

Reynolds Sharon L  
 Form 5  
 February 15, 2011

**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)  
 12/31/2010

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
 SrVP of Operations

5310 KILLDEER CT  
 (Street)

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

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

ORIENT, OH 43146

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                    | 12/31/2010                           | ^  | A                              | 252   | A          | \$ (1) | 6,762  | D  | ^                                 |
| Common Stock                    | ^                                    | ^  | ^                              | ^   | ^          | ^      | 6,762 (2)  | 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 Securities (Instr. 3 and 4) | 8. Amount or Number of Shares |                            |
|--|--|--------------------------------------|--|--------------------------------|---|--|------------------|---|-------------------------------|----------------------------|
|  |  |                                      |  |                                | (A)   | (D)  | Date Exercisable | Expiration Date   | Title                         | Amount or Number of Shares |
| Warrants                                   | Â  | Â                                    | Â  | Â                              | Â   | Â  | Â <sup>(3)</sup> | 11/16/2017  | Common Stock                  | 6,080                      |
| Warrants                                   | \$ 3   | Â                                    | Â  | Â                              | Â   | Â  | Â <sup>(4)</sup> | 12/08/2014  | Common Stock                  | 25,000                     |
| Options                                    | \$ 2.5   | Â                                    | Â  | Â                              | Â   | Â  | 08/27/2006       | 08/27/2011  | Common Stock                  | 880                        |
| Options                                    | \$ 2.5   | Â                                    | Â  | Â                              | Â   | Â  | 08/27/2007       | 08/27/2012  | Common Stock                  | 880                        |
| 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 |
| Reynolds Sharon L<br>5310 KILLDEER CT<br>ORIENT, OH 43146 | Â             | Â         | Â SrVP of Operations | Â     |

## Signatures

Carol Groeber for S. Reynolds by power of attorney

02/15/2011

\_\_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) Shares were purchased at various market prices throughout 2010 by participation in the AdCare Health Systems Employee Stock Purchase Plan.
  - (2) This includes 310 shares issued by the company as a stock dividend to all shareholders as of 9/30/2010.
  - (3) 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.
- The warrants vest over a two year period. One-third vest upon issuance, with the remaining warrants vesting equally over the next two
- (4) 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.