

Addus HomeCare Corp
Form DEF 14A
April 30, 2014
[Table of Contents](#)

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

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:
- ☐ Fee paid previously with preliminary materials.
- ☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:

(4) Date Filed:

Table of Contents

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

Table of Contents

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

Table of Contents

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.**

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

Edgar Filing: Addus HomeCare Corp - Form DEF 14A

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.

Table of Contents

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,

Edgar Filing: Addus HomeCare Corp - Form DEF 14A

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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,

Table of Contents

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

Table of Contents

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. 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

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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;

Table of Contents

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

Table of Contents

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.

Table of Contents

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

Table of Contents

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

Table of Contents

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

Edgar Filing: Addus HomeCare Corp - Form DEF 14A

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.

Table of Contents

- (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.

Edgar Filing: Addus HomeCare Corp - Form DEF 14A

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.

Table of Contents

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

Edgar Filing: Addus HomeCare Corp - Form DEF 14A

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

Table of Contents

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

Table of Contents

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 50th 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

Table of Contents

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

Table of Contents

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

Table of Contents

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:

	Annual Option Awards (#)
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

Table of Contents

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

Table of Contents

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.

Edgar Filing: Addus HomeCare Corp - Form DEF 14A

- (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

Table of Contents

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				

Edgar Filing: Addus HomeCare Corp - Form DEF 14A

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.

Table of Contents**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.

Edgar Filing: Addus HomeCare Corp - Form DEF 14A

- (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

Edgar Filing: Addus HomeCare Corp - Form DEF 14A

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

Table of Contents

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

Table of Contents

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

Table of Contents

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:

Edgar Filing: Addus HomeCare Corp - Form DEF 14A

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

Table of Contents

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

Table of Contents

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).

Table of Contents

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

Table of Contents

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.

Edgar Filing: Addus HomeCare Corp - Form DEF 14A

- (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.

Table of Contents

- (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.

Table of Contents

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

Edgar Filing: Addus HomeCare Corp - Form DEF 14A

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.

Table of Contents

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.

	2013	2012
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.

Table of Contents

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

Table of Contents

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

Table of Contents

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.

Table of Contents

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

Table of Contents

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 (10th) 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.

Table of Contents

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

Table of Contents

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 P