefits, insurance costs and other operating expenses at levels which will allow us to compete successfully or to operate profitably.

We are subject to possible conflicts of interest; we have engaged in, and expect to continue to engage in, transactions with related parties.

Our business is subject to possible conflicts of interest as follows:

> our Chief Executive Officer, Evrett W. Benton, and our Chief Financial Officer, Bruce J. Mackey Jr., are also part-time employees of Reit Management and Research LLC, or RMR. RMR is the manager for Senior Housing and we purchase various services from RMR pursuant to a shared services agreement;

>

our managing directors, Barry M. Portnoy and Gerard M. Martin, are managing trustees of Senior Housing. Mr. Portnoy also is the majority beneficial owner and the chairman of RMR and another entity that leases office space to us, and Mr. Martin is a director of RMR;

- under our shared services agreement with RMR, in the event of a conflict between Senior Housing and us, RMR may act on behalf of Senior Housing rather than on our behalf; and
- we lease 135 of the 153 senior living communities that we operate from Senior Housing for total annual minimum rent of $103.5 million.

On December 31, 2001, Senior Housing distributed substantially all of its ownership of our shares to its shareholders. Simultaneously with the spin off, we entered into agreements with Senior Housing which, among other things, limit ownership of more than 9.8% of our voting shares, restrict our ability to take any action that could jeopardize the tax status of Senior Housing as a REIT and limit our ability to acquire real estate of types which are owned by Senior Housing or other real estate investment trusts managed by RMR. As a result of these agreements, our leases with Senior Housing and our shared services agreement with RMR, Senior Housing, RMR and their respective affiliates

have significant roles in our business and we do not anticipate any changes to those roles in the future. Future business dealings between us, Senior Housing, RMR and their respective affiliates may be on terms less favorable to us than we could achieve on an arm's length basis. Although we do not believe these conflicts have adversely affected, or will adversely affect, our business, not everyone may agree with our position.

The limitations on the ownership of our shares and other anti-takeover provisions in our governing documents and in our material agreements may prevent our shareholders from receiving a takeover premium for their shares.

Our charter places restrictions on the ability of any person or group to acquire beneficial ownership of more than 9.8% (in number of shares or value, whichever is more restrictive) of any class of our equity securities. The terms of our leases with Senior Housing and our shared services agreement with RMR provide that our rights under these agreements may be cancelled by Senior Housing and RMR, respectively, upon the acquisition by any person or group of more than 9.8% of our voting stock, and upon other change in control events, as defined in those documents. If the breach of these ownership limitations causes a lease default, shareholders causing the default may become liable to us or to other shareholders for damages. Additionally, on March 10, 2004, we entered into a rights agreement whereby in the event a person or group of persons acquires or attempts to acquire 10% or more of our outstanding common shares, our shareholders, other than such person or group, will be entitled to purchase additional shares or other securities or property at a discount. These agreements and other provisions in our charter and bylaws may increase the difficulty of acquiring control of us by means of a tender offer, open market purchases, a proxy fight or otherwise, if the acquisition is not approved by our board of directors. Other provisions in our governing documents which may deter takeover proposals include the following:

- staggered terms for members of our board of directors;
- the power of our board of directors, without a shareholders' vote, to authorize and issue additional shares and classes of shares on terms that it determines;
- a 75% shareholder vote and cause requirements for removal of directors; and
- advance notice procedures with respect to nominations of directors and shareholder proposals.

For all of these reasons, shareholders may be unable to cause a change of control of us or to realize a change of control premium for their common shares.

The price of our common shares has fluctuated, and a number of factors may cause our common share price to decline.

The market price of our common shares has fluctuated and could fluctuate significantly in the future in response to various factors and events, including, but not limited to, the risks set out in this prospectus supplement, as well as:

> the liquidity of the market for our common shares;

> variations in our operating results;

> variations from analysts' expectations; and

> general economic and industry trends and conditions.

In addition, the stock market in recent years has experienced broad price and volume fluctuations that often have been unrelated to the operating performance of particular companies. These market

fluctuations may also cause the market price of our common shares to decline. Investors may be unable to resell their common shares at or above the offering price.

Circumstances that adversely affect the ability of seniors to pay for our services could have a material adverse effect on us.

