As filed with the Securities and Exchange Commission on August 26, 2009

Registration No. 333-160634

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ADDUS HOMECARE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**8082**	**20-5340172**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

2401 South Plum Grove Road
Palatine, Illinois 60067
(847) 303-5300
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Mark S. Heaney
President and Chief Executive Officer
Addus HomeCare Corporation
2401 South Plum Grove Road
Palatine, Illinois 60067
(847) 303-5300
(Name, address, including zip code, and telephone number, including area code, of agent for service)

It is respectfully requested that the Securities and Exchange Commission send copies of all notices, orders and communications to:

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

☐	Large Accelerated Filer	☐	Accelerated Filer
☒	Non-accelerated Filer (Do not check if a smaller reporting company)	☐	Smaller Reporting Company

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 25, 2009

Preliminary Prospectus

Shares

Addus HomeCare Corporation

Common Stock

We are offering shares of our common stock. This is our initial public offering, and no public market currently exists for our common stock. We expect the initial public offering price to be between $ and $ per share. We have applied to list our common stock on The Nasdaq Global Market under the symbol “ADUS.”

Investing in our common stock involves a high degree of risk. See “Risk Factors” beginning on page 13.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds to Us (Before Expenses)	$	$

Delivery of the shares of common stock will be made on or about , 2009. We have granted the underwriters an option for a period of 30 days to purchase, on the same terms and conditions set forth above, up to an additional shares of our common stock to cover overallotments, if any.

Jefferies & Company

Robert W. Baird & Co.

Oppenheimer & Co.

Prospectus dated , 2009

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You should rely only on the information contained in this prospectus, any amendment or supplement hereto or any free writing prospectus prepared by us or on our behalf. We have not authorized anyone to provide you with information that is different. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus or any free writing prospectus is accurate only as of its date, regardless of the time of delivery of this prospectus or any free writing prospectus or of any sale of the common stock.

This prospectus contains estimates and other statistical data made by independent parties relating to market size, expenditure, growth and other data about our industry. We have not independently verified the statistical and other industry data generated by independent parties and contained in this prospectus and, accordingly, we cannot guarantee their accuracy or completeness. References to websites where reports containing such estimates and statistical data can be found are inactive textual references only and are not a hyperlink. The information contained on, or accessible through, any such website, other than estimates and statistical data explicitly set forth in this prospectus, are not incorporated by reference into this prospectus.

Until   , 2009 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer’s obligation to deliver a prospectus when acting as an underwriter and with respect to its unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and does not contain all of the information you need to consider in making your investment decision. You should read carefully this entire prospectus, including the matters set forth in the section entitled "Risk Factors," our consolidated financial statements and the related notes and management's discussion and analysis thereof included elsewhere in this prospectus, before deciding whether to invest in our common stock. In this prospectus, unless otherwise expressly stated or the context otherwise requires, "Addus," "our company," "we," "us" and "our" refer to Addus HomeCare Corporation, a Delaware corporation, and its subsidiaries, "Holdings" refers exclusively to Addus HomeCare Corporation and "Addus HealthCare" refers to Addus HealthCare, Inc., our operating subsidiary.

Our Company

We are a comprehensive provider of a broad range of social and medical services in the home. Our services include personal care and assistance with activities of daily living, skilled nursing and rehabilitative therapies, and adult day care. Our consumers are individuals with special needs who are at risk of hospitalization or institutionalization, such as the elderly, chronically ill and disabled. Our payor clients include federal, state and local governmental agencies, the Veterans Health Administration, commercial insurers and private individuals. We provide our services through over 120 locations across 16 states to over 23,000 consumers.

We operate our business through two divisions, home & community services and home health services. Our home & community services are social, or non-medical, in nature and include assistance with bathing, grooming, dressing, personal hygiene and medication reminders, and other activities of daily living. We provide home & community services on a long-term, continuous basis, with an average duration of 20 months per consumer. Our home health services are medical in nature and include physical, occupational and speech therapy, as well as skilled nursing. We generally provide home health services on a short-term, intermittent or episodic basis to individuals recovering from an acute medical condition, with an average length of care of 54 days.

The comprehensive nature of our social and medical services enables us to maintain a long-term relationship with our consumers as their needs change over time and provides us with diversified sources of revenue. To meet our consumers' changing needs, we have developed and are implementing an integrated service delivery model that allows our consumers to access social and medical services from one homecare provider and appeals to referral sources who are seeking a provider with a breadth of services, scale and systems to meet consumers' needs effectively. Our integrated service delivery model enables our consumers to access services from both our home & community services and home health services divisions, thereby receiving the full spectrum of their social and medical homecare service needs from a single provider. Our integrated service model is designed to reduce service duplication, which lowers health care costs, enhances consumer outcomes and satisfaction, and lowers our operating costs, as well as drives our internal growth strategy. In our target markets, our care and service coordinators work with our caregivers, consumers and their providers to review our consumers' current and anticipated service needs and, based on this continuous review, identify areas of service duplication or new service opportunities. This approach, combined with our integrated service delivery model, enabled us to derive approximately 25% of our Medicare home health cases in 2008 from our home & community consumer base.

We generated net service revenues of $236.3 million in 2008, up from $194.6 million in 2007, representing an increase of 21.5% driven by organic growth and acquisitions. Our home & community net service revenues in 2008 were $189.0 million, or 80.0%, of our total net service revenues. State and local government programs accounted for 96.9% of our home & community net service revenues, with the balance derived from commercial insurance programs and private individuals, who we refer to as private duty consumers. The Illinois Department on Aging, our largest payor client, accounted for 31.6% of our total net service revenues in 2008. Our home health net service revenues in 2008 were $47.3 million, or 20.0%, of our total net service revenues, 58.3% of which were reimbursed by Medicare, 23.4% by state and local government programs, 11.4% by commercial insurance programs and 6.9% from private duty consumers. Our operating income grew to $10.8 million in 2008 from $5.0 million in 2007. Our Adjusted EBITDA, which we define as net income plus depreciation and amortization, net interest expense, income tax expense and stock-based compensation expense, grew to $17.2 million in 2008 from $12.0 million in 2007. See “Summary Historical and Pro Forma Consolidated Financial and Other Data” for a definition of Adjusted EBITDA and reconciliation to net income.

Our Market and Opportunity

We provide services to the elderly and adult infirm who need long-term care and assistance with essential, routine tasks of life, as well as Medicare-eligible beneficiaries who are in need of recuperative care services following an acute medical condition. The Georgetown University Long-Term Care Financing Project estimated total expenditures in 2005 for services such as these, including services provided in the home or in a community-based setting, as well as in institutions such as skilled nursing facilities, at over $205 billion. See “*Medicare and Long-Term Care*,” published in 2007 by Ellen O’Brien, available at http://ltc.georgetown.edu/pdfs/medicare0207.pdf. It is estimated that 49.0% of these expenditures were paid for by Medicaid, 20.4% by Medicare, 18.1% by private duty, 7.2% by private insurance and 5.3% by other sources. Homecare services is the fastest growing segment within this overall market. According to the National Association for Home Care & Hospice, or NAHC. Medicaid expenditures for home & community services increased from $9.4 billion in 1995 to $37.2 billion in 2004, representing a compound annual growth rate, or CAGR, of 16.5%. See “*Basic Statistics About Home Care, Updated 2008*,” available at http://www.nahc.org/facts/08HC_Stats.pdf. In addition, NAHC estimates that Medicare expenditures for home health care, targeted primarily at individuals discharged from in-patient hospitals or other institutions for recuperative care, increased from $7.4 billion in 2000 to $14.0 billion in 2006, representing a CAGR of 11.2%.

We believe growth in homecare is being driven by the following trends:

- an aging population;
- consumer preference to receive care in the home or in a community-based setting; and
- the cost-effectiveness of the provision of care in the home.

In addition to the projected growth of government-sponsored homecare services, the private duty market for our services is rapidly growing. We provide our private duty consumers with all of the services we provide to both our home & community and home health consumers. In addition, we have developed a comprehensive care management program, through which we provide additional services to our private duty consumers. Through our comprehensive care management program, we undertake a detailed assessment of our private duty consumers’ needs and resources and develop a complete plan of care, which may include consultative services, telephone reassurance and other services tailored to their specific needs.

Historically, there were limited barriers to entry in the homecare industry. As a result, the industry developed in a highly fragmented manner, with many small local providers. As such, few companies have a significant market share across multiple regions or states. More recently, the homecare industry has been subject to increased regulation. We believe limitations on the availability of new licenses, the rising cost and complexity of operations and pressure on reimbursement rates due to constrained government resources create substantial barriers for new providers and may encourage industry consolidation.

Competitive Strengths

We believe the following competitive strengths position us to grow our business and our market share:

- *Large scale of operations.* We believe we are one of the largest providers of comprehensive homecare services. We provide a broad range of social and medical services to over 23,000 consumers through over 120 locations across 16 states. Our size and the diversity of our services distinguish us from the vast majority of our competitors, which are generally small and local, and provide us with a broad platform from which we are able to expand into new markets, add new service lines and participate in new programs.

