

Addus HomeCare Corp  
Form DEF 14A  
April 30, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material under §240.14a-12

**Addus HomeCare Corporation**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

## Edgar Filing: Addus HomeCare Corp - Form DEF 14A

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☒ No fee required

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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May 8, 2014

Downers Grove, Illinois

Dear Shareholders:

I am pleased to invite you to attend Addus HomeCare's 2014 Annual Meeting of shareholders on June 18, 2014 at 10:00 a.m. (Central time) at our headquarters at 2300 Warrenville Road, Downers Grove, Illinois.

The notice of Annual Meeting of Shareholders and proxy statement that follow describe those matters to be voted on at the meeting. Your proxy card and our 2014 annual report are also enclosed.

Your vote is important. Whether or not you plan to attend the Annual Meeting, we recommend that you complete, sign, date and return the enclosed proxy card to ensure your shares are represented at the Annual Meeting.

Sincerely,

Mark S. Heaney  
*Chairman of the Board, President and Chief*

*Executive Officer*

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

May 8, 2014

Downers Grove, Illinois

TO THE SHAREHOLDERS OF ADDUS HOMECARE CORPORATION:

The Annual Meeting of Shareholders of Addus HomeCare Corporation, which we refer to as the Company, will be held on June 18, 2014 at 10:00 a.m. (Central time) at our headquarters at 2300 Warrenville Road, Downers Grove, Illinois for the following purposes:

1. To elect Steven I. Geringer and Michael Earley as Class II directors;
2. To ratify the appointment of BDO USA, LLP as the Company's independent auditor for the fiscal year ending December 31, 2014;
3. To approve the amendment and restatement of the Company's 2009 Stock Incentive Plan, which revises (i) the performance goals to be used in connection with performance-based awards by including economic value added total shareholder return and objective measures of quality as potential goals and (ii) certain of the 2009 Plan's award limitations.
4. To transact such other business, if any, as lawfully may be brought before the meeting.

Only shareholders of record, as shown by the transfer books of the Company, at the close of business on April 28, 2014, are entitled to notice of, and to vote at, the Annual Meeting of Shareholders.

**PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY IN THE RETURN ENVELOPE FURNISHED FOR THAT PURPOSE, AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. IF YOU LATER DESIRE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ATTACHED PROXY STATEMENT. FOR FURTHER INFORMATION CONCERNING THE INDIVIDUALS NOMINATED AS DIRECTORS, THE PROPOSALS BEING VOTED UPON, USE OF THE PROXY AND OTHER RELATED MATTERS, YOU ARE URGED TO READ THE ENCLOSED PROXY STATEMENT.**

By Order of the Board of Directors,

Dennis B. Meulemans

*Secretary*

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**ADDUS HOMECARE CORPORATION**

**2300 Warrenville Road**

**Downers Grove, Illinois 60065**

**May 8, 2014**

**PROXY STATEMENT**

**INFORMATION ABOUT THE ANNUAL MEETING OF SHAREHOLDERS AND VOTING**

**Why Did You Send Me this Proxy Statement?**

We sent you this Proxy Statement and the enclosed proxy card because the Board of Directors of Addus HomeCare Corporation, which we refer to as Addus HomeCare, we, us, our, or the Company, is soliciting your proxy to vote at the 2014 Annual Meeting of Shareholders, which will be held June 18, 2014 at 10:00 a.m. (Central time) at our headquarters at 2300 Warrenville Road, Downers Grove, Illinois 60065. A copy of our Annual Report for the fiscal year ended December 31, 2013 accompanies this Proxy Statement. We will begin mailing this Proxy Statement on or about May 8, 2014 to all shareholders entitled to vote. **Upon your written request, we will provide you, without charge, a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. Our Notice of Annual Meeting of Shareholders, Proxy Statement and Annual Report on Form 10-K may also be found on our website at [www.addus.com](http://www.addus.com).**

This Proxy Statement summarizes the information you need to vote at the Annual Meeting of Shareholders. You do not need to attend the Annual Meeting of Shareholders to vote your shares. You may simply complete, sign and return the enclosed proxy card.

**What Proposals will be Voted on at the Annual Meeting of Shareholders?**

There are three proposals scheduled to be voted on at the Annual Meeting of Shareholders:

The election of Steven I. Geringer and Michael Earley as Class II directors.

The ratification of the selection of BDO USA, LLP, an independent registered public accounting firm, as our independent auditor for 2014.

To approve the amendment and restatement of the Company's 2009 Stock Incentive Plan (the 2009 Plan), which revises (i) the performance goals to be used in connection with performance-based awards by including economic value added total shareholder return and objective measures of quality as potential goals and (ii) certain of the 2009 Plan's award limitations.

Addus HomeCare's Board of Directors (the Board) recommends that you vote your shares (1) FOR each of the nominees of the Board, (2) FOR the ratification of the selection of BDO USA, LLP as our independent auditor for 2014 and (3) FOR the approval of the amendment and

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restatement of the 2009 Plan.

### **Who Is Entitled to Vote?**

April 28, 2014 is the record date for the Annual Meeting of Shareholders. If you owned shares of our common stock at the close of business on April 28, 2014, you are entitled to vote. As of April 28, 2014, we had 10,951,053 shares of common stock outstanding and entitled to vote at the Annual Meeting of Shareholders. Our common stock is our only class of voting stock.

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### **How Many Votes Do I Have?**

You have one vote for each share of our common stock that you owned at the close of business on April 28, 2014.

### **What is the Difference Between Holding Shares as a Shareholder of Record and as a Beneficial Owner?**

Many of our shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some differences between shares held of record and those owned beneficially.

#### ***Shareholder of Record***

If your shares are registered directly in your name with our transfer agent, Computershare, you are considered, with respect to those shares, the shareholder of record and these proxy materials are being sent to you directly by Addus HomeCare. As the shareholder of record, you have the right to grant your voting proxy directly to Addus HomeCare or to vote in person at the Annual Meeting of Shareholders. Addus HomeCare has enclosed a proxy card for you to use.

#### ***Beneficial Owner***

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker or nominee how to vote your shares and are also invited to attend the Annual Meeting of Shareholders. However, since you are not the shareholder of record, you may only vote these shares in person at the Annual Meeting of Shareholders if you follow the instructions described below under the heading **How Do I Vote in Person at the Annual Meeting of Shareholders?**. Your broker or nominee has enclosed a voting instruction card for you to use in directing your broker or nominee as to how to vote your shares.

### **How Do I Vote by Proxy?**

If you properly fill in your proxy card and send it to us in time to vote, your proxy (one of the individuals named on your proxy card) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the Board:

**FOR** the election of Steven I. Geringer and Michael Earley as Class II directors.

**FOR** the ratification of BDO USA, LLP as our independent auditor for 2014.

**FOR** the approval of the amendment and restatement of the 2009 Plan, which revises (i) the performance goals to be used in connection with performance-based awards by including economic value added total shareholder return and objective measures of quality as potential goals and (ii) certain of the 2009 Plan's award limitations.

If any other matter is presented, your proxy will vote in accordance with his best judgment. At the time we began printing this Proxy Statement, we knew of no matters that needed to be acted on at the Annual Meeting of Shareholders, other than those discussed in this Proxy Statement.

### **May I Revoke My Proxy?**

Yes. If you change your mind after you vote, you may revoke your proxy by following any of the procedures described below. To revoke your proxy:

Send in another signed proxy with a later date,



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Send a letter revoking your proxy to Addus HomeCare's Secretary at 2300 Warrenville Road, Downers Grove, Illinois 60065, or

Attend the Annual Meeting of Shareholders and vote in person.

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If you wish to revoke your proxy, you must do so in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the vote is taken.

### **How Do I Vote in Person at the Annual Meeting of Shareholders?**

You may vote shares held directly in your name as the shareholder of record in person at the Annual Meeting of Shareholders. If you choose to vote your shares in person at the Annual Meeting of Shareholders, please bring the enclosed proxy card or proof of identification. Even if you plan to attend the Annual Meeting of Shareholders, Addus HomeCare recommends that you vote your shares in advance as described above so that your vote will be counted if you later decide not to attend the Annual Meeting of Shareholders.

Shares beneficially owned and held in street name may be voted in person by you only if you obtain a signed proxy from the shareholder of record giving you the right to vote the shares. If your shares are held in the name of your broker, bank or other nominee, you must bring to the Annual Meeting of Shareholders an account statement or letter from the broker, bank or other nominee indicating that you are the owner of the shares and a signed proxy from the shareholder of record giving you the right to vote the shares. The account statement or letter must show that you were beneficial owner of the shares on April 28, 2014.

### **What Votes Need to be Present to Hold the Annual Meeting of Shareholders?**

To have a quorum for our Annual Meeting of Shareholders, persons must be present, in person or by proxy, representing a majority of the votes which could be cast by the holders of all outstanding shares of stock entitled to vote at the meeting.

### **What Vote Is Required to Approve Each Proposal?**

#### **Election of Directors**

The election of each nominee for Class II director requires the affirmative vote of a plurality of the votes entitled to be cast by shareholders who are present in person or represented by proxy at the Annual Meeting of Shareholders and entitled to vote on the election of directors.

#### **Ratification of Appointment of Independent Auditors**

The ratification of the selection of BDO USA, LLP as independent auditor for 2014 requires the affirmative vote of a majority of the votes entitled to be cast by shareholders who are present in person or represented by proxy at the Annual Meeting of Shareholders and entitled to vote.

#### **Amendment to 2009 Plan**

The approval of the amendment and restatement of the 2009 Plan requires the affirmative vote of a majority of the votes entitled to be cast by shareholders who are present in person or represented by proxy at the Annual Meeting of Shareholders and entitled to vote.

#### **How Are Votes Counted?**

In the election of Addus HomeCare's directors, your vote may be cast **FOR** all of the nominees or your vote may be **WITHHELD** with respect to one or more of the nominees. For the ratification of Addus HomeCare's independent auditors and the approval of the amendment and restatement of the 2009 Plan, your vote may be cast **FOR** or **AGAINST** or you may **ABSTAIN**. If you sign your proxy card or broker voting instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the Board. We will appoint one or more inspectors of election to count votes cast in person or by proxy.

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### **What Is the Effect of Broker Non-Votes and Abstentions?**

Abstentions have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not entitled to vote for purposes of determining whether shareholder approval of that matter has been obtained and, therefore, will have no effect on the outcome of the vote on any such matter. A broker non-vote occurs on an item when shares held by a broker are present or represented at the meeting, but the broker is not permitted to vote on that item without instruction from the beneficial owner of the shares and no instruction is given.

### **What Are the Costs of Soliciting these Proxies and Who Will Pay Them?**

Addus HomeCare will pay all the costs of soliciting these proxies. Although we are mailing these proxy materials, our directors and employees may also solicit proxies by telephone, by fax or other electronic means of communication, or in person. We will reimburse our transfer agent and banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you.

### **Where Can I Find the Voting Results?**

We will publish the voting results by filing a Current Report on Form 8-K, which we will file with the Securities and Exchange Commission (the SEC ) within four business days of our Annual Meeting of Shareholders.

### **Do Directors Attend the Annual Meeting of Shareholders?**

Although we do not have a formal policy regarding director attendance at shareholder meetings, we encourage our directors to attend our annual meeting of shareholders and special meetings of shareholders. In 2013, four of the directors of the Company attended the Annual Meeting.

### **Can a Shareholder Communicate Directly with our Board? If so, how?**

Shareholders and other interested parties may contact any member (or all members) of the Board, any Board committee or any chair of any such committee by mail. To communicate with the Board, any individual director or any group or committee of directors, correspondence should be addressed to the Board or any such individual director or group or committee of directors by either name or title. All such correspondence should be sent to the Secretary, Addus HomeCare Corporation, 2300 Warrenville Road, Downers Grove, Illinois 60065.

All communications received as set forth in the preceding paragraph will be opened by the Company's executive officers for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service, or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of directors, the executive officers will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope is addressed.

## **PROPOSAL NO. 1: ELECTION OF DIRECTORS**

### **General**

Our Bylaws divide our Board into three classes with the terms of office of each class ending in successive years. Our Bylaws empower our Board to fix the exact number of directors and appoint persons to fill any vacancies on the Board until the next Annual Meeting of Shareholders.

Following a recommendation from the Nominating and Corporate Governance Committee, our Board has nominated Steven I. Geringer and Michael Earley for re-election as Class II directors of the Company to serve three year terms to expire at the Annual Meeting of Shareholders in 2017.

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### **THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF THESE NOMINEES AS DIRECTORS OF THE COMPANY.**

It is the intention of the persons named as proxies, subject to any direction to the contrary, to vote in favor of the candidates nominated by the Board. We know of no reason why any nominee would be unable to serve as a director. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Board, or the Board may reduce the number of directors to be elected. If any director resigns, dies or is otherwise unable to serve out his term, or the Board increases the number of directors, the Board may fill the vacancy until the next election of the class for which such director was chosen.

We have set forth below information with respect to the nominees for election as directors proposed by the Company and the other directors whose terms of office as directors will continue after the Annual Meeting of Shareholders. A majority of the Board, including Mark L. First, Simon A. Bachleda, Mark S. Heaney and Steven I. Geringer, were initially elected pursuant to a shareholders' agreement dated September 19, 2006 (the "Shareholders' Agreement"). The Shareholders' Agreement was terminated in connection with the Company's initial public offering completed on November 2, 2009 (the "IPO") and there are no remaining contractual rights to appoint directors. There are no other arrangements or understandings between any director and any other person pursuant to which any director was or is selected as a director or nominee.

#### **Nominees for Election for Terms Expiring in 2017**

*Steven I. Geringer*, age 68, has served as a director of the Company since August 2009. Since December 2012, Mr. Geringer has been a Managing Director at Alvarez & Marsal. Mr. Geringer also serves as Chairman of the Board of Amsurg Corporation, an ambulatory surgery center company, on whose board he has served since 1997. Since December 2010, Mr. Geringer has served on the board of Wound Care Specialists, Inc. From March 2009 through March 2011, Mr. Geringer served as Chairman, a director and an operating partner of CredenceHealth, Inc., a provider of real time clinical surveillance software for hospitals, providers and health plans, which was acquired in April 2011 by ACS Inc., a Xerox company. From 2009 to 2012, Mr. Geringer has served as CEO and a member of the board of InfuScience, Inc. Since February 2002, Mr. Geringer has served on the board, and now serves as Chairman, of Qualifacts Systems, Inc., a provider of software as a service (SaaS) solutions for behavioral health and human services organizations, and was a director of The Providence Service Corporation from March 2002 until April 2008. He has been a private investor and a director of several privately-owned health care companies and community and philanthropic organizations since 1996. Mr. Geringer was President and Chief Executive Officer of PCS Health Systems, Inc., a unit of Eli Lilly & Company, or PCS, one of the nation's largest providers of managed pharmaceutical services to managed care organizations and health insurers, from June 1995 until June 1996, and President and Chief Operating Officer of PCS from May 1993 until May 1995. Prior to joining PCS, Mr. Geringer was a founder, Chairman and Chief Executive Officer of Clinical Pharmaceuticals, Inc. which was acquired by PCS. Mr. Geringer earned a bachelor of science degree in economics from the University of Pennsylvania. We believe Mr. Geringer's qualifications to serve as a director of our company include his experience in the healthcare industry, his expertise in corporate strategy and development and his experience on other public company boards of directors.

*Michael Earley*, age 58, has served as a director of the Company since March 2014, when he was appointed to replace Wayne B. Lowell who resigned. Mr. Earley also advises on healthcare services and other businesses through a consulting company, Pelican Advisors, LLC. Mr. Earley served as Chairman and CEO of Metropolitan Health Networks, Inc. from 2003 until February 2013. Mr. Earley has been an advisor to public and privately owned companies, acting in a variety of management roles since 1997. From 1986 to 1997, Mr. Earley served in a number of senior management roles, including CEO, CFO and Corporate Development Officer, for Intermark, Inc. and Triton Group Ltd., both publicly traded diversified holding companies. Mr. Earley was CEO of Collins Associates, an institutional money management firm, from January 2000 through December 2002. Mr. Earley has also served as a director for several public companies throughout his career. Mr. Earley received undergraduate degrees in Accounting and Business Administration from the University of San Diego. From 1978 to 1983,

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Mr. Earley was an audit and tax staff member of Ernst & Young. We believe Mr. Earley's qualifications to serve on our board include his experience in the healthcare industry and his experience on other public company boards of directors.

### **Directors Whose Terms of Office Will Continue after this Meeting**

#### ***Directors Whose Terms Expire in 2016***

*Mark S. Heaney*, age 58, has served as Chairman of the Board, President and Chief Executive Officer of the Company since June 2009, President and Chief Executive Officer of the Company's subsidiary, Addus HealthCare, Inc. ( "Addus HealthCare" ), since May 6, 2008 and a director of the Company since September 2006. From 1985 until May 2008, Mr. Heaney served as Addus HealthCare's Vice President, Operations and Chief Operating Officer. Until the end of 2010, Mr. Heaney was a member of the board of directors of the National Association for Home Care and Hospice, and he was Chairman of its Homecare Aide Section. Mr. Heaney is also a member of the board of advisors for Catholic Charities of the Archdiocese of Chicago and a member of the Board of the National Council for Medicaid Homecare. Mr. Heaney has previously served as the Chairman of the National Private Duty Association of America, the Health and Medicine Policy Research Group's Leadership Taskforce, the Department of Health and Human Services' Home Health Design Technical Advisory Group, the board of directors of The Management Resource Association, Inc. and many other task forces and committees in the homecare industry. Mr. Heaney earned a bachelor of arts degree from Loyola University of Chicago. We believe Mr. Heaney's qualifications to serve as a director of our company include his experience in the homecare industry, his expertise in corporate strategy and development and his demonstrated business acumen.

*Simon A. Bachleda*, age 37, has served as a director of the Company since September 2006. Mr. Bachleda held the title of Vice President and Secretary of the Company from July 2006 until June 2009, however, Mr. Bachleda was not paid for his service in his capacity as Vice President and Secretary, and had no involvement in the management of Addus HealthCare. Since July 2013, Mr. Bachleda has been a managing partner of Revelstoke Capital Partners LLC, which he also co-founded. From 2004 until July 2013, Mr. Bachleda was a managing director of Eos Management, L.P. ( "Eos Management" ), an affiliate of Eos Capital Partners III, L.P. and Eos Partners SBIC, L.P. (the "Eos Funds" ). Prior to joining Eos Management, from 2002 until 2004, Mr. Bachleda was an investment professional with KRG Capital Partners. Prior to that, from 1998 until 2000, he was an investment banker in the Mergers and Acquisitions group of Credit Suisse First Boston in New York and Tokyo. Mr. Bachleda earned a bachelor of science in business administration from the University of Colorado at Boulder and a master's degree in business administration from Harvard Business School. We believe Mr. Bachleda's qualifications to serve as a director of our company include his experience in business, corporate strategy and investment matters.

#### ***Directors Whose Terms Expire in 2015***

*Mark L. First*, age 49, has served as a director of the Company since September 2006 and Lead Independent Director since June 2009. Mr. First held the title of President of the Company from July 2006 until June 2009, however, Mr. First was not paid for his service in his capacity as President and had no involvement in the management of Addus HealthCare. Mr. First is a Managing Director of Eos Management, an affiliate of the Eos Funds, where he has been employed since March 1994. Mr. First was previously an investment banker with Morgan Stanley & Co., Incorporated from August 1991 until March 1994. Mr. First is a director of several privately owned companies. Mr. First earned a bachelor of science degree from The Wharton School of the University of Pennsylvania and a master's degree in business administration from Harvard Business School. We believe Mr. First's qualifications to serve as a director of our company include his experience in business, corporate strategy and investment matters.

*R. Dirk Allison*, age 58, has served as a director of the Company since October 2010. Mr. Allison also currently serves as a director of Curo Health Services. Since October 2011, Mr. Allison has been the President

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and Chief Executive Officer of Correctional Healthcare Companies. Prior to joining Correctional Healthcare Companies, Mr. Allison served as the President and Chief Executive Officer of CCS Medical from March 2011 until May 2013. Prior to joining CCS Medical, Mr. Allison served as Senior Vice President, Chief Financial Officer and Treasurer of Odyssey Healthcare, Inc., a provider of hospice in the United States. Odyssey was a publicly traded NASDAQ company prior to its August 2010 acquisition by Gentiva Health Services, Inc. Prior to joining Odyssey in 2006, Mr. Allison was Executive Vice President and Chief Financial Officer of Omniflight, Inc., a privately held operator of aviation support services to the healthcare industry. Prior to Omniflight, Mr. Allison served for approximately three and a half years as Executive Vice President and Chief Financial Officer of Ardent Health Services LLC, a privately held operator of acute care and behavioral care hospitals, and for approximately four years as Executive Vice President, Chief Financial Officer and Treasurer of Renal Care Group, Inc., which was a publicly traded operator of dialysis centers. Between 1987 and 1999, Mr. Allison served as President and Chief Executive Officer of several publicly and privately held healthcare companies, including a physician practice management company and several institutional pharmacy providers. Mr. Allison earned a master's degree in business administration at the University of Dallas and his BBA at the University of Louisiana at Monroe (formerly Northeast Louisiana University) and is a Certified Public Accountant (CPA). We believe Mr. Allison's qualifications to serve as a director of our company include his experience in the healthcare industry and his expertise in business, corporate strategy and investment matters as well as his experience with multi-site healthcare agencies and knowledge of regulations regarding government reimbursements.

## **CORPORATE GOVERNANCE**

### **Overview**

### **In General**

Our Board has adopted corporate governance policies, including a Code of Business Conduct and Ethics and charters for each of our Compensation Committee, Audit Committee and Nominating and Corporate Governance Committee. The full text of our Code of Business Conduct and Ethics and each committee charter is available on the Company's website located at [www.addus.com](http://www.addus.com). You can view and print our Code of Business Conduct and Ethics and committee charters by accessing our website, then clicking on "Investor Relations" and then on "Corporate Governance". In addition, you may request copies of the Code of Conduct and the committee charters by contacting the Company using the following information:

Telephone: (847) 303-5300

Facsimile: (847) 303-5376

e-mail: [info1@addus.com](mailto:info1@addus.com)

### **Independent Director Meetings**

Our independent directors meet regularly. The Company has a Lead Independent Director, Mark L. First, who is a non-executive director. The Lead Independent Director presides at all meetings of the Board and shareholders at which the Chairman is not present, including executive sessions of non-executive directors. The Lead Independent Director also serves as a liaison between the Chairman and the independent directors as required. The independent directors may delegate additional duties to the Lead Independent Director as appropriate.

### **Other Corporate Governance Highlights**

Only independent directors serve on our Audit, Compensation and Nominating and Corporate Governance Committees. A majority of our Board is composed of independent directors.

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Under our Code of Business Conduct and Ethics, directors, employees and officers are required to report service on the board of directors or trustees of any other business, trade or community organization. The Company may prohibit membership by officers or employees on any board of directors or trustees where such membership might conflict with the best interests of the Company.

Our Audit Committee appoints, determines the compensation, and oversees the work of our independent auditors. It also has the authority to retain outside advisors.

Our Compensation Committee has the authority to retain independent advisors. Our Compensation Committee evaluates the performance of the Chief Executive Officer based on corporate goals and objectives and determines and approves his compensation level based on this evaluation and in accordance with any applicable employment agreement then in effect.

Our Board has adopted a Code of Business Conduct and Ethics applicable to all directors, officers and employees. The Code of Conduct addresses, among other things, legal compliance, conflicts of interest, corporate opportunities, protection and proper use of Company assets, confidential and proprietary information, integrity of records, compliance with accounting principles and relations with government agencies.

Our Board has adopted an Insider Trading Policy applicable to all directors, officers, and employees, their family members and entities controlled by them, which prohibits, among other things, trading in securities of the Company or others while in possession of material non-public information. In addition, the Insider Trading Policy requires that all Company insiders notify the Company's Compliance Officer of the amount and nature of any proposed trades in the Company's securities and prohibits trading other than during a specified trading window. The proposed transactions must be approved in writing before the insider may trade the securities and the securities must be traded within two days of such approval or the insider must seek a new approval to trade. The Compliance Officer may reject any trading requests in his sole discretion.