Approximately 64% of our net revenues from residents from our communities for the year ended December 31, 2005 were paid by residents from their private resources. We expect to continue to rely on the ability of our residents to pay for our services from their own financial resources. Inflation or other circumstances that adversely affect the ability of the elderly to pay for our services could have a material adverse effect on our business, financial condition and results of operations.

Warning concerning forward looking statements

THIS PROSPECTUS SUPPLEMENT, THE ACCOMPANYING PROSPECTUS AND THE DOCUMENTS INCORPORATED BY REFERENCE CONTAIN FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND FEDERAL SECURITIES LAWS. THESE STATEMENTS REPRESENT OUR PRESENT BELIEFS AND EXPECTATIONS, BUT THEY MAY NOT OCCUR FOR VARIOUS REASONS. FOR EXAMPLE:

> THE TERMINATION OF OUR SLS MANAGEMENT AGREEMENTS MAY NOT IMPROVE OUR FINANCIAL RESULTS OR MAY CAUSE US TO EXPERIENCE OPERATING LOSSES. SLS MAY DISPUTE OUR CALCULATION OF THE TERMINATION FEES FOR THE SIX AGREEMENTS WE INTEND TO TERMINATE. THE OPERATING AND FINANCIAL PERFORMANCE OF THE COMMUNITIES MAY DETERIORATE IN THE PERIOD AFTER WE NOTIFY SLS OF OUR INTENTION TO TERMINATE THE AGREEMENTS AND BEFORE WE ARE ALLOWED TO ASSUME THEIR OPERATIONS PURSUANT TO THE AGREEMENT TERMS. ALTHOUGH OUR EXPECTATION IS OTHERWISE, WE MAY BE UNABLE TO OPERATE THESE COMMUNITIES FOR OUR OWN ACCOUNT IN A MANNER WHICH IS AS PROFITABLE AS THEY HAVE BEEN OPERATED BY SLS;

> WE MAY BE UNABLE TO TERMINATE THE 11 SLS MANAGEMENT AGREEMENTS THAT WILL REMAIN AFTER THIS OFFERING FOR VARIOUS REASONS, INCLUDING BECAUSE WE MAY BE UNABLE TO FUND THE TERMINATION FEES. AS A RESULT, THE INCOME WE REALIZE FROM THESE 11 COMMUNITIES MAY CONTINUE TO DECLINE;

>

OUR FUTURE INSURANCE COSTS AND INSURANCE RESERVE CALCULATIONS MAY BE GREATER THAN WE NOW ANTICIPATE;

>
WE MAY BE UNABLE TO CARRY OUT OUR BUSINESS PLAN TO EXPAND BECAUSE WE ARE UNABLE TO LOCATE EXPANSION OPPORTUNITIES AT PRICES WE ARE WILLING OR ABLE TO PAY;

>
OUR RECEIVABLES RESERVES MAY BE INADEQUATE, ESPECIALLY THE RESERVES WHICH RELATE TO MEDICARE AND MEDICAID PAYMENTS BECAUSE SUCH PAYMENTS ARE SUBJECT TO GOVERNMENTAL AUDITS AND TO GOVERNMENT FISCAL POLICIES;

>
WE MAY BE UNABLE TO MAINTAIN OR IMPROVE OUR FUTURE OCCUPANCY RATES AND AS A RESULT OUR REVENUES MAY DECLINE;

>
THE IMPROVING ECONOMY MAY RESULT IN WAGE PRESSURES WHICH INCREASE OUR FUTURE COSTS;

>
FUTURE MEDICARE AND MEDICAID RATES MAY BE LOWER THAN WE NOW ANTICIPATE;

>
SLS'S OPERATION OF THE COMMUNITIES WHICH IT MANAGES FOR US MAY RESULT IN LOSSES TO US;

>
OUR ACCOUNTING COSTS, PARTICULARLY THOSE ARISING FROM COMPLIANCE WITH SARBANES-OXLEY, MAY BE HIGHER THAN WE NOW EXPECT;

>
WE MAY BECOME SUBJECT TO FINES OR REGULATORY SANCTIONS WHICH MATERIALLY ADVERSELY AFFECT OUR FINANCIAL CONDITION OR PERFORMANCE;