- *Comprehensive, integrated service offering.* We offer a full spectrum of social and medical homecare services that allow our consumers to stay within our delivery system as their health care needs change over time. This approach serves to diversify our financial risk. Our approach is designed to reduce service duplication, which lowers overall health care costs, to enhance consumer outcomes, to increase referral sources and consumer satisfaction, to lower our operating costs and to drive our growth.
- *Long-term, mutually beneficial relationships with payors and referral sources*. Our success has been built on establishing and maintaining long-term, mutually beneficial relationships with payors and referral sources. We are often invited to participate in advisory commissions that provide advice to our payor clients with respect to funding, procurement and service delivery matters. In addition, we are often selected to participate in the planning and implementation of pilot programs that test alternative methods and enhancements to service delivery. Our leadership in this area, as well as our targeted advocacy in support of other payor client initiatives, has developed and strengthened our relationships with our payor clients. Given the long duration of our average home & community services, we often report to a consumer’s physician on the status of his or her patient. This practice provides us with an opportunity to inform the physician about additional services that might benefit the patient and ensures that the physician is aware of the consumer’s current condition, leading to better and more cost-effective outcomes and strong referral relationships.
- *Strong relationships with employees*. We continually strive to attract and retain qualified, talented employees by offering competitive compensation and benefit programs. We maintain strong working relationships with the labor unions that represent approximately 57% of our total workforce. Together with these unions, we work to improve wages and benefits and to support the introduction and passage of legislation and regulations favorable to the homecare industry. We believe our relationships with unions enhance our relationships with our employees.
- *Cost-effective, scalable operating model*. We centralize accounting, payroll, billing, collections, human resources and information technology services in our National Support Center. We operate our business using a single information technology system, McKesson Horizon Homecare. The McKesson system provides us with real-time operating metrics, giving us the ability to monitor and adjust our services and operating performance on a continuous basis. This technology allows us to standardize and integrate the care delivered across our locations and within divisions, as well as to promote best clinical practices by blending social and medical models of care, thereby preventing hospitalizations and generally improving outcomes. We believe our centralized model and technology capabilities provide efficiencies, reducing the need for additional administrative staff and related expenses, and facilitate our efforts to be a low-cost provider.
- *Strong management team with extensive industry experience*. We are led by an experienced management team, who have an average of over 12 years of experience in the home & community services industry and over 16 years of experience in the home health industry. Our senior management team has experience executing organic and acquisition-based growth strategies, having increased our net service revenues to $236.3 million in 2008 from $178.2 million in 2006.

Growth Strategy

We intend to grow as an integrated provider of homecare services. The following are the key elements of our growth strategy:

- *Expand our comprehensive, integrated service model*. Our comprehensive, integrated model provides significant opportunities to effectively market to a wide range of payor clients and referral sources, many of whom are responsible for consumers with both social and medical service needs. We have implemented this model in approximately 18% of our current locations and intend to extend this model to all of our markets, both organically and through strategic acquisitions. Over the past three years, we have acquired seven businesses that have enhanced our integrated service offerings in existing markets.

- *Drive growth in existing markets*. We intend to drive growth in our existing markets by enhancing the breadth of our services, increasing the number of referral sources and leveraging and expanding our payor relationships in each market. We believe this will result in an increase in the number of consumers we serve and enable us to achieve greater market share at the local level. In addition, to take advantage of the growing demand for quality and reputable homecare services from private duty consumers, we are focusing on increasing and enhancing the private duty services we provide to veterans and other consumers in all of our locations. We have developed a comprehensive care management program through which we provide additional services to our private duty consumers. By providing private duty services through our existing home & community and home health employees, we expect to increase our net service revenues without a corresponding increase in our operating costs.
- *Expand into new markets*. We intend to offer our services in new geographic markets by opening new locations, expanding services from current locations into geographically contiguous markets and through acquisitions. We target expansion locations where we believe we can establish a significant presence. We regularly assess potential acquisition candidates that will augment and extend our existing operations. Over the past three years, we have completed four acquisitions in new markets and established three new locations.

Risks Associated With Our Business

Our ability to execute our strategy and capitalize on our advantages is subject to a number of risks more fully discussed in the “Risk Factors” section immediately following this summary. Before you invest in our shares, you should carefully consider all of the information in this prospectus, including matters set forth under the heading “Risk Factors,” such as:

- changes to Medicaid, Medicaid waiver or other state and local medical and social programs could adversely affect our net service revenues and profitability;
- delays in reimbursement due to state budget deficits or otherwise have decreased, and may in the future further decrease, our liquidity;
- the implementation or expansion of self-directed care programs in states in which we operate may limit our ability to increase our market share and could adversely affect our revenue;
- failure to renew a significant agreement or group of related agreements may materially impact our revenue;
- our industry is highly competitive, fragmented and market-specific, with limited barriers to entry;
- our profitability could be negatively affected by a reduction in reimbursement from Medicare or other payors;
- we are subject to extensive government regulation; and
- our current principal stockholders will continue to have significant influence over us after this offering.

Company Information

Addus HomeCare Corporation was incorporated in Delaware in 2006 under the name Addus Holding Corporation for the purpose of acquiring Addus HealthCare. The principal stockholders of Holdings are Eos Capital Partners III, L.P. and Eos Partners SBIC III, L.P., which we refer to as the Eos Funds. As of June 30, 2009, the Eos Funds beneficially owned approximately 78.9% of our outstanding common stock, assuming conversion of all outstanding shares of our series A convertible preferred stock, which we refer to as our series A preferred stock. Addus HealthCare was founded in 1979. Our principal executive offices are located at 2401 South Plum Grove Road, Palatine, Illinois 60067. Our telephone number is (847) 303-5300. We maintain a website at www.addus.com. **Information contained on, or accessible through, our website is not a part of, and is not incorporated by reference into, this prospectus.**

The Offering

Common stock offered by us

shares

Common stock to be outstanding immediately after this offering

shares

Use of proceeds

We estimate that we will receive net proceeds from this offering of approximately $ million, after deducting the underwriting discount and estimated offering expenses. We intend to use the net proceeds, together with $ of borrowings under a new credit facility we intend to enter into at the completion of this offering:

- to repay $ million outstanding under our existing credit facility, together with related fees and expenses;
- to make a $ payment to our Chairman of the Board, President and Chief Executive Officer, the Chairman of Addus HealthCare and certain of our other existing stockholders, pursuant to a contingent payment agreement entered into in connection with our acquisition of Addus HealthCare;
- to pay $ million of the $ million of accrued and unpaid dividends on the shares of our series A preferred stock owned by the Eos Funds and Freeport Loan Fund LLC that will convert into common stock in connection with this offering;
- to pay the Eos Funds or their designee(s) a $ one-time consent fee in connection with this offering; and
- to pay fees and expenses of approximately $ in connection with our new credit facility.

Pursuant to an agreement between Addus HealthCare and an affiliate of the Eos Funds, the management consulting agreement between Addus HealthCare and the affiliate of the Eos Funds will terminate prior to the completion of this offering.

Dividend notes

Immediately prior to the completion of this offering, in connection with the conversion of our series A preferred stock, we will issue to the Eos Funds 10% junior subordinated promissory notes in respect of the unpaid dividends accrued on their shares of our series A preferred stock, which we refer to as the dividend notes. Immediately following the completion of this offering, the aggregate outstanding principal amount of the dividend notes will be $. See “Certain Relationships and Related Party Transactions—Dividend Notes.”

See “Use of Proceeds” for additional information.

Proposed Nasdaq Global Market symbol

“ADUS”

Risk Factors	See "Risk Factors" for a discussion of factors that you should consider carefully before deciding whether to purchase shares of our common stock.

The number of shares of our common stock outstanding after this offering above and elsewhere in this prospectus excludes 83,272 shares that have been reserved for issuance under our 2006 Stock Incentive Plan, which we refer to as the 2006 Plan, of which options to purchase 74,265 shares were outstanding as of June 30, 2009 at a weighted average exercise price of $101.02 per share. We have not granted any options or other equity compensation subsequent to June 30, 2009 through the date of this prospectus. Immediately following the date of this prospectus, we intend to grant (1) options to purchase 9,500 shares in the aggregate with an exercise price equal to the initial public offering price to our President and Chief Executive Officer and two other officers, and (2) shares of restricted stock to directors.

Except as otherwise indicated, all information in this prospectus:

- assumes an initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus;
- gives effect to the conversion of all outstanding shares of our series A preferred stock into an aggregate of 377,500 shares of our common stock at a ratio of 1:10 prior to the completion of this offering;
- assumes that the aggregate gross proceeds from this offering will be no greater than $70 million and, accordingly, that $ million aggregate principal amount of the dividend notes will be outstanding immediately following the completion of this offering;
- gives effect to the effectiveness of our amended and restated certificate of incorporation and our amended and restated bylaws prior to the completion of this offering; and
- assumes no exercise of the underwriters' option to purchase up to additional shares of our common stock.

Summary Historical and Pro Forma Consolidated Financial and Other Data

Holdings was incorporated in Delaware on July 27, 2006 and acquired Addus HealthCare on September 19, 2006. Holdings is a holding company and has no material assets other than all of the capital stock of Addus HealthCare. The application of purchase accounting rules to the financial statements of Holdings resulted in different accounting bases from Addus HealthCare and, accordingly, different financial information for the periods beginning on or after September 19, 2006. We refer to Holdings and its subsidiaries, including Addus HealthCare, following the acquisition, as the successor for purposes of the presentation of the financial information below. We refer to Addus HealthCare prior to its acquisition by Holdings as the predecessor for purposes of the presentation of the financial information below.

