

Cunningham Jeffrey Scott  
 Form 5  
 February 16, 2010

**FORM 5**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).  
 Form 3 Holdings Reported Form 4 Transactions Reported

**ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person \*  
**Cunningham Jeffrey Scott**  
 (Last) (First) (Middle)

2. Issuer Name and Ticker or Trading Symbol  
**ADCARE HEALTH SYSTEMS INC [ADK]**

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)  
**12/31/2009**

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer  
 (Check all applicable)  
 Director  10% Owner  
 Officer (give title below)  Other (specify below)  
**CFO & Treasurer**

6. Individual or Joint/Group Reporting  
 (check applicable line)

**CLAYTON, OH 45315**  
 (City) (State) (Zip)

Form Filed by One Reporting Person  
 Form Filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned at end of Issuer's Fiscal Year (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Stock	12/08/2009	^	A4	1,760 A \$ (1)	6,533	D	^
Common Stock	12/31/2009	^	L	373 A \$ (2)	6,533	D	^
Common Stock	^	^	^	^ ^ ^	6,533	D	^

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 2270 (9-02)

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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Underlying Security (Instr. 3 and 4)
					(A)	(D)	Date Exercisable	Expiration Date	
Warrants	Â	12/08/2009	Â	J4 <sup>(1)</sup>	Â	1,760	11/16/2012 <sup>(4)</sup>	11/16/2017	Common Stock
Warrants	\$ 3 <sup>(6)</sup>	12/07/2009	Â	A4	25,000	Â	Â <sup>(6)</sup>	12/07/2014	Common Stock
Warrants	Â	Â	Â	Â	Â	Â	Â <sup>(6)</sup>	11/16/2017	Common Stock
Options	\$ 2.5	Â	Â	Â	Â	Â	08/27/2005	08/27/2010	Common Stock
Options	\$ 2.5	Â	Â	Â	Â	Â	08/27/2006	08/27/2011	Common Stock
Options	\$ 2.5	Â	Â	Â	Â	Â	08/27/2007	08/27/2012	Common Stock
Options	\$ 1.5	Â	Â	Â	Â	Â	05/09/2007	05/09/2012	Common Stock
Options	\$ 1.5	Â	Â	Â	Â	Â	05/09/2008	05/09/2013	Common Stock
Options	\$ 1.5	Â	Â	Â	Â	Â	05/09/2009	05/09/2014	Common Stock
Options	\$ 1.5	Â	Â	Â	Â	Â	05/09/2010	05/09/2015	Common Stock
Options	\$ 1.5	Â	Â	Â	Â	Â	05/09/2011	05/09/2016	Common Stock

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Cunningham Jeffrey Scott 120 DEETER DRIVE CLAYTON, OH 45315	Â	Â	Â CFO & Treasurer	Â

## Signatures

Carol Groeber by power of  
attorney

02/15/2010

\_\_Signature of Reporting Person

Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
  - \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- On August 15, 2008 the shareholders approved an incentive plan which granted warrants to certain officers and directors. The warrants vested over a five year period. On December 8, 2009 the shareholders approved an amendment to the incentive plan to eliminate 218,461 unvested warrants. The amendment further called for 218,461 shares of the company's common stock with a one year restriction on transfer to be issued.
- (1) Shares were purchased throughout 2009 at various prices by participation in the AdCare Health Systems Employee Stock Purchase Program.
  - (2) The exercise price of the warrants was based upon the average closing price of the Company's common stock on NYSE-Amex during January 2011 but was not less than \$3.00 per share.
  - (3) The warrants vest over a two year period. One-third of the warrants will vest upon issuance, with the remaining warrants vesting equally over the next two years; provided, however that the vesting would be accelerated in the event that there is a change in control of the Company or in the event the recipient is terminated by the Company without cause. The warrants will be exercisable on a cashless basis.
  - (4) On December 7, 2009 the shareholders approved the award of 25,000 warrants to the senior management of the Company.
  - (5) The exercise of the warrants vested in 2008 was \$1.21 per share, those vested in 2009 was \$2.25, those vested in 2010 was \$3.00 and those vesting in 2011 is \$4.00 per share.
  - (6)

Note: File three copies of this Form, one of which must be manually signed. If space provided is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.