## **Board of Directors**

Our Board oversees our business and monitors the performance of management. The Board does not involve itself in day-to-day operations. The directors keep themselves informed by discussing matters with the President and Chief Executive Officer, other key executives and our principal external advisors, such as legal counsel, outside auditors, investment bankers and other consultants, by reading the reports and other materials that we send them regularly and by participating in Board and committee meetings.

The Board usually meets four times per year in regularly scheduled meetings, but will meet more often if necessary. The Board met seven times during 2013. All incumbent directors attended at least 75% of the aggregate number of meetings of the Board and committees of the Board of which they were a member held during the year ended December 31, 2013.

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### **Director Independence**

Our Board has affirmatively determined that each director other than Mark S. Heaney is independent, as defined by the Marketplace Rules of The NASDAQ Stock Market LLC. Under the Marketplace Rules, a director can be independent only if the director does not trigger a categorical bar to independence and our Board affirmatively determines that the director does not have a relationship which, in the opinion of our Board, would interfere with the exercise of independent judgment by the director in carrying out the responsibilities of a director.

With respect to Messrs. First and Bachleda, our Board considered Mr. First's role as a managing director and Mr. Bachleda's former role as a principal of Eos Management, which is an affiliate of the Eos Funds, and the fact that the Eos Funds own a significant number of shares of our capital stock. See Information About our Common Stock Ownership. Mr. Bachleda is no longer affiliated with the Eos Funds, and he may no longer be deemed to share beneficial ownership of the shares of Common Stock owned by Eos. In addition, our Board considered that Messrs. First and Bachleda served as non-employee, unpaid executive officers of the Company prior to the IPO. In addition, our Board considered the fact that Addus HealthCare was party to a management consulting agreement with Eos Management, Inc. prior to the completion of the IPO, pursuant to which Eos Management, Inc. served as its consultant with respect to the IPO, acquisitions and other senior management matters related to its business, administration and policies, in exchange for a management fee. Our Board also considered the fact that we were a party to the Shareholders' Agreement with the Eos Funds, among others, which terminated by its terms upon the completion of the IPO, and we are a party to a registration rights agreement with the Eos Funds, among others, in connection with their ownership of our capital stock, which survived the completion of the IPO. Our Board also considered the payments received by the Eos Funds and their affiliates upon completion of the IPO, including the issuance of dividend notes and the prepayments required thereunder at the completion of the IPO, and a \$1,500,000 one-time consent fee paid to the Eos Funds in connection with the IPO. After reviewing the existing relationships between us and the Eos Funds and their affiliates, and considering that the affiliation of Mr. First, and the former affiliation of Mr. Bachleda, with the Eos Funds positively aligns their interests with those of our public shareholders, our Board has affirmatively determined that, in its judgment, Messrs. First and Bachleda do not have any relationship that would interfere with the exercise of independent judgment in carrying out their responsibilities as directors under the standards established by The NASDAQ Stock Market LLC.

### **Board Leadership Structure**

The Company's Bylaws permit the Board to choose a Chairman of the Board from among its members. There is no restriction against appointing the President or Chief Executive Officer of the Company as the Chairman of the Board. This approach gives the Board the necessary flexibility to determine whether these positions should be held by the same person or by separate persons based on the leadership needs of the Company at any particular time. The positions of President and Chief Executive Officer and Chairman of the Company are currently held by Mark S. Heaney. The directors believe that, at the Company's current stage, Mr. Heaney's in-depth knowledge of the Company's operations and strategic goals make him qualified to serve as Chairman as well as Chief Executive Officer. In addition, the Board is permitted to choose a Lead Independent Director, which cannot be an executive officer. The Lead Independent Director presides at all meetings of the Board and shareholders at which the Chairman is not present, including executive sessions of non-executive directors. The Lead Independent Director also serves as a liaison between the Chairman and the independent directors as necessary. The Lead Independent Director is required to consult with the Board regarding the following: (i) the flow of information from management to the independent directors; (ii) the right of the Lead Independent Director to specifically request the inclusion of certain material; (iii) acting as principal liaison between the independent directors and the Chairman of the Board/Chief Executive Officer on sensitive issues; (iv) coordination with the members of the Compensation Committee to facilitate the performance of their obligations under the Compensation Committee Charter; and (v) recommendations relating to the membership of committees of the Board, as well as the selection of committee chairs. The independent directors may delegate



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additional duties to the Lead Independent Director as appropriate. The Lead Independent Director has the authority to retain such counsel or consultants as he deems necessary to perform his responsibilities. The position of Lead Independent Director is currently held by Mark L. First.

### **Committees of the Board**

The Board has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, all of which consist exclusively of members who qualify as independent directors under the applicable requirements of The NASDAQ Stock Market LLC and the SEC.

#### **Audit Committee**

The audit committee is composed entirely of directors who are independent of the Company and its management as defined by The NASDAQ Stock Market LLC listing standards and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act ). The members of the Audit Committee are Steven I. Geringer, R. Dirk Allison and Michael Earley. Mr. Allison became chairman of the Audit Committee effective May 9, 2013.

The Board has determined that each member of the Audit Committee satisfies the financial literacy requirements of The NASDAQ Stock Market LLC. Additionally, the Board has determined that Mr. Allison and Mr. Earley are audit committee financial experts, as that term is defined under Item 407(d) of Regulation S-K. The members of the Audit Committee are reviewed at least annually by the Board.

The primary purpose of our Audit Committee is to oversee the integrity of our financial statements, our financial reporting process, the independent accountants' qualifications and independence, the performance of the independent accountants and our compliance with legal and regulatory requirements on behalf of our Board. In particular, our Audit Committee performs the following key functions, among others:

reviewing our financial statements, reports, earnings press releases and other financial information (including internal procedures used in the preparation thereof) in conjunction with management and the independent auditor;

meeting quarterly with our Chief Financial Officer to monitor certain financial and operational metrics;

appointing our independent auditor and approving all audit and engagement compensation and terms, as well as all significant permitted non-audit services by our independent auditors, and meeting with our independent auditors to review and discuss certain financial measures;

reviewing the adequacy and effectiveness of our internal controls regarding accounting and financial matters;

reviewing and, if appropriate, approving transactions between us and related persons; and

reporting regularly to the full Board.



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Additional information regarding our Audit Committee and its processes and procedures for the consideration and approval of related person transactions can be found under the heading "What Is Our Related Party Transactions Approval Policy and What Procedures Do We Use to Implement It?"

This Committee met six times in 2013.

**Compensation Committee**

The Compensation Committee is composed entirely of directors who are independent of the Company and its management, as defined by The NASDAQ Stock Market LLC listing standards. The members of the Compensation Committee are Steven I. Geringer, Mark L. First and Simon A. Bachleda. Mr. Geringer serves as chairman of the Compensation Committee.

The Board considered, in its independence evaluation for Mr. First, that the Eos Funds, with which Mr. First is affiliated, from time to time engage Winston & Strawn LLP, the Company's outside legal counsel, to advise on investments. The Board also considered in its independence evaluation of Mr. Bachleda, that Revelstoke Capital Partners LLC, with which Mr. Bachleda is affiliated, from time to time engages Winston & Strawn LLP to advise on investments.

The principal responsibilities of our Compensation Committee are to assist our Board by ensuring that our officers and key executives are compensated in accordance with our total compensation objectives and policies, and developing and implementing these objectives and policies. In particular, the Compensation Committee is responsible for the following key functions, among others:

reviewing and approving corporate goals and objectives of executive compensation;

evaluating and approving the compensation and benefits of our senior executive officers and approving compensation for new senior executive officers hires; and

administering stock plans and other incentive and equity compensation plans.

This Committee met five times in 2013.

**Nominating and Corporate Governance Committee** The Nominating and Corporate Governance Committee is composed entirely of directors who are independent of the Company and its management, as defined by The NASDAQ Stock Market LLC listing standards. The members of the Nominating and Corporate Governance Committee are Mark L. First and R. Dirk Allison. Mr. First serves as chairman of the Nominating and Corporate Governance Committee.

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The primary responsibilities of the Nominating and Corporate Governance Committee include:

identifying individuals qualified to become board members consistent with the criteria established by our Board from time to time and recommending nominees to our Board;

selecting, or recommending that our Board select, candidates for election to the Board at the next annual meeting of shareholders, or to fill vacancies on our Board as necessary;

evaluating and approving outside director compensation;

overseeing the evaluation of our Board and our management; and

overseeing the succession planning of the President and Chief Executive Officer and senior executive officers.

This Committee met three times in 2013.

## **Risk Oversight**

Together with the Board's standing committees, the Board is responsible for ensuring that material risks are identified and managed appropriately. The Board and its committees regularly review material operational, financial, compensation and compliance risks with senior management. As part of its responsibilities as set forth in its charter, the Audit Committee is responsible for overseeing the quality and integrity of the Company's financial statements and other financial information, financial reporting process, internal controls and procedures for financial reporting and internal audit function. In addition, the Audit Committee strives to provide an open avenue of communication among the Company's independent auditor, management and the Board. The Compensation Committee considers risk in connection with its design of compensation programs for our executives. The Nominating and Corporate Governance Committee annually reviews its own performance and the Company's corporate governance guidelines and their implementation. Each committee regularly reports to the Board.

## **How are Directors Nominated?**

The Nominating and Corporate Governance Committee identifies potential nominees for directors from various sources. The Nominating and Corporate Governance Committee reviews the appropriate skills and characteristics required of Board members in the context of the current composition of the Board. The Nominating and Corporate Governance Committee considers, among other things, a potential director's independence and conflicts of interests, character and integrity, financial literacy, education and business experience and available time to devote to Board matters. The Nominating and Corporate Governance Committee seeks candidates from diverse business and professional backgrounds with outstanding integrity, achievements, judgment and such other skills and experience that will enhance the Board's ability to serve the long-term interests of the shareholders. The Nominating and Corporate Governance Committee considers diversity as one of a number of factors in identifying nominees for director. The Committee views diversity broadly to include diversity of experience, skills and viewpoint as well as traditional diversity concepts such as race and gender. The Nominating and Corporate Governance Committee's objective is to assemble a slate of directors that can best fulfill the Company's goals and promote the interests of shareholders.

The Nominating and Corporate Governance Committee may from time to time use its authority under its charter to retain at the Company's expense one or more search firms to identify candidates and to approve the search firm's fees and other retention terms, and will specify for the search firm the criteria to use in identifying potential candidates.

The Nominating and Corporate Governance Committee will consider a shareholder's recommendation for director, but the Nominating and Corporate Governance Committee has no obligation to recommend such candidates for nomination by the Board. Assuming that appropriate biographical and background material is



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provided for candidates recommended by shareholders, the Nominating and Corporate Governance Committee will evaluate those candidates by following substantially the same process and applying substantially the same criteria as for candidates recommended by other sources. If a shareholder has a suggestion for candidates for election, the shareholder should mail it to: Secretary, Addus HomeCare Corporation, 2300 Warrenville Road, Downers Grove, Illinois 60065. No person recommended by a shareholder will become a nominee for director and be included in a proxy statement unless the Nominating and Corporate Governance Committee recommends, and the Board approves, such person.

If a shareholder desires to nominate a person for election as director at a shareholders' meeting, that shareholder must comply with Section 1.11 of the Company's Bylaws, which requires, in the case of an annual meeting of shareholders of the Company, that any nomination made by a shareholder be delivered to the Company's secretary at the principal executive offices of the Company not later than the close of business on the one hundred twentieth (120th) day nor earlier than the close of business on the one hundred fiftieth (150th) day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder must be so delivered not earlier than the close of business on the one hundred fiftieth (150th) day prior to such annual meeting and not later than the close of business on the later of the one hundred twentieth (120th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Company). In no event shall the public announcement of an adjournment or postponement of an annual meeting of shareholders of the Company commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above.

Notwithstanding the above, in the event that the number of directors to be elected to the Board at an annual meeting of shareholders of the Company is increased and there is no public announcement by the Company naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, the shareholder's notice required by the Bylaws shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the secretary of the Company at the principal executive offices of the Company not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Company.

In the case of a special meeting of shareholders of the Company, to be timely, any nomination shall be delivered to the secretary of the Company at the principal executive offices of the Company not earlier than the close of business on the one hundred fiftieth (150th) day prior to such special meeting and not later than the close of business on the later of the one hundred twentieth (120th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of such special meeting and of the nominees proposed by the Board of the Company to be elected at such special meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting of shareholders of the Company commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above.

The time period for delivery of notice of nominations has passed with respect to the 2014 Annual Meeting of Shareholders. With respect to the 2015 Annual Meeting of Shareholders, the Company must receive such written notice no earlier than January 19, 2015 and no later than February 18, 2015. To be in proper form the shareholder's notice of nominations must set forth:

all information relating to the individual being nominated that is required to be disclosed in solicitations of proxies for election of directors in an election contest and such individual's written consent to be named in a proxy statement as a nominee and to serve as a director if elected;

the name and address of the shareholder, as they appear on the Company's books, and of the beneficial owner proposing such business;

the class, series and number of shares of capital stock of the Company which are owned beneficially and of record by the shareholder and beneficial owner;

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a representation that the shareholder is a holder of record of stock of the Company entitled to vote at such meeting and such shareholder intends to appear in person or by proxy at the annual meeting to propose such business;

whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock) has been made, the effect or intent of which is to mitigate loss to or manage risk of stock price changes for, or to increase the voting power of, such shareholder or beneficial owner or any of its affiliates with respect to any share of stock of the Company; and

a representation whether the shareholder or the beneficial owner, if any, intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding capital stock required to elect the individual nominated and/or (2) otherwise to solicit proxies from shareholders of the Company in support of such nomination.

The Company may require any individual nominated to furnish such other information as it may reasonably require to determine the eligibility of such individual to serve as a director of the Company.

## **Role of Compensation Consultants**

The Compensation Committee has the authority to retain a compensation consultant or obtain advice from external legal, accounting or other advisors to assist in the evaluation of senior executive compensation. During 2012, the Compensation Committee engaged Pearl Meyer & Partners as its independent compensation consultant to provide advice as discussed in the following paragraph, which advice was used in making 2013 compensation decisions.

## **What Is Our Related Party Transactions Approval Policy and What Procedures Do We Use to Implement It?**

Our written Code of Business Conduct and Ethics provides that our directors, officers and employees are not permitted to enter into a related person transaction with us without the prior consent of our Audit Committee, or other independent committee of our Board in the event it is inappropriate for our Audit Committee to review such transaction due to a conflict of interest. In addition, the charter of our Audit Committee states that the Audit Committee shall review and approve all related person transactions. Any request for us to enter into a transaction with an executive officer, director, nominee for director, principal shareholder or any of such persons' immediate family members or affiliates, or our employees, in which the amount involved may exceed \$120,000, will first be presented to our Audit Committee or such other committee for review, consideration and approval. All of our directors, officers and employees are required to report to our Audit Committee or such other committee any such related person transaction. In approving or rejecting the proposed agreement, our Audit Committee or such other committee will consider the facts and circumstances available and deemed relevant, including, but not limited to, the risks, costs and benefits to us, the terms of the transaction, the availability of other sources for comparable services or products and, if applicable, the impact on a director's independence. Our Audit Committee or such other committee will approve only those transactions that, in light of known circumstances, are in, or are not inconsistent with, our best interests, as our Audit Committee or such other committee determines in the good faith exercise of its discretion. Under the policy, if we should discover related person transactions that have not been approved, the Audit Committee or such other committee will be notified and will determine the appropriate action, including ratification, rescission, or amendment of the transaction. Notwithstanding the foregoing, compensatory transactions with our related persons will be reviewed by our Compensation Committee.

## **What Related Person Transactions Do We Have?**

In connection with the settlement of a derivative lawsuit, the Company agreed, among other things, to lower the disclosure threshold for certain related party transactions from \$120,000 (which is the requirement under the

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rules of the SEC) to \$60,000. Since January 1, 2013, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or are a party in which the amount involved exceeded or exceeds \$60,000 and in which any of our directors, executive officers, holders of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements with directors and executive officers, which are described where required under the captions Executive Officers and Executive Compensation appearing elsewhere in this proxy, and the transactions described below.

### ***Property Lease***

The Company leased its former corporate office space from W. Andrew Wright, III, a former member of our Board and former Chairman of Addus HealthCare who is also a 5% shareholder of the Company, under the terms of an operating lease that expired in May 2014. The Company made monthly rent payments of \$40,050, plus our proportionate share of the common costs and expenses. Rental expense relating to this lease amounted to approximately \$480,600 for the year ended December 31, 2013.

### ***Escrow Related to Acquisition of Addus HealthCare***

In connection with the acquisition of Addus HealthCare on September 19, 2006, the Company entered into a purchase agreement with Mark S. Heaney, President and Chief Executive Officer and Chairman of the Board of the Company, W. Andrew Wright, III, a holder of more than 5% of our common stock and a former member of our Board, and certain members of Mr. Wright's family and trusts for their benefit, who we collectively refer to as the sellers. Pursuant to the purchase agreement, subject to certain limitations, the sellers have ongoing obligations to indemnify us for losses we may incur as a result of breaches of certain representations, warranties and covenants set forth in the purchase agreement; sellers' expenses, indebtedness and brokers' fees to the extent not paid or assumed at closing; certain tax, litigation and insurance matters; certain matters relating to certain discontinued operations; and workers' compensation claims relating to events that occurred prior to January 1, 2006, referred to as the pre-2006 workers' compensation claims.

We also entered into an escrow agreement on September 19, 2006 with Mr. Wright, in his capacity as the representative of the sellers, and Fifth Third Bank (Chicago) as the escrow agent, pursuant to which \$25.7 million of the acquisition purchase price was deposited into escrow to serve as security for the post-closing indemnification obligations of the sellers and payment of certain pre-2006 workers' compensation claims. Messrs. Heaney and Wright were entitled to 5.6% and 75.8% of any funds released to the sellers from escrow, respectively. As of March 31, 2014, approximately \$14.5 million, including interest to which the sellers are entitled, of the escrowed funds had been released to the sellers, and \$11.5 million of the escrowed funds had been released to us in respect of certain indemnifiable events, including pre-2006 workers' compensation claims and certain litigation, insurance and tax claims.

Approximately \$1.3 million, including interest to which the sellers are entitled, remained in escrow as of March 31, 2014, and serves as collateral for outstanding letters of credit securing the pre-2006 workers' compensation claims. The beneficiary of one such letter of credit permitted a reduction in the amount of its letter of credit relating to pre-2006 workers' compensation claims by \$450,000, provided its letter of credit relating to workers' compensation claims arising from and after 2006 was correspondingly increased. On the business day following the effective date of such proposed reduction and corresponding increase, we instructed the escrow agent to release \$450,000 to the sellers representative on behalf of the sellers. Once the letters of credit are no longer outstanding and until September 19, 2014, the sellers are required to maintain in the escrow account an amount equal to 120% of the outstanding reserve amounts for the pre-2006 workers' compensation claims. The outstanding reserve amount will be determined by us in conjunction with Mr. Wright according to the procedures set forth in the purchase agreement.



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Upon completion of the IPO, the obligation of the sellers to indemnify us in respect of the pre-2006 workers' compensation claims became limited to the cash amounts then remaining in the escrow account, which was \$1.7 million, and the obligation of the sellers to contribute any additional funds to the escrow account terminated. All remaining escrowed funds serving as collateral for outstanding letters of credit or the outstanding reserve amount will be released to the sellers on September 19, 2014, to the extent not subject to pending claims.

### ***Registration Rights Agreement***

We are a party to a registration rights agreement with the Eos Funds, Freeport Loan Fund LLC, Mark S. Heaney, W. Andrew Wright, III and certain members of Mr. Wright's family and trusts for their benefit, pursuant to which, under certain circumstances, we are required to register shares of our common stock held by those shareholders under the Securities Act of 1933, as amended (the "Securities Act").

### ***Limitation of Liability and Indemnification***

Our amended and restated certificate of incorporation contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our shareholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

any breach of their duty of loyalty to our company or our shareholders;

acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; and

any transaction from which the director derived an improper personal benefit.

Our amended and restated bylaws provide that we are required to indemnify our directors and officers and may indemnify our employees and other agents to the fullest extent permitted by Delaware law. Our amended and restated bylaws also provide that we will advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity, regardless of whether our bylaws would otherwise permit indemnification. We believe that these by-law provisions are necessary to attract and retain qualified directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage shareholders from bringing a lawsuit against our directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and our shareholders. Furthermore, a shareholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

We are party to indemnification agreements with each of Mark L. First, Simon A. Bachleda, Mark S. Heaney, Steven I. Geringer, R. Dirk Allison and Michael Earley in their capacities as officers and directors, and with Brian D. Young, a former member of our board of directors and an affiliate of the Eos Funds, Wayne Lowell, a former member of our board of directors, and W. Andrew Wright, III, a former member of our board of directors and a 5% stockholder (each, an indemnitee). Pursuant to these agreements, we have agreed to hold each indemnitee harmless and indemnify him to the fullest extent permitted by law against all expenses, judgments, penalties, fines and amounts paid in settlement including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of the indemnitee. We are not obligated to make any payment to any indemnitee that is finally determined to be unlawful. In respect of any threatened, pending or completed proceeding in which we are jointly liable with an indemnitee, we

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will pay the entire amount of any judgment or settlement without requiring the indemnitee to contribute. We will advance, to the extent permitted by law, all expenses incurred by or on behalf of an indemnitee in connection with a proceeding. No amendment, alteration or repeal of our certificate of incorporation, our bylaws or the indemnification agreement with any indemnitee will limit any right of that indemnitee in respect of any action taken or omitted by that indemnitee prior to such amendment. With respect to Messrs. Young, First and Bachleda, we have agreed that, where the indemnitee has certain rights to indemnification, advancement of expenses and/or insurance provided by any of the Eos Funds or their affiliates, we will be the indemnitor of first resort, we will be required to advance the full amount of expenses incurred by the indemnitee and we will waive and release the Eos Funds and their affiliates from any and all claims for contribution, subrogation or any other recovery of any kind. We anticipate that we will enter into similar indemnification agreements with any new member elected to our board of directors.

At present, we are not aware of any pending litigation or proceeding involving any of our directors, officers, employees or agents in their capacity as such, for which indemnification will be required or permitted. In addition, we are not aware of any other threatened litigation or proceeding that may result in a claim for indemnification by any director or officer.

We have been informed that, in the opinion of the SEC, any indemnification of directors or officers for liabilities arising under the Securities Act is against public policy and therefore unenforceable.

### **Section 16(a) Beneficial Ownership Reporting Compliance in 2013**

Section 16(a) of the Exchange Act requires our executive officers and directors and persons who own more than ten percent of a registered class of our equity securities (collectively, the reporting persons) to file reports of ownership and changes in ownership with the SEC and to furnish us with copies of these reports. Based upon our review of reports filed with the SEC by the reporting persons, and based upon written representations received from the reporting persons, we believe that all of the reporting persons timely complied with the reporting requirements of Section 16(a) of the Exchange Act during 2013, except that an amendment was filed late to correct W. Andrew Wright, III's beneficial ownership of shares that were previously reported as owned by a trust for which Mr. Wright was a trustee.

## **INFORMATION ABOUT OUR COMMON STOCK OWNERSHIP**

### **How Much Stock is Owned By Directors, Executive Officers and Holders of at Least 5%?**

The following table sets forth information regarding beneficial ownership of our common stock, as of April 28, 2014, by the following:

each person, or group of affiliated persons, who is known by us to beneficially own 5% or more of any class of our voting securities;

each of our current directors;

each of our named executive officers; and

all current directors and executive officers as a group.

Beneficial ownership is determined according to the rules of the SEC. Beneficial ownership means that a person has or shares voting or investment power of a security, and includes shares underlying options and warrants that are currently exercisable or exercisable within 60 days after the measurement date. The information in the table below is based on information supplied by our directors and named executives and public filings.

