

ADCARE HEALTH SYSTEMS INC  
 Form 5  
 February 21, 2008

**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 \*  
 Peterson Clarence A  
 (Last) (First) (Middle)

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

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)  
 12/31/2007

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

5. Relationship of Reporting Person(s) to Issuer  
 (Check all applicable)  
 Director  10% Owner  
 Officer (give title below)  Other (specify below)

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

6160 OLENTANGY BLVD  
 (Street)

WORTHINGTON, OH 43085  
 (City) (State) (Zip)

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

**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  | 11,300   | 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)

**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)<br>(Instr. 3, 4, and 5) |        | 6. Date Exercisable and Expiration Date (Month/Day/Year) |                           | 7. Title and Underlying (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|--|--------|--|---------------------------|--|
|  |  |                                      |  |                                | (A)  | (D)    | Date Exercisable   | Expiration Date           |  |
| Warrants                                   | \$ 1.46  | 09/12/2007                           | Â  | E <sup>(1)</sup>               | Â  | 15,506 | 10/01/2007 <sup>(2)</sup>                                | 10/01/2012 <sup>(2)</sup> | Common Stock                             |
| Warrants                                   | \$ 1.2   | 11/20/2007                           | Â  | A <sup>(3)</sup>               |  | 15,506 | 11/20/2007 <sup>(4)</sup>                                | 11/20/2017 <sup>(4)</sup> | Common Stock                             |
| Warrants                                   | \$ 5.4   | Â                                    | Â  | Â                              | Â  | Â      | 11/10/2006   | 11/10/2011                | Common Stock                             |
| Options                                    | \$ 1.5   | Â                                    | Â  | Â                              | Â  | Â      | 05/09/2007   | 05/09/2012                | Common Stock                             |

## Reporting Owners

| Reporting Owner Name / Address                                      | Relationships |           |         |       |
|---|---------------|-----------|---------|-------|
|   | Director      | 10% Owner | Officer | Other |
| Peterson Clarence A<br>6160 OLENTANGY BLVD<br>WORTHINGTON, OH 43085 | Â X           | Â         | Â       | Â     |

## Signatures

Carol Groeber                      02/21/2008  
 \*\*Signature of                      Date  
 Reporting Person

## 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) Merger discussions discontinued.
- (2) The warrants will only become exercisable upon closing of the Merger of the Company and Family Home Health Services, Inc. and will terminate and expire unless exercised on or before the 5th anniversary of the closing.
- (3) Warrants were awarded to officers and diarectors.
- (4) 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.