We present in the tables below summary historical consolidated financial and other data of Holdings and its predecessor. The summary historical consolidated statements of income data for the periods January 1, 2006 through September 18, 2006 and September 19, 2006 through December 31, 2006 and the fiscal years ended December 31, 2007 and 2008 were derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated statements of income data for the six month periods ended June 30, 2008 and 2009 and balance sheet data as of June 30, 2009 were derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus, and in the opinion of management, include all normal recurring adjustments necessary to present fairly the data for such periods and as of such date. Operating results for the six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009 or for any future period.

We also present in the tables below unaudited pro forma consolidated statement of income data for the fiscal year ended December 31, 2008 and the six month period ended June 30, 2009 and unaudited pro forma consolidated balance sheet data as of June 30, 2009. The unaudited pro forma consolidated statements of income for the fiscal year ended December 31, 2008 and the six months ended June 30, 2009 give effect to the following transactions, in each case, as if each such transaction took place on January 1, 2008:

- this offering and the payment of related fees and expenses;
- the incurrence of $ million of indebtedness under a new credit facility we intend to enter into at the completion of this offering, the simultaneous repayment of $ million of indebtedness under our existing credit facility, and the payment of related fees and expenses, or the Refinancing;
- the conversion of all outstanding shares of our series A preferred stock into an aggregate of 377,500 shares of common stock at a ratio of 1:10 prior to the completion of this offering, the payment of $ in respect of accrued and unpaid dividends on such shares and $ million aggregate principal amount of the dividend notes to be outstanding immediately following the completion of this offering, or the Conversion; and
- the elimination of fees payable to an affiliate of the Eos Funds under the management consulting agreement between Addus HealthCare and that entity, which will terminate prior to the completion of this offering pursuant to an agreement between Addus HealthCare and the affiliate of the Eos Funds.

The unaudited pro forma consolidated balance sheet data as of June 30, 2009 give effect to this offering and the payment of related fees and expenses, the Refinancing and the Conversion and the following transactions, in each case as if each such transaction took place on June 30, 2009:

- the payment to the Eos Funds or their designee(s) of a $ one-time consent fee in connection with this offering, or the Sponsor Transaction; and
- the payment of $ to our Chairman of the Board, President and Chief Executive Officer, the Chairman of Addus HealthCare and certain of our other existing stockholders, pursuant to a contingent payment agreement entered into in connection with our acquisition of Addus HealthCare, or the Contingent Payment Transaction.

None of the unaudited pro forma statements of income data reflect the Sponsor Transaction or the Contingent Payment Transaction due to the non-recurring nature of these payments. The pro forma information is based upon available information and certain assumptions as discussed in the notes to the unaudited financial information presented under “Unaudited Pro Forma Financial Information.” The summary pro forma data are for informational purposes only and do not purport to represent what our results of operations or financial position actually would have been if each such transaction had occurred on the dates specified above, nor do these data purport to represent the results of operations for any future period.

You should read the information set forth below in conjunction with the information under “Capitalization,” “Selected Historical Consolidated Financial and Other Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Unaudited Pro Forma Financial Information” and our consolidated financial statements, including the notes thereto, included elsewhere in this prospectus.

	Actual						Pro Forma	
	Predecessor	Successor						
	January 1, 2006 to September 18, 2006	September 19, 2006 to December 31, 2006	Year Ended December 31,		Six Months Ended June 30,		Year Ended December 31, 2008	Six Months Ended June 30, 2009
			2007	2008	2008	2009		
					(unaudited)		(unaudited)	
		(in thousands, except share and per share data)						
Consolidated statements of income data:								
Net service revenues (1)	$ 125,927	$ 52,256	$194,567	$236,306	$110,868	$126,805		
Cost of service revenues	91,568	36,767	139,268	167,254	78,737	89,440		
Gross profit	34,359	15,489	55,299	69,052	32,131	37,365		
General and administrative expenses	28,391	11,764	44,233	52,112	24,657	27,983		
Depreciation and amortization (2)	439	1,919	6,029	6,092	2,841	2,444		
Total operating expenses	28,830	13,683	50,262	58,204	27,498	30,427		
Operating income	5,529	1,806	5,037	10,848	4,633	6,938		
Interest expense	(750)	(1,392)	(4,952)	(5,806)	(2,633)	(2,180)		
Interest and other income	100	65	144	51	49	12		
Income from continuing operations before income taxes	4,879	479	229	5,093	2,049	4,770		
Income tax expense (2)	434	82	32	1,070	430	1,474		
Net income from continuing operations	4,445	397	197	4,023	1,619	3,296		
Income from discontinued operations, net of tax expense of $36	366	—	—	—	—	—		
Net income	4,811	397	197	4,023	1,619	3,296		
Less: preferred stock dividends, undeclared subject to payment upon conversion	—	(1,070)	(3,882)	(4,270)	(2,076)	(2,284)		
Net income (loss) attributable to common shareholders	$ 4,811	$ (673)	$ (3,685)	$ (247)	$ (457)	$ 1,012		
Basic income (loss) per common share:								
From continuing operations	$ 44,450.43	$ (7.13)	$ (39.05)	$ (2.62)	$ (4.85)	$ 10.73		
From discontinued operations	3,664.27	—	—	—	—	—		
Basic income (loss) per common share	$ 48,114.70	$ (7.13)	$ (39.05)	$ (2.62)	$ (4.85)	$ 10.73		
Diluted income (loss) per common share:								
From continuing operations	$ 44,450.43	$ (7.13)	$ (39.05)	$ (2.62)	$ (4.85)	$ 6.84		
From discontinued operations	3,664.27	—	—	—	—	—		
Diluted income (loss) per common share	$ 48,114.70	$ (7.13)	$ (39.05)	$ (2.62)	$ (4.85)	$ 6.84		
Weighted average number of common shares and potential common shares outstanding:								
Basic	100	94,375	94,375	94,375	94,375	94,375		
Diluted	100	94,375	94,375	94,375	94,375	481,778		

	Predecessor	Successor				
	January 1, 2006 to September 18, 2006	September 19, 2006 to December 31, 2006	Year Ended December 31,		Six Months Ended June 30,	
			2007	2008	2008	2009
					(unaudited)	
Operational Data:						
General:						
Adjusted EBITDA (in thousands) (3)	$ 6,334	$ 3,939	$12,010	$17,212	$ 7,646	$ 9,522
States served at period end	12	12	14	16	16	16
Locations at period end	93	92	104	122	120	121
Employees at period end	9,439	9,440	10,797	12,137	12,114	12,578
Home & Community Data:						
Average weekly census	16,044	16,275	17,117	19,432	18,808	20,147
Billable hours (in thousands)	6,798	2,864	10,421	12,139	5,832	6,355
Billable hours per business day	37,352	39,778	40,867	47,418	45,563	50,039
Revenues per billable hour	$ 13.88	$ 13.88	$ 14.36	$ 15.57	$ 15.07	$ 16.13
Home Health Data:						
Average weekly census:						
Medicare	1,187	1,114	1,130	1,270	1,221	1,433
Non-Medicare	1,389	1,442	1,435	1,413	1,383	1,536
Medicare admissions (4)	4,516	1,690	6,223	7,232	3,248	3,802
Medicare revenues per episode completed	$ 2,534	$ 2,534	$ 2,563	$ 2,606	$ 2,608	$ 2,521
Percentage of Revenues by Payor:						
State, local or other governmental	80%	80%	81%	82%	82%	82%
Medicare	14	14	13	12	12	12
Other	6	6	6	6	6	6

	As of June 30, 2009	
	Actual	Pro forma
	(unaudited) (in thousands)	
Consolidated Balance Sheet Data:		
Cash	$ 850	
Accounts receivable, net of allowances	63,114	
Goodwill and intangibles	63,275	
Total assets	145,920	
Total debt (5)	64,414	
Stockholders' equity	35,727	

(1) Acquisitions completed in 2007 accounted for $4.2 million of the growth in net service revenues for the year ended December 31, 2007 compared to the combined net service revenues for the periods from January 1, 2006 to September 18, 2006 and from September 19, 2006 to December 31, 2006. Acquisitions completed in 2008 and the results for the first twelve months of 2007 acquisitions included in 2008 accounted for $24.6 million of the growth in net service revenues for the year ended December 31, 2008 compared to the year ended December 31, 2007. Acquisitions completed in 2008 accounted for $5.1 million of the growth in net service revenues for the six months ended June 30, 2009 compared to the six months ended June 30, 2008.

(2) The September 19, 2006 acquisition of Addus HealthCare by Holdings resulted in a stepped-up basis of the assets of the successor compared to the predecessor. In addition, the predecessor filed as an S corporation with earnings for federal and for selected state taxes passed through to each shareholder's tax return, while the successor files as a C corporation with earnings for federal and state purposes taxed at the company level.

(3) We define Adjusted EBITDA as net income plus depreciation and amortization, net interest expense, income tax expense and stock-based compensation expense. Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles in the United States (GAAP). It should not be considered in isolation or as a substitute for net income, operating income or any other measure of financial performance calculated in accordance with GAAP.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

- By reporting Adjusted EBITDA, we believe that we provide investors with insight and consistency in our financial reporting and present a basis for comparison of our business operations between current, past and future periods. This is because Adjusted EBITDA removes the impact of our capital structure (interest expense), asset base (amortization and depreciation), taxes and stock-based compensation expense from our results of operations.
- Our change from S-corporation status to C-corporation status for Federal income tax purposes on September 19, 2006 resulted in fluctuations in our tax expense or benefit unrelated to our results of operations.
- We adopted SFAS No. 123(R), "*Share-Based Payment,*" on September 19, 2006, the effective date of the 2006 Plan, and recorded stock-based compensation expense of approximately $214,000 for the period from September 19, 2006 through December 31, 2006, $944,000 for the year ended December 31, 2007 and $272,000 for the year ended December 31, 2008. This fluctuation in expense primarily resulted from one option grant in 2006 with a one-year vesting period, with other option grants being subject to five-year vesting periods. By comparing our Adjusted EBITDA in different periods, our investors can evaluate our operating results without the additional variations caused by stock-based compensation expense, which is not comparable from year to year due to differing vesting periods and is a non-cash expense that is not a key measure of our operations.