Except as otherwise indicated, we believe that the beneficial owners of the common stock listed below have sole investment and voting power with respect to their shares, except where community property laws may apply. Unless otherwise indicated, we deem shares of common stock subject to options that are exercisable within 60 days of April 28, 2014 to be outstanding and beneficially owned by the person holding the options for the



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purpose of computing percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the ownership percentage of any other person. As of April 28, 2014, we did not have any warrants issued or outstanding. The percentage of shares beneficially owned is based on 10,951,053 shares of our common stock outstanding as of April 28, 2014. Except as otherwise indicated, the address of each person or entity named below is the address of the Company, 2300 Warrenville Road, Downers Grove, Illinois 60065.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
Eos Funds (1)	4,023,000	36.7%
Mark S. Heaney (2)	401,308	3.7
Dennis Meulemans (3)	75,002	*
W. Andrew Wright, III (4)	822,165	7.5
Mark L. First (1)	4,034,419	36.8
Simon A. Bachleda	11,419	*
Steven I. Geringer (5)	11,419	*
Michael Earley (6)	447	*
R. Dirk Allison (7)	11,267	*
Darby Anderson (8)	76,310	*
Inna Berkovich (9)	12,000	*
Paul Diamond (10)	0	*
All directors and executive officers as a group (8 persons)	4,633,591	42.3

\* Less than one percent.

- (1) Consists of 3,125,520 shares of common stock held by Eos Capital Partners III, L.P. and 897,480 shares of common stock held by Eos Partners SBIC III, L.P., which are affiliates and are referred to as the Eos Funds. As a Managing Director of Eos Management, Mr. First has voting and investment control over and may be considered the beneficial owner of stock owned by the Eos Funds. Mr. First disclaims any beneficial ownership of the stock owned by the Eos Funds. The address of each of the Eos Funds is 320 Park Avenue, New York, New York 10022. We issued 1,000 shares of restricted stock to Mr. First in connection with the IPO. Such shares vested equally over a three-year period beginning on the date of grant. We issued 2,000 additional shares of restricted stock to Mr. First on March 30, 2011 for his service on the Board. Such shares vested on October 27, 2011. We issued 7,412 shares of restricted stock to Mr. First on June 20, 2012 for his service on the Board. 2,918 of such shares vested on October 26, 2012 and 4,494 of such shares vested on June 20, 2013. We issued 1,007 shares of restricted stock to Mr. First on June 19, 2013 for his service on the Board. Such shares will vest on June 19, 2014.
- (2) Includes options to purchase 265,563 shares, which are immediately exercisable, and options to purchase 6,667 shares, which are exercisable within 60 days of April 28, 2014. Also includes 50,000 shares of restricted stock that were issued to Mr. Heaney on March 11, 2013. Such shares vest equally over a four-year period beginning on the date of grant.
- (3) Includes options to purchase 19,727 shares, all of which are immediately exercisable.
- (4) The information with respect to W. Andrew Wright is based upon the Schedule 13G filed with the SEC on March 27, 2010 and dispositions known to the Company from Mr. Wright's filings with the SEC on Form 4.
- (5) We issued 1,000 shares of restricted stock to Mr. Geringer when he joined the Board on October 27, 2009. Such shares vested equally over a three-year period beginning on the date of grant. We issued 2,000 shares of restricted stock to Mr. Geringer on March 30, 2011 for his service on the Board. Such shares vested on October 27, 2011. We issued 7,412 shares of restricted stock to Mr. Geringer on June 20, 2012

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for his service on the Board. 2,918 of such shares vested on October 26, 2012 and 4,494 of such shares vested on June 20, 2013. We issued 1,007 shares of restricted stock to Mr. Geringer on June 19, 2013. Such shares will vest on June 19, 2014.

- (6) We issued 447 shares of restricted stock to Mr. Earley when he joined the Board on March 28, 2014. Such shares will vest equally over a three-year period beginning on the date of grant.

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- (7) We issued 2,762 shares of restricted stock to Mr. Allison when he joined the Board on October 20, 2010. Such shares vest equally over a three-year period beginning on the date of grant. We issued 7,498 shares of restricted stock to Mr. Allison on June 20, 2012 for his service on the Board. 3,004 of such shares vested on October 19, 2012 and 4,494 of such shares vested on June 20, 2013. We issued 1,007 shares of restricted stock to Mr. Allison on June 19, 2013. Such shares will vest on June 19, 2014.
- (8) Includes options to purchase 71,310 shares, which are immediately exercisable, and options to purchase 5,000 shares, which are exercisable within 60 days of April 28, 2014.
- (9) Includes options to purchase 6,000 shares, which are immediately exercisable, and options to purchase 6,000 shares, which are exercisable within 60 days of April 28, 2014.
- (10) Mr. Diamond resigned his position as Vice President of Human Resources of Addus HealthCare effective June 28, 2013. Mr. Diamond's 10,125 unvested options were forfeited in connection with such resignation.

### **EXECUTIVE OFFICERS**

The Company's current executive officers are:

Mark S. Heaney;

Dennis Meulemans;

Inna Berkovich; and

Darby Anderson.

For purposes of this proxy statement Company's named executive officers are (i) Mark S. Heaney, (ii) Dennis Meulemans, (iii) Darby Anderson, and (iv) Paul Diamond. Set forth below is a brief description of our executive officers who are not described previously in this proxy statement.

*Dennis Meulemans*, age 63, was appointed Chief Financial Officer, Vice President and Secretary of the Company and Addus HealthCare on November 29, 2010. From January 2008 until his appointment as CFO of the Company, Mr. Meulemans worked as a consulting CFO to several independent companies including Portage Insurance Holdings, Trinity Life Settlements and the National Restaurant Association. From January 2007 until December 2007, Mr. Meulemans was Vice President and CFO of the Group Health Division of Coventry Healthcare, a publicly traded health insurer providing fee based insurance services to large employer groups, the federal government and third party administrators. From July 2003 until December 2006, Mr. Meulemans served as Executive Vice President & Chief Operating Officer of Paradigm Health Systems, a venture-backed, specialty healthcare services company providing disease/case management services to national health insurance companies. Mr. Meulemans earned both his MBA and BBA from the University of Wisconsin. He is a certified public accountant in Illinois and California. Mr. Meulemans is also a commissioned officer in the United States Air Force.

*Inna Berkovich*, age 47, has served as Chief Information Officer of Addus HealthCare since June 2012. From 2000 until 2012, Ms. Berkovich was the Chief Information Officer for American Imaging Management ( AIM ), a division of WellPoint, serving as a strategic business partner of the executive management team providing information systems technology vision and support. Prior to joining AIM, Ms. Berkovich spent eight years as a consultant at Emerging Technologies Inc., an IT consulting firm specializing in providing expertise in business applications and software solutions. Her career also includes IT positions at Anixter Brothers and CNA Insurance. Ms. Berkovich holds a bachelor of science degree in computer science, mathematics and statistics from the University of Illinois and a master's degree in business administration from DePaul University, with a specialization in Management Information Systems.

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*Darby Anderson*, age 48, has served as Senior Vice President of Addus Healthcare since 2013. He was previously Vice President of Home & Community Services of Addus HealthCare since October 2007.

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Mr. Anderson joined Addus HealthCare in 1996, starting as a Regional Vice President, Midwest until his promotion in 2000 to Regional Vice President, Midwest & East. Mr. Anderson earned a bachelor of science degree from Michigan State University.

*Paul Diamond*, age 59, served as Vice President of Human Resources of Addus HealthCare since March 2007 to June 28, 2013. From December 1998 to March 2007, Mr. Diamond was the Director of Human Resources of Baer Supply Company, where he was responsible for all human resource functions, including recruitment, compensation and benefits administration, regulatory compliance and workers and unemployment compensation management. Mr. Diamond earned a bachelor of arts degree and a master's degree in business administration from Northern Illinois University.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

The purpose of this compensation discussion and analysis is to provide information about the material elements of compensation that is paid or awarded to, or earned by, our named executive officers.

### ***Named Executive Officers***

Our named executive officers for the last completed fiscal year were as follows:

**Mark Heaney**, President and Chief Executive Officer;

**Dennis Meulemans**, Chief Financial Officer, Vice President and Secretary;

**Darby Anderson**, Senior Vice President;

**Inna Berkovich**, Chief Information Officer; and

**Paul Diamond**, Former Vice President of Human Resources.

### **Overview of our Compensation Program and Compensation Philosophy and Objectives**

Our compensation and benefits programs are designed to attract and retain talented, qualified senior executives to manage and lead the Company, to motivate them to pursue corporate objectives and to maximize the long-term growth of the Company. We believe that our compensation program allows us to meet the following objectives:

*Reward the named executive officer for a job done well.* While base salary, which is related to the essential elements of a named executive officer's position, remains the largest component of a named executive officer's compensation, annual cash bonuses based on corporate, divisional/departmental and individual performance comprise a significant portion of compensation, with named executive officers having the opportunity to obtain a target bonus of 40% to 60% of base salary and a maximum bonus of 70% to 100% of base salary, depending on the individual, as set forth in their respective employment agreements.

*Compensate named executive officers within market standards.* We believe that competitive pay, together with our significant growth opportunities and employee-centered corporate culture, allow us to attract and retain top-quality executives. To ensure the competitiveness of our compensation levels within the comparable markets for executive talent, we will direct the conduct of



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periodic independent consulting studies to evaluate our executive compensation program in comparison to pertinent market data and specified peer companies.

*Provide compensation that is fair to the named executive officer and the Company.* We believe that it is important for named executive officers to be fairly compensated, at levels reflective of their talents and experience, and the scope of their job responsibilities. We also believe that it is important that each named executive officer perceives that his or her compensation is fair and equitable relative to his or

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her peers and others in the organization. This perceived equity promotes executive retention and satisfaction, and is consistent with our beliefs and values.

*Create a high-performance culture.* We believe that named executive officers should strive to achieve and exceed performance expectations, and drive the growth and success of the business. We also believe that superior performance warrants superior rewards. Our merit-based salary increases and performance-based annual cash bonus plans are designed to promote this high-performance culture and motivate our executives to achieve at their highest potential.

### **2013 Advisory Vote on Executive Compensation**

The Compensation Committee reviewed the results of the 2013 shareholder advisory vote on named executive officer compensation and incorporated the results as one of the many factors considered in connection with the discharge of its responsibilities. Since a substantial majority (over 98%) of our shareholders at our 2013 annual meeting of shareholders approved the compensation program described in our 2013 Proxy Statement, the Compensation Committee did not implement changes to our executive compensation program as a direct result of the shareholders' advisory vote.

The Company also held a non-binding shareholder vote at the 2013 annual meeting of shareholders regarding whether to hold an advisory vote on named executive officer compensation every one, two or three years. In line with the results of the vote, the Company will present an advisory vote on named executive officer compensation every three years, the next of which will appear in the 2016 Proxy Statement.

### **Role of the Compensation Committee, Consultants and Executive Officers in Determining Executive Compensation**

The targeted compensation range and amount of each element of our compensation program is determined by our Compensation Committee at the time of initial hire or promotion, taking into consideration our results of operations, long and short-term goals, the competitive market for the named executive officer and general economic factors. We then review compensation on an annual basis as described below. We seek to combine the components of our executive compensation program to achieve a total compensation level appropriate for our size and corporate performance. We then determine the amount of each element of compensation based on our compensation objectives.

#### ***Role of the Compensation Committee***

The Compensation Committee has primary responsibility for all compensation decisions relating to our named executive officers. The Compensation Committee reviews the aggregate level of our executive compensation, as well as the mix of elements used to compensate our named executive officers on an annual basis. In addition, the targeted compensation range for each executive, along with the amount of each program element, is determined by the Compensation Committee. During 2012, the Compensation Committee engaged Pearl Meyer & Partners as its independent compensation consultant to provide advice as discussed in the following paragraph, which advice was used in making 2013 compensation decisions.

#### ***Role of the Independent Compensation Consultant***

The Compensation Committee has the authority to retain a compensation consultant or obtain advice from external legal, accounting or other advisors to assist in the evaluation of senior executive compensation. The Compensation Committee retained Pearl Meyer & Partners as an outside compensation consultant during 2012. Pearl Meyer & Partners was engaged to provide advice with respect to Mr. Heaney's total compensation opportunity and to provide market data regarding other senior executives' base salaries. The Compensation Committee reviewed the independence of Pearl Meyer & Partners in light of new SEC rules and NASDAQ listing standards regarding compensation consultants and has concluded that Pearl Meyer & Partners' work for the Compensation Committee does not raise any conflict of interest. All work performed by Pearl Meyer & Partners is

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subject to review and approval of the Compensation Committee. Pearl Meyer & Partners did not provide any other services to the Company and only received fees from the Company on behalf of the Compensation Committee.

### ***Benchmarking***

To ensure that our executive compensation program is competitive in the industry, we have occasionally benchmarked certain aspects of our compensation program against a peer group of companies. In 2012, we reviewed an analysis of CEO pay at the following peer group companies used by Pearl Meyer & Partners, the Compensation Committee's independent consultant:

Providence Service Corp.  
Advocat Inc.

LHC Group Inc.  
U S Physical Therapy Inc.

Almost Family Inc.  
Sunlink Health Systems Inc.

In determining our peer group, we selected similarly-sized companies which provide comparable services in the healthcare industry. The Compensation Committee targeted Mr. Heaney's total compensation opportunity at the 50<sup>th</sup> percentile of the peer group, on average, though his actual compensation varies based on such factors as external business conditions and the Company's financial performance. Overall performance may result in actual compensation levels that are more or less than the target.

### ***Role of the Executive Officers***

Mr. Heaney regularly participates in meetings of the Compensation Committee at which compensation actions involving our named executive officers are discussed. Mr. Heaney assists the Compensation Committee by making recommendations regarding compensation actions relating to the named executive officers other than himself. Mr. Heaney recuses himself and does not participate in any portion of any meeting of the Compensation Committee at which his compensation is discussed.

### **Elements of Our Executive Compensation Program**

The compensation we provide to our named executive officers is primarily comprised of three elements: base salary, performance-based annual cash bonuses and equity compensation. We believe that offering these elements of compensation allows us to meet each of the objectives of our compensation philosophy, as well as to remain competitive with the market for acquiring executive talent. We also provide our named executive officers with certain other benefits and perquisites that are discussed below under "Other Compensation."

#### ***Base Salary***

We utilize base salary as the primary means of rewarding our named executive officers for their individual job performance, and encouraging them to focus on their most important priorities and initiatives. The Compensation Committee may adjust executive base salary levels based on performance, competitive market conditions, and/or changes in position scope and responsibilities.

We agree upon a base salary with each named executive officer at the time of initial employment or promotion, which historically has been reflected in employment agreements. The amount of base salary initially offered to a new or newly-promoted named executive officer agreed upon, which is not at risk, reflects our views as to the individual named executive officer's scope of anticipated responsibilities; past experience; and future potential to add value through performance, knowledge, skills and expertise. This base salary level is also based on competitive industry salary practices.

A named executive officer may receive a merit-based salary increase to the extent such named executive officer is eligible pursuant to his or her employment agreement. In addition, we may adjust salary due to other circumstances, such as a change in responsibilities or position. Executive merit-based salary increases, to the extent permitted by a named executive officer's employment agreement, have generally been determined based

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on the named executive officer's performance of key Company and divisional or departmental objectives, as well as his or her effectiveness in performing his or her role.

Our named executive officers received the following base salary increases, effective as of March 11, 2013: Mr. Heaney from \$325,000 to \$400,000; Mr. Meulemans from \$250,000 to \$265,000; and Mr. Anderson from \$237,500 to \$265,000. Ms. Berkovich's base salary increased from \$225,000 to \$235,000, effective as of June 18, 2013, per the terms of her employment agreement. Mr. Diamond did not receive an annual base salary increase for 2013. Mr. Diamond terminated his employment with the Company on June 28, 2013.

### *Performance-Based Annual Bonuses*

A significant part of each named executive officer's annual cash compensation is awarded under our individualized performance-based annual bonus plans. Our annual cash bonuses are intended to incentivize and reward our named executive officers for the achievement of certain financial objectives, and are dependent on the attainment of corporate performance goals and individually tailored performance criteria. These objectives are separated so that a named executive officer may be paid a bonus for meeting one objective even if he or she fails to meet other objectives. Performance-based annual bonuses are designed so that a significant portion is at risk, and that the named executive officer will only receive the maximum bonus if his or her performance exceeds our expectations.

Our financial objectives are established to drive performance at or above Company budgetary levels, requiring that internal budget levels be exceeded to achieve the maximum bonus potential. Individual performance objectives are intended to add economic value and align each named executive officer's compensation with expectations of leadership and achievement placed on the individual to realize various aspects of our business plan.

For Mr. Heaney, the award opportunity for 2013 performance was based 100% on the achievement of certain levels of EBITDA (earnings before interest expense, income taxes, depreciation and amortization). For each of Messrs. Meulemans, Anderson and Diamond and Ms. Berkovich, the award opportunity for 2013 performance was based 75% on the achievement of certain levels of EBITDA and 25% on the achievement of individual performance goals (MIT goals). The target EBITDA goal was set based on the budget/forecast for the period reflecting a level of performance which at the time was anticipated to be challenging, but achievable. The threshold EBITDA goal was set to be reflective of performance at which the Compensation Committee believed a portion of the award opportunity should be earned. The maximum level was set well above the target, requiring exemplary performance. The MIT goals were separately established for each named executive officer other than Mr. Heaney and were anticipated to be challenging, but achievable. MIT performance is measured based on the Compensation Committee's subjective evaluation of the named executive officer's performance during the fiscal year. The table which follows provides the EBITDA performance targets established by the Compensation Committee for 2013 as well as the actual level of performance achieved (dollars in thousands):

	EBITDA GOALS			
	Threshold	Target	Maximum	Actual
EBITDA	\$ 15,820	\$ 18,612	\$ 22,334	\$ 18,906

The target amount for each annual performance bonus is set as a percentage of the named executive officer's base salary, as set forth in the executive's employment agreement, and is based on the achievement of certain performance objectives. The target opportunity for Mr. Heaney in 2013 was 60% of base salary. For each of Messrs. Meulemans, Anderson and Diamond and Ms. Berkovich, the target opportunity was 40%. Threshold performance objectives must be met in order for any payout to occur and payouts cannot exceed the maximum level, as set forth in the table below. The bonus plans are structured so that a named executive officer may receive a portion of the target amount based on

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achievement of one or more financial or non-financial objectives, but may not receive another portion of the bonus if other objectives are not achieved. The following table shows the annual incentive opportunities and actual bonus percentages earned for our named executive officers with respect to 2013 performance:

Name	Base Salary	EBITDA			Actual % of Base Salary Earned	MIT			Actual % of Base Salary Earned
		Threshold % of Base Salary	Target % of Base Salary	Maximum % of Base Salary		Threshold % of Base Salary	Target % of Base Salary	Maximum % of Base Salary	
Mr. Heaney	\$ 400,000	20	60	100	64				
Mr. Meulemans	\$ 265,000	7.5	30	52.5	33	2.5	10	17.5	12.75
Mr. Anderson	\$ 265,000	7.5	30	52.5	33	2.5	10	17.5	10.35
Ms. Berkovich	\$ 225,000	7.5	30	52.5	33	2.5	10	17.5	13
Mr. Diamond	\$ 174,200	7.5	30	52.5		2.5	10	17.5	

The Compensation Committee makes recommendations to the Board regarding the actual annual bonus amount payable to Mr. Heaney based on the extent to which his annual bonus plan objectives have been achieved. Mr. Heaney makes recommendations to the Compensation Committee regarding the actual annual bonus amounts payable to the other named executive officers based on the extent to which their annual bonus plan objectives have been achieved. Mr. Diamond did not receive an annual bonus with respect to his 2013 performance due to his termination of employment on June 28, 2013. The respective award amounts for the other named executive officers are set forth in the Summary Compensation Table.

***Long-Term Incentive Awards and Equity Compensation***

We believe compensation in the this form of incentive equity awards aligns the interests of our named executive officers with the interests of our shareholders, and rewards our named executive officers for superior corporate performance. We believe this form of compensation is particularly effective for those individuals who have the most impact on the management and success of our business, providing them with a valuable long-term incentive while providing us with a valuable retention tool through the use of vesting periods. We also believe that equity incentives are an important part of a competitive compensation structure necessary to attract and retain talented named executive officers.

The long-term incentive component of our executive compensation program is designed to provide our senior management with performance-based award opportunities, to drive superior long-term performance and to align the interests of our senior management with those of our shareholders.

**2013 Awards**

On March 11, 2013, the Company granted long-term incentive awards to certain of our named executive officers in the form of stock options and restricted stock under the Addus HomeCare Corporation 2009 Stock Incentive Plan (the "2009 Plan"), in accordance with the following table:

	Annual Option Awards (#)	Special Option Awards (#)	Special Restricted Stock Award (#)
Mr. Heaney	12,500	100,000	50,000
Mr. Meulemans	8,556	7,500	
Mr. Anderson	4,453	7,500	
Ms. Berkovich			
Mr. Diamond	6,125		

The annual option award levels were determined based on performance in relation to the EBITDA and MIT goals established with respect to 2012 performance. The annual option awards vest in equal one-third

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installments on each of the first three anniversaries of the grant date. The special option awards were granted in amounts necessary to achieve the Company's goals of rewarding high performance and to enhance its retention efforts. The special option awards vest in equal one-fourth installments on each of the first four anniversaries of the grant date. For all 2013 option awards, such options would be forfeited upon a termination for Cause (whether or not vested) or become fully vested upon a Change in Control or upon the named executive officer's death or Disability (each term as defined in the 2009 Plan). The 2013 option awards generally remain exercisable for a maximum of three months following the named executive officer's termination for any reason, except (i) all options are forfeited upon a termination for Cause, (ii) vested options remain exercisable for a period of six months following termination in the event of the named executive officer's Retirement and (iii) vested options remain exercisable for a period of twelve months following termination in the event of the named executive officer's death or Disability (each term as defined in the 2009 Plan).

The special restricted stock award to Mr. Heaney was granted in an amount necessary to achieve the Company's goals of rewarding high performance and to enhance its retention efforts. This award vests in equal one-fourth installments on each of the first four anniversaries of the grant date. The restricted stock would be forfeited upon a termination for Cause (to the extent unvested) or become fully vested upon a Change in Control or upon Mr. Heaney's death or Disability (each term as defined in the 2009 Plan).

## **2014 Awards**

On April 4, 2014, the Company granted long-term incentive awards to certain of our named executive officers in the form of stock options under the 2009 Plan, in accordance with the following table:

	<b>Annual Option Awards (#)</b>
Mr. Heaney	17,850
Mr. Meulemans	12,856
Mr. Anderson	12,698
Ms. Berkovich	10,225
Mr. Diamond	

The annual option award levels were determined based on performance in relation to the EBITDA and MIT goals established with respect to 2013 performance, as described above in the "Performance-Based Annual Bonuses" section. These awards contain substantially the same material terms as the 2013 annual option grants, as described above in the "2013 Awards" section.

## **Other Compensation**

In addition to the primary compensation elements discussed above, we provide our named executive officers with limited benefits and perquisites as described below in footnote 4 to the Summary Compensation Table. We consider these additional benefits to be a part of a named executive officer's overall compensation. These benefits generally do not impact the level of other compensation paid to our named executive officers, due to the fact that the incremental cost to us of these benefits and perquisites represents a small percentage of each named executive officer's total compensation package. We believe that these enhanced benefits and perquisites provide our named executive officers with security, convenience and support services that allow them to focus attention on carrying out their responsibilities to us. In addition, we believe that these benefits and perquisites help us to be competitive and retain talented executives.

In addition, we offer other employee benefits to our named executive officers for the purpose of meeting current and future health and security needs for the named executive officers and their families. These benefits, which we generally offer to all eligible employees, include medical, dental and life insurance benefits, short-term

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disability pay, long-term disability insurance, flexible spending accounts for medical expense reimbursements and a 401(k) retirement savings plan, which matches 6% of each dollar of compensation contributed to the plan by the employee, up the maximum allowed by the Internal Revenue Service.

