

Sturtz Laurence E
Form 5
February 17, 2009

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)
12/31/2008

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) | 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) or (D) Price | 26,820 | D | |

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

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 2270 (9-02)

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 | \$ 1.21 ⁽¹⁾ | Â | Â | Â | Â Â | 11/20/2007 ⁽²⁾ 11/20/2017 | Common Stock 43,840 |
| Warrants | \$ 2.5 | Â | Â | Â | Â Â | 10/31/2004 10/31/2009 | Common Stock 8,000 |
| Warrants | \$ 5.4 | Â | Â | Â | Â Â | 11/10/2006 11/10/2011 | Common Stock 4,000 |
| Options | \$ 2.5 | Â | Â | Â | Â Â | 08/27/2004 08/24/2012 | Common Stock 8,000 |
| Options | \$ 1.5 | Â | Â | Â | Â Â | 05/09/2007 05/09/2012 | Common Stock 7,000 |

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 |

Signatures

Laurence E Sturtz 02/17/2009

**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).

Exercise price was redetermined prior to shareholder vote. Warrant pricing changes for each group vesting; vested 2008 - \$1.21; vested 2009 - \$2.25; vested 2010 - price equal to the greater of (i) the average closing price of the Company's common stock on AMEX during (1) the month of January, 2009 or (ii) \$3.00; vested 2011 - price equal to the greater of (i) the average closing price of the Company's common stock on AMEX during the month of January, 2010 or (ii) \$3.00; vested 2012 - price equal to the greater of (i) the average closing price of the Company's common stock on AMEX during the month of January, 2011 or (ii) \$3.00.

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- (2) These are 10 year warrants that will vest equally over a 5 year period, however that vesting will be accelerated in the event there is a "change in control" of the Company or a termination without cause of person(s) comprising the management team.

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.