

Cunningham Jeffrey Scott
 Form 5
 February 14, 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 *
 Cunningham Jeffrey Scott

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)
 CFO

120 DEETER DRIVE
 (Street)

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

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

CLAYTON, OH 45315

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 | | | | (A) Amount (D) Price | 10,220 ⁽¹⁾ | D | |

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

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

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| 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) | | |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--------------|----------------------------|
| | | | | | (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Warrants | \$ 3 | Â | Â | Â | Â Â | Â <u>(2)</u> | 12/07/2014 | Common Stock | 25,000 |
| Warrants | Â | Â | Â | Â | Â Â | Â <u>(3)</u> | 11/16/2017 | Common Stock | 7,040 |
| Options | \$ 2.5 | Â | Â | Â | Â Â | 08/27/2006 | 08/27/2011 | Common Stock | 3,200 |
| Options | \$ 2.5 | Â | Â | Â | Â Â | 08/27/2007 | 08/27/2012 | Common Stock | 3,200 |
| Options | \$ 1.5 | Â | Â | Â | Â Â | 05/09/2007 | 05/09/2012 | Common Stock | 2,000 |
| Options | \$ 1.5 | Â | Â | Â | Â Â | 05/09/2008 | 05/09/2013 | Common Stock | 2,000 |
| Options | \$ 1.5 | Â | Â | Â | Â Â | 05/09/2009 | 05/09/2014 | Common Stock | 2,000 |
| Options | \$ 1.5 | Â | Â | Â | Â Â | 05/09/2010 | 05/09/2015 | Common Stock | 2,000 |
| Options | \$ 1.5 | Â | Â | Â | Â Â | 05/09/2011 | 05/09/2016 | Common Stock | 2,000 |

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 | Â |

Signatures

Carol Groeber for Jeffrey S. Cunningham 02/14/2011

**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) This includes 468 shares issued by the company as a stock dividend to shareholders as of 9/30/2010.
The warrants vest over a two year period. One-third vested upon issuance, with the remaining warrants vesting equally over the next two
- (2) 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.
- (3) The exercise price of the warrants vested in 2008 was \$1.21 per share, those vested in 2009 were at \$2.25, those vested in 2010 were at \$3.00 and those vesting in 2011 are \$4.00 pers share.

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.