### **Change in Control and Severance**

Each of our named executive officers is eligible to receive contractually-provided severance benefits pursuant to his or her employment agreement. These severance benefits are generally intended to match the terms that we believe to be standard within the market, show the named executive officer that we have made an investment in the named executive officer and provide stability for both us and the named executive officer in a competitive market for qualified talent. We believe that providing severance protection to our named executive officers upon their involuntary termination of employment is an important retention tool that is necessary in the competitive marketplace for talented executives. We believe that the amounts of these payments and benefits and the periods of time during which they would be provided are fair and reasonable. We generally do not take into account any amounts that may be received by a named executive officer following termination of employment when establishing current compensation levels. The terms of each arrangement were determined in negotiation with the applicable named executive officer in connection with his or her hiring and were not based on any set formula. Our equity award agreements with each of the named executive officers also generally provide for unvested options or restricted stock to vest immediately upon a Change in Control of the Company.

We believe that these change in control and severance arrangements provide additional benefits to the Company by allowing us to receive certain covenants from our named executive officers in partial consideration of the compensation to be received upon a Change in Control or termination without Reasonable Cause. These covenants include agreements not to compete, agreements not to solicit our employees, payors or consumers, agreements not to disclose trade secrets and agreements not to disparage the Company. These covenants are described in further detail below under Potential Payments upon Termination or Change in Control.

### **Anti-Hedging of Company Stock**

According to the Company's Insider Trading Policy, directors, officers and employees are prohibited from buying or selling put options, call options or other derivatives of Company stock, and from short sales of Company stock, without obtaining the consent of the Company's Compliance Officer and the Board of Directors (or a duly appointed committee thereof).

### **Financial Restatements**

The Compensation Committee has not adopted a policy with respect to whether we will make retroactive adjustments to any cash- or equity-based incentive compensation paid to named executive officers (or others) where the payment was predicated upon the achievement of financial results that were subsequently the subject of a restatement. The Compensation Committee believes that this issue is best addressed when the need actually arises, when all of the facts regarding the restatement are known. However, the Company intends to adopt a compensation recoupment policy that will comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act when such requirements become effective.

### **Effect of Accounting and Tax Treatment on Compensation Decisions**

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) imposes a limitation on the deductibility of non-performance-based compensation in excess of \$1 million for the Chief Executive Officer of the Company and each of the three next most highly compensated executive officers (other than the Chief Financial Officer). The 2009 Plan, which is proposed to be amended pursuant to Proposal 3, is designed to allow us to grant awards that may qualify for the performance-based exception to the Code Section 162(m) deductibility limit. Historically, while the Company has generally considered the financial accounting and tax

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implications of executive compensation decisions, these implications have not been material considerations and compensation has not been specifically designed to meet the Code Section 162(m) performance-based exception because our named executive officers generally have received compensation which is below the \$1 million threshold for Code Section 162(m) purposes. The Compensation Committee retains the flexibility to award compensation that may exceed the limitation on deductibility under Code Section 162(m) when it believes it is in the Company's and shareholders' best interests.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with management and based on such review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

The foregoing report has been approved by all members of the Compensation Committee.

Steven I. Geringer (Chairman)

Mark L. First

Simon A. Bachleda

**Summary Compensation Table**

The following table provides information regarding the compensation earned by each of our named executive officers for the fiscal years ended December 31, 2013, 2012 and 2011. In accordance with SEC rules, compensation data is not presented for 2011 and 2012 with respect to Ms. Berkovich because she was not a named executive officer in those years.

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
Mark S. Heaney <i>President and Chief Executive Officer</i>	2013	384,275	445,500	467,500	256,000	43,478	1,596,753
	2012	325,000			107,900	43,909	476,809
	2011	325,000		56,000	65,000	43,839	489,839
Dennis Meulemans, <i>Chief Financial Officer, Vice President and Secretary</i>	2013	261,875		66,960	121,237	4,717	454,789
	2012	250,000			60,950	1,034	311,984
	2011	250,000			50,000	1,320	301,320
Darby Anderson, <i>Senior Vice President Operations</i>	2013	261,875		49,812	114,878	8,549	435,114
	2012	237,500		12,780	97,969	7,570	355,819
	2011	225,000		25,200	56,250	6,992	313,442
Inna Berkovich, <i>Chief Information Officer</i>	2013	235,000			103,500	681	339,181
Paul Diamond <i>Former Vice President of Human Resources</i>	2013	87,100		25,235		263,875	376,210
	2012	169,250			41,466	1,878	212,594
	2011	164,300		33,600	32,400	1,878	232,178

- (1) This column discloses the grant date fair value of the special restricted stock award granted to Mr. Heaney in 2013, calculated in accordance with FASB ASC Topic 718. The assumptions we used in valuing the award are described under the caption "Stock Options and Restricted Stock Awards" in Note 10 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2013.



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- (2) This column discloses the grant date fair value of option awards calculated in accordance with FASB ASC Topic 718. The assumptions we used in valuing options are described under the caption Stock Options and

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Restricted Stock Awards in Note 10 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2013.

(3) Reflects annual cash incentive awards earned pursuant to the Company's annual bonus program. For information regarding our annual bonus program, see Compensation Discussion and Analysis *Performance-Based Annual Bonuses*.

(4) Other compensation for 2013 includes the following amounts:

Mr. Heaney: premiums paid by us for a whole life insurance plan for the benefit of Mr. Heaney (\$27,596), term life insurance premiums paid by us for the benefit of Mr. Heaney (\$3,665), life/disability policy premiums (\$2,356) and reimbursement for the use of a Company vehicle (\$9,861).

Mr. Meulemans: matching contributions paid under our 401(k) plan (\$1,446) and Company contributions under the Executive Nonqualified Excess Plan (the Excess Plan) (\$3,271).

Mr. Anderson: term life insurance premiums paid by us for the benefit of Mr. Anderson (\$2,381), reimbursement for the use of a Company vehicle (\$5,349) and matching contributions paid under our 401(k) plan (\$819).

Ms. Berkovich: term life insurance premiums paid by us for the benefit of Ms. Berkovich (\$681).

Mr. Diamond: term life insurance premiums paid by us for the benefit of Mr. Diamond, (\$1,878), matching contributions paid under our 401(k) plan (\$529), Company contributions under the Excess Plan (\$2,672) and, in connection with his termination of employment with the Company on June 28, 2013, Mr. Diamond received the following severance amounts pursuant to his separation agreement dated June 28, 2013 a cash severance payment (\$243,880) and continuation of benefits for a period of 12 months (\$14,916).

### Grants of Plan-Based Awards in 2013

The following table sets forth each grant of plan-based awards to our named executive officers during 2013:

Name	Grant Date	Threshold (\$)	Target (\$)	Maximum (\$)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$)	Grant Date Fair Value of Stock and Option Awards (\$)(1)
Mark S. Heaney	3/11/13	80,000	240,000	400,000		12,500	8.91	51,500
	3/11/13					100,000	8.91	416,000
	3/11/13				50,000			467,500
Dennis Meulemans	3/11/13	26,500	106,000	185,500		8,556	8.91	35,760
	3/11/13					7,500	8.91	31,200
Darby Anderson	3/11/13	26,500	106,000	185,500		4,453	8.91	18,612
	3/11/13					7,500	8.91	31,200
Inna Berkovich		23,500	94,000	164,500				
Paul Diamond		17,420	69,680	121,940				

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3/11/13

6,125

8.91

25,235

- (1) This column discloses the grant date fair value of restricted stock and option awards calculated in accordance with FASB ASC Topic 718. The assumptions we used in valuing the awards are described under the caption **Stock Options and Restricted Stock Awards** in Note 10 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2013.

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### Outstanding Equity Awards at 2013 Fiscal Year End

The following table lists all outstanding equity awards held by our named executive officers as of December 31, 2013:

Name	Number of Securities Underlying Unexercised Options (#)		Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested \$(9)
	Exercisable	Unexercisable				
Mark S. Heaney	179,863		9.26	12/7/2016		
	43,200	10,800(2)	10.00	10/27/2019		
	13,334	6,666(3)	5.93	5/9/2021		
		12,500(4)	8.91	3/11/2023		
		100,000(5)	8.91	3/11/2023		
					50,000	1,122,500
Dennis Meulemans	45,000	30,000(6)	4.06	7/16/2018		
		8,556(4)	8.91	3/11/2023		
		7,500(5)	8.91	3/11/2023		
Darby Anderson	59,951		9.26	12/7/2016		
	6,000	3,000(3)	5.93	5/9/2021		
	2,000	4,000(7)	4.62	4/30/2022		
		4,453(4)	8.91	3/11/2023		
		7,500(5)	8.91	3/11/2023		
Inna Berkovich	6,000	24,000(8)	4.45	6/18/2022		
Paul Diamond(1)						

- (1) Mr. Diamond forfeited his unvested options in connection with his termination from the Company on June 28, 2013.
- (2) Mr. Heaney's unexercisable options will vest on October 27, 2014.
- (3) Unexercisable options for Messrs. Heaney and Anderson will vest on May 9, 2014.
- (4) Unexercisable options for Messrs. Heaney, Meulemans and Anderson vest in three equal installments on each of March 11, 2014, 2015 and 2016.
- (5) Unexercisable options for Messrs. Heaney, Meulemans and Anderson vest in four equal installments on each of March 11, 2014, 2015, 2016 and 2017.
- (6) Mr. Meulemans' unexercisable options will vest in two equal installments on each of November 29, 2014 and 2015.
- (7) Mr. Anderson's unexercisable options vest in two equal installments on each of April 30, 2014 and 2015.

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- (8) Ms. Berkovich's unexercisable options will vest in four equal installments on each of June 18, 2014, 2015, 2016 and 2017.
- (9) The value for Mr. Heaney equals the number of shares of unvested restricted stock held by Mr. Heaney as of December 31, 2013, multiplied by the market price of Company common stock at the close of December 31, 2013, which was \$22.45 per share.

**Table of Contents****Option Exercises During Fiscal Year 2013**

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)
Paul Diamond	41,728	538,225

**Pension Benefits**

None of our named executive officers participates in or has account balances in qualified or non-qualified defined benefit pension plans sponsored by us.

**2013 Nonqualified Deferred Compensation**

Name(1)	Executive Contributions in Last FY	Company Contributions in Last FY(2)	Aggregate Earnings in Last FY	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last FYE
Dennis Meulemans	\$ 55,558	\$ 3,271	\$	\$	\$ 75,392
Paul Diamond	\$ 38,516	\$ 2,672	\$ 19,930	\$ 18,047	\$ 72,513

(1) Messrs. Heaney and Anderson and Ms. Berkovich do not participate in the Excess Plan.

(2) Amounts are included in the All Other Compensation column of the 2013 Summary Compensation Table.

On April 1, 2012, the Company adopted the Excess Plan. The Excess Plan is a nonqualified deferred compensation plan, pursuant to which certain highly compensated employees, management or independent contractors may elect to make deferrals of compensation that are not subject to the various limits imposed by the Code on qualified retirement plans. During 2013, only Messrs. Meulemans and Diamond participated in the Excess Plan.

The Company may make discretionary contributions to a participant's deferred compensation account, which vest in increments based on the participant's number of years of service and become fully vested upon the participant's completion of five years of service (or, if earlier, upon the participant's death or disability or upon a Change in Control event as defined in the Excess Plan). The Excess Plan is administered by the management of the Company and the Company may also make discretionary credits to a participating employee's deferred compensation account.

Distributions of amounts under the Excess Plan are made (i) in a lump sum upon the participant's death or disability or (ii) in a lump sum or in annual installments for a term not to exceed 10 years, at the participant's election, upon the participant's retirement or separation from service. Plan earnings under the Excess Plan are generally tied to rates of return on investment choices selected by plan participants. The Excess Plan is an unfunded, nonqualified deferred compensation plan that is intended to comply with the requirements of Code Section 409A.

**Employment Agreements**

We have entered into employment agreements with each of our named executive officers.

***Employment Agreement with Mr. Heaney***

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We entered into an employment agreement with Mr. Heaney on May 6, 2008. Mr. Heaney's employment agreement was amended first, in connection with the Company's IPO and again, in November 2011, to extend

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the initial term of the agreement until September 19, 2012; after the initial term, the agreement automatically renews for successive one-year terms, unless either party provides at least 30 days' notice prior to the expiration of the applicable term of its intention not to renew the agreement. Under the agreement, Mr. Heaney's base salary was originally \$325,000 per year, subject to review and adjustment in the sole discretion of our Compensation Committee. Effective March 2013, the Compensation Committee increased Mr. Heaney's annual base salary to \$400,000.

For the year ended December 31, 2013, Mr. Heaney was eligible to receive target and maximum bonus amounts of 60% and 100% of base salary, respectively, based on the achievement of certain EBITDA targets, calculated to exclude acquisitions completed during the fiscal year. In addition, under the agreement, Mr. Heaney is entitled to receive a Company vehicle and to participate in all employee benefit programs generally available to senior executives of the Company, as well as to receive a ten-year level term life insurance policy with a minimum death benefit equal to five times his base salary, although we are not required to pay more than 3% of Mr. Heaney's base salary for such insurance policy. In addition, Mr. Heaney is the beneficiary under a whole life insurance plan, under which we pay an annual premium of approximately \$28,000. Mr. Heaney is entitled to receive severance benefits upon termination of employment as described below under Potential Payments upon Termination or Change in Control.

### ***Employment Agreement with Mr. Meulemans***

We entered into an employment agreement with Mr. Meulemans on November 29, 2010. The initial term of Mr. Meulemans' agreement is four years from the agreement's effective date; after the initial term, the agreement automatically renews for successive one-year terms, unless the Company provides at least thirty days' notice prior to the expiration of the applicable term of its intention not to renew the agreement. Under the agreement, Mr. Meulemans' base salary was originally \$250,000, subject to review and adjustment upward by our Compensation Committee. Effective March 2013, the Compensation Committee increased Mr. Meulemans' annual base salary to \$265,000.

For the year ended December 31, 2013, Mr. Meulemans was eligible to receive an annual bonus in an amount equal to between 10% and 70% of his annual base salary, depending on the achievement of certain objectives and target levels determined by the Board. Mr. Meulemans is also entitled to participate in the Company's health, disability, 401(k) and vacation plans, as well as a life insurance policy with a death benefit of up to five times his base salary, although the Company is not required to pay more than 3% of Mr. Meulemans' base salary for such insurance policy. Mr. Meulemans is entitled to receive severance benefits upon termination of employment as described below under Potential Payments upon Termination or Change in Control.

### ***Employment Agreement with Mr. Anderson***

We entered into an employment agreement with Mr. Anderson on August 27, 2007. Mr. Anderson's employment agreement was amended in connection with the Company's IPO. The initial term of Mr. Anderson's agreement was four years from the agreement's effective date; after the initial term, the agreement automatically renews for successive one-year terms, unless the Company provides at least thirty days' notice prior to the expiration of the applicable term of its intention not to renew the agreement. Under the agreement, Mr. Anderson's base salary was originally \$185,000, subject to annual review and adjustment by the Board on or about January 1 of each year starting in 2009. Effective March 2013, the Compensation Committee increased Mr. Anderson's annual base salary to \$265,000.

For the year ended December 31, 2013, Mr. Anderson was eligible to receive a target bonus of 40% of base salary, based 75% on the achievement of Company EBITDA and 25% on personal objectives. In addition, under the agreement, Mr. Anderson is entitled to receive benefits paid to similarly situated employees, which includes, at a minimum, participation in health, disability and vacation plans, as well as receipt of a life insurance policy with a death benefit of up to five times his base salary, although we are not required to pay more than 3% of



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Mr. Anderson's base salary for such insurance policy. Mr. Anderson is entitled to receive severance benefits upon termination of employment as described below under Potential Payments upon Termination or Change in Control.

### ***Employment Agreement with Ms. Berkovich***

We entered into an employment agreement with Ms. Berkovich on June 18, 2012. The initial term of Ms. Berkovich's agreement was four years from the agreement's effective date; after the initial term, the agreement automatically renews for successive one-year terms, unless either party provides at least thirty days' notice prior to the expiration of the applicable term of its intention not to renew the agreement. Under the agreement, Ms. Berkovich's base salary was set at \$225,000 for the first 12 months of the term, \$235,000 for the second 12 months of the term and \$245,000 for the third 12 months of the term, subject to annual review and adjustment by the board of directors of the Company thereafter.

For the year ended December 31, 2013, Ms. Berkovich was eligible to receive a target bonus of 40% of base salary, based 75% on the achievement of Company EBITDA and 25% on personal objectives. In addition, under the agreement, Ms. Berkovich is entitled to receive benefits paid to similarly situated employees, which includes, at a minimum, participation in health, disability and vacation plans, as well as receipt of a life insurance policy with a death benefit of up to five times her base salary, although we are not required to pay more than 3% of Ms. Berkovich's base salary for such insurance policy. Ms. Berkovich is entitled to receive severance benefits upon termination of employment as described below under Potential Payments upon Termination or Change in Control.

### ***Employment Agreement with Mr. Diamond***

Mr. Diamond terminated his employment with the Company on June 28, 2013 and entered into a separation agreement with the Company which superseded the terms of his employment agreement, as described below under Potential Payments upon Termination or Change in Control.

Previously, we entered into an employment agreement with Mr. Diamond on March 23, 2007, which became effective as of March 5, 2007. Mr. Diamond's employment agreement was amended in connection with the IPO. The initial term of Mr. Diamond's agreement was four years from the agreement's effective date; after the initial term, the agreement automatically renewed for successive one-year terms, unless the Company provided at least thirty days' notice prior to the expiration of the applicable term of its intention not to renew the agreement. Under the agreement, Mr. Diamond's base salary was originally \$150,000 for the first 12 months of continuous employment and \$155,000 annually thereafter, subject to annual review and adjustment by the Board on or about March 5 of each year starting in 2008.

Mr. Diamond was eligible to receive a target bonus of 40% of base salary, based 75% on the achievement of Company EBITDA and 25% on personal objectives. In addition, Mr. Diamond was entitled to receive benefits paid to similarly situated employees, which included, at a minimum, participation in health, disability and vacation plans, as well as receipt of a life insurance policy with a death benefit of up to five times his base salary, although we were not required to pay more than 3% of Mr. Diamond's base salary for such insurance policy.

### **Potential Payments upon Termination or Change in Control**

We have entered into employment agreements with Messrs. Heaney, Meulemans and Anderson and Mr. Berkovich, described above, that provide for payments and benefits in the event of termination of employment. Mr. Diamond received severance benefits pursuant to his separation agreement, as described below. Under the employment agreements, each such named executive officer is entitled to severance benefits if we terminate his employment other than for Reasonable Cause (and Messrs. Heaney and Meulemans and Ms. Berkovich are entitled to severance enhancements in the event they experience a termination by the

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Company without Reasonable Cause in connection with a Change in Control). Mr. Meulemans and Ms. Berkovich are also entitled to severance benefits if they resign with Good Reason.

### ***Reasonable Cause***

Under the employment agreement for Mr. Heaney, Reasonable Cause is defined as:

the commission of any act involving the misuse or misappropriation of our money or other property or the commission of a felony;

habitual use of drugs or intoxicants;

willful engagement in gross misconduct that is materially and demonstrably injurious to us;

death, mental or physical disability so that he would be unable to perform his duties in a manner satisfactory to us for 180 days out of any consecutive 12-month period; or

violation of any material term or provision of his employment agreement, if unremedied within 30 days after notice.

Under the employment agreements for Mr. Meulemans and Ms. Berkovich, Reasonable Cause is defined as:

material breach or omission by the executive of any of his or her duties or obligations under his or her employment agreement, if unremedied after notice;

the executive engaging in any action that materially damages, or that may reasonably be expected to materially damage, the Company or our business or goodwill;

any breach by the executive officer of his or her fiduciary duties;

commission of any act involving fraud, the misuse or misappropriation of our money or property, any felony, the habitual use of drugs or other intoxicants or chronic absenteeism;

gross negligence or willful misconduct by the executive;

failure to perform any material duty in a timely and effective manner, including intentional disregard of any directive from the Chief Executive Officer, or Board; or

failure to perform any material directive in a timely and effective manner, with a failure to timely cure such nonperformance after notice.

Under the employment agreements for Mr. Anderson, Reasonable Cause is defined as:

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death or mental or physical disability of the executive so that the executive would be unable to perform his duties in a manner satisfactory to us for 90 days out of any consecutive 180-day period;

material breach or omission by the executive of any of his duties or obligations under his or her employment agreement, except for those caused by the executive's disability;

the executive engaging in any action that materially damages, or that may reasonably be expected to materially damage, the Company or our business or goodwill;

any breach by the executive officer of his fiduciary duties;

commission of any act involving fraud, the misuse or misappropriation of our money or property, any felony, the habitual use of drugs or other intoxicants or chronic absenteeism;

gross negligence or willful misconduct by the executive which is materially injurious to the Company;

gross insubordination by the executive, including intentional disregard of any directive from the President and Chief Executive Officer, or Board; or

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failure to perform any material duty in a timely and effective manner, with a failure to timely cure such nonperformance after notice.

### ***Good Reason***

Under the employment agreements for Mr. Meulemans and Ms. Berkovich, Good Reason is defined as:

any reduction in base salary;

any willful breach by the Company of any material term of the agreement, other than a breach which is remedied by the Company within 10 days after receipt of written notice given by the executive; or

the Company's provision of written notice to the executive of its intention not to renew the agreement prior to the expiration of the initial employment term or any additional employment term.

### ***Severance Benefits***

If we terminate a named executive officer's employment other than for Reasonable Cause (or, in the case of Mr. Meulemans and Ms. Berkovich only, the executive resigns for Good Reason), then, generally, such executive is entitled to the following:

*Mr. Heaney* (i) unpaid base salary for any period prior to the effective date of termination, (ii) accrued but unpaid bonus with respect to a prior completed period and (iii) accrued but unpaid benefits, including accrued vacation time and unused holidays. In addition, subject to strict compliance with the noncompetition, confidentiality and other covenants, Mr. Heaney would receive severance pay equal to three times his annual base salary determined at the time of termination and payable on the Company's regular pay dates for three years following termination of Mr. Heaney's employment with the Company.

*Mr. Meulemans* (i) unpaid base salary for any period prior to the effective date of termination, (ii) a pro rata payment of bonus for any period prior to the effective date of termination, (iii) accrued but unpaid benefits, including accrued vacation time and unused holidays (including life and disability insurance benefits if terminated due to death or disability) and (iv) outplacement services reimbursement up to \$10,000. In addition, subject to strict compliance with the noncompetition, confidentiality and other covenants, Mr. Meulemans would receive (i) severance pay equal to three-quarters of Mr. Meulemans' annual cash compensation, which is defined as the sum of the highest base salary in effect for the executive, plus the greater of the prior year's bonus or the annualized amount of the executive's target bonus (provided that the bonus portion of the severance payment shall not exceed 50% of annual base salary), payable in equal installments for 12 months following termination; provided, that for every 12-month period Mr. Meulemans remains employed after his first year, Mr. Meulemans shall become entitled to one additional month of severance up to a total of 12 months' severance total (the Meulemans Severance Period), plus (ii) a cash payment equal to the Company's share of COBRA premiums for the Meulemans Severance Period.

*Mr. Anderson* (i) unpaid base salary for any period prior to the effective date of termination, (ii) a pro rata payment of bonus for any period prior to the effective date of termination and (iii) accrued but unpaid benefits, including accrued vacation time and unused holidays. In addition, subject to strict compliance with the noncompetition, confidentiality and other covenants, Mr. Anderson would receive (i) severance pay for one year equal to Mr. Anderson's annual cash compensation, which is defined as the sum of the highest base salary in effect for the executive, plus the greater of the prior year's bonus or the annualized amount of the executive's maximum target bonus (provided that the bonus portion of the severance payment shall not exceed 50% of annual base salary), plus (ii) a cash payment equal to the Company's share of COBRA premiums for a period of 12 months.