Adjusted EBITDA provides a basis for our management to compare our financial results to those of other comparable publicly traded companies. Our management also uses Adjusted EBITDA for planning purposes, including preparation of our annual budget, to allocate resources and to evaluate the effectiveness of business strategies. Our calculation of Adjusted EBITDA is also the basis for our calculations to determine compliance with our debt covenants and assess our ability to borrow additional funds to finance or expand our operations. Our existing credit facility provides for calculating Adjusted EBITDA as described above, except that the calculation also permits adding back McKesson integration costs and management fees paid to an affiliate of the Eos Funds, and we expect that our new credit facility will provide for calculating Adjusted EBITDA substantially as described above with permitted addbacks. We also use the same metric for determining a portion of the incentive compensation of our President and Chief Executive Officer.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. Some of these limitations include:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or other contractual commitments;

- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect interest expense or interest income;
- Adjusted EBITDA does not reflect cash requirements for income taxes;
- although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for these replacements; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

We compensate for these limitations by relying primarily on our GAAP financial measures and by using Adjusted EBITDA only supplementally. We believe that consideration of Adjusted EBITDA, together with a careful review of our GAAP financial measures, is the most informed method of analyzing our company.

The following table sets forth a reconciliation of net income, the most directly comparable GAAP measure, to Adjusted EBITDA:

	Predecessor	Successor				
	January 1, 2006 to September 18, 2006	September 19, 2006 to December 31, 2006	Year Ended December 31,		Six Months Ended June 30,	
			2007	2008	2008	2009
					(unaudited)	
		(in thousands)				
Reconciliation of Adjusted EBITDA to Net income:						
Net income	$ 4,811	$ 397	$ 197	$ 4,023	$ 1,619	$ 3,296
Net interest expense	650	1,327	4,808	5,755	2,584	2,168
Income tax expense	434	82	32	1,070	430	1,474
Depreciation and amortization	439	1,919	6,029	6,092	2,841	2,444
Stock-based compensation expense	—	214	944	272	172	140
Adjusted EBITDA	$ 6,334	$ 3,939	$ 12,010	$ 17,212	$ 7,646	$ 9,522

The following table summarizes certain charges and costs for which we make no adjustment to net income in calculating Adjusted EBITDA:

	Predecessor	Successor				
	January 1, 2006 to September 18, 2006	September 19, 2006 to December 31, 2006	Year Ended December 31,		Six Months Ended June 30,	
			2007	2008	2008	2009
					(unaudited)	
		(in thousands)				
McKesson integration costs	$ 238	$ 140	$552	$438	$ 122	$ 379
Management fees paid to Eos Management	—	88	350	350	176	176
Total	$ 238	$ 228	$902	$788	$ 298	$ 555

(4) Medicare admissions represents the aggregate number of new cases approved for Medicare services during a specified period.
(5) Total debt includes the current portion of long-term debt classified in current liabilities of $10,139 at June 30, 2009.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below before deciding to invest in shares of our common stock. Our business, prospects, financial condition or operating results could be materially adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing the risks described below, you should also refer to the other information contained in this prospectus, including our consolidated financial statements and the related notes, before deciding to purchase any shares of our common stock.

Risks Related to Our Business

Changes to Medicaid, Medicaid waiver or other state and local medical and social programs could adversely affect our net service revenues and profitability.

For the years ended December 31, 2006, 2007 and 2008, we derived 80%, 81% and 82%, respectively, of our net service revenues from agreements that are directly or indirectly paid for by state and local governmental agencies, such as Medicaid funded programs and Medicaid waiver programs. Governmental agencies generally condition their agreements with us upon a sufficient budgetary appropriation. If a governmental agency does not receive an appropriation sufficient to cover its contractual obligations with us, it may terminate an agreement or defer or reduce the amount of the reimbursement we receive. Several of the states in which we operate are facing budgetary shortfalls due to the current economic downturn and the rising costs of health care, and as a result, have made or may consider making changes in their Medicaid, Medicaid waiver or other state and local medical and social programs. The Deficit Reduction Act of 2005 permits states to make benefit cuts to their Medicaid programs, which could affect the services for which states contract with us. Changes that states have made or may consider making to address their budget deficits include:

- limiting increases in, or decreasing, reimbursement rates;
- redefining eligibility standards or coverage criteria for social and medical programs or the receipt of homecare services under those programs;
- increasing the consumer’s share of costs or co-payment requirements;
- decreasing the number of authorized hours for recipients;
- slowing payments to providers;
- increasing utilization of self-directed care alternatives or “all inclusive” programs; or
- shifting beneficiaries to managed care programs.

Certain of these measures have been implemented by, or are proposed in, states in which we operate. For example, Washington has implemented restrictions that limit agencies from employing family caregivers, California has considered a number of proposals, including potential changes in eligibility standards, Illinois has delayed payments to providers and Nevada recently approved a reduction in hourly rates. In 2008, we derived approximately 39% of our total net service revenues from services provided in Illinois, 13% of our total net service revenues from services provided in California, 9% of our total net service revenues from services provided in Washington and 8% of our total net service revenues from services provided in Nevada. Because a substantial portion of our business is concentrated in these states, any significant reduction in expenditures that pay for our services in these states and other states in which we do business may have a disproportionately negative impact on our future operating results. In June 2009, President Obama announced plans to offset the cost of health care reform by reducing Medicare and Medicaid spending by $200 billion to $300 billion over 10 years. If changes in Medicaid policy result in a reduction in available funds for the services we offer, our net service revenues could be negatively impacted.

Delays in reimbursement due to state budget deficits or otherwise have decreased, and may in the future further decrease, our liquidity.

There is generally a delay between the time that we provide services and the time that we receive reimbursement or payment for these services. Over 45 states are facing budget deficits. Of the 16 states in which we operate, 14 are operating with budget deficits for their current fiscal year, and 15 are projecting budget deficits for their upcoming 2010 fiscal year. These and other states may in the future delay reimbursement, which would adversely affect our liquidity. Due to budget issues, the State of Illinois is currently reimbursing us on a delayed basis, including with respect to our agreements with the Illinois Department on Aging, our largest payor, and as a result, our open receivable balance derived from these agreements increased by $3.0 million in 2008 and an additional $7.9 million in the first six months of 2009. Our reimbursements from the State of Illinois could be further delayed. In addition, from time to time, procedural issues require us to resubmit claims before payment is remitted, which contributes to our aged receivables. Additionally, unanticipated delays in receiving reimbursement from state programs due to changes in their policies or billing or audit procedures may adversely impact our liquidity and working capital. Because we fund our operations primarily through the collection of accounts receivable, any delays in reimbursement would result in the need to increase borrowings under our credit facility.

The implementation or expansion of self-directed care programs in states in which we operate may limit our ability to increase our market share and could adversely affect our revenue.

Self-directed care programs are funded by Medicaid and state and local agencies and allow the consumer to exercise discretion in selecting home & community service providers. Consumers may hire family members, friends or neighbors to provide services that might otherwise be provided by a home & community service provider, such as our company. Most states and the District of Columbia have implemented self-directed care programs, to varying degrees and for different types of consumers. States are under pressure from the federal government and certain advocacy groups to expand these programs. The Centers for Medicare & Medicaid Services, or CMS, has provided states with specific Medicaid waiver options for programs that offer person-centered planning, individual budgeting or self-directed services and support as part of the CMS Independence Plus initiative introduced in 2002 under an Executive Order of the President. Certain private foundations have also granted resources to states to develop and study programs that provide financial accounts to consumers for their long-term care needs, and counseling services to help prepare a plan of care that will help meet those needs. Expansion of these self-directed programs may erode our Medicaid consumer base and could adversely affect our net service revenues.

Failure to renew a significant agreement or group of related agreements may materially impact our revenue.

In 2008, we derived approximately 31.6% of our net service revenues under agreements with the Illinois Department on Aging, 7.5% of our net service revenues under an agreement with Nevada Medicaid and 6.6% of our net service revenues under an agreement with the Riverside County (California) Department of Social Services. Each of our agreements is generally in effect for a specific term. For example, the services we provide to the Illinois Department on Aging are provided under a number of agreements that expire at various times through 2013, while our agreement with the Riverside County Department of Social Services is reevaluated and subject to renewal annually. Even though our agreements are stated to be for a specific term, they are generally terminable by the counterparty upon 60 days’ notice. Our ability to renew or retain our agreements depends on our quality of service and reputation, as well as other factors over which we have little or no control, such as state appropriations and changes in provider eligibility requirements. Additionally, failure to satisfy any of the numerous technical renewal requirements in connection with our proposals for agreements could result in a proposal being rejected even if it contains favorable pricing terms. Failure to obtain, renew or retain agreements with major payors may negatively impact our results of operations and revenue. We can give no assurance these agreements will be renewed on commercially reasonable terms or at all.