>
WE MAY NOT RECEIVE THE REQUIRED REGULATORY APPROVALS TO LEASE THE TWO HOSPITALS FROM SENIOR HOUSING AND OUR LEASE WITH SENIOR HOUSING MAY NOT BECOME EFFECTIVE. HEALTHSOUTH'S LEASE OF THESE HOSPITALS MAY BE REINSTATED AND OUR LEASE OF THESE HOSPITALS MAY BE TERMINATED. OPERATING MARGINS FOR THESE HOSPITALS MAY BE LOWER THAN WE NOW ANTICIPATE OR MAY DECLINE. WE ALSO MAY BE UNABLE TO OPERATE THESE HOSPITALS PROFITABLY AND WE MAY EXPERIENCE LOSSES FROM OUR OPERATION OF THESE HOSPITALS; OR

>
OTHER RISKS MAY ADVERSELY IMPACT US, AS DESCRIBED MORE FULLY UNDER "RISK FACTORS".

IN ANY SUCH EVENT, OUR FUTURE FINANCIAL PERFORMANCE MAY CAUSE ANY IMPROVEMENTS IMPLIED BY OUR RECENT PERFORMANCE TO REVERSE AND WE MAY EXPERIENCE LOSSES. IF OUR FINANCIAL RESULTS DO NOT CONTINUE TO IMPROVE, OUR STOCK PRICE LIKELY WILL DECLINE. YOU SHOULD NOT PLACE UNDUE RELIANCE UPON OUR FORWARD LOOKING STATEMENTS.

EXCEPT AS MAY BE REQUIRED BY APPLICABLE LAW, WE DO NOT INTEND TO IMPLY THAT WE WILL RELEASE PUBLICLY THE RESULT OF ANY REVISION TO THE FORWARD LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS SUPPLEMENT, THE ACCOMPANYING PROSPECTUS AND THE DOCUMENTS INCORPORATED BY REFERENCE TO REFLECT THE FUTURE OCCURRENCE OF PRESENTLY UNANTICIPATED EVENTS.

Use of proceeds

Our net proceeds from this offering after deduction of the underwriting discount and estimated offering expenses payable by us, are estimated to be $98.8 million ($113.6 million if the underwriters' over-allotment option is exercised in full). We intend to use the net proceeds to fund the termination payments we expect to pay to SLS and for general business purposes, including reducing amounts outstanding under our revolving credit facility, the working capital for the hospitals we expect to begin operating later this year and possibly for terminations of additional SLS management agreements. Until we utilize the net proceeds, we may deposit all or a portion of the net proceeds in interest bearing accounts or invest them in short term securities. Our revolving credit facility bears interest at LIBOR plus a spread (7.3% per annum at March 24, 2006) and is scheduled to mature on May 8, 2007. We used borrowings under the revolving credit facility to fund the payment for the SLS management agreement we terminated in February 2006. Borrowings repaid under our revolving credit agreement may be redrawn in the future.

Capitalization

The following table describes our capitalization as of December 31, 2005, on a historical and pro forma basis, as adjusted for this offering and the use of a portion of the proceeds to fund our payment of termination fees for six SLS management agreements, as if these events had been completed as of December 31, 2005.

	Actual	Adjusted for Equity Offering	Adjusted for Equity Offering and SLS Terminations
Cash and cash equivalents	$ 16,729	$ 115,499	$ 58,429
Debt[1]	45,329	45,329	45,329
Shareholders' equity:			
Common stock, par value $0.01 per share; 50,000,000 shares authorized; shares outstanding: 20,060,934 historical; 30,060,934 as adjusted	201	301	301
Additional paid-in capital	171,552	270,222	270,222
Accumulated deficit	(102,770)	(102,770)	(159,840)
Unrealized loss on investments	(179)	(179)	(179)
Total shareholders' equity	68,804	167,574	110,504
Total capitalization	$ 114,133	$ 212,903	$ 155,833

(1) We had no amounts outstanding under our revolving credit facility on December 31, 2005. As of March 24, 2006, we had approximately $5.0 million outstanding under our revolving credit facility. We intend to use a portion of the proceeds of this offering to repay that amount in its entirety.