*Ms. Berkovich* (i) unpaid base salary for any period prior to the effective date of termination, (ii) a pro rata payment of bonus for any period prior to the effective date of termination, (iii) accrued but



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unpaid benefits, including accrued vacation time and unused holidays (including life and disability insurance benefits if terminated due to death or disability) and (iv) outplacement services reimbursement up to \$10,000. In addition, subject to strict compliance with the noncompetition, confidentiality and other covenants, Ms. Berkovich would receive (i) severance pay equal to one-half of Ms. Berkovich's annual cash compensation, which is defined as the sum of the highest base salary in effect for the executive, plus the greater of the prior year's bonus or the annualized amount of the executive's target bonus (provided that the bonus portion of the severance payment shall not exceed 50% of annual base salary), payable in equal installments for 12 months following termination; provided, that for every 12-month period Ms. Berkovich remains employed after her first year, Ms. Berkovich shall become entitled to one additional month of severance up to a total of 12 months' severance total (the Berkovich Severance Period), plus (ii) a cash payment equal to the Company's share of COBRA premiums for the duration of the Berkovich Severance Period.

### ***Change in Control Severance Enhancements***

Messrs. Heaney and Meulemans and Ms. Berkovich are entitled to severance enhancements in the event they experience a termination by the Company without Reasonable Cause in connection with a Change in Control (as defined in their employment agreements), as follows:

*Mr. Heaney* if a Change in Control of the Company occurs less than two years prior to or 18 months after termination without Reasonable Cause, then he would receive the remainder of his severance in a lump sum, and the total amount of Mr. Heaney's severance would be increased to include the average bonus paid over the previous two fiscal years, rather than just base salary. Furthermore, if any payments in connection with a termination or Change in Control would be subject to the excise tax on excess parachute payments as defined in Code Section 280G, he would be entitled to a tax gross-up payment from us sufficient so that after paying ordinary income taxes and the excise tax on the tax gross-up payment, the balance of the payment will be equal to the excise tax on the other excess parachute payments, with the effect that he will be economically in the same position as he would have been had such excise tax not been applied.

*Mr. Meulemans* if Mr. Meulemans is terminated by the Company without Reasonable Cause within 12 months of a Change in Control of the Company, then he would receive, in lieu of the amounts described above in Severance Benefits, his annual cash compensation, which is defined as the sum of the highest base salary in effect for the executive, plus the greater of the prior year's bonus or the annualized amount of the executive's target bonus (provided that the bonus portion of the severance payment shall not exceed 50% of annual base salary), payable in equal installments for 12 months following termination.

*Ms. Berkovich* if Ms. Berkovich is terminated by the Company without Reasonable Cause within 12 months of a Change in Control of the Company, then she would receive, in lieu of the amounts described above in Severance Benefits, (i) her annual cash compensation, which is defined as the sum of the highest base salary in effect for the executive, plus the greater of the prior year's bonus or the annualized amount of the executive's target bonus (provided that the bonus portion of the severance payment shall not exceed 50% of annual base salary), payable in equal installments for 12 months following termination, plus (ii) continued benefits for a period of 12 months.

### ***Treatment of Equity Awards***

#### **Upon a Change in Control or the Executive's Death or Disability**

Pursuant to their award agreements, all of our named executive officers are also entitled to accelerated vesting of their unvested options and restricted stock upon a Change in Control of the Company or the named executive officer's death or Disability (each as defined in the 2009 Plan).

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### **Post-Termination Option Exercise Periods**

Under the 2009 Plan, options generally remain exercisable for a maximum of three months following the named executive officer's termination for any reason, except (i) all options are forfeited upon a termination for Cause, (ii) vested options remain exercisable for a period of six months following termination in the event of the named executive officer's Retirement and (iii) vested options remain exercisable for a period of twelve months following termination in the event of the named executive officer's death or Disability (each term as defined in the 2009 Plan).

Prior to our IPO, awards were granted under the 2006 Addus HomeCare Corporation Stock Incentive Plan (the "2006 Plan"). Under the 2006 Plan, the option agreements provide that the named executive officer will have the right to exercise the vested portion of any option held at termination for at least 30 days following termination of his or her service for any reason other than cause and that the named executive officer will have the right to exercise the option for at least six months if the individual's service terminates due to death or a qualifying disability. No further awards will be granted under the 2006 Plan.

### ***Restrictive Covenants***

The right for Mr. Heaney to receive severance, except for payments made to Mr. Heaney in connection with a Change in Control as described above, is conditioned on strict compliance with certain covenants, including:

noncompetition for a period of three years in any portion of the United States and any other jurisdiction in which any product, process, good or service has been manufactured, provided, sold or offered or promoted for sale by the Company during the two year period preceding Mr. Heaney's termination or in any location where the Company has devoted substantial expense in anticipation of launching into such geographic area;

nonsolicitation of business from any of our consumers or payors;

nonsolicitation of our employees, referral sources or other business contacts;

nondisclosure of trade secrets; and

nondisparagement of the Company.

The right for Messrs. Meulemans and Anderson and Ms. Berkovich to receive severance, except for payments made to Messrs. Meulemans and Ms. Berkovich in connection with a Change in Control as described above, is conditioned on strict compliance with certain covenants of our named executive officers, including:

noncompetition within 30 miles of any of our locations for a period of the greater of one year after the executive officer's termination or the period during which the executive is receiving severance payments;

nonsolicitation of business from any of our consumers or payors;

nonsolicitation of our employees, referral sources or other business contacts;

nondisclosure of trade secrets; and

nondisparagement of the Company.

***Mr. Diamond's Separation Agreement***

Mr. Diamond entered into a separation agreement with the Company on June 28, 2013 which superseded his existing employment agreement and described his severance entitlements upon his termination of employment. Pursuant to this agreement, Mr. Diamond became entitled to the following severance payments and benefits: (i) a cash amount of \$243,880, which is payable in equal installments over 12 months following the termination date (which amount may be reduced to \$50,000 at the election of the Company if Mr. Diamond obtains other employment during this 12 month post-termination period), (ii) continuation of benefits for a period of up to 12



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months or until Mr. Diamond becomes employed by another company and (iii) limited post-termination option exercise periods with respect to his vested options. Mr. Diamond agreed to the following restrictive covenants following his termination of employment: (i) noncompetition within 30 miles of any of our locations for a period of 12 months following his termination of employment, (ii) nonsolicitation of business from any of our consumers or payors for a period of 12 months following his termination of employment, (iii) nonsolicitation of our employees, referral sources or other business contacts for a period of 12 months following his termination of employment, (iv) nondisclosure of trade secrets and (v) nondisparagement of the Company.

**Potential Payments upon Termination or Change in Control Table**

The following table sets forth information concerning the payments that would be received by each named executive officer upon various termination of employment scenarios, assuming the termination occurred on December 31, 2013. The table below only shows additional amounts that the named executive officers would be entitled to receive upon termination, and does not show other items of compensation that may be earned and payable at such time such as earned but unpaid base salary, bonuses or benefits.

Name	Payments on Termination without Reasonable Cause or for Good Reason			Value of Accelerated Equity Awards (\$)(1)	Payments on Termination without Reasonable Cause in Connection with a Change in Control			Total(\$)
	Severance(\$)	Extension of Benefits(\$)	Total(\$)		Severance (\$)(2)	Extension of Benefits(\$)	280G Excise Tax Gross-Up(\$)	
Mark S. Heaney (3)	1,200,000		1,200,000	2,890,332	1,745,850		1,108,835	5,745,017
Dennis Meulemans (4)	354,051	21,320	375,371	769,098	386,237	23,258		1,178,593
Darby Anderson (5)	379,878	23,258	403,136	282,724	379,878	23,258		685,860
Inna Berkovich (6)	169,250	11,629	180,879	432,000	338,500	23,258		793,758
Paul Diamond (7)	243,880	14,916	258,796					

- (1) Equity awards vest automatically upon a Change in Control or the executive's death or Disability, each as defined under the 2009 Plan. Amounts are calculated using the market price of Company common stock at the close of December 31, 2013, which was \$22.45 per share.
- (2) This payment would be in substitution of, not in addition to, the amount of severance not already paid to the executive for termination without Reasonable Cause. This amount would be reduced to the extent that the executive had already received severance prior to a Change in Control.
- (3) Mr. Heaney's severance payments due to termination without Reasonable Cause consists of three times Mr. Heaney's then-current annual base salary. Mr. Heaney's severance payment due to a termination without Reasonable Cause in connection with a Change in Control (in lieu of the benefits described in the previous sentence) is a lump sum payment equal to three times his annual cash compensation (defined as the sum of his highest annual base salary in effect during his employment term and an amount equal to the average bonus paid in the last two years).
- (4) Mr. Meulemans' severance payments due to termination without Reasonable Cause or his termination for Good Reason include 11/12ths of his annual cash compensation (defined as the sum of his highest annual base salary in effect during his employment term and the greater of the prior year's bonus or the annualized amount of the executive's target bonus), plus an amount equal to the Company's share of COBRA premiums for 11 months. Mr. Meulemans' severance payments due to termination without Reasonable Cause in connection with a Change in Control include (in lieu of the benefits described in the previous sentence) his annual cash compensation plus an amount equal to the Company's share of COBRA premiums for 12 months.

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- (5) Mr. Anderson's severance payments include one year of his annual cash compensation (defined as the sum of his highest annual base salary in effect during his employment term and the greater of the prior year's bonus or the annualized amount of the executive's target bonus), plus an amount equal to the Company's share of COBRA premiums for 12 months.

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- (6) Ms. Berkovich's severance payments due to termination without Reasonable Cause or her termination for Good Reason include 1/2 of her annual cash compensation (defined as the sum of her highest annual base salary in effect during her employment term and the greater of the prior year's bonus or the annualized amount of the executive's target bonus), plus an amount equal to the Company's share of COBRA premiums for 6 months. Ms. Berkovich's severance payments due to termination without Reasonable Cause in connection with a Change in Control include (in lieu of the benefits described in the previous sentence) her annual cash compensation plus an amount equal to the Company's share of COBRA premiums for 12 months.
- (7) The amounts for Mr. Diamond reflect actual severance benefit entitlements in connection with his termination of employment on June 28, 2013.

### **Compensation Risks**

With the oversight of the Compensation Committee, we have reviewed our employee compensation policies and practices to determine whether they expose the Company to excessive risks. Based on our review, we believe that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on the Company.

### **2013 Director Compensation**

The Company's independent director compensation policy provides that independent directors receive an annual retainer of \$25,000 for service on the Company's board of directors, \$1,500 per in person scheduled board meeting (whether attended in person or telephonically) and \$750 per telephonic board meeting.

The chairmen of the Company's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee receive an additional annual retainer of \$12,000, \$7,500 and \$5,000, respectively. Independent directors who serve on the Audit Committee receive \$1,500 per Audit Committee meeting attended and independent directors who serve on other committees receive \$1,000 per committee meeting attended. Independent directors are also reimbursed for reasonable expenses incurred in attending board of directors meetings, committee meetings and shareholder meetings.

In addition, each independent director is entitled to receive an annual grant of restricted shares of the Company's common stock valued at approximately \$20,000, which shall be awarded following the Company's annual meeting each year. Each grant of restricted stock to an independent director vests on the first anniversary of the date of issuance.

The Company's Board established a special committee in 2012 to oversee a review of strategic alternatives with respect to the Company's home health division, which was sold in the first quarter of 2013. Messrs. Geringer and Bachleda each received \$2,250 during 2013 in connection with their participation in this special committee.

On March 28, 2014 the Board appointed Michael Earley as a director. In connection with his appointment he was granted restricted stock valued at \$10,000 on the date of the grant.

The foregoing independent director compensation is subject to review and adjustment on the recommendation of our Nominating and Corporate Governance Committee.

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The following information sets forth the compensation paid to our directors, whose compensation is not described above, for the year ended December 31, 2013.

Name	Fees Paid in Cash (\$)	Stock Awards \$(1)	Total (\$)
R. Dirk Allison (2)	52,000	19,989	71,989
Simon A. Bachleda (3)	40,500	19,989	60,489
Mark L. First (3)	46,250	19,989	66,239
Steven I. Geringer (4)	57,000	19,989	76,989
Wayne B. Lowell (5)	26,000		26,000
W. Andrew Wright (6)			

- (1) This column discloses the grant date fair value of stock awards calculated in accordance with FASB ASC Topic 718. The assumptions we used in valuing equity incentives are described under the caption *Stock Options Restricted Stock Awards* in Note 10 to our consolidated financial statements in our Annual Report on Form 10-K.
- (2) As of December 31, 2013, Mr. Allison held 1,007 unvested restricted shares.
- (3) Of the cash fees owed to Messrs. Bachleda and First, \$77,250 were paid to an affiliate of the Eos Funds and \$9,500 were paid to SAB Management LLC, a company owned by Mr. Bachleda, and the stock awards granted to Messrs. Bachleda and First were made to them directly as individuals. As of December 31, 2013, Messrs. First and Bachleda each held 1,007 unvested restricted shares.
- (4) As of December 31, 2013, Mr. Geringer held 1,007 unvested restricted shares.
- (5) Mr. Lowell resigned from the Board on June 30, 2013. The cash fees owed to Mr. Lowell were paid to Jonchra Associates, LLC, a limited liability company owned by Mr. Lowell.
- (6) Mr. Wright resigned from the Board on September 30, 2013. Mr. Wright was not entitled to any Board fees during 2013 because he was not an independent director.

**AUDIT COMMITTEE REPORT**

The Audit Committee consists of three members of the Board of Directors, each of whom has been determined by the Board of Directors to be financially literate, as contemplated by The NASDAQ Stock Market LLC listing standards. The Board has determined that Michael Earley and R. Dirk Allison are audit committee financial experts, as that term is defined under 407(d) of Regulation S-K. Each member of the Audit Committee is independent of the Company and its management.

The Audit Committee operates under a written charter approved by the Board, a copy of which is available on the Company's website. As more fully described in the charter, the primary purpose of the Audit Committee is to assist the Board in its oversight of the integrity of the Company's financial statements and effectiveness of internal controls over financial reporting and the performance, qualification and independence of the Company's independent auditors, BDO USA, LLP.

The Company's management prepares the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and is responsible for the financial reporting process that generates these statements. Management is also responsible for establishing and maintaining adequate internal controls over financial reporting. The Audit Committee, on behalf of the Board, monitors and reviews these processes, acting in an oversight capacity relying on the information provided to it and on the representations

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made to it by the Company's management, BDO USA, LLP and other advisors.

The Audit Committee has reviewed and discussed the Company's December 31, 2013 audited consolidated financial statements and effectiveness of internal controls over financial reporting with management and with BDO USA, LLP.

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The Audit Committee has also received from, and discussed with, BDO the matters required to be discussed by the Public Company Accounting Oversight Board (the PCAOB) Auditing Standard No. 16 (Communications with Audit Committees).

We have received from BDO USA, LLP a letter providing the disclosures required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence with respect to any relationships between BDO USA, LLP and the Company that in its professional judgment may reasonably be thought to bear on independence. BDO USA, LLP has discussed its independence with us, and has confirmed in the letter that, in its professional judgment, it is independent of the Company within the meaning of the federal securities laws.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the December 31, 2013 audited consolidated financial statements and Management's Annual Report on Internal Controls over Financial Reporting be included in the Company's Annual Report on Form 10-K.

The foregoing report has been approved by the Audit Committee.

R. Dirk Allison (Chairman)

Steven I. Geringer

Michael Earley

## **PROPOSAL NO. 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

The appointment of independent auditors will be approved annually by the Audit Committee and ratified by our shareholders. The Audit Committee reviews both the audit scope and estimated fees for professional services for the coming year. The Audit Committee has authorized the engagement of BDO USA, LLP, who we refer to as BDO USA, as our independent auditors for the year ending December 31, 2014.

Representatives of BDO USA will attend the Annual Meeting of Shareholders and will have an opportunity to make a statement if they wish. They will also be available to answer questions at the meeting.

## **Independent Auditor Fee Information**

The following table presents fees for professional audit services rendered by BDO USA for the audit of our annual consolidated financial statements for 2013 and 2012 and fees for other services rendered by BDO USA for fiscal year 2013 and 2012.

	<b>2013</b>	<b>2012</b>
Audit fees (1)	\$ 403,000	\$ 278,199
Audit-related fees (2)	\$	\$ 16,240
Tax fees	\$	\$
All other fees	\$	\$

- (1) Audit fees represent fees for professional services provided in connection with the audit of the Company's audited financial statements, audit of effectiveness of internal controls over financial reporting, for 2013 only, reviews of the Company's quarterly financial statements and fees related to the Company's filings of registration statements.
- (2) Audit-related fees consist of fees related to the audit of the Company's employee benefit plans. Audit-related Fees for the year ended December 31, 2013 have not yet been determined.

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### **Pre-Approval Policy of Audit and Non-Audit Services**

The Audit Committee charter requires the Audit Committee to pre-approve all audit and permitted non-audit services provided by the independent auditors as well as the related fees. The Audit Committee may delegate the pre-approval authority to a member or members of the Audit Committee or may adopt pre-approval policies and procedures, to the extent permitted by applicable laws. Any pre-approvals made pursuant to delegated authority or pre-approval policies and procedures must be presented to the full Audit Committee at its next meeting.

### **THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE RECOMMEND**

### **RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT AUDITORS.**

### **PROPOSAL NO. 3: APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE ADDUS**

#### **HEMOCARE CORPORATION 2009 STOCK INCENTIVE PLAN**

We are asking shareholders to approve the amendment and restatement of the 2009 Plan. The amendment and restatement of the 2009 Plan was approved by the Board in April 2014, subject to obtaining shareholder approval. The amendments to the 2009 Plan revise (i) the performance goals to be used in connection with the performance-based awards by including economic value added, total shareholder return and objective measures of quality as potential goals and (ii) certain of the 2009 Plan's award limitations. No other changes were made under the 2009 Plan. This proposal does not seek to increase the number of shares that can be issued pursuant to awards under the 2009 Plan.

The following summary of the 2009 Plan, as amended, should be read in conjunction with, and is qualified by reference to, the full text of the Company's Amended and Restated 2009 Stock Incentive Plan, which is included in this Proxy Statement as Annex A.

The Company adopted the 2009 Plan in order to optimize the profitability and growth of the Company through incentives that are consistent with the Company's goals and that link the personal interests of participants to those of the Company's shareholders, to provide participants with an incentive for excellence in individual performance, and to promote teamwork among participants. The 2009 Plan is further intended to provide flexibility to the Company and its subsidiaries in their ability to motivate, attract and retain the services of participants who make significant contributions to the Company's success and to allow participants to share in that success. Under the 2009 Plan, eligible employees, consultants and directors may receive performance-based incentive awards and equity-based awards (each an "Award"). The 2009 Plan became effective in September 2009.

The Board may at any time alter, amend, suspend or terminate the 2009 Plan in whole or in part. The Board may not, without the approval of the Company's shareholders, (i) increase the total number of shares of the Company's common stock, par value \$0.001 per share ("Common Stock"), or the types of Awards, available under the 2009 Plan, (ii) change the designation of the class of persons eligible to receive Incentive Stock Options (as defined below) under the 2009 Plan or (iii) modify the 2009 Plan in a manner that requires shareholder approval under applicable law or the rules of a stock exchange or trading system on which the Common Stock is traded.

The Compensation Committee or such other committees or subcommittees of the Board appointed by the Board to administer the 2009 Plan (the "Committee") may not amend any outstanding Award to increase or reduce the price per share or to cancel and replace an Award with the grant of an Award having a price per share that is less than, greater than or equal to the price per share of the original Award. No termination, amendment or modification of the 2009 Plan may adversely affect in any material way any Award previously granted under the 2009 Plan without the prior written consent of the participant holding that Award.

In the event of (1) any sale or conveyance to another entity of all or substantially all of the property and assets of the Company, (2) a Change in Control (as defined in the 2009 Plan) or (3) an event that, with the

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passage of time, would result in a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchange or trading system, or unless the Committee shall otherwise specify in an applicable Award Agreement (as defined below), the Board, in its sole discretion, may, as applicable: (a) accelerate the time at which some or all of the Awards then outstanding may be exercised so that such Awards may be exercised in full for a limited period of time on or before a specified date (before or after such Change in Control) fixed by the Committee, (b) terminate options or SARs (as defined below) in exchange for a cash payment equal to the amount by which the fair market value of the shares subject to such option or SAR (to the extent the option or SAR has vested) exceeds the exercise price with respect to such shares, (c) terminate options or SARs provided that each participant is first notified and given an opportunity to exercise vested options for a specified period of time (not less than 15 days) from the date of notification and before the option or SAR is terminated, (d) permit Awards to be assumed by a new parent corporation or a successor corporation (or its parent) and replaced with a comparable Award of the parent corporation or successor corporation (or its parent), (e) amend an Award Agreement or take such other action with respect to an Award that it deems appropriate, in its sole discretion or (f) implement any combination of (a)-(e). In the event of a Change in Control or other event as described in the preceding sentence, the Board need not provide for identical treatment of each such outstanding Award.

Any portion of the 2009 Plan that allows participants to defer payment of compensation may be subject to the Employee Retirement Income Security Act of 1974, as amended ( ERISA ), if the result is a systematic deferral of compensation until termination of employment or beyond. If such systematic deferral were to occur, a part of the 2009 Plan would be an ERISA top-hat plan, which is subject to certain reporting and disclosure requirements. The remainder of the 2009 Plan is not subject to the provisions of ERISA. The 2009 Plan is not qualified under Section 401(a) of the Code and the 2009 Plan is unfunded.

## **Administration**

The 2009 Plan is administered by the Committee (or by any other committee appointed by the Board that satisfies the nonemployee director requirements of Rule 16b-3 under the Exchange Act, the independent director requirements of the NASDAQ Marketplace Rules and the outside director provisions of Code Section 162(m)). Except as otherwise limited by law or the Company's organizational documents and subject to the terms of the 2009 Plan, the Committee has the power to, among other things, select participants in the 2009 Plan, determine the size, types and terms and conditions of each Award under the 2009 Plan, construe and interpret the 2009 Plan and any documents entered into pursuant to the 2009 Plan, establish, amend or waive rules and regulations for the 2009 Plan's administration, amend the terms and conditions of outstanding Awards (subject to any applicable 2009 Plan restrictions) and make all other determinations that are necessary or advisable to administer the 2009 Plan.

As permitted by law and subject to the provisions of the 2009 Plan, the Committee may delegate some or all of its authority under the 2009 Plan, including to officers of the Company. The Committee shall in all events conform to any requirements of the applicable laws, rules, and regulations. The Committee's determinations and decisions will be final, conclusive and binding on all persons.

## **Eligibility**

Any employee, consultant or director of the Company or of any of its subsidiaries is eligible to receive an Award under, and become a participant in, the 2009 Plan. The Committee, or its delegates, will select the individuals who will receive Awards under the 2009 Plan.

## **Shares Subject to the 2009 Plan and Award Limitations**

An aggregate of 1,500,000 shares have been authorized for issuance under the 2009 Plan. The aggregate awards granted during any calendar year to any single individual shall not exceed (i) 500,000 shares subject to



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stock options or stock appreciation rights ( SARs ) or (ii) 300,000 shares subject to restricted stock, restricted stock units, deferred stock units, performance shares or other stock unit awards, which annual limits shall apply whether awards are settled in cash or in shares.

Any shares of Common Stock subject to an Award under the 2009 Plan that are forfeited, canceled, settled in cash or otherwise terminated without a distribution of shares to a participant, or that are delivered by attestation or withheld by the Company in connection with an option exercise or the payment of any required income tax withholding upon an option exercise or the vesting of restricted stock, will be deemed available for Awards under the 2009 Plan. Shares of Common Stock that may be issued under the 2009 Plan may be authorized or unissued shares.

Upon a change in corporate capitalization, such as a stock split, stock dividend or a corporate transaction, such as any merger, consolidation, combination, exchange of shares or the like, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368) or any partial or complete liquidation of the Company, the Committee shall make adjustments to the number and class of shares of Common Stock that may be delivered under the 2009 Plan, in the number and class of and/or price of Common Stock subject to outstanding Awards granted under the 2009 Plan, as the Committee, in its sole discretion, may determine to be appropriate and equitable to prevent dilution or enlargement of rights.