Our industry is highly competitive, fragmented and market-specific, with limited barriers to entry.

We compete with home health providers, private caregivers, larger publicly held companies, privately held homecare companies, privately held single-site agencies, hospital-based agencies, not-for-profit organizations, community-based organizations and self-directed care programs. Our primary competition is from local service providers in the markets in which we operate. Some of our competitors have greater financial, technical, political and marketing resources, name recognition or a larger number of consumers and payors than we do. In addition, some of these organizations offer more services than we do in the markets in which we operate. Consumers or referral sources may perceive that local service providers and not-for-profit agencies deliver higher quality services or are more responsive. These competitive advantages may limit our ability to attract and retain referrals in local markets and to increase our overall market share.

There are limited barriers to entry in providing home-based social and medical services, and the trend has been for states to eliminate many of the barriers that historically existed. For example, Illinois has recently changed the way in which it procures home & community service providers, now allowing all providers that are willing and capable to obtain state approval and provide services. This may increase competition in that state, and because we derived approximately 48% of our home & community net service revenues from services provided in Illinois in 2008, this increased competition could negatively impact our business.

Local competitors may develop strategic relationships with referral sources and payors. This could result in pricing pressures, loss of or failure to gain market share or loss of consumers or payors, any of which could harm our business. In addition, existing competitors may offer new or enhanced services that we do not provide, or be viewed by consumers as a more desirable local alternative. The introduction of new and enhanced service offerings, in combination with the development of strategic relationships by our competitors, could cause a decline in revenue, a loss of market acceptance of our services and a negative impact on our results of operations.

Our profitability could be negatively affected by a reduction in reimbursement from Medicare or other payors.

For the years ended December 31, 2006, 2007 and 2008, we received 14.2%, 12.7% and 11.7%, respectively, of our net service revenues from Medicare. We generally receive fixed payments from Medicare for our services based on a projection of the services required by our consumers, which is generally based on acuity. For our Medicare consumers, we typically receive a 60-day episodic-based payment. Although Medicare currently provides for an annual adjustment of payment rates based on the increase or decrease of the medical care expenditure category of the Consumer Price Index, these rate increases may be less than actual inflation or costs, and could be eliminated or reduced in any given year. The base episode rate for home health services is also subject to an annual market basket adjustment. This annual adjustment could also be eliminated or reduced in any given year. Medicare has in the past reclassified home health resource groups. As a result of reclassifications, we could receive lower reimbursement rates depending on the consumer's case mix and services provided. Medicare reimbursement rates could also decline due to the imposition of co-payments or other mechanisms that shift responsibility for a portion of the amount payable to beneficiaries. Rates could also decline due to adjustments to the wage index. Our profitability for Medicare reimbursed services largely depends upon our ability to manage the cost of providing these services. If we receive lower reimbursement rates, or if our cost of providing services increases by more than the annual Medicare price adjustment, our profitability could be adversely impacted.

In late February 2009, President Obama released the outline of his proposed fiscal 2010 budget for the United States. The budget outline included a provision to create a reserve fund to pay for a portion of the cost of reforming the country's health care system. The budget outline indicated that a portion of the reserve would be funded through restructuring Medicare home health care payments. This provision, if enacted, could have a negative impact on Medicare reimbursement beginning in 2010. Medicare rate reductions would adversely impact our results of operations.

One specific proposal by the Medicare Payment Advisory Commission, or MedPAC, which is subject to change and congressional approval, would eliminate the home health market basket update for 2010, accelerate the case-mix adjustment of 2.71% for 2011 to 2010, and starting in 2011, rebase costs to an earlier year. If adopted as proposed, these potential reimbursement rate reductions would impact a portion of our business that represented approximately 12% of our net service revenues in 2008. The President's proposed budget for 2011 appears to align with the MedPAC proposal. In addition, in May 2009 the Senate Committee on Finance released policy options for financing comprehensive health care reform, one of which included reducing Medicare payment rates for home health services to be more reflective of the actual costs of providing care. In June 2009, President Obama announced plans to offset the cost of health care reform by reducing Medicare and Medicaid spending by $200 to $300 billion over 10 years.

On July 30, 2009, CMS published proposed regulations providing for a 2.2% full market basket update for calendar year 2010. The proposed update would be reduced by 2 percentage points to 0.2% for 2010 for those agencies that do not submit certain required quality data. In addition, the proposal indicates that CMS is also considering accelerating certain reimbursement formula reductions, including due to documentation and coding, currently contemplated to be effective in 2010, which would result in a 2.75% reduction of the 60-day episode rate. If these proposals are adopted, the changes would result in an overall market basket reduction. Any reduction in Medicare and Medicaid spending would adversely affect our profitability.

Private payors, including commercial insurance companies, could also reduce reimbursement. Any reduction in reimbursement from private payors would adversely affect our profitability.

We are subject to extensive government regulation. Changes to the laws and regulations governing our business could negatively impact our profitability and any failure to comply with these regulations could adversely affect our business.

The federal government and the states in which we operate regulate our industry extensively. The laws and regulations governing our operations, along with the terms of participation in various government programs, impose certain requirements on the way in which we do business, the services we offer, and our interactions with consumers and the public. These requirements relate to:

- licensure and certification;
- adequacy and quality of health care services;
- qualifications and training of health care and support personnel;
- confidentiality, maintenance and security issues associated with medical records and claims processing;
- relationships with physicians and other referral sources;
- operating policies and procedures;
- addition of facilities and services; and
- billing for services.

These laws and regulations, and their interpretations, are subject to frequent change. These changes could reduce our profitability by increasing our liability, increasing our administrative and other costs, increasing or decreasing mandated services, forcing us to restructure our relationships with referral sources and providers or requiring us to implement additional or different programs and systems. Failure to comply could lead to the termination of rights to participate in federal and state-sponsored programs and the suspension or revocation of licenses and other civil and criminal penalties.

Congress is currently considering many policy changes and proposals as part of comprehensive health reform legislation. A major component of such proposals is a plan to offset the cost of reform through the reduction of Medicare and Medicaid reimbursement. We may be unable to mitigate any reimbursement changes that are ultimately enacted, any of which could have a material adverse effect on our liquidity, results of operations and financial condition.

We are subject to federal and state laws that govern our employment practices. Failure to comply with these laws, or changes to these laws that increase our employment-related expenses, could adversely impact our operations.

We are required to comply with all applicable federal and state laws and regulations relating to employment, including occupational safety and health requirements, wage and hour requirements, employment insurance and equal employment opportunity laws. These laws can vary significantly among states and can be highly technical. Costs and expenses related to these requirements are a significant operating expense and may increase as a result of, among other things, changes in federal or state laws or regulations requiring employers to provide specified benefits to employees, increases in the minimum wage and local living wage ordinances, increases in the level of existing benefits or the lengthening of periods for which unemployment benefits are available. We may not be able to offset any increased costs and expenses. Furthermore, any failure to comply with these laws, including even a seemingly minor infraction, can result in significant penalties which could harm our reputation and have a material adverse effect on our business.

In addition, certain individuals and entities, known as excluded persons, are prohibited from receiving payment for their services rendered to Medicaid or Medicare beneficiaries. If we inadvertently hire or contract with an excluded person, or if any of our current employees or contractors becomes an excluded person in the future without our knowledge, we may be subject to substantial civil penalties, including up to $10,000 for each item or service furnished by the excluded individual to a Medicare or Medicaid beneficiary, an assessment of up to three times the amount claimed and exclusion from the program.

We are subject to reviews, compliance audits and investigations that could result in adverse findings that negatively affect our net service revenues and profitability.

As a result of our participation in Medicaid, Medicaid waiver and Medicare programs and other state and local governmental programs, and pursuant to certain of our contractual relationships, we are subject to various reviews, audits and investigations by governmental authorities and other third parties to verify our compliance with these programs and agreements as well as applicable laws, regulations and conditions of participation. If we fail to meet any of the conditions of participation or coverage, we may receive a notice of deficiency from the applicable surveyor or authority. Failure to institute a plan of action to correct the deficiency within the period provided by the surveyor or authority could result in civil or criminal penalties, the imposition of fines or other sanctions, damage to our reputation, cancellation of our agreements, suspension or revocation of our licenses or disqualification from federal and state reimbursement programs. These actions may adversely affect our ability to provide certain services, to receive payments from other payors and to continue to operate. Additionally, actions taken against one of our locations may subject our other locations to adverse consequences. We may also fail to discover all instances of noncompliance by our acquisition targets, which could subject us to adverse remedies once those acquisitions are complete. Any termination of one or more of our locations from the Medicare program or another state or local program for failure to satisfy such program's conditions of participation could adversely affect our net service revenues and profitability.

Payments we receive in respect of Medicaid and Medicare can be retroactively adjusted after a new examination during the claims settlement process or as a result of pre- or post-payment audits. Federal, state and local government payors may disallow our requests for reimbursement based on determinations that certain costs are not reimbursable because proper documentation was not provided or because certain services were not covered or deemed necessary. In addition, other third-party payors may reserve rights to conduct audits and make reimbursement adjustments in connection with or exclusive of audit activities. Significant adjustments as a result of these audits could adversely affect our revenues and profitability.