Selected financial data

The following table presents selected financial data which has been derived from our historical financial statements for the period from January 1, 2003 through December 31, 2005. The following information should be read in connection with, and is qualified in its entirety by reference to, our consolidated financial statements and the notes thereto incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2005. Comparability of financial results from period to period is affected by acquisitions, closures and our terminations of SLS management agreements. Accordingly, you should not place undue reliance on our historical financial information.

Year ended December 31,

	2003	2004	2005
	(in thousands, except per share amounts)		
Statement of Income Data			
Revenues:			
Net revenues from residents	$ 565,695	$ 606,805	$ 724,051
Pharmacy revenue	1,770	13,209	33,476
Total revenues	567,465	620,014	757,527
Operating Expenses:			
Community level operating expenses	457,247	477,075	559,952
Pharmacy expenses	1,666	12,093	32,167
Management fee to SLS	17,272	19,293	21,256
Termination expense for certain SLS management agreements			86,286
Rent expense	77,280	83,235	99,691
General and administrative	15,073	19,635	27,775
Depreciation and amortization	3,276	3,372	7,114
Impairment of assets			2,333
Total operating expenses	571,814	614,703	836,574
Operating (loss) income	(4,349)	5,311	(79,047)
Interest and other income	229	1,666	1,543
Interest expense	(1,439)	(1,172)	(3,743)
(Loss) income from continuing operations before income taxes	(5,559)	5,805	(81,247)
Provision for income taxes		(120)	
(Loss) income from continuing operations	$ (5,559)	$ 5,685	$ (81,247)
Weighted average shares outstanding	8,482	8,716	14,879
Basic and diluted (loss) income per share from:			
Continuing operations	$ (0.66)	$ 0.65	$ (5.46)
(Loss) income from continuing operations	$ (5,559)	$ 5,685	$ (81,247)
Add: income taxes		120	
Add: depreciation and amortization	3,276	3,372	7,114
Add: interest expense	1,439	1,172	3,743
Less: interest and other income	(229)	(1,666)	(1,543)
EBITDA[1]	$ (1,073)	$ 8,683	$ (71,933)

(1) We consider earnings before interest, taxes, depreciation and amortization, or EBITDA, to be an indicative measure of our operating performance. We believe EBITDA is also useful in measuring our ability to service debt, fund capital expenditures and expand our business. Furthermore, we believe that EBITDA is a meaningful disclosure that may help shareholders to understand better our financial performance, including comparing our performance to other companies. However, EBITDA as presented may not be comparable to amounts calculated by other companies. This information should not be considered as an alternative to net income, income from continuing operations, operating profit, cash flow from operations, or any other operating or liquidity performance measure prescribed by accounting principles generally accepted in the United States. Other income excluded from EBITDA consists primarily of amortization of deferred gains.

Underwriting

We are offering the common shares described in this prospectus supplement through the underwriters named below. UBS Securities LLC is the sole book-running manager for this offering. UBS Securities LLC, RBC Capital Markets Corporation, Stifel, Nicolaus & Company, Incorporated, Davenport & Company, LLC and Ferris, Baker Watts, Incorporated are the representatives of the underwriters. We have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, each of the underwriters has severally agreed to purchase the number of common shares listed next to its name in the following table:

Underwriters	**Number of shares**
UBS Securities LLC	5,000,000
RBC Capital Markets Corporation	1,500,000
Stifel, Nicolaus & Company, Incorporated	775,000
Davenport & Company LLC	775,000
Ferris, Baker Watts, Incorporated	775,000
Janney Montgomery Scott LLC	150,000
Oppenheimer & Co., Inc.	150,000
Wells Fargo Securities	150,000
BB&T Capital Markets, a division of Scott & Stringfellow, Inc.	75,000
Crowell, Weedon & Co.	75,000
D.A. Davidson & Co., Inc.	75,000
Morgan Keegan & Company, Inc.	75,000
Robert W. Baird & Co. Incorporated	75,000
Ryan Beck & Co.	75,000
Wedbush Morgan Securities Inc.	75,000
Bishop, Rosen & Co., Inc	40,000
E*Trade Securities LLC	40,000
First Southwest Company	40,000
Huntleigh Securities Corporation	40,000
McGinn, Smith & Co., Inc.	40,000
Total	10,000,000

The underwriting agreement provides that the underwriters must buy all of the shares if they buy any of them. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

Our common shares are offered subject to a number of conditions, including:

> receipt and acceptance of our common shares by the underwriters; and

> the underwriters' right to reject orders in whole or in part.