## **Awards**

Subject to terms of the 2009 Plan, the Committee may grant the following types of Awards to eligible employees, directors and consultants: stock options intended to satisfy the requirements of Code Section 422 ( Incentive Stock Options ), stock options not intended to satisfy the requirements of Code Section 422 ( Nonstatutory Stock Options ), SARs, Restricted Stock, Restricted Stock Units, Performance Shares and Other Stock Unit Awards. The 2009 Plan also provides the opportunity for a participant to elect to defer the payment of bonuses and other Awards ( Deferred Stock Units ). All Awards granted under the 2009 Plan will be evidenced by an agreement with the participant (an Award Agreement ).

Under Code Section 162(m), the Company is not entitled to a federal income tax deduction for compensation in excess of \$1 million (per executive) paid in any year to its chief executive officer and its three next most highly compensated executive officers (other than the Chief Financial Officer), subject to certain exceptions, such as performance-based compensation. The Committee may grant Performance Shares, Restricted Stock and other Awards subject to the following performance criteria: (a) increases in the Fair Market Value (as defined in the 2009 Plan) of a share, (b) shareholder value added, (c) cash flow, (d) earnings per share, (e) earnings of the Company before deducting interest, taxes, depreciation and amortization, (f) return on equity, (g) return on capital, (h) return on assets or net assets, (i) cost reduction or control, (j) operating income or net operating income, (k) operating margins/sales in one or more business segments or product lines, (l) return on operating revenue, (m) market share in one or more business segments or product lines, (n) earnings before interest and taxes, (o) units of specified products sold or depleted, (p) free cash flow, (q) sales growth, (r) capital expenditures, (s) working capital, (t) inventory, (u) cash flow from operations, (v) gross margin, (w) economic value added, (x) total shareholder return, (y) objective measures of quality or (z) any measure that indicates any of the foregoing or any combination of the foregoing. Performance criteria may be established on a corporate, divisional, business unit or consolidated basis and measured absolutely or relative to the Company's peers or any index of companies selected by the Committee. The approval of the amendment and restatement of the 2009 Plan will constitute re-approval of the performance criteria under the 2009 Plan. Awards may be structured with the intent that they will be performance-based compensation within the meaning of Code Section 162(m) and will be paid solely to the extent to which pre-established, objective performance goals are attained. The Committee retains the discretion to grant Awards that will not qualify as performance-based compensation.

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### ***Stock Options***

The Committee may grant Incentive Stock Options or Nonstatutory Stock Options under the 2009 Plan. The Award Agreement for each option grant will specify the exercise price, the duration of the option, the number of shares of Common Stock to which the option pertains and such other provisions as the Committee shall determine which are not inconsistent with the terms of the 2009 Plan. The exercise price of each option will equal the fair market value of a share of Common Stock at the time such option is granted. The term of each option will be determined by the Committee, but may not be greater than ten years from the date of grant. Options are exercisable at the times and subject to such restrictions and conditions as determined by the Committee.

No Incentive Stock Options shall be granted to an employee under the 2009 Plan or any other Incentive Stock Option plan of the Company or its subsidiaries to purchase Common Stock as to which the aggregate fair market value (determined as of the date of grant) of the Common Stock which first become exercisable by the employee in any calendar year exceeds \$100,000. To the extent an option initially designated as an Incentive Stock Option exceeds this value limit (or otherwise fails to satisfy the requirements applicable to Incentive Stock Options), it shall be deemed a Nonstatutory Stock Option and shall otherwise remain in full force and effect.

To exercise a vested option, the participant must provide the Company or its designated agent with a written, electronic or telephonic notice setting forth the number of shares of Common Stock with respect to which the option is to be exercised, accompanied by full payment of the exercise price for the shares. This payment may be made in one of the following ways: (a) in cash or its equivalent; (b) subject to the Committee's approval, by delivery of previously acquired shares of Common Stock having an aggregate fair market value at the time of exercise equal to the total exercise price (provided that the shares that are delivered must have been held by the participant for at least six (6) months prior to their delivery); (c) subject to the Committee's approval, by authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the option and remitting to the Company a sufficient portion of the sales proceeds to pay the exercise price; (d) subject to the Committee's approval, by a combination of (a), (b) or (c); or (e) by any other method approved by the Committee in its sole discretion. Unless otherwise determined by the Committee, all payments under all of the exercise methods shall be paid in U.S. dollars. Unless otherwise determined by the Committee, cashless exercises are permitted, subject to applicable law (including without limitation the requirements of Regulation T and other applicable regulations promulgated by the Federal Reserve Board), or by any other means which the Committee determines to be consistent with the 2009 Plan's purpose and applicable law.

The Committee may impose such restrictions on any shares of Common Stock acquired pursuant to the exercise of an option granted under the 2009 Plan as it may deem advisable, including, without limitation, (a) restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such shares are then listed and/or traded, or under any blue sky or state securities laws applicable to such shares, restrictions required by any shareholders' or other agreement governing ownership of the Company's Common Stock, and (b) restrictions permitted under the 2009 Plan with respect to Restricted Stock.

### ***Stock Appreciation Rights***

The Committee may grant SARs under the 2009 Plan, either in tandem with options or freestanding. Tandem awards may be granted at the same time as the grant of the related options or at any time thereafter prior to the end of the exercise period for the related options. The Award Agreement for each SAR grant will specify the grant price, the duration of the SARs and such other provisions as the Committee determines. Each Award Agreement for a tandem SAR will specify the options to which it relates and the terms and conditions under which exercise or expiration of the related options will result in automatic expiration of the related SAR and the terms and conditions on which exercise or expiration of the SAR will result in automatic expiration of the related options.

The grant price for each SAR shall be equal to the fair market value of a share of Common Stock on the date of grant, provided that for each tandem SAR, the grant price shall not be less than the exercise price of the related

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options. The Committee shall determine the term of the SAR, in its sole discretion, provided that a SAR must expire no later than the tenth (10<sup>th</sup>) anniversary of the grant date.

SARs may be exercised on the terms and conditions the Committee, in its discretion, chooses to impose. The exercise of related options will cause the immediate automatic expiration of related SARs on the terms and conditions specified by the Committee. Upon exercise of a SAR, a participant shall be entitled to receive payment from the Company in an amount determined by multiplying (a) the amount by which the fair market value of a share of Common Stock on the date of exercise exceeds the grant price of the SAR by (b) the number of shares of Common Stock with respect to which the SAR is exercised.

Settlement of SARs may be made in shares of Common Stock (valued at their fair market value at the time of exercise), in cash, or in a combination of shares and cash, as determined by the Committee in its discretion. Any shares of Common Stock delivered in payment shall be deemed to have a value equal to the fair market value of such shares on the date of exercise of the SAR.

### ***Restricted Stock or Restricted Stock Units***

The Committee may grant Restricted Stock or Restricted Stock Units under the 2009 Plan. The Award Agreement for each Restricted Stock or Restricted Stock Unit grant will specify the number of shares of Common Stock or share equivalent units granted, the period (the Restriction Period ) during which any restrictions apply to the Restricted Stock or Restricted Stock Units and such other provisions as the Committee determines which are not inconsistent with the terms of the 2009 Plan.

An Award of Restricted Stock is a grant of shares of Common Stock that are subject to restrictions on the transfer or other disposition of the shares and such other restrictions as the Committee deems appropriate. These restrictions may include, but are not limited to, a requirement that participants pay a stipulated purchase price for each share of Restricted Stock, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions or restrictions under applicable federal or state securities laws. To the extent deemed appropriate by the Committee, the Company may retain the certificates representing shares of Restricted Stock until such time as all conditions and/or restrictions applicable to such shares have been satisfied.

Except as otherwise provided in the Award Agreement, shares of Restricted Stock covered by each Restricted Stock grant made under the 2009 Plan shall become freely transferable by the participant after the last day of the applicable Restriction Period.

If the Committee so determines, participants holding shares of Restricted Stock may exercise full voting rights and (whether or not the Company holds the certificate(s) representing such shares) be credited with dividends paid with respect to the underlying shares of Common Stock during the Restriction Period. The Committee may, however, apply any restrictions to dividends that the Committee deems appropriate, including any restrictions that may be necessary to maintain eligibility for the performance-based exception from the tax-deductibility limitations of Code Section 162(m).

Restricted Stock Units are similar to Restricted Stock, except that no actual shares of Common Stock are issued. Instead, a bookkeeping account is established for a participant that is valued solely by reference to the Common Stock. A grant of Restricted Stock Units may contain restrictions similar to those that apply to Restricted Stock, as described above. Upon the termination of the applicable Restriction Period or on the date provided in an Award Agreement, the Restricted Stock Units are paid in cash, shares of Common Stock or a combination of cash and shares, as soon as practicable after the Restricted Stock Units or portion of the Award vests, but in no event later than 2 1/2 months after the calendar year in which vesting occurs. It is intended that a Restricted Stock Unit Award be exempt from the application of Code Section 409A as a short-term deferral.

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### ***Performance Shares***

The Committee may grant Performance Shares under the 2009 Plan. The Award Agreement for each Performance Share grant shall specify the initial value, the duration of the Award, the performance goals, if any, applicable to the Award, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the 2009 Plan.

Each Performance Share will have an initial value equal to the fair market value of a share of Common Stock on the grant date. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Share Awards that will be paid out to the participant. The time period during which the performance goals must be met shall be called a Performance Period.

After the applicable Performance Period has ended, the participant will receive a payout of the number and value of the Performance Shares that have been earned, based on the extent to which the applicable performance goals have been met. Payment of earned Performance Share Awards shall be as determined by the Committee and, if applicable, as provided in the related Award Agreement. Subject to the terms of the 2009 Plan, the Committee, in its sole discretion, may pay earned Performance Share Awards in the form of cash, shares of Common Stock or a combination of cash and shares, that have an aggregate fair market value equal to the value of the earned Performance Share Awards at the close of the applicable Performance Period. Such shares of Common Stock may be delivered subject to any restrictions deemed appropriate by the Committee. No fractional shares will be issued. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement relating to the grant of the Award or the resolutions establishing the Award.

Participants holding Performance Shares may be entitled to receive the dividends declared during the Performance Period with respect to the shares of Common Stock represented by such Performance Shares, as determined by the Committee in its discretion.

If applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance goals without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval.

### ***Other Stock Unit Awards***

Subject to the terms of the 2009 Plan, Other Stock Unit Awards may be granted to participants in such amounts and upon such terms, and at any time from time to time, as the Committee determines. Such Awards may be granted either alone or in addition to other Awards granted under the 2009 Plan, and such Other Stock Unit Awards shall also be available as a form of payment in the settlement of other Awards granted under the 2009 Plan. Each Other Stock Unit Award grant shall be evidenced by an Award Agreement that shall specify the restrictions upon such Award, if any, the number of Other Stock Units granted, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the 2009 Plan.

### ***Deferred Stock Units***

Subject to the terms and provisions of the 2009 Plan, the Committee, at any time and from time to time, may award Deferred Stock Units to participants in lieu of payment of a bonus or other Award if so elected by a participant under such terms and conditions as the Committee shall determine, including terms that provide for the grant of Deferred Stock Units valued in excess of the bonus or Award deferred.

A participant must make an election to receive Deferred Stock Units in the calendar year before the calendar year in which the services related to the Award are first performed. The Committee may require a participant to defer, or permit (subject to any conditions as the Committee may from time to time establish) a participant to

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elect to defer, receipt of all or any portion of any payment of cash or shares of Common Stock that otherwise would be due to such participant in payment or settlement of an Award under the 2009 Plan, to the extent consistent with Code Section 409A. Such payments may include, without limitation, provisions for the payment or crediting of reasonable interest in respect of deferred payments credited in cash, and the payment or crediting of dividend equivalents in respect of deferred amounts credited in stock equivalents. Settlement of any Deferred Stock Units shall be made in a single sum of cash or shares of Common Stock.

### **U.S. Federal Tax Consequences**

The following discussion is a summary of certain of the United States federal income tax consequences of Awards under the 2009 Plan. This discussion only applies to U.S. citizens and/or residents and does not address tax consequences under foreign, state or local laws or estate tax consequences. This description is intended for use by the Company's shareholders in determining how to vote at its Annual Meeting and not as tax advice to participants under the 2009 Plan. Each participant is strongly encouraged to seek expert tax advice with specific reference to his or her own tax situation.

### ***Withholding***

The Company has the right to deduct or withhold, or require the participant to remit to the Company, the amount the Company determines is necessary to satisfy federal, state and local taxes, domestic or foreign, required by applicable law or regulation to be withheld with respect to any taxable event arising under the 2009 Plan. The participant may satisfy, totally or in part, such obligations by electing to have shares of Common Stock withheld, to redeliver shares of Common Stock acquired under an Award, or to deliver previously owned shares of Common Stock that have been held for at least six (6) months, provided that the election is made in writing on or prior to (i) the date of exercise, in the case of options or SARs; (ii) the date of payment, in the case of Performance Shares, Restricted Stock Units or Deferred Stock Units; or (iii) the expiration of the Restriction Period in the case of Restricted Stock. Any such election may, however, be disapproved by the Committee at any time in its sole discretion. If an election is disapproved by the Committee, the participant must satisfy these withholding obligations in cash.

### ***Nonstatutory Stock Options***

A participant should not recognize income at the time of grant of a Nonstatutory Stock Option, and the Company will not be entitled to a deduction at that time. When the Nonstatutory Stock Option is exercised, the participant will recognize ordinary income equal to the excess of the fair market value of the shares of Common Stock on the date of exercise over the exercise price, if any. The participant's tax basis in these shares will equal the exercise price paid plus the amount recognized by the participant as ordinary income. The Company will generally be entitled to a federal income tax deduction, in the Company's tax year in which the Nonstatutory Stock Option is exercised, equal to the ordinary income recognized by the participant as described above. If the participant holds the shares of Common Stock acquired pursuant to the exercise of a Nonstatutory Stock Option for more than one year after the exercise of the option, the capital gain or loss realized upon the sale of these shares should be a long-term capital gain or loss. The participant's holding period for the shares acquired upon the exercise of a Nonstatutory Stock Option will begin on the date of exercise.

### ***Incentive Stock Options***

A participant will not recognize income at the time of grant of an Incentive Stock Option, and the Company will not be entitled to a deduction at that time. If the Incentive Stock Option is exercised during employment, or within three months thereafter (or one year thereafter in the case of a permanently and totally disabled employee), the participant will not recognize any income, and the Company will not be entitled to a deduction. However, the excess of the fair market value of the shares of Common Stock on the date of exercise over the exercise price is includable in computing the participant's alternative minimum taxable income.

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Generally, if the participant disposes of the shares of Common Stock acquired by exercise of an Incentive Stock Option within either two years of the date of grant or one year of the date of exercise, the participant will recognize ordinary income, and the Company will be entitled to a deduction, equal to the excess of the fair market value of these shares on the date of exercise over the exercise price (limited generally to the gain on the sale). The balance of any gain or loss will be treated as a capital gain or loss to the participant. If the shares of Common Stock are disposed of after the two-year and one-year periods described above, the Company will not be entitled to any deduction, and the entire gain or loss for the participant will be treated as a long-term capital gain or loss.

### ***Other Awards***

Stock Appreciation Rights are taxed and deductible by the Company in substantially the same manner as Nonstatutory Stock Options.

A participant will not recognize income at the time of grant of shares of Restricted Stock that are subject to a substantial risk of forfeiture and restrictions on transfer (unless the participant elects to accelerate recognition as of the date of grant in accordance with Code Section 83(b)). The participant generally will recognize ordinary income equal to the market value of the shares of Restricted Stock at the time the restrictions lapse or at the time the shares are transferable. With respect to Restricted Stock Units, the participant generally will not recognize income upon grant, but will recognize ordinary income when the cash or shares of Common Stock are distributed to the participant, based on the market value of the shares at the time of distribution. The Company will generally have a corresponding deduction at the time the participant recognizes income.

Performance Shares and dividend equivalents generally are subject to tax at the time of payment, and the Company will generally have a corresponding deduction at that time.

### ***Payment with Shares***

When shares of Common Stock subject to an Award are used to satisfy any minimum required tax withholding, the participant will recognize gain or loss with respect to those shares. In this situation, the participant will recognize a short-term capital gain or loss, as the case may be, equal to the difference between the amount of the minimum required tax withholding satisfied by the shares over the participant's tax basis, if any, in those shares.

If the participant uses shares of Common Stock he or she owns to pay, in whole or part, the exercise price of an option, no gain or loss will be recognized with respect to these shares. In this situation, however, the tax basis of the shares of Common Stock received upon exercise will be the tax basis of the shares delivered as payment, share for share, to the extent the number of shares received equals the number of shares delivered as payment. The tax basis of the balance of the shares of Common Stock received in excess of the number of shares delivered by the participant will be equal to the sum of the amount of the exercise price paid for the balance of the shares received in cash or by check, if any, plus any amount the participant is required to recognize as income as a result of the exercise. It should be noted, however, that if payment of the exercise price of an Incentive Stock Option is made with shares of Common Stock acquired by an earlier exercise of an Incentive Stock Option, and those shares have not been held for the required holding periods discussed above, payment in shares will result in the participant recognizing ordinary income.

### ***Code Section 409A***

No Award that is subject to Code Section 409A shall provide for deferral of compensation that does not comply with Code Section 409A. Any ambiguities in the 2009 Plan or an Award Agreement shall be construed so that benefits shall not be subject to tax under Code Section 409A, and if any provision of any Award is found to be in violation of the requirements of Code Section 409A, then such provision shall be deemed modified or

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restricted to the extent and in the manner necessary to render such provisions in conformity with Code Section 409A. For any Awards subject to Code Section 409A, all rights to amend, terminate or modify the 2009 Plan or any such Award, including any discretionary rights or powers the Committee may have with respect to an Award, are subject to the requirements and limitations of Code Section 409A. Notwithstanding any provision in the Plan to the contrary, with respect to any Award subject to Code Section 409A, distributions on account of a separation from service may not be made to a specified employee within the meaning of Code Section 409A before the date that is six (6) months after the date of separation from service (or, if earlier, the date of death of the employee).

### ***Code Section 162(m)***

It is the intent of the Company that all Awards that are intended to qualify as performance-based compensation under Code Section 162(m) be granted and interpreted in a manner to satisfy all applicable requirements of Code Section 162(m). Any provision, application or interpretation of the 2009 Plan inconsistent with the intent to satisfy the standards in Code Section 162(m) shall be disregarded. Notwithstanding anything to the contrary in the 2009 Plan, the provisions of the 2009 Plan may at any time be bifurcated by the Committee in any manner so that certain provisions of the 2009 Plan or any Award intended (or required in order) to satisfy the applicable requirements of Code Section 162(m) may be applicable only to covered employees (as defined in the 2009 Plan).

### **Nontransferability**

Except as provided in an Award Agreement, no Award under the 2009 Plan may be sold, transferred, pledged or assigned other than by will or by the laws of descent and distribution. Unless otherwise provided in an Award Agreement, options and SARs are exercisable only by the participant during the participant's lifetime.

### **Termination of Employment/Directorship**

Except as otherwise provided in the Award Agreement, upon termination of a participant's employment or directorship for any reason other than disability (as defined in the 2009 Plan), death or retirement (as defined in the 2009 Plan), an Award granted to a participant may be exercised by the participant or a permitted transferee at any time on or prior to the earlier of the expiration date of the Award or, in the case of an option or a SAR, the expiration of three (3) months after the date of termination but only if, and to the extent that, the participant was entitled to exercise the Award at the date of termination. Upon termination of the participant's employment or directorship by reason of the participant's disability or death, an Award granted to a participant shall become vested and/or may be exercised by the participant or a permitted transferee only to the extent set forth in such participant's Award Agreement. Upon termination of the participant's employment or directorship due to retirement, a Nonstatutory Stock Option granted to the participant may be exercised by the participant or a permitted transferee at any time on or prior to the earlier of the expiration date of the option or the expiration of six months after the date of termination due to retirement but only if, and to the extent that, the participant was entitled to exercise the Nonstatutory Stock Option at the date of termination. All Awards or any portion thereof not yet vested or exercisable or whose restriction period has not expired as of the date of termination (other than a termination by reason of disability, death or retirement) shall terminate and be forfeited immediately on the date of termination.

If the Committee finds by a majority vote that cause (as defined in the 2009 Plan or in a participant's employment agreement) exists with respect to a participant, then as of the date the Committee makes its finding, any Awards awarded to the participant that have not been exercised (including all Awards that have not yet vested) will be forfeited.

A termination includes an event which causes a participant to lose his eligibility to participate in the 2009 Plan. In the case of a consultant and a nonemployee director, the meaning of termination or termination of employment includes the date that the individual ceases to provide significant services to the Company or its

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subsidiaries. Unless otherwise determined by the Committee, an authorized leave of absence pursuant to a written agreement or other leave entitling an employee to reemployment in a comparable position by law or rule shall not constitute a termination of employment for purposes of the 2009 Plan unless the employee does not return at or before the end of the authorized leave or within the period for which re-employment is guaranteed by law.

Notwithstanding the foregoing, the Committee has the authority to prescribe different rules that apply upon the termination of employment of a particular participant, which shall be provided in the participant's Award Agreement or similar document. However, with respect to any Award subject to Code Section 409A, any reference to termination of employment or similar term shall mean an event that constitutes a separation from service within the meaning of Code Section 409A.

## **Securities Law Compliance**

Section 16(b) of the Exchange Act provides for the recovery of profits realized by certain officers and directors resulting from the purchase and sale or sale and purchase of Common Stock within any six-month period. The SEC has promulgated rules that provide exemptions from those profit recovery provisions for participant-directed transactions under an employee benefit plan, such as the 2009 Plan, if certain conditions are satisfied.

To the extent any provision of the 2009 Plan or action by the Committee fails to comply with applicable securities laws, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board.

The Company may use reasonable endeavors to register shares of Common Stock issued pursuant to Awards with the SEC or to effect compliance with the registration, qualification, and listing requirements of any state or foreign securities laws, stock exchange, or trading system.

Certain directors and officers of the Company may be deemed to be affiliates of the Company under federal securities law and, as such, may be restricted in the resale of shares of Common Stock acquired pursuant to the 2009 Plan. Generally, any resale by an affiliate must comply with Rule 144 under the Securities Act.

## **New Plan Benefits**

Awards under the 2009 Plan will be made at the discretion of the Committee. Other than the annual awards to our independent directors, no decisions have been made regarding the amount or type of Awards that are to be made to participants in the future. Amounts granted to our named executive officers in 2013, 2012 and 2011 are reported in the Summary Compensation Table in this Proxy Statement. The following table sets forth certain information related to the annual grants of Restricted Stock to our independent directors that are awarded following the Company's annual meeting each year, as described under the heading "2013 Director Compensation." No amounts have been included relating to other equity awards as the amounts of any such awards are not determinable at this time.

### **NEW PLAN BENEFITS**

#### **2009 Stock Incentive Plan**

<b>Name and Position</b>	<b>Dollar Value of Restricted Stock</b>	
	<b>(1)(\$)</b>	
Non-Executive Director Group	\$	100,000

- (1) Each of our independent directors is entitled to receive an annual grant of restricted shares of the Company's common stock valued at \$20,000, which shall be awarded following the Company's annual



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meeting each year. Based on the current composition of the Board, a total of \$100,000 in restricted shares will be granted after the 2014 Annual Meeting.

**THE BOARD OF DIRECTORS AND THE COMPENSATION COMMITTEE RECOMMEND****APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE 2009 PLAN.****Equity Compensation Plan Information**

The following table presents securities authorized for issuance under our equity compensation plans at December 31, 2013.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (2)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column) (3)
Equity Compensation Plans Approved by Security Holders	717,588	\$ 8.80	1,681,750
Equity Compensation Plans Not Approved by Security Holders			
Total	717,588	\$ 8.80	1,681,750

(1) Includes both grants of stock options and unvested share awards.

(2) Includes weighted-average exercise price of outstanding stock options only.