In 2006, the federal government launched a national pilot program utilizing independent contractors known as recovery audit contractors, or RACs, to identify and recoup Medicare overpayments. RACs are paid a contingent fee based on amounts recouped. An initial demonstration project implemented in several states resulted in the return of over $900 million in overpayments to Medicare between 2005 and 2008 from various provider types. California was the only state in which we operate that participated in the initial pilot program. However, in October 2008 this program was permanently implemented, requiring the expansion of the program to all 50 states by no later than January 1, 2010. This expansion may lead to an increase in the number of overpayment reviews, more aggressive audits and more claims for recoupment. If future Medicare RAC reviews result in significant refund payments, it would have an adverse effect on our financial results.

Negative publicity or changes in public perception of our services may adversely affect our ability to receive referrals, obtain new agreements and renew existing agreements.

Our success in receiving referrals, obtaining new agreements and renewing our existing agreements depends upon maintaining our reputation as a quality service provider among governmental authorities, physicians, hospitals, discharge planning departments, case managers, nursing homes, rehabilitation centers, advocacy groups, consumers and their families, other referral sources and the public. Negative publicity, changes in public perceptions of our services or government investigations of our operations could damage our reputation and hinder our ability to receive referrals, retain agreements or obtain new agreements. Increased government scrutiny may also contribute to an increase in compliance costs and could discourage consumers from using our services. Any of these events could have a negative effect on our business, financial condition and operating results.

Our growth strategy depends on our ability to manage growing and changing operations and we may not be successful in managing this growth.

Our business plan calls for significant growth in business over the next several years through the expansion of our services in existing markets and the establishment of a presence in new markets. This growth will place significant demands on our management team, systems, internal controls and financial and professional resources. In addition, we will need to further develop our financial controls and reporting systems to accommodate future growth. This could require us to incur expenses for hiring additional qualified personnel, retaining professionals to assist in developing the appropriate control systems and expanding our information technology infrastructure. Our inability to effectively manage growth could have a material adverse effect on our financial results.

In addition, our growth strategy calls for further development of our consumer-oriented, integrated service delivery model. We may not be successful in implementing this strategy in each of the markets in which we operate. Additionally, even if this strategy is successfully implemented, integration of services may not lead to growth as anticipated. Furthermore, this strategy could lead to changes that may adversely affect our business, such as altering our mix of payors, increasing our exposure to liabilities, increasing the regulations to which we are subject and increasing our overhead.

Future acquisitions may be unsuccessful and could expose us to unforeseen liabilities.

Our growth strategy includes geographical expansion into new markets and the addition of new services in existing markets through the acquisition of local homecare service providers. These acquisitions involve significant risks and uncertainties, including difficulties assimilating acquired personnel and other corporate cultures into our business, the potential loss of key employees or consumers of acquired providers, and the assumption of liabilities and exposure to unforeseen liabilities of acquired providers. In the past, we have made acquisitions that have not performed as expected or that we have been unable to successfully integrate with our existing operations. In addition, our due diligence review of acquired businesses may not successfully identify all potential issues. For example, we were unable to fully integrate one acquired business because we were unable to procure a necessary government endorsement. The failure to effectively integrate future acquisitions could have an adverse impact on our operations.

Our business may be harmed by labor relations matters.

We are subject to a risk of work stoppages and other labor relations matters because our hourly workforce is highly unionized. As of June 30, 2009, approximately 57% of our hourly workforce was represented by two national unions, including the Service Employees International Union, which is our largest union. Our local labor agreements will be negotiated as they expire, which will occur at various times through 2011. Upon expiration of these collective bargaining agreements, we may not be able to negotiate labor agreements on satisfactory terms with these labor unions. A strike, work stoppage or other slowdown could result in a disruption of our operations and/or higher ongoing labor costs, which could adversely affect our business. Labor costs are the most significant component of our total expenditures and, therefore, an increase in the cost of labor could significantly harm our business.

Migration of our consumers to Medicare managed care providers could negatively impact our operating results.

Historically, we have generated a substantial portion of our net service revenues from Medicare and certain other payors on an episodic, prospective basis. Under the Medicare Prescription Drug Improvement and Modernization Act of 2003, the United States Congress allocated significant additional funds and other incentives to Medicare managed care providers in order to promote greater participation in those plans by Medicare beneficiaries. These managed care providers typically reimburse us after services are provided, and then on a fee-for-service or per visit basis. Our margins on services provided to managed care providers are lower than our margins on services provided on an episodic basis and paid for on a prospective basis. If these allocations of funds have the intended result, our margins could decline, which could cause our operating results to suffer.

We are subject to federal and state laws that govern our financial relationships with physicians and other health care providers, including potential or current referral sources.

We are required to comply with federal and state laws, generally referred to as “anti-kickback laws,” that prohibit certain direct and indirect payments or other financial arrangements that are designed to encourage the referral of patients to a particular medical services provider. In addition, certain financial relationships, including ownership interests and compensation arrangements, between physicians and providers of designated health services, such as our company, to whom those physicians refer patients, are prohibited by the federal physician self-referral prohibition, known as the “Stark Law,” and similar state laws. Under both the anti-kickback laws and the Stark Law, there are a number of safe harbors and exceptions that permit certain carefully constrained relationships. For example, we currently utilize the personal services exception to the Stark Law for our contractual relationships with certain physicians who provide medical director services to our company and who are current or potential referral sources. Courts or regulatory agencies may interpret state and federal anti-kickback laws, the Stark Law and similar state laws regulating relationships between health care providers and physicians in ways that will implicate our business. Violations of these laws could lead to fines or sanctions that could have a material adverse effect on our business.

We are required to comply with laws governing the transmission of privacy of health information.

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, requires us to comply with standards for the exchange of health information within our company and with third parties, such as payors, business associates and consumers. These include standards for common health care transactions, such as claims information, plan eligibility, payment information, the use of electronic signatures, unique identifiers for providers, employers, health plans and individuals and security, privacy and enforcement. New standards and regulations may be adopted governing the use, disclosure and transmission of health information with which we may be required to comply. We could be subject to criminal penalties and civil sanctions if we fail to comply with these standards.

Our operations subject us to risk of litigation.

Operating in the homecare industry exposes us to an inherent risk of wrongful death, personal injury, professional malpractice and other potential claims or litigation brought by our consumers and employees. These claims may include allegations that we did not properly treat or care for a consumer or that we failed to follow internal or external procedures that resulted in death or harm to a consumer. We are also subject to claims arising out of accidents involving vehicle collisions brought by consumers whom we are transporting or from employees driving to or from home visits. We operate four adult day care centers, three of which provide transportation for our elderly and disabled consumers. We currently operate 14 vehicles each of which transports seven to 14 passengers to and from our locations. The concentration of consumers in one vehicle increases the risk of larger claims being brought against us in the event of an accident.

In addition, regulatory agencies may initiate administrative proceedings alleging violations of statutes and regulations arising from our services and seek to impose monetary penalties on us. We could be required to pay substantial amounts to respond to regulatory investigations or, if we do not prevail, damages or penalties arising from these legal proceedings. We also are subject to potential lawsuits under the False Claims Act or other federal and state whistleblower statutes designed to combat fraud and abuse in our industry. These lawsuits can involve significant monetary awards or penalties which may not be covered by our insurance. If our third-party insurance coverage and self-insurance reserves are not adequate to cover these claims, it could have a material adverse effect on our business, results of operations and financial condition. Even if we are successful in our defense, civil lawsuits or regulatory proceedings could distract management from running our business or irreparably damage our reputation.

Our insurance liability coverage may not be sufficient for our business needs.

Although we maintain insurance consistent with industry practice, the insurance we maintain may not be sufficient to satisfy all claims made against us. For example, we have a $350,000 deductible per person/per occurrence under our workers' compensation insurance program. We cannot assure you that claims will not be made in the future in excess of the limits of our insurance, and any such claims, if successful and in excess of such limits, may have a material adverse effect on our business or assets. We utilize historical data to estimate our reserves for our insurance programs. If losses on asserted claims exceed the current insurance coverage and accrued reserves, our business, results of operations and financial condition could be adversely affected. Changes in our annual insurance costs and self-insured retention limits depend in large part on the insurance market, and insurance coverage may not continue to be available to us at commercially reasonable rates, in adequate amounts or on satisfactory terms.

Inclement weather or natural disasters may impact our ability to provide services.

Inclement weather may prevent our employees from providing authorized services. We are not paid for authorized services that are not delivered due to these weather events. Furthermore, prolonged inclement weather or the occurrence of natural disasters in the markets in which we operate could disrupt our relationships with consumers, employees and referral sources located in affected areas and, in the case of our corporate office, our ability to provide administrative support services, including billing and collection services. For example, our corporate headquarters and a number of our agencies are located in the Midwestern United States and California, increasing our exposure to blizzards and other major snowstorms, ice storms, tornados, flooding and earthquakes. Future inclement weather or natural disasters may adversely affect our business and consolidated financial condition, results of operations and cash flows.

Our business depends on our information systems. Our operations may be disrupted if we are unable to effectively integrate, manage and maintain the security of our information systems.

