

**CHARTER OF THE NOMINATING AND CORPORATE GOVERNANCE
COMMITTEE OF
THE BOARD OF DIRECTORS OF
ADCARE HEALTH SYSTEMS, INC.**

Adopted and Effective as of September 24, 2013

I. PURPOSES

The Nominating and Corporate Governance Committee (the “Committee”) of the board of directors (the “Board”) of AdCare Health Systems, Inc. (the “Company”) is appointed by the Board: (i) to identify individuals qualified to become Board members and recommend to the Board qualified director nominees for election or appointment to the Board; (ii) to lead the Board in its annual review of the Board’s performance; and (iii) to take a leadership role in shaping the Company’s corporate governance policies and practices.

II. MEMBERSHIP

The Committee shall consist of three or more directors. Each member of the Committee shall meet the independence requirements of the NYSE MKT LLC and all other applicable laws, rules and regulations with respect to director independence.

The members of the Committee shall be appointed by the Board based on recommendations from the Committee. The members of the Committee shall serve for such term or terms as the Board may determine or until their respective successors are appointed and qualified or until their earlier death, disqualification, resignation or removal. The Board may remove any member from the Committee at any time with or without cause. The Board shall designate a member of the Committee to serve as the Committee Chair.

III. MEETINGS AND OPERATIONS

The Committee shall meet at such times and places as it deems necessary to perform its duties and discharge its responsibilities. The Committee shall report regularly to the Board regarding the Committee’s actions and shall make recommendations to the Board as appropriate. The Committee is governed by the same rules regarding meetings, including meetings in person or by telephone or other similar communications equipment, action without meetings, notice, waiver of notice, and quorum and voting requirements, as are applicable to the Board.

The Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.

IV. DUTIES AND RESPONSIBILITIES

A. The Committee shall develop criteria for identifying and selecting qualified individuals who may be nominated for election to the Board, which criteria shall reflect at a minimum all applicable laws, rules, regulations and listing standards.

B. The Committee shall identify, and recommend to the Board for election at the annual meeting of the shareholders of the Company, individuals qualified to become Board members.

C. In the event a director vacancy arises for any reason, the Committee shall identify, and recommend to the Board, an individual qualified to fill such vacancy.

D. All director nominees recommended by the Committee shall meet such director qualification criteria as shall be determined by the Committee.

E. The Committee shall review periodically the appropriateness of the size and overall composition of the Board, taking into consideration such factors as the business experience and specific areas of expertise of each Board member, and shall recommend any proposed changes to the Board.

F. The Committee shall: (i) review periodically the number, identity and responsibilities of the Board committees; (ii) recommend any proposed changes in committee structure or responsibility to the Board; and (iii) recommend to the Board individual directors for appointment to Board committees.

G. The Committee shall monitor and review any issues relating to the “independence” of directors and director nominees, including any conflicts or potential conflicts of interest, and shall make recommendations to the Board regarding such independence.

H. The Committee shall consider nominations for Board members recommended by shareholders and shall assist the Board in developing processes and procedures for evaluating Board member nominees recommended by shareholders.

I. The Committee shall make recommendations to the Board with respect to the retirement arrangements or policy for Board members.

J. The Committee shall review and assess periodically the Company’s policies and practices on corporate governance and recommend any proposed changes to the Board.

K. The Committee shall: (i) review and assess periodically the Company’s code(s) of ethics and business conduct for employees, officers and directors (collectively, the “Code”) and recommend any proposed changes to the Board; and (ii) consider and make a recommendation to the Board with respect to a request by any person for a waiver of any provision of the Code.

L. The Committee shall develop and recommend to the Board an annual evaluation process for the full Board that will be conducted and overseen by the Committee.

M. The Committee shall perform such other duties and responsibilities as may be assigned to the Committee from time to time by the Board.

N. The Committee shall conduct an annual review of the Committee’s performance and report its findings to the Board.

O. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board.

V. AUTHORITY TO RETAIN EXPERTS

The Committee may obtain advice and assistance, as needed, from legal counsel, accounting firms, search firms or other advisors, with the sole authority to retain, oversee and terminate any such advisor and to negotiate and approve the terms and conditions of such engagement. The Company shall provide adequate funding, as determined by the Committee, for payment of reasonable compensation to any outside advisors retained by the Committee.