(3) Represents shares of common stock that may be issued pursuant to the 2006 Plan or the 2009 Plan. We do not plan on issuing any further grants under the 2006 Plan. There are 852,791 shares of common stock that may be issued pursuant to the 2009 Plan.

**HOUSEHOLDING**

The SEC has adopted rules that permit companies and intermediaries (*e.g.*, brokers) to satisfy the delivery requirements for proxy materials with respect to two or more shareholders sharing the same address by delivering a single proxy statement and annual report addressed to those shareholders. This process, which is commonly referred to as *householding*, potentially means extra convenience for shareholders and cost savings for companies. We have not implemented *householding* rules with respect to our record holders. However, a number of brokers with account holders who are shareholders may be *householding* our proxy materials. If a shareholder receives a *householding* notification from his, her or its broker, a single proxy statement and annual report will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from an affected shareholder. Once you have received notice from your broker that they will be *householding* communications to your address, *householding* will continue until you are notified otherwise.

Shareholders who currently receive multiple copies of the proxy materials at their address and would like to request *householding* of their communications should contact their broker. In addition, if any shareholder that receives a *householding* notification wishes to receive a separate annual report and proxy statement at his, her or its address, such shareholder should also contact his, her or its broker directly. Shareholders who in the future wish to receive multiple copies may also contact the Company at 2300 Warrenville Road, Downers Grove, Illinois 60065, Attention: Secretary.



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**SHAREHOLDER PROPOSALS FOR 2015 ANNUAL MEETING**

**How do I Submit a Proposal for Inclusion in Next Year's Proxy Material?**

If you wish to submit a proposal to be considered for inclusion in the proxy material for the next annual meeting, please send it to the Secretary, Addus HomeCare Corporation, 2300 Warrenville Road, Downers Grove, Illinois 60065. Under the rules of the SEC, proposals must be received no later than January 8, 2015, and otherwise comply with the requirements of the SEC to be eligible for inclusion in the Company's 2015 Annual Meeting of Shareholders proxy statement and form of proxy.

**How do I Submit a Proposal or Make a Nomination at an Annual Meeting of Shareholders?**

Our Bylaws provide that if a shareholder desires to nominate persons for election as directors, the shareholder must provide written notice of an intent to make such nomination which the secretary of the Company must receive at our principal executive offices no later than 120 days prior and no earlier than 150 days prior to the anniversary date of the preceding year's annual meeting of shareholders (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder must be so delivered not earlier than the close of business on the one hundred fiftieth (150th) day prior to such annual meeting and not later than the close of business on the later of the one hundred twentieth (120th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Company). In no event shall the public announcement of an adjournment or postponement of an annual meeting of shareholders of the Company commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above.

Notwithstanding the above, in the event that the number of directors to be elected to the Board at an annual meeting of shareholders of the Company is increased and there is no public announcement by the Company naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, the shareholder's notice required by the Bylaws shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the secretary of the Company at the principal executive offices of the Company not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Company.

With respect to the 2015 Annual Meeting of Shareholders, written notice of a nomination must be received no earlier than January 19, 2015 and no later than February 18, 2015.

We amended our Bylaws in April 2013 to align the provisions regarding submission of shareholder proposals with Rule 14a-8 under the Exchange Act. Our Bylaws now provide that if a shareholder desires to submit a proposal for consideration at an annual meeting of shareholders, the shareholder must provide written notice of an intent to make such a proposal which the secretary of the Company must receive at our principal executive offices no later than one hundred twenty (120) days prior to the anniversary date of the proxy statement for the immediately preceding annual meeting of shareholders.

With respect to the 2015 Annual Meeting of Shareholders, written notice of a shareholder proposal must be received no later than January 8, 2015. The notice must meet the requirements set forth in our Bylaws. Under the circumstances described in, and upon compliance with, Rule 14a-4(c) under the Exchange Act, management proxies would be allowed to use their discretionary voting authority to vote on any proposal with respect to which the foregoing requirements have been met.

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**OTHER MATTERS**

The Board of the Company does not know of any matters which may be presented at the 2014 Annual Meeting of Shareholders other than those specifically set forth in the Notice of Annual Meeting of Shareholders. If any other matters come before the meeting or any adjournment thereof, the persons named in the accompanying form of proxy and acting thereunder will vote in accordance with their best judgment with respect to such matters.

By Order of the Board of Directors,

Dennis B. Meulemans

*Secretary*

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**Annex A**

**Addus HomeCare Corporation**

**Amended and Restated 2009 Stock Incentive Plan**

Effective as of June [ ], 2014

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### **Article 1. Establishment, Objectives, and Duration**

**1.1 Establishment of the Plan.** Addus HomeCare Corporation, a Delaware corporation, hereby adopts the Addus HomeCare Corporation Amended and Restated 2009 Stock Incentive Plan (hereinafter referred to as this **Plan**), as set forth in this document. This Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock Units/Restricted Stock Units, Other Stock Units, and Performance Shares.

The Addus HomeCare Corporation 2009 Stock Incentive Plan originally became effective as of October 27, 2009 (the **Effective Date**). Subject to approval by the Company's stockholders, this Amended and Restated Plan shall become effective as of June [\_\_\_], 2014.

**1.2 Objectives of this Plan.** The objectives of this Plan are to optimize the profitability and growth of the Company through incentives that are consistent with the Company's goals and that link the personal interests of Participants to those of the Company's stockholders, to provide Participants with an incentive for excellence in individual performance, and to promote teamwork among Participants. This Plan is further intended to provide flexibility to the Company and its Subsidiaries in their ability to motivate, attract and retain the services of Participants who make significant contributions to the Company's success and to allow Participants to share in that success.

This Plan is intended to satisfy the requirements for a plan described in Rule 701 promulgated under the Securities Act of 1933, as amended, and the Company intends that this Plan be interpreted in accordance with that intent.

**1.3 Duration of this Plan.** This Plan shall remain in effect, subject to the right of the Committee to amend or terminate this Plan at any time pursuant to Article 16 hereof, until all Shares subject to it shall have been purchased or acquired according to the provisions hereof. However, in no event may an Award of an Incentive Stock Option be granted under this Plan on or after the tenth (10th) anniversary of the Effective Date.

### **Article 2. Definitions**

Whenever used in this Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized:

**2.1 Award** means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock Units/Restricted Stock Units, Other Stock Units or Performance Shares.

**2.2 Award Agreement** means a written or electronic agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under this Plan.

**2.3 Beneficial Owner** or **Beneficial Ownership** shall have the meaning ascribed to such term in Rule 13d-3 under the Exchange Act or any successor rule thereto.

**2.4 Board** or **Board of Directors** means the Board of Directors of the Company.

**2.5 Change in Control** shall mean and include each of the following occurring after the Effective Date of this Plan:

- (a) A transaction or series of transactions (other than an offering of Shares to the general public through a registration statement filed with the SEC) whereby any person or related group of persons (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its Subsidiaries, Eos Capital Partners III, L.P., Eos Partners SBIC III, L.P. and/or any of their respective affiliates, an employee benefit plan maintained by the Company or any of its Subsidiaries or a person that, prior to such transaction, directly or indirectly controlled, was controlled by, or was

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under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

- (b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 2.5(a) or Section 2.5(c)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or
- (c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:
  - (i) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the **Successor Entity**)) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and
  - (ii) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; *provided, however*, that no person or group shall be treated for purposes of this Section 2.5(c)(ii) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or
- (d) The Company's stockholders approve a liquidation or dissolution of the Company.

In addition, if a Change in Control constitutes a payment event with respect to any Award which provides for the deferral of compensation and is subject to Section 409A of the Code, the transaction or event described in subsection (a), (b), (c) or (d) with respect to such Award must also constitute a change in control event, as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Section 409A.

The Committee shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

**2.6 Code** means the Internal Revenue Code of 1986, as amended from time to time.

**2.7 Committee** means the Compensation Committee of the Board of Directors or such other committees or subcommittees of the Board appointed by the Board to administer this Plan in accordance with Article 3 below.

**2.8 Company** means Addus HomeCare Corporation, a Delaware corporation, its Subsidiaries, and any successor thereto as provided in Article 18 hereof.



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**2.9 Covered Employee** means a Participant who, as of the date of vesting and/or payout of an Award, or the date the Company or any of its Subsidiaries is entitled to a tax deduction as a result of the Award, as applicable, is one of the group of covered employees, as defined in the regulations promulgated under Code Section 162(m), or any successor statute.

**2.10 Deferred Stock Unit** means an Award granted to a Participant pursuant to Article 9 hereof.

**2.11 Director** means any individual who is a member of the Board of Directors of the Company or its Subsidiaries; *provided, however*, that any Director who is employed by the Company or its Subsidiaries shall be treated as an Employee under this Plan.

**2.12 Disability** shall mean a condition whereby a Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical impairment which can be expected to result in death or which is or can be expected to last for a continuous period of not less than twelve months, all as verified by a physician acceptable to, or selected by, the Company.

**2.13 Effective Date** shall have the meaning ascribed to such term in Section 1.1 hereof.

**2.14 Employee** means any employee of the Company or its Subsidiaries.

**2.15 Exchange Act** means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

**2.16 Extraordinary Items** means (a) items presented as such (or other comparable terms) in the Company's audited financial statements, (b) extraordinary, unusual, or nonrecurring items of gain or loss, (c) changes in tax or accounting laws or rules and (d) the effects of mergers, acquisitions, divestitures, spin offs or significant transactions, each of which is identified in the audited financial statements and notes thereto or in the management's discussion and analysis of the financial statements in a periodic report filed with the SEC under the Exchange Act and the rules and regulations promulgated thereunder.

**2.17 Fair Market Value.** For purposes of determining the Fair Market Value of a Share, the following rules shall apply:

- (a) If the Shares are listed on any established stock exchange or interdealer quotation system, then the Fair Market Value of a Share shall be the closing sales price for such Share (or the closing bid if no sales were reported) as quoted on such exchange or system for the last market trading day on the date of determination.
- (b) If the Shares are not at the time listed or admitted to trading on a stock exchange, the Fair Market Value of a Share shall be the mean between the lowest reported bid price and highest reported asking price per Share on the date in question in the over-the-counter market, as such prices are reported in a publication of general circulation selected by the Committee and regularly reporting the market price of stock in such market.
- (c) If the Shares are not listed or admitted to trading on any exchange or traded in the over-the-counter market, the Fair Market Value of a Share shall be as determined in good faith by the Committee through any reasonable valuation method which satisfies the requirements of Section 409A of the Code.
- (d) In no event shall the fair market value of any Share be less than its par value.

**2.18 Incentive Stock Option** or **ISO** means an option to purchase Shares granted under Article 6 hereof that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422.

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- 2.19 Key Employee** shall mean an employee (as defined in Code Section 416(i) (but without regard to paragraph (5) thereof)) of the Company.
- 2.20 Nonqualified Stock Option** or **NQSO** means an option to purchase Shares granted under Article 6 hereof that is not intended to meet the requirements of Code Section 422, or that otherwise does not meet such requirements.
- 2.21 Option** means an Incentive Stock Option or a Nonqualified Stock Option.
- 2.22 Option Price** means the price at which a Share may be purchased by a Participant pursuant to an Option.
- 2.23 Other Stock Unit Award** means an Award granted to a Participant, as described in Article 10 hereof.
- 2.24 Participant** means an Employee, Director or consultant who has been selected to receive an Award or who has an outstanding Award granted under this Plan.
- 2.25 Performance-Based Exception** means the performance-based exception from the tax deductibility limitations of Code Section 162(m).
- 2.26 Performance Criteria** means (both for Awards granted prior to June 19, 2013 and after June 19, 2013) one or more of the following Performance Criteria selected by the Committee with respect to any performance-based Award: (a) increases in the Fair Market Value of a Share, (b) shareholder value added, (c) cash flow, (d) earnings per share, (e) earnings of the Company before deducting interest, taxes, depreciation and amortization, (f) return on equity, (g) return on capital, (h) return on assets or net assets, (i) cost reduction or control, (j) operating income or net operating income, (k) operating margins/sales in one or more business segments or product lines, (l) return on operating revenue, (m) market share in one or more business segments or product lines, (n) earnings before interest and taxes, (o) units of specified products sold or depleted, (p) free cash flow, (q) sales growth, (r) capital expenditures, (s) working capital, (t) inventory, (u) cash flow from operations, (v) gross margin, (w) economic value added, (x) total shareholder return, (y) objective measures of quality or (z) any measure that indicates any of the foregoing or any combination of the foregoing. Performance criteria may be established on a corporate, divisional, business unit or consolidated basis and measured absolutely or relative to the Company's peers or any index of companies selected by the Committee.
- 2.27 Performance Period** means the fiscal year or years or other period established by the Committee with respect to which the Performance Targets are set by the Committee.
- 2.28 Performance Share** means an Award granted to a Participant, as described in Article 11 hereof.
- 2.29 Performance Target** means one or more specific objective goal or goals (which may be cumulative or alternative) that are timely set in writing by the Committee for each Participant for the applicable Performance Period with respect to any one or more of the Performance Criteria.
- 2.30 Period of Restriction** means the period during which the transfer of Shares of Restricted Stock is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its discretion), and the Shares are subject to a substantial risk of forfeiture, pursuant to the Restricted Stock Award Agreement, as provided in Article 8 hereof.
- 2.31 Person** shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof and the rules promulgated thereunder, including a group as defined in Section 13(d) thereof and the rules promulgated.

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**2.32 Restricted Stock** means an Award granted to a Participant pursuant to Article 8 hereof.

**2.33 Restricted Stock Unit** means an Award granted to a Participant pursuant to Article 9 hereof.

**2.34 Retirement** means a termination of employment by an Employee who is at least 60 years of age and after at least 10 years of service with the Company. For an individual who becomes employed by the Company in connection with a business acquisition (regardless of the form of the transaction), service shall include the individual's service with the acquired business, unless the Committee determines otherwise.

**2.35 SEC** means the United States Securities and Exchange Commission.

**2.36 Shares** means shares of the Company's common stock, par value \$.001 per share.

**2.37 Stock Appreciation Right** or **SAR** means an Award granted pursuant to the terms of Article 7 hereof.

**2.38 Subsidiary** means any corporation, partnership, limited liability company, joint venture, or other entity in which the Company, directly or indirectly, has a majority voting interest. With respect to Incentive Stock Options, **Subsidiary** means any entity, domestic or foreign, whether or not such entity now exists or is hereafter organized or acquired by the Company or by a Subsidiary that is a subsidiary corporation within the meaning of Code Section 424(d) and the rules thereunder.

**2.39 Ten Percent Shareholder** means an employee who at the time an ISO is granted owns Shares possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Subsidiary, within the meaning of Code Section 422.

## **Article 3. Administration**

**3.1 General.** Subject to the terms and conditions of this Plan, this Plan shall be administered by the Committee. The Committee shall have the authority to delegate administrative duties to officers of the Company. The full Board of Directors, in its discretion, may act as the Committee under this Plan, whether or not a Committee has been appointed, and the nominating and corporate governance committee of the Board of Directors shall act as the Committee with respect to grants of Awards to non-employee Directors. The Committee shall in all events conform to any requirements of the applicable laws, rules, and regulations.

**3.2 Authority of the Committee.** Except as limited by law or by the Certificate of Incorporation or Bylaws of the Company, and subject to the provisions hereof, the Committee shall have full power to select Employees, Directors and consultants who shall be offered the opportunity to participate in this Plan; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with this Plan (including, but not limited to, termination provisions); construe and interpret this Plan and any agreement or instrument entered into under this Plan; establish, amend or waive rules and regulations for this Plan's administration; and amend the terms and conditions of any outstanding Award as provided in this Plan. Further, the Committee shall make all other determinations that it deems necessary or advisable for the administration of this Plan. As permitted by law and the terms of this Plan, the Committee may delegate its authority herein. No member of the Committee shall be liable for any action taken or decision made in good faith relating to this Plan or any Award granted hereunder.

**3.3 Decisions Binding.** All determinations and decisions made by the Committee pursuant to the provisions of this Plan and all related orders and resolutions of the Committee shall be final, conclusive and binding on all persons, including the Company, its stockholders, Directors, Employees, Participants and their estates and beneficiaries, unless changed by the Board.

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**Article 4. Shares Subject to this Plan and Maximum Awards**

**4.1 Number of Shares Available for Grants.** Subject to adjustment as provided in Section 4.2 hereof, the number of Shares that may be delivered to Participants under this Plan shall equal 1,500,000.

- (a) The aggregate Awards granted during any calendar year to any single Participant shall not exceed (i) 500,000 shares subject to Options or SARs or (ii) 300,000 shares subject to Restricted Stock, Restricted Stock Units, Deferred Stock Units, Performance Shares or Other Stock Unit Awards, which annual limits shall apply whether awards are settled in cash or in Shares.
- (b) Any Shares covered by an Award (or portion of an Award) granted under this Plan that are forfeited back to the Company because of the failure to meet an Award contingency or condition shall again be available for delivery pursuant to new Awards granted under this Plan. To the extent any Shares covered by an Award are not delivered to a Participant because the Award is forfeited or canceled, or the Shares are not delivered because the Award is settled in cash, such Shares shall not be deemed to have been delivered for purposes of determining the maximum number of Shares available for delivery under this Plan.
- (c) If a Participant tenders Shares (either actually, by attestation or otherwise) to pay all or any part of the Option Price or purchase price of an Award, or if any Shares deliverable with respect to any Award are retained by the Company in satisfaction of the Participant's obligation for taxes, only the number of Shares issued net of the Shares tendered shall be deemed delivered for purposes of determining the maximum number of Shares available for delivery under this Plan.
- (d) Shares delivered under this Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity shall not reduce the maximum number of Shares available for delivery under this Plan, to the extent that such settlement, assumption or substitution is as a result of the Company or any Subsidiary acquiring another entity (or an interest in another entity).
- (e) Shares may be authorized or unissued shares. The Committee shall determine the appropriate methodology for calculating the number of Shares issued pursuant to this Plan.

**4.2 Adjustments in Authorized Shares.** Upon a change in corporate capitalization, such as a stock split, stock dividend or a corporate transaction, such as any merger, consolidation, combination, exchange of shares or the like, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368) or any partial or complete liquidation of the Company, such adjustment shall be made in the number and class of Shares that may be delivered under Section 4.1, in the number and class of and/or price of Shares subject to outstanding Awards granted under this Plan, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights.

**4.3 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.** The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.2 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan; *provided that*, unless the Committee determines otherwise at the time such adjustment is considered, no such adjustment shall be authorized to the extent that such authority would be inconsistent with this Plan's or any Award's meeting the requirements of Code Section 162(m) or an Incentive Stock Option ceasing to meet the requirements of Code Section 422.

**4.4 No Repricing.** Subject to Section 4.2, the Committee shall not have the authority, without the approval of the stockholders of the Company, to amend any outstanding Award to increase or reduce the price per share or

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to cancel and replace an Award with the grant of an Award having a price per share that is less than, greater than or equal to the price per share of the original Award.

### **Article 5. Eligibility and Participation**

**5.1 Eligibility.** Persons eligible to participate in this Plan include all Employees, Directors and consultants of the Company and its Subsidiaries.

**5.2 Actual Participation.** Subject to the provisions of this Plan, the Committee may, from time to time, select from all eligible Employees, Directors and consultants those to whom Awards shall be granted and shall determine the nature and amount of each Award, provided that Incentive Stock Options shall only be awarded to Employees of the Company or its Subsidiaries.

### **Article 6. Stock Options**

**6.1 Grant of Options.** Subject to the terms and provisions of this Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

**6.2 Award Agreement.** Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains and such other provisions as the Committee shall determine which are not inconsistent with the terms of this Plan.

**6.3 Option Price.** The Option Price for each Option shall equal the Fair Market Value of a Share at the time such option is granted. No ISOs will be granted to a Ten Percent Shareholder. Except as permitted in Section 4.4, the Option Price may not be decreased with respect to an outstanding Option following the date of grant and no Option will be replaced with another Option with a lower Option Price.

**6.4 Duration of Options.** Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant, provided that an Option must expire no later than the tenth (10<sup>th</sup>) anniversary of the date the Option was granted. Options must be exercised on or before 5:00 p.m. Central Time on their expiration date.

**6.5 Exercise of Options.** Options shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant. Options may be partially exercised from time to time during the period extending from the time they first become exercisable in accordance with the terms of the Award until the expiration of the exercise period allowed in the Award. Exercise of related Stock Appreciation Rights will cause the immediate automatic expiration of related Options on the terms and conditions specified by the Committee.

**6.6 Payment.** Options shall be exercised by the delivery of a written, electronic or telephonic notice of exercise to the Company or its designated agent, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment of the Option Price for the Shares.

Upon the exercise of any Option, the Option Price for the Shares being purchased pursuant to the Option shall be payable to the Company in full either: (a) in cash or its equivalent; (b) subject to the Committee's approval, by delivery of previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares that are delivered must have been held by the Participant for at least six (6) months prior to their delivery to satisfy the Option Price); (c) subject to the Committee's approval, by authorizing a third party to sell Shares (or a sufficient portion of the Shares) acquired upon exercise of the Option and remitting to the Company a sufficient portion of the sales proceeds to pay the Option Price; (d) subject to the Committee's approval, by a combination of (a), (b) or (c); or (e) by any other

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method approved by the Committee in its sole discretion. Unless otherwise determined by the Committee, the delivery of previously acquired Shares may be done through attestation. No fractional shares may be tendered or accepted in payment of the Option Price.

Unless otherwise determined by the Committee, cashless exercises are permitted, subject to applicable law (including without limitation the requirements of Regulation T and other applicable regulations promulgated by the Federal Reserve Board), or by any other means which the Committee determines to be consistent with this Plan's purpose and applicable law.

Subject to any governing rules or regulations, as soon as practicable after receipt of notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased pursuant to the Option(s).

Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States Dollars.

**6.7 Restrictions on Shares.** The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, (a) restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, or under any blue sky or state securities laws applicable to such Shares, restrictions required by any stockholders' or other agreement governing ownership of the Company's Shares, and (b) restrictions permitted under Article 8 with respect to Restricted Stock.

### **6.8 Limited Transferability of Options.**

(a) **Incentive Stock Options.** No ISO granted under this Plan may be sold, transferred, pledged, assigned, encumbered or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to a Participant under this Plan shall be exercisable during such Participant's lifetime only by such Participant.

(b) **Nonqualified Stock Options.** Except as otherwise provided in the applicable Award Agreement, no NQSO may be sold, transferred, pledged, assigned, encumbered or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in the applicable Award Agreement, all NQSOs granted to a Participant shall be exercisable during such Participant's lifetime only by such Participant.

**6.9 Special Limitation on Grants of Incentive Stock Options.** No ISO shall be granted to an Employee under this Plan or any other ISO plan of the Company or its Subsidiaries to purchase Shares as to which the aggregate Fair Market Value (determined as of the date of grant) of the Shares which first become exercisable by the Employee in any calendar year exceeds \$100,000. To the extent an Option initially designated as an ISO exceeds the value limit of this Section 6.9 or otherwise fails to satisfy the requirements applicable to ISOs, it shall be deemed a NQSO and shall otherwise remain in full force and effect.

## **Article 7. Stock Appreciation Rights**

**7.1 Grant of SARs.** Stock Appreciation Rights may be granted by the Committee in Awards which are in tandem with Options or freestanding. Tandem Awards may be granted at the same time as the grant of the related Option or at any time thereafter prior to the end of the exercise period for the related Option.

**7.2 SAR Agreement.** Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the duration of the SAR and such other provisions as the Committee shall determine. Each tandem SAR shall specify the Option to which it is related and the terms and conditions under which exercise or expiration of the related Option will result in automatic expiration of the related SAR and the terms and conditions on which exercise or expiration of the SAR will result in automatic expiration of the related Option.

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**7.3 Term of SARs.** The grant price of an SAR shall equal the Fair Market Value of a Share on the date of grant, provided that for each SAR granted in tandem with an Option, the grant price shall be not less than the Option Price of the related Option. The term of an SAR granted under this Plan shall be determined by the Committee, in its sole discretion, provided that an SAR must expire no later than the tenth (10th) anniversary of the date the SAR was granted.