Our business depends on effective and secure information systems that assist us in, among other things, gathering information to improve the quality of consumer care, optimizing financial performance, adjusting consumer mix, monitoring regulatory compliance and enhancing staff efficiency. We rely on an external service provider, McKesson Information Solutions, LLC, or McKesson, to provide continual maintenance, upgrading and enhancement of our primary information systems used for our operational needs. The software we license from McKesson supports intake, personnel scheduling, office clinical and reimbursement management in an integrated database, enabling us to standardize the care delivered across our network of locations and monitor our performance and consumer outcomes. To the extent that McKesson becomes insolvent or fails to support the software or systems, or if we lose our license with McKesson, our operations could be negatively affected. We also depend upon a proprietary payroll management system that includes a feature for general ledger population, tax reporting, managing wage assignments and garnishments, on-site check printing, direct-deposit paychecks and customizable heuristic analytical controls. If we experience a reduction or interruption in the performance, reliability or availability of our information systems, or fail to restore our information systems after such a reduction or interruption, our operations and ability to produce timely and accurate reports could be adversely affected. Because of the confidential health information and consumer records we store and transmit, loss of electronically-stored information for any reason could expose us to a risk of regulatory action, litigation and liability.

The agreements that govern our credit facility contain various covenants that limit our discretion in the operation of our business.

Our existing credit facility requires us to comply with customary financial and non-financial covenants. The financial covenants require us to maintain a minimum trailing twelve month EBITDA amount, a maximum fixed charge ratio and a maximum leverage ratio, and limit our capital expenditures. Our existing credit facility includes non-financial covenants including the following significant requirements that generally:

- do not allow us to borrow additional debt without the approval of our lenders;
- do not allow us to grant additional security interests in our assets;

- do not allow us to become liable with respect to contingent obligations;
- allow us to dispose of assets only in accordance with the terms of our existing credit facility;
- restrict our ability to pay dividends without the approval of our lenders; and
- prohibit us from impairing our lenders' security interest in our assets.

We intend to enter into a new credit facility at the completion of this offering. We expect that the new credit facility agreement will require us to comply with similar financial and non-financial covenants. We anticipate that the financial covenants will require us to comply with a minimum fixed charge coverage ratio, a minimum net worth test, a maximum senior leverage ratio and a maximum capital expenditure amount. Our new credit facility is also expected to include non-financial covenants including restrictions on our ability to:

- sell assets;
- make investments, loans and advances;
- incur additional indebtedness and guarantee obligations;
- create liens on assets;
- incur capital lease obligations; and
- make capital expenditures.

The restrictions in our existing credit facility and those proposed to be included in our new credit facility impose significant operating and financial restrictions on our ability to take actions that may be in our best interests.

We may not be able to attract, train and retain qualified personnel.

We must attract and retain qualified personnel in the markets in which we operate in order to provide our services. We compete for personnel with other providers of social and medical services as well as companies in other service-based industries. Competition may be greater for skilled personnel, such as therapists and registered nurses. Our ability to attract and retain personnel depends on several factors, including our ability to provide employees with attractive assignments and competitive benefits and salaries. If we are unable to attract and retain qualified personnel, we may be unable to provide our services, the quality of our services may decline, and we could lose consumers and referral sources.

We may be more vulnerable to the effects of a public health catastrophe than other businesses due to the nature of our consumers.

The majority of our consumers are older individuals with complex medical challenges, many of whom may be more vulnerable than the general public during a pandemic or in a public health catastrophe. Our employees are also at greater risk of contracting contagious diseases due to their increased exposure to vulnerable consumers. For example, if a flu pandemic were to occur, we could suffer significant losses to our consumer population or a reduction in the availability of our employees and, at a high cost, be required to hire replacements for affected workers. Accordingly, certain public health catastrophes could have a material adverse effect on our financial condition and results of operations.

We depend on the services of our executive officers and other key employees.

Our success depends upon the continued employment of certain members of our senior management team. We also depend upon the continued employment of the individuals that manage several of our key functional areas, including operations, business development, accounting, finance, human resources, marketing, information systems, contracting and compliance. The departure of any member of our senior management team may materially adversely affect our operations.

If an impairment of goodwill or intangible assets were to occur, our earnings would be negatively impacted.

Goodwill and intangible assets with finite lives represent a significant portion of our assets as a result of our acquisition of Addus HealthCare in September 2006 and certain other acquisitions in 2007 and 2008. Goodwill and intangible assets with finite lives amounted to $47.9 million and $17.0 million, respectively, at December 31, 2008. As described in the notes to our consolidated financial statements included elsewhere in this prospectus, these assigned values are reviewed on an annual basis or at the time events or circumstances indicate that the carrying amount of an asset may not be recoverable. Should business conditions or other factors deteriorate and negatively impact the estimated realizable value of future cash flows of our business segments, we could be required to write off a substantial portion of our assets. Depending upon the magnitude of the write off, our results of operations could be materially adversely affected.

Risks Related to Ownership of Our Common Stock

Our current principal stockholders will continue to have significant influence over us after this offering, and they could delay, deter or prevent a change of control or other business combination or otherwise cause us to take action with which you might not agree.

Upon completion of this offering, the Eos Funds will together beneficially own approximately % of our outstanding common stock, or approximately % if the underwriters exercise their over-allotment option in full. As a result, the Eos Funds will have the ability to significantly influence all matters submitted to our stockholders for approval, including:

- changes to the composition of our board of directors, which has the authority to direct our business and appoint and remove our officers;
- proposed mergers, consolidations or other business combinations; and
- amendments to our certificate of incorporation and bylaws which govern the rights attached to our shares of common stock.

In addition, we anticipate that at least two of our directors immediately following the completion of this offering will be affiliated with the Eos Funds.

This concentration of ownership of shares of our common stock could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of shares of our common stock that might otherwise give you the opportunity to realize a premium over the then-prevailing market price of our common stock. The interests of the Eos Funds may not always coincide with the interests of the other holders of our common stock. This concentration of ownership may also adversely affect our stock price.

We may be a "controlled company" for purposes of The NASDAQ Stock Market LLC's corporate governance requirements, and if so, our stockholders would not have, and may never have, the protections that these corporate governance requirements are intended to provide.

After the completion of this offering, we may be a "controlled company" for purposes of The NASDAQ Stock Market LLC's corporate governance requirements. If so, we would not be required to comply with the provisions requiring a majority of our directors to be independent, that executive compensation be determined by a majority of our independent directors or an independent compensation committee or that our directors be selected or recommended by a majority of our independent directors or an independent nominating committee. As a result, our stockholders would not have, and may never have, the protections that these rules are intended to provide.

There is no existing market for our common stock, and if a market does not develop, you may not have adequate liquidity.

Before this offering, there has been no public market for our common stock. We cannot predict the extent to which an active trading market will develop on The Nasdaq Global Market. You may have difficulty selling the shares that you buy if no active trading market develops. The initial public offering price for the shares included in this offering will be determined by negotiations between us and the representative of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell your shares at a price equal to or greater than the price you pay in this offering.

The market price of our common stock may be volatile and this may adversely affect our stockholders.

The price at which our common stock trades may be volatile. The stock market has recently experienced significant price and volume fluctuations that have affected the market prices of securities, including securities of health care companies. The market price of our common stock may be influenced by many factors, including:

- our operating and financial performance;
- variances in our quarterly financial results compared to expectations;
- the depth and liquidity of the market for our common stock;
- future sales of common stock or the perception that sales could occur;
- investor perception of our business and our prospects;
- developments relating to litigation or governmental investigations;
- changes or proposed changes in health care laws or regulations or enforcement of these laws and regulations, or announcements relating to these matters; or
- general economic and stock market conditions.

In addition, the stock market in general has experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of homecare companies. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In the past, securities class-action litigation has often been brought against companies following periods of volatility in the market price of their respective securities. We may become involved in this type of litigation in the future. Litigation of this type is often expensive to defend and may divert our management team’s attention as well as resources from the operation of our business.

Sales of substantial amounts of our common stock, or the availability of those shares for future sale, could adversely affect our stock price and limit our ability to raise capital.

After this offering, we will have   shares of common stock outstanding. This includes the   shares of common stock we are selling in this offering, which may be resold in the public market immediately after this offering. We expect that the remaining   shares of common stock will become available for resale in the public market as shown in the chart below. Our executive officers, directors and the holders of all of our outstanding shares of stock have entered into lock-up agreements pursuant to which they have agreed not to sell, transfer or otherwise dispose of any of their shares for a period of 180 days following the date of this prospectus, subject to extension in the case of an earnings release or material news or a material event relating to us. Jefferies & Company, Inc. may, in its sole discretion and without notice, release all or any portion of the common stock subject to lock-up agreements.

Number of shares	Date of availability for resale into the public market
	Upon the effectiveness of the registration statement of which this prospectus forms a part
Approximately	180 days after the date of this prospectus, of which approximately are subject to volume limitations under Rule 144
Approximately	More than 180 days after the date of this prospectus without limitations

Beginning six months after this offering, subject to the lock-up agreements described above, certain of our existing stockholders, including the Eos Funds, may request that we register some or all of their shares for sale to the public, and the Eos Funds and certain other stockholders have the right to include their shares in public offerings we undertake in the future. After this offering, we also intend to register on Form S-8 all of the shares of common stock that we may issue under our incentive compensation plans. Upon issuance they may be freely sold in the public market, subject to the lock-up agreements described above. The registration or sale of any of these shares could cause the market price of our common stock to drop significantly, including below the initial public offering price.

We do not anticipate paying dividends on our common stock in the foreseeable future and, consequently, your ability to achieve a return on your investment will depend solely on appreciation in the price of our common stock.

We do not pay dividends on our shares of common stock and intend to retain all future earnings to finance the continued growth and development of our business and for general corporate purposes. In addition, we do not anticipate paying cash dividends on our common stock in the foreseeable future. Any future payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our board of directors.

