

Reynolds Sharon L
 Form 5
 February 17, 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 *
 Reynolds Sharon L

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

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)

(Last) (First) (Middle)

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

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 Sr. Vice President

7360 BRAUN ROAD
 (Street)

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

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

GROVEPORT, OH 43125

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

(City) (State) (Zip)

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 | 12/07/2009 | ^ | A4 ⁽¹⁾ | 1,520 A \$ ⁽¹⁾ | 5,320 | D | ^ |
| Common Stock | ^ | ^ | ^ | ^ ^ ^ ^ | 5,320 | 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 Amount of Underlying Security (Instr. 3 and 4) | Amount or Number of Underlying Securities |
|--------------------------------------------|--------------------------------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------|-------|----------------------------------------------------------|-----------------|-------------------------------------------------------------|-------------------------------------------|
| | | | | | (A) | (D) | Date Exercisable | Expiration Date | | |
| Warrants | Â | 12/07/2009 | Â | J4 | Â | 1,520 | 11/16/2012 | 11/16/2017 | Common Stock | 1 |
| Warrants | \$ 3 | 12/07/2009 | Â | A4 ⁽⁴⁾ | 25,000 | Â | Â ⁽⁴⁾ | 12/07/2014 | Common Stock | 23 |
| Warrants | Â | Â | Â | Â | Â | Â | Â ⁽²⁾ | 11/16/2017 | Common Stock | 6 |
| 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 | 1 |
| Options | \$ 1.5 | Â | Â | Â | Â | Â | 05/09/2008 | 05/09/2013 | Common Stock | 1 |
| Options | \$ 1.5 | Â | Â | Â | Â | Â | 05/09/2009 | 05/09/2014 | Common Stock | 1 |
| Options | \$ 1.5 | Â | Â | Â | Â | Â | 05/09/2010 | 05/09/2011 | Common Stock | 1 |
| Options | \$ 1.5 | Â | Â | Â | Â | Â | 05/09/2011 | 05/09/2016 | Common Stock | 1 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|-------------------------------------------------------------|---------------|-----------|----------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Reynolds Sharon L 7360 BRAUN ROAD GROVEPORT, OH 43125 | Â | Â | Â Sr. Vice President | Â |

Signatures

Carol Groeber

02/17/2010

 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).

(1) 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 7, 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.

(2) The exercise price 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.

(3) 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 not less than \$3.00.

(4) On December 7, 2009 the shareholders approved the award of 25,000 warrants to the senior management of the Company. 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.

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.