**7.4 Exercise of SARs.** SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them. SARs may be partially exercised from time to time during the period extending from the time they first become exercisable in accordance with the terms of the Award until the expiration of the exercise period allowed in the Award. Exercise of related Stock Options will cause the immediate automatic expiration of related SARs on the terms and conditions specified by the Committee.

**7.5 Payment of SAR Amount.** Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) the amount by which the Fair Market Value of a Share on the date of exercise exceeds the grant price of the SAR; by

(b) the number of Shares with respect to which the SAR is exercised.

Settlement of SARs may be made in Shares (valued at their Fair Market Value at the time of exercise), in cash, or in a combination thereof, as determined in the discretion of the Committee. Any Shares delivered in payment shall be deemed to have a value equal to the Fair Market Value of such Shares on the date of exercise of the SAR.

**7.6 Limited Transferability of SARs.** Except as otherwise provided in a Participant's Award Agreement, no SAR granted under this Plan may be sold, transferred, pledged, assigned, encumbered or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all SARs granted to a Participant under this Plan shall be exercisable during such Participant's lifetime only by such Participant.

## **Article 8. Restricted Stock**

**8.1 Grant of Restricted Stock.** Subject to the terms and provisions of this Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to Participants in such amounts as the Committee shall determine.

**8.2 Restricted Stock Agreement.** Each Restricted Stock grant shall be evidenced by a Restricted Stock Award Agreement that shall specify the Period(s) of Restriction, the number of shares of Restricted Stock granted, and such other provisions as the Committee shall determine which are not inconsistent with the terms of this Plan.

**8.3 Transferability.** Except as provided in the Award Agreement, the shares of Restricted Stock granted herein may not be sold, transferred, pledged, assigned, encumbered or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Restricted Stock Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and set forth in the Restricted Stock Award Agreement. All rights with respect to the Restricted Stock granted to a Participant under this Plan shall be available during such Participant's lifetime and prior to the end of the Period of Restriction only to such Participant.

**8.4 Other Restrictions.** The Committee may impose such other conditions and/or restrictions on any Shares of Restricted Stock granted pursuant to this Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, and/or restrictions under applicable federal or state securities laws. Restricted Stock grants to Participants who may be Covered Employees which are intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code shall only be

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made if payout is contingent upon achievement of Performance Targets within or at the end of the Performance Period with respect to one or more Performance Criteria as specified by the Committee and the Committee certifies the extent to which any Performance Target has been satisfied and the number of Shares of Restricted Stock deliverable as a result thereof, prior to the delivery of any such Shares to Covered Employees.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

Except as otherwise provided in the Award Agreement, Shares of Restricted Stock covered by each Restricted Stock grant made under this Plan shall become freely transferable by the Participant after the last day of the applicable Period of Restriction.

**8.5 Voting Rights.** If the Committee so determines, Participants holding Shares of Restricted Stock granted hereunder may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction.

**8.6 Dividends and Other Distributions.** During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder (whether or not the Company holds the certificate(s) representing such Shares) may, if the Committee so determines, be credited with dividends paid with respect to the underlying Shares while they are so held. The Committee may apply any restrictions to the dividends that the Committee deems appropriate. Without limiting the generality of the preceding sentence, if the grant or vesting of Shares of Restricted Stock granted to a Covered Employee is designed to comply with the requirements of the Performance-Based Exception, the Committee may apply any restrictions it deems appropriate to the payment of dividends declared with respect to such Shares of Restricted Stock, such that the dividends and/or the Shares of Restricted Stock maintain eligibility for the Performance-Based Exception.

## **Article 9. Deferred Stock Units and Restricted Stock Units**

**9.1 Award of Deferred Stock Units.** Subject to the terms and provisions of this Plan, the Committee, at any time and from time to time, may award Deferred Stock Units to Participants in lieu of payment of a bonus or other Award if so elected by a Participant under such terms and conditions as the Committee shall determine, including terms that provide for the grant of Deferred Stock Units valued in excess of the bonus or Award deferred.

**9.2 Election to Receive Deferred Stock Units.** A Participant must make an election to receive Deferred Stock Units in the calendar year before the calendar year in which the services related to the Award are first performed. The Committee may require a Participant to defer, or permit (subject to any conditions as the Committee may from time to time establish) a Participant to elect to defer, receipt of all or any portion of any payment of cash or Shares that otherwise would be due to such Participant in payment or settlement of an Award under this Plan, to the extent consistent with Section 409A of the Code. (Such payments may include, without limitation, provisions for the payment or crediting of reasonable interest in respect of deferred payments credited in cash, and the payment or crediting of dividend equivalents in respect of deferred amounts credited in stock equivalents.) Settlement of any Deferred Stock Units shall be made in a single sum of cash or Shares.

**9.3 Grant of Restricted Stock Units.** Subject to the terms and provisions of this Plan, the Committee, at any time and from time to time, may grant Restricted Stock Units to Participants in such amounts as the Committee may determine.

**9.4 Restricted Stock Units Agreement.** Each Restricted Stock Unit grant shall be evidenced by a Restricted Stock Unit Award Agreement that shall specify the date or dates and any other terms and conditions on which the Restricted Stock Units may vest and such other terms and conditions of the grant as the Committee shall determine. Restricted Stock Unit grants to Participants who may be Covered Employees which are intended



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to satisfy the requirements for performance-based compensation under Section 162(m) of the Code shall only be made if payout is contingent upon achievement of Performance Targets within or at the end of the Performance Period with respect to one or more Performance Criteria as specified by the Committee and the Committee certifies the extent to which any Performance Target has been satisfied, and the number of Shares or other compensation deliverable as a result thereof, prior to the delivery of any such Shares or compensation to Covered Employees.

**9.5 Form and Timing of Payment of Restricted Stock Units.** Payment of vested Restricted Stock Units, or, if a Restricted Stock Unit Award is subject to partial vesting, the vested portion of such Award, shall be made in a single sum of cash or Shares or a combination thereof as soon as practicable after the Restricted Stock Units or portion of the Award vests, but in no event later than 2 1/2 months after the calendar year in which vesting occurs. It is intended that a Restricted Stock Unit Award be exempt from the application of Section 409A of the Code as a short-term deferral.

### **Article 10. Other Stock Unit Awards**

**10.1 Grant of Other Stock Unit Awards.** Subject to the terms of this Plan, Other Stock Unit Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares or other property, may be granted to Participants, either alone or in addition to other Awards granted under this Plan, and such Other Stock Units shall also be available as a form of payment in the settlement of other Awards granted under this Plan. Other Stock Units shall be granted upon such terms, and at any time and from time to time, as shall be determined by the Committee.

**10.2 Award Agreement.** Each Other Stock Unit grant shall be evidenced by an Other Stock Unit Award Agreement that shall specify the restrictions upon such Other Stock Units, if any, the number of Other Stock Units granted, and such other provisions as the Committee shall determine which are not inconsistent with the terms of this Plan.

### **Article 11. Performance Shares**

**11.1 Grant of Performance Share Awards.** Subject to the terms of this Plan, Performance Share Awards may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

**11.2 Award Agreement.** At the Committee's discretion, each grant of Performance Share Awards may be evidenced by an Award Agreement that shall specify the initial value, the duration of the Award, the performance measures, if any, applicable to the Award, and such other provisions as the Committee shall determine which are not inconsistent with the terms of this Plan.

**11.3 Value of Performance Share Awards.** Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Share Awards that will be paid out to the Participant. For purposes of this Article 11, the time period during which the performance goals must be met shall be called a **Performance Period**.

**11.4 Earning of Performance Share Awards.** Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Share Awards shall be entitled to receive a payout based on the number and value of Performance Share Awards earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved.

**11.5 Form and Timing of Payment of Performance Shares Awards.** Payment of earned Performance Share Awards shall be as determined by the Committee and, if applicable, as evidenced in the related Award Agreement. Subject to the terms of this Plan, the Committee, in its sole discretion, may pay earned Performance Share Awards

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in the form of cash or in Shares (or in a combination thereof) that have an aggregate Fair Market Value equal to the value of the earned Performance Share Awards at the close of the applicable Performance Period. Such Shares may be delivered subject to any restrictions deemed appropriate by the Committee. No fractional shares will be issued. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award or the resolutions establishing the Award.

Participants holding Performance Shares may be entitled to receive the dividends declared during the Performance Period with respect to the Shares represented by such Performance Shares, subject to the same accrual, forfeiture and payout restrictions as may apply to dividends earned with respect to Shares of Restricted Stock, as set forth in Section 8.6 hereof, as determined by the Committee.

**11.6 Limited Transferability.** Except as otherwise provided in a Participant's Award Agreement, Performance Share Awards may not be sold, transferred, pledged, assigned, encumbered or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

### **Article 12. Performance Criteria**

For each Award of Restricted Stock, Restricted Stock Units or Performance Share Awards intended to qualify as performance based compensation under Section 162(m) of the Code and related rules, the Committee shall select the applicable Performance Criteria, Performance Period and Performance Target for the Award consistent with the terms of this Plan and Section 162(m) of the Code. The Committee may select Performance Criteria, Performance Periods and Performance Targets for Restricted Stock, Restricted Stock Units or Performance Share Awards for Participants other than Covered Employees in its discretion. The Committee shall have no discretion to increase the amount of compensation payable to Covered Employees if a Performance Target has been attained (though the Committee shall retain the discretion to adjust such Awards downward), but the Committee may adjust compensation to increase the amount, in its discretion, to any other Participant. The Committee may adjust Performance Targets to take into account the effects of any Extraordinary Items equitably in a manner consistent with the determination of the original Award; *provided, however*, no such adjustment may be made with respect to any Award to a Covered Employee which is intended to qualify as performance based compensation unless such adjustment satisfies the requirements of Code Section 162(m).

For Awards to Covered Employees which are intended to qualify as performance based compensation under Code Section 162(m), the Performance Target with respect to the selected Performance Criteria must be established by the Committee in advance of the deadlines applicable under Code Section 162(m) and while the performance relating to the Performance Target remains substantially uncertain within the meaning of such Section 162(m) and the related rules. At the time the Performance Targets are established, the Committee shall provide, in terms of an objective formula or standard for each Covered Employee, the method of computing the specific amount that will represent the maximum number of Shares or amount of other compensation payable to the Participant if the Performance Target is attained.

In addition, notwithstanding anything to the contrary in this Plan, in the case of a Covered Employee no payment with respect to an Award subject to a Performance-Based Exception shall be made prior to shareholder approval of this Plan.

If applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval.

### **Article 13. Rights of Participants**

**13.1 Employment.** Nothing in this Plan shall confer upon any Participant any right to continue in the Company's or its Subsidiaries' employ, or as a Director, or interfere with or limit in any way the right of the Company or its Subsidiaries to terminate any Participant's employment or directorship at any time.

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**13.2 Participation.** No Employee, Director or consultant shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

**13.3 Rights as a Stockholder.** Except as provided in Sections 8.5, 8.6 and 11.5 or in the applicable Award Agreement consistent with Articles 8, 9, 10 or 11, a Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

### **Article 14. Termination of Employment/Directorship**

**14.1 Vesting and Exercise of Awards.** Except as otherwise provided in the Award Agreement, subject to Section 14.2, upon termination of the Participant's employment or directorship for any reason other than Disability, death or Retirement, an Award granted to a Participant may be exercised by the Participant or a permitted transferee at any time on or prior to the earlier of the expiration date of the Award or, in the case of an Option or an SAR, the expiration of three (3) months after the date of termination but only if, and to the extent that, the Participant was entitled to exercise the Award at the date of termination. Upon termination of the Participant's employment or directorship by reason of the Participant's Disability or death, an Award granted to a Participant shall become vested and/or may be exercised by the Participant or a permitted transferee only to the extent set forth in such Participant's Award Agreement. Upon termination of the Participant's employment or directorship due to Retirement, a NQSO granted to the Participant may be exercised by the Participant or a permitted transferee at any time on or prior to the earlier of the expiration date of the Option or the expiration of six months after the date of termination due to Retirement but only if, and to the extent that, the Participant was entitled to exercise the NQSO at the date of termination. All Awards or any portion thereof not yet vested or exercisable or whose Period of Restriction has not expired as of the date of termination (other than a termination by reason of Disability, death or Retirement) shall terminate and be forfeited immediately on the date of termination.

For purposes of this Article, a termination includes an event which causes a Participant to lose his eligibility to participate in this Plan (e.g., an individual is employed by a company that ceases to be a Subsidiary). In the case of a consultant and a nonemployee director, the meaning of termination or termination of employment includes the date that the individual ceases to provide significant services to the Company or its Subsidiaries.

Notwithstanding the foregoing, the Committee has the authority to prescribe different rules that apply upon the termination of employment of a particular Participant, which shall be memorialized in the Participant's original or amended Award Agreement or similar document. However, with respect to any Award subject to Code Section 409A, any reference to termination of employment or similar term shall mean an event that constitutes a separation from service within the meaning of Code Section 409A.

**14.2 Termination for Cause.** Notwithstanding any other provision of this Plan or an Award Agreement, if the Committee finds by a majority vote that Cause (as defined below) exists with respect to a Participant, then as of the date the Committee makes its finding, any Awards awarded to such Participant that have not been exercised by such Participant (including all Awards that have not yet vested) will be forfeited to the Company. The findings and decision of the Committee or the Board, if applicable, with respect to any such matter, including those regarding the acts of the Participant and the damage done to the Company, will be final for all purposes. No decision of the Committee, however, will affect the finality of the discharge of the individual by the Company or a Subsidiary. As used herein, **Cause** means a Participant, before or after his termination of employment or directorship (a) committed a felony or a crime involving moral turpitude or committed any other act or omission involving fraud, embezzlement or any other act of dishonesty in the course of his employment by the Company or a Subsidiary which conduct damaged the Company or a Subsidiary; (b) substantially and repeatedly failed to perform duties of the office held by the Participant as reasonably directed by the Company or a Subsidiary, (c) committed gross negligence or willful misconduct with respect to the Company or a Subsidiary; (d) committed a material breach of any employment agreement between the Participant and the Company or a Subsidiary that is not cured within ten (10) days after receipt of written notice thereof from the Company or the

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Subsidiary, as applicable; (e) failed, within ten (10) days after receipt by the Participant of written notice thereof from the Company or a Subsidiary, to correct, cease or otherwise alter any failure to comply with instructions or other action or omission which the Board reasonably believes does or may materially or adversely affect the Company's or a Subsidiary's business or operations, (f) committed misconduct which is of such a serious or substantial nature that a reasonable likelihood exists that such misconduct will materially injure the reputation of the Company or a Subsidiary, (g) harassed or discriminated against the Company's or a Subsidiary's employees, customers or vendors in violation of the Company's policies with respect to such matters, (h) misappropriated funds or assets of the Company or a Subsidiary for personal use or willfully violated the Company policies or standards of business conduct as determined in good faith by the Board, (i) failed, due to some action or inaction on the part of the Participant, to have immigration status that permits the Participant to maintain full-time employment with the Company or a Subsidiary in the United States in compliance with all applicable immigration law or (j) disclosed trade secrets of the Company or a Subsidiary. Notwithstanding the foregoing, in the event a Participant has an employment agreement with the Company that provides for termination for cause or reasonable cause, Cause as used herein shall have the definition of cause or reasonable cause, as applicable, contained in such employment agreement.

**14.3 Leave of Absence.** Unless otherwise determined by the Committee, an authorized leave of absence pursuant to a written agreement or other leave entitling an Employee to reemployment in a comparable position by law or rule shall not constitute a termination of employment for purposes of this Plan unless the Employee does not return at or before the end of the authorized leave or within the period for which re-employment is guaranteed by law.

**14.4 Forfeiture of Unvested Award.** An Award that remains unexercised after the latest date it could have been exercised under any of the foregoing provisions or under the terms of the Award shall be forfeited.

## **Article 15. Change in Control**

In the event of (1) any sale or conveyance to another entity of all or substantially all of the property and assets of the Company, (2) a Change in Control or (3) an event that, with the passage of time, would result in a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchange or trading system, or unless the Committee shall otherwise specify in the Award Agreement, the Board, in its sole discretion, may, as applicable:

- (a) accelerate the time at which some or all of the Awards then outstanding may be exercised so that such Awards may be exercised in full for a limited period of time on or before a specified date (before or after such Change in Control) fixed by the Committee, after which specified date all such Awards that remain unexercised and all rights of Participants thereunder shall terminate;
- (b) elect to terminate Options or SARs in exchange for a cash payment equal to the amount by which the Fair Market Value of the Shares subject to such Option to the extent the Option or SAR has vested exceeds the exercise price with respect to such Shares;
- (c) elect to terminate Options or SARs provided that each Participant is first notified of and given the opportunity to exercise his/her vested Options for a specified period of time (of not less than 15 days) from the date of notification and before the Option or SAR is terminated;
- (d) permit Awards to be assumed by a new parent corporation or a successor corporation (or its parent) and replaced with a comparable Award of the parent corporation or successor corporation (or its parent);
- (e) amend an Award Agreement or take such other action with respect to an Award that it deems appropriate; or
- (f) implement any combination of the foregoing.

The Board need not provide for identical treatment of each such outstanding Award.



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### **Article 16. Amendment, Modification, and Termination**

**16.1 Amendment, Modification, and Termination.** Subject to the terms of this Plan, the Board may at any time and from time to time, alter, amend, suspend, or terminate this Plan in whole or in part.

**16.2 Awards Previously Granted.** Notwithstanding any other provision of this Plan to the contrary, no termination, amendment, or modification of this Plan shall adversely affect in any material way any Award previously granted under this Plan, without the written consent of the Participant holding such Award.

**16.3 Shareholder Approval Required for Certain Amendments.** Shareholder approval will be required for any amendment of this Plan that does any of the following: (a) increases the maximum number of Shares, or the types of Awards, available under this Plan; (b) changes the designation of the class of persons eligible to receive ISOs under this Plan; or (c) modifies this Plan in a manner that requires shareholder approval under applicable law or the rules of a stock exchange or trading system on which Shares are traded.

### **Article 17. Withholding**

The Company shall have the power and the right to deduct or withhold or require a Participant to remit to the Company, an amount sufficient to satisfy any applicable taxes (including social security or social charges), domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan. The Participant may satisfy, totally or in part, such Participant's obligations pursuant to this Article 17 by electing to have Shares withheld, to redeliver Shares acquired under an Award, or to deliver previously owned Shares that have been held for at least six (6) months, provided that the election is made in writing on or prior to (i) the date of exercise, in the case of Options or SARs; (ii) the date of payment, in the case of Performance Shares or Deferred Stock Units/Restricted Stock Units; or (iii) the expiration of the Period of Restriction in the case of Restricted Stock. Any election made under this Article 17 may be disapproved by the Committee at any time in its sole discretion. If an election is disapproved by the Committee, the Participant must satisfy his obligations pursuant to this Article 17 in cash.

### **Article 18. Successors**

All obligations of the Company under this Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, through merger, consolidation, or otherwise, of all or substantially all of the business, stock and/or assets of the Company.

### **Article 19. General Provisions**

**19.1 Gender and Number.** Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

**19.2 Severability.** If any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

**19.3 Requirements of Law.** The granting of Awards and the issuance of Shares under this Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

**19.4 Securities Law Compliance.** With respect to individuals subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act, unless determined otherwise by the Board. To the extent any provision of this Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board.

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**19.5 Listing.** The Company may use reasonable endeavors to register Shares issued pursuant to Awards with the SEC or to effect compliance with the registration, qualification, and listing requirements of any state or foreign securities laws, stock exchange, or trading system.

**19.6 Inability to Obtain Authority.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

**19.7 No Additional Rights.** Neither the Award nor any benefits arising under this Plan shall constitute part of an employment contract between the Participant and the Company or any Subsidiary, and accordingly, subject to Section 16.2, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to liability on the part of the Company for severance payments.

**19.8 Noncertificated Shares.** To the extent that this Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange or trading system.

**19.9 Governing Law.** This Plan and each Award Agreement shall be governed by the laws of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under this Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts whose jurisdiction covers Delaware, to resolve any and all issues that may arise out of or relate to this Plan or any related Award Agreement.

**19.10 Other Conditions.** At the time of an Award to a Participant under this Plan, the Committee may require a Participant to enter into any agreement or make any representations, not inconsistent with this Plan, as the Committee may, in its sole discretion, prescribe.

**19.11 Compliance with Code Section 162(m).** It is the intent of the Company that all Awards that are intended to qualify as performance-based compensation under Code Section 162(m) be granted and interpreted in a manner to satisfy all applicable requirements of Code Section 162(m). Any provision, application or interpretation of this Plan inconsistent with this intent to satisfy the standards in Code Section 162(m) shall be disregarded. Notwithstanding anything to the contrary in this Plan, the provisions of this Plan may at any time be bifurcated by the Committee in any manner so that certain provisions of this Plan or any Award intended (or required in order) to satisfy the applicable requirements of Code Section 162(m) may be applicable only to Covered Employees.

**19.12 Compliance with Code Section 409A.** No Award that is subject to Code Section 409A shall provide for deferral of compensation that does not comply with Code Section 409A. Any ambiguities in this Plan or an Award Agreement shall be construed so that benefits hereunder shall not be subject to tax under Section 409A of the Code, and if any provision of any Award is found to be in violation of the requirements of said Section 409A, then such provision shall be deemed modified or restricted to the extent and in the manner necessary to render such provisions in conformity with said Section 409A. For any Awards subject to Code Section 409A, all rights to amend, terminate or modify this Plan or any such Award, including any discretionary rights or powers the Committee may have with respect to an Award, are subject to the requirements and limitations of Code Section 409A. Notwithstanding any provision in this Plan to the contrary, with respect to any Award subject to Section 409A of the Code, distributions on account of a separation from service may not be made to a Specified

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Employee within the meaning of Section 409A before the date which is six (6) months after the date of separation from service (or, if earlier, the date of death of the employee).

Dated as of April 30, 2014

**Addus HomeCare Corporation**

By:

Mark S. Heaney  
President and Chief Executive Officer

Date of Shareholder Approval:

A-17



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**PROXY ADDUS HOMECARE CORPORATION**

**ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 18, 2014**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Mark S. Heaney and Dennis B. Meulemans as proxies, each with full power of substitution, to represent and vote, as designated on the reverse side, all of the shares of Common Stock of Addus HomeCare Corporation (the Company) held of record by the undersigned on April 28, 2014, at the Annual Meeting of Shareholders on June 18, 2014, or any adjournment or postponement thereof.

This Proxy, when properly executed, will be voted in the manner directed by the shareholder, but if no direction is made, this Proxy will be voted FOR all of the nominees listed and FOR proposals 2 and 3.

The signer hereby revokes all proxies heretofore given to vote at said meeting or any adjournment thereof.

PLEASE MARK (ON REVERSE SIDE), SIGN, DATE, AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held June 18, 2014. The Notice of Annual Meeting of Shareholders, Proxy Statement and Annual Report on Form 10-K are available at [www.addus.com](http://www.addus.com).**

**(Continued and to be signed on the reverse side)**

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Using a **black ink** pen, mark your votes with an **X** as shown in this example.

x

Please do not write outside the designated areas.

**Annual Meeting Proxy Card**

PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

**A. Proposals    The Board of Directors recommends a vote FOR all of the nominees listed and FOR proposals 2 and 3.**

1. Election of Directors:                      For    Withhold

Steven I. Geringer                              ..           ..

Michael Earley                                   ..           ..

2. To ratify the selection of BDO USA, LLP as independent auditor of the Company for its fiscal year ending December 31, 2014.	For	Against	Abstain
	..	..	..

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**B. Non-Voting Items**

**Change of Address** - Please print your new address below.

**Comments** - Please print your comments below.

**Meeting**

**Attendance**

..

Mark the box to the right if you plan to attend the Annual Meeting.

**C. Authorized Signatures** **This section must be completed for your vote to be counted.** **Date and Sign Below**  
Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print  
date below.

Signature 1 Please keep  
signature within the box.

Signature 2 Please keep  
signature within the box.

/ /