In connection with this offering, certain of the underwriters or securities dealers may distribute this prospectus supplement and the accompanying prospectus electronically.

Sales of shares made outside the United States may be made by affiliates of the underwriters.

OVER-ALLOTMENT OPTION

We have granted the underwriters an option to buy 1,500,000 additional common shares. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with this offering. The underwriters have 30 days from the date of this prospectus supplement to exercise this option. If the underwriters exercise this option they will each purchase additional shares approximately in proportion to the amounts specified in the table above.

COMMISSIONS AND DISCOUNTS

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $0.32 per share from the initial public offering price. Any of these securities dealers may resell any shares purchased from the underwriters to other brokers or dealers at a discount of up to $0.10 per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms.

Pursuant to the underwriting agreement, the underwriters are obligated to purchase the shares at the prices and upon the terms stated therein and, as a result, will thereafter bear any risk associated with changing the offering price to the public or other selling terms.

The following table shows the per share and total underwriting discounts and commissions we will pay to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase up to 1,500,000 additional shares.

	No exercise	Full exercise
Per share	$ 0.548	$ 0.548
Total	$ 5,480,000	$ 6,302,000

We estimate that the total expenses of the offering payable by us, excluding underwriting discounts and commissions, will be approximately $250,000.

NO SALES OF SIMILAR SECURITIES

We and each of our executive officers and managing directors have entered into lock-up agreements with the underwriters. Under these lock-up agreements, we and each of these persons may not, without the prior written consent of UBS Securities LLC, sell, offer to sell, contract or agree to sell, hypothecate, hedge, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, any of our common shares or any securities convertible into or exercisable or exchangeable for our common shares, or warrants or other rights to purchase our common shares. These restrictions will be in effect for a period of 90 days after the date of this prospectus supplement. These lock-up agreements are subject to certain exceptions, including (1) such shareholders' rights to transfer their common shares as a bona fide gift or to a trust for the benefit of an immediate family member or to an affiliate, provided that such donee or transferee agrees in writing to be bound by the terms of the lock-up agreement, and (2) our right to issue our common shares in connection with acquisitions, subject to certain conditions and provided that such issuances are conditioned upon agreement of the recipients to be bound by the terms of the lock-up agreement. At any time and without public notice, UBS Securities LLC may, in its sole discretion, release some or all of the affected securities from these lock-up agreements.

The 90-day lock-up period may be extended for up to 37 additional days under certain circumstances where we announce or pre-announce earnings or material news or a material event within approximately 18 days prior to, or approximately 16 days after, the termination of the 90-day period. Even under those circumstances, however, the lock-up period will not extend if we are actively traded, meaning that we have a public float of at least $150.0 million and average trading volume of at least $1.0 million per day.

INDEMNIFICATION

We have agreed to indemnify the underwriters against certain liabilities, including certain liabilities under the Securities Act of 1933, as amended. If we are unable to provide this indemnification, we have agreed to contribute to payments the underwriters may be required to make in respect of those liabilities.

AMERICAN STOCK EXCHANGE QUOTATION

Our common shares are traded on the American Stock Exchange under the trading symbol "FVE".

PRICE STABILIZATION AND SHORT POSITIONS

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common shares, including:

> stabilizing transactions;

> short sales;

> purchases to cover positions created by short sales;

> imposition of penalty bids; and

> syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common shares while the offering is in progress. These transactions may also include short sales of our common shares, which involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering and purchasing common shares in the open market to cover positions created by short sales. Short sales may be "covered short sales", which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked short sales", which are short positions in excess of that amount.

The underwriters may close out any covered short position by either exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

Naked short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased common shares in this offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

As a result of these activities, the price of the common shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. The underwriters may carry out these transactions on the American Stock Exchange, in the over-the-counter market or otherwise.

