

Sturtz Laurence E
 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 *
 Sturtz Laurence E

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)

3421 POINTE CREEK COURT, APT# 106

(Street)

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

6. Individual or Joint/Group Reporting

(check applicable line)

BONITA SPRINGS, FL 34134

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) | (A) or (D) | Price | 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⁾ | 8,768 | A | \$ ⁽¹⁾ | 39,350 | D | ^ |
| Common Stock | 12/31/2009 | ^ | L ⁽⁵⁾ | 3,762 | A | \$ ⁽⁵⁾ | 39,350 | D | ^ |
| Common Stock | ^ | ^ | ^ | ^ | ^ | ^ | 39,350 | D | ^ |

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

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(9-02)

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 Shares |
|--|--|--------------------------------------|--|--------------------------------|---|-------|--|---------------------------|---|----------------------------|
| | | | | | (A) | (D) | Date Exercisable | Expiration Date | | |
| Warrants | Â | 12/07/2009 | Â | A4 ⁽¹⁾ | Â | 8,768 | 11/16/2012 | 11/16/2017 | Common Stock | 8,768 |
| Warrants | \$ 2.5 ⁽⁴⁾ | Â | Â | Â | Â | Â | 11/07/2006 | 12/08/2014 ⁽⁴⁾ | Common Stock | 4,000 |
| Warrants | Â | Â | Â | Â | Â | Â | Â ⁽²⁾ | 11/16/2017 | Common Stock | 35,000 |
| Options | \$ 2.5 | Â | Â | Â | Â | Â | 06/01/2005 | 06/01/2010 | Common Stock | 8,000 |
| Options | \$ 1.5 | Â | Â | Â | Â | Â | 05/09/2007 | 05/09/2012 | Common Stock | 1,400 |
| Options | \$ 1.5 | Â | Â | Â | Â | Â | 05/09/2008 | 05/09/2013 | Common Stock | 1,400 |
| Options | \$ 1.5 | Â | Â | Â | Â | Â | 05/09/2009 | 05/09/2014 | Common Stock | 1,400 |
| Options | \$ 1.5 | Â | Â | Â | Â | Â | 05/09/2010 | 05/09/2015 | Common Stock | 1,400 |
| Options | \$ 1.5 | Â | Â | Â | Â | Â | 05/09/2011 | 05/09/2016 | Common Stock | 1,400 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| Sturtz Laurence E 3421 POINTE CREEK COURT APT# 106 BONITA SPRINGS, FL 34134 | Â X | Â | Â | Â |

Signatures

Carol Groeber by power of
attorney

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 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 21, 2009 the warrant holders voted to amend the warrant agreement to decrease the exercise price from \$5.40 to \$2.50 and to extend the expiration date to 12/8/2014 the fifth anniversary date of the Company's private offering.
 - (5) Shares were purchased throughout 2009 at various prices by participation in the AdCare Health Systems Employee Stock Purchase Program.

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.