AFFILIATIONS

Certain of the underwriters and their affiliates have provided in the past and may provide from time to time certain commercial banking, financial advisory, investment banking and other services for us for which they will be entitled to receive separate fees. The underwriters and their affiliates may, from time to time, engage in transactions with us and perform services for us in the ordinary course of their business.

OTHER DISTRIBUTION INFORMATION

In accordance with NASD guidelines, the maximum commission or discount to be received by any NASD member or independent broker dealer may not exceed 8% of the aggregate amount of the common shares offered pursuant to this prospectus supplement.

Legal matters

Sullivan & Worcester LLP, Boston, Massachusetts, is counsel to us in connection with this offering. Venable LLP, Baltimore, Maryland, will issue an opinion about the legality of the shares we are offering. Dewey Ballantine LLP, New York, New York, is counsel to the underwriters in connection with this offering. Sullivan & Worcester LLP and Venable LLP represent Senior Housing, RMR and certain of their affiliates on various matters.

Incorporation of certain information by reference

The Securities and Exchange Commission, or SEC, allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents previously filed with the SEC. The information incorporated by reference is considered to be part of this prospectus supplement, and information that we subsequently file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below which were filed with the SEC under the Securities Exchange Act of 1934, as amended, or the Exchange Act:

> our Annual Report on Form 10-K for the fiscal year ended December 31, 2005;

> our Current Reports on Form 8-K dated July 28, 2005 (filed on Form 8-K/A), January 4, 2006, March 6, 2006, March 27, 2006 (Item 9.01 only) and March 31, 2006 (Items 5.03, 8.01 and 9.01);

> the description of our common shares contained in our registration statement on Form 8-A dated December 7, 2001; and

> the description of our junior participating preferred shares contained in our registration statement on Form 8-A dated March 19, 2004.

We also incorporate by reference each of the following documents that we will file with the SEC after the date of this prospectus supplement but before the termination of the offering of the common shares:

> Reports filed under Sections 13(a) and (c) of the Exchange Act;

> Definitive proxy or information statements filed under Section 14 of the Exchange Act in connection with any subsequent shareholders' meetings; and

> Any reports filed under Section 15(d) of the Exchange Act.

You may request a copy of any of the filings (excluding exhibits), at no cost, by writing or telephoning us at the following address:

Investor Relations
Five Star Quality Care, Inc.
400 Centre Street
Newton, Massachusetts 02458

(617) 796-8387

S-22

Experts

The consolidated financial statements of Five Star Quality Care, Inc. appearing in Five Star Quality Care, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2005, and Five Star Quality Care, Inc. management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 included therein, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon included therein, and incorporated herein by reference. Such consolidated financial statements and management's assessment are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Gordon Health Ventures, LLC and Subsidiaries as of December 31, 2004 appearing in Five Star Quality Care, Inc.'s Current Report (Form 8-K/A), dated July 28, 2005, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Where you can find more information

We are subject to the information and reporting requirements of the Exchange Act and, in accordance therewith, file periodic reports, proxy statements and other information with the SEC. You may read and copy information on file at the SEC's Public Reference room at 100 F Street, N.E., Washington D.C. 20549. You can request copies of those documents upon payment of a duplicating fee to the SEC. Information filed by us with the SEC can be copied at the SEC's Public Reference Room. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. You can review our SEC filings by accessing the SEC's Internet site at http://www.sec.gov.

S-23

Five Star Quality Care, Inc.

INDEX TO FINANCIAL STATEMENTS

F-1

Five Star Quality Care, Inc.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
As of December 31, 2005
(dollars in thousands)

	Actual	Adjustments for Equity Offering	Adjusted for Equity Offering	Adjustments for SLS Terminations	Adjusted for Equity Offering and SLS Terminations
ASSETS					
Current assets					
Cash	$ 16,729	$ 98,770**(A)**	$ 115,499	$ (57,070)**(C)**	$ 58,429
Accounts receivable, net	46,124		46,124		46,124
Prepaid expenses and other current assets	32,027		32,027		32,027
Total current assets	94,880	98,770	193,650	(57,070)	136,580
Property and equipment, net	96,743		96,743		96,743
Restricted cash	12,957		12,957		12,957
Mortgage notes receivable	5,971		5,971		5,971
Goodwill	14,059		14,059		14,059
Other long term assets	4,330		4,330		4,330
Total assets	$ 228,940	$ 98,770	$ 327,710	$ (57,070)	$ 270,640
LIABILITIES AND SHAREHOLDERS' EQUITY					
Total current liabilities	$ 89,968	$	$ 89,968	$	$ 89,968
Mortgage notes payable	44,703		44,703		44,703
Other long term liabilities	25,465		25,465		25,465
Total liabilities	160,136		160,136		160,136
Total shareholders' equity	68,804	98,770**(B)**	167,574	(57,070)**(D)**	110,504
Total liabilities and shareholders' equity	$ 228,940	$ 98,770	$ 327,710	$ (57,070)	$ 270,640

F-2

Five Star Quality Care, Inc.

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT
For the Year Ended December 31, 2005
(in thousands, except per share amounts)

		Gordon Acquisition										
	Actual	Historical	Adjustments	Adjusted for Gordon Acquisition	Adjustments for August 2005 Equity Offering	Adjusted for Gordon Acquisition and August 2005 Equity Offering	2005 SLS Terminations and Sale Leaseback	Adjusted for Gordon Acquisition, August 2005 Equity Offering and 2005 SLS Terminations and Sale Leaseback	Adjustments for this Equity Offering	Adjusted for Gordon Acquisition, August 2005 Equity Offering, SLS Terminations and Sale Leaseback and this Equity Offering	2006 SLS Terminations	Adjusted for Gordon Acquisition, August 2005 Equity Offering, 2005 SLS Terminations and Sale Leaseback, this Equity Offering and 2006 SLS Terminations
		(E)										

												Adjusted for Gordon Acquisition, August 2005 Equity Offering, 2005 SLS Terminations and Sale Leaseback, this Equity Offering and 2006 SLS Terminations
REVENUES:												
Net revenues from residents	$ 724,051	$ 8,401	$	$ 732,452	$	$ 732,452	$	$ 732,452	$	$ 732,452	$	$ 732,452
Pharmacy revenue	33,476			33,476		33,476		33,476		33,476		33,476
Total revenues	757,527	8,401		765,928		765,928		765,928		765,928		765,928
OPERATING EXPENSES:												
Property level operating expenses	559,952	4,784	(510)**(F)**	564,226		564,226		564,226		564,226		564,226
Termination payment to SLS	86,286			86,286		86,286		86,286		86,286	57,070**(Q)**	143,356
Pharmacy expenses	32,167			32,167		32,167		32,167		32,167		32,167
Management fee to SLS	21,256			21,256		21,256	(6,720)**(M)**	14,536		14,536	(5,071)**(R)**	9,465
Rent expense	99,691		918 **(G)**	100,609		100,609	4,350 **(N)**	104,959		104,959		104,959
General and administrative	27,775	1,161	(3)**(F)**	28,933		28,933		28,933		28,933		28,933
Depreciation and amortization	7,114	624	(187)**(H)**	7,551		7,551	(1,372)**(O)**	6,179		6,179		6,179
Impairment of assets	2,333			2,333		2,333		2,333		2,333		2,333
Total operating expenses	836,574	6,569	218	843,361		843,361	(3,742)	839,619		839,619	51,999	891,618
Operating (loss) income	(79,047)	1,832	(218)	(77,433)		(77,433)	3,742	(73,691)		(73,691)	(51,999)	(125,690)
Interest and other income	1,543		54 **(I)**	1,597		1,597		1,597		1,597		1,597
Interest expense	(3,743)	(1,403)	246 **(J)**	(4,900)	1,380**(K)**	(3,520)		(3,520)		(3,520)		(3,520)
(Loss) income from continuing operations before income taxes	(81,247)	429	82	(80,736)	1,380	(79,356)	3,742	(75,614)		(75,614)	(51,999)	(127,613)
Provision for income taxes												
(Loss) income from continuing operations	$ (81,247)	$ 429	$ 82	$ (80,736)	$ 1,380	$ (79,356)	$ 3,742	$ (75,614)	$	$ (75,614)	$ (51,999)	$ (127,613)
Weighted Average Shares Outstanding	14,879			14,879	5,182**(L)**	20,061		20,061	10,000**(P)**	30,061		30,061
Basic and diluted loss per share from:												