If securities or industry analysts fail to publish research or reports about our business or publish negative research or reports, or our results are below analysts' estimates, our stock price and trading volume could decline.

The trading market for our common stock may depend in part on the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If analysts fail to publish reports on us regularly or at all, we could fail to gain visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. If one or more analysts do cover us and downgrade their evaluations of our stock or our results are below analysts' estimates, our stock price would likely decline.

You will experience immediate and substantial dilution in your investment.

The offering price of the common stock is substantially higher than the net tangible book value per share of our common stock, which on a pro forma basis was $ as of June 30, 2009. As a result, you will experience immediate and substantial dilution in pro forma net tangible book value when you buy shares of common stock in this offering. This means that you will pay a higher price per share than the amount of our total assets, minus our total liabilities, divided by the number of outstanding shares. Holders of our common stock will experience further dilution if options or other rights to purchase our common stock that are outstanding or that we may issue in the future are exercised or converted, or if we issue additional shares of our common stock, at prices lower than our net tangible book value at such time.

Provisions in our organizational documents and Delaware law could delay or prevent a change in control of our company, which could adversely affect the price of our common stock.

Provisions in our amended and restated certificate of incorporation and bylaws, both of which will be effective prior to the completion of this offering, and anti-takeover provisions of the Delaware General Corporation Law, could discourage, delay or prevent an unsolicited change in control of our company, which could adversely affect the price of our common stock. These provisions may also have the effect of making it more difficult for third parties to replace our current management without the consent of the board of directors. Provisions in our amended and restated certificate of incorporation and bylaws that could delay or prevent an unsolicited change in control include:

- a staggered board of directors;
- limitations on persons authorized to call a special meeting of stockholders; and
- the authorization of undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval.

As a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. This section generally prohibits us from engaging in mergers and other business combinations with stockholders that beneficially own 15% or more of our voting stock, or with their affiliates, unless our directors or stockholders approve the business combination in the prescribed manner. However, because the Eos Funds acquired their shares prior to this offering, Section 203 is currently inapplicable to any business combination with the Eos Funds or their affiliates. In addition, our amended and restated bylaws require that any stockholder proposals or nominations for election to our board of directors must meet specific advance notice requirements and procedures, which make it more difficult for our stockholders to make proposals or director nominations.

If we fail to achieve and maintain effective internal control over financial reporting, our business and stock price could be adversely impacted.

We are in the process of documenting, reviewing and, where appropriate, improving our internal controls and procedures in preparation for compliance with Securities and Exchange Commission, or SEC, regulations adopted pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, which requires annual management and independent auditor assessments of the effectiveness of our internal control over financial reporting and a report by our independent auditors addressing these assessments. These requirements will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place strain on our personnel, systems and resources. Compliance with public reporting and Sarbanes-Oxley Act requirements will require us to build out our compliance, accounting and finance staff. In connection with the implementation of the necessary procedures and practices related to internal control over financial reporting, we may identify deficiencies or material weaknesses that we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. Implementing any appropriate changes to our internal controls may require specific compliance training of our directors, officers and employees, entail substantial costs to modify our existing accounting systems, and take a significant period of time to complete. Such changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. Moreover, if we fail to satisfy the requirements of Section 404 on a timely basis, we could be subject to regulatory scrutiny and sanctions, our ability to raise capital could be impaired, investors may lose confidence in the accuracy and completeness of our financial reports and our stock price could be adversely affected.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. We have made these forward-looking statements based on our current plans, estimates, expectations and projections about future events. These statements include, but are not limited to, statements regarding:

- our expectations regarding the size and growth of the market for our services;
- the acceptance of privatized social services;
- our expectations regarding changes in reimbursement rates, authorized hours and eligibility standards of state governmental agencies, and the effect of those changes on our results of operations in 2009 or for periods thereafter;
- the reimbursement levels of third-party payors;
- our ability to expand the breadth of our services and increase the number of our referral sources;
- our ability to successfully implement our integrated service model to grow our business;
- our ability to continue identifying and pursuing acquisition opportunities and expand into new geographic markets; and
- the effectiveness, quality and cost of our services.

Forward-looking statements relate to expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts or that necessarily depend upon future events. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “potential” and other words that convey uncertainty of future events or outcomes. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors. Some of the factors that may cause actual results, developments, performance, business decisions and other events or circumstances to differ materially from those contemplated by any forward-looking statements include the risks and uncertainties discussed under the heading “Risk Factors.” Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. These forward-looking statements are made only as of the date of this prospectus and we undertake no obligation to update any forward-looking statements.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares of common stock in this offering will be approximately $ million, based on an assumed initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us. Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus, would increase or decrease, as applicable, the net proceeds to us by approximately $ million, assuming the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting the underwriting discount and offering expenses payable by us.

The following table sets forth the estimated sources and uses of funds in connection with this offering and the other transactions described below as if they had occurred on June 30, 2009. See also "Unaudited Pro Forma Financial Information."

	Amount (thousands)
Sources of Funds	
New credit facility (1)	$
Common stock offered in this offering, net of underwriting discount	
Total sources	$
Uses of funds	
Repayment of existing credit facility, together with related fees and expenses (2)	$
Contingent payments due to certain directors, officers and other existing stockholders (3)	
Payment of accrued and unpaid dividends on the shares of our series A preferred stock (4)	
Payment to the Eos Funds or their designee(s) of a one-time consent fee in connection with this offering (5)	
Transaction fees and expenses (6)	
Total uses	$

(1) We intend to enter into a new credit facility at the completion of this offering providing for a $50.0 million revolving credit facility.

(2) Addus HealthCare entered into a credit agreement with Freeport Financial LLC, Freeport Loan Fund LLC and certain other parties on September 19, 2006. Our existing credit facility was extended by the lenders to fund the repayment of certain indebtedness, to finance fees and expenses we incurred in connection with our acquisition of Addus HealthCare, to finance acquisitions, to provide working capital and to provide funds for other general corporate purposes. Our existing credit facility has a maturity date of September 19, 2011 and bears interest at a rate based on either LIBOR or a floating rate equal to the higher of (i) the prime rate as quoted by *The Wall Street Journal* and (ii) the Federal Funds Rate plus 0.50% per annum, plus, in each case, the applicable margin, with a weighted average effective interest rate of 4.7% as of June 30, 2009.

(3) In connection with our acquisition of Addus HealthCare, we entered into a contingent payment agreement pursuant to which our Chairman of the Board, President and Chief Executive Officer, the Chairman of Addus HealthCare and certain of our other existing stockholders are entitled to payments upon the completion of this offering. For additional information regarding these payments, see "Certain Relationships and Related Party Transactions—Contingent Payment Agreement."

(4) Represents the cash payment of $ million of the $ million of accrued but unpaid dividends on our series A preferred stock in connection with the conversion of those shares into shares of our common stock. Immediately prior to the completion of this offering, we will issue the dividend notes to the Eos Funds in respect of the unpaid dividends accrued on the shares of our series A preferred stock held by them.

Immediately following the completion of this offering, the aggregate outstanding principal amount of the dividend notes will be $. The $ of unpaid dividends accrued on the shares of our series A preferred stock held by Freeport Loan Fund LLC will be paid in cash from the net proceeds of the offering. Pursuant to the terms of the dividend notes, we will be obligated to pay $4.0 million of the principal amount of the dividend notes upon the completion of this offering. However, if the gross proceeds of this offering exceed $70.0 million, we will be obligated to prepay an additional portion of the principal amount of the dividend notes in an amount equal to 50% of the gross proceeds in excess of $70.0 million. In each case, we will pay interest on the amount of the principal so prepaid together with each payment of principal. See "Certain Relationships and Related Party Transactions—Dividend Notes." Our series A preferred stock is owned by the Eos Funds and Freeport Loan Fund LLC, each of which has irrevocably elected to convert its shares of series A preferred stock into common stock prior to the completion of this offering.

(5) Pursuant to a consent fee agreement, the Eos Funds will be paid these amounts in consideration for their agreement to waive certain rights under our stockholders' agreement and registration rights agreement to permit this offering to be completed, to convert their shares of series A preferred stock into shares of our common stock immediately prior to the completion of this offering and to accept dividend notes in respect of the accrued and unpaid dividends thereon in lieu of cash.

(6) Transaction fees and expenses include: (i) $ related to fees and expenses associated with this offering, and (ii) $ related to fees and expenses associated with our new credit facility.

Pending use of the net proceeds from this offering described above, we intend to invest the net proceeds in short- and intermediate-term interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

Historically, we have not paid dividends on our common stock, and we currently do not intend to pay any dividends on our common stock after the completion of this offering. We currently plan to retain any earnings to support the operation, and to finance the growth, of our business rather than to pay cash dividends. Payments of any cash dividends in the future will depend on our financial condition, results of operations and capital requirements as well as other factors deemed relevant by our board of directors. Our existing credit facility restricts our ability to pay dividends without the approval of our lenders. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

CAPITALIZATION

The following table sets forth, as of June 30, 2009, our cash and unaudited capitalization:

- on an actual basis;
- on a pro forma basis to give effect to the conversion of all outstanding shares of our series A preferred stock into an aggregate of 377,500 shares of our common stock at a ratio of 1:10 prior to the completion of this offering; and
- on a pro forma as adjusted basis to give effect to (i) the conversion described above, (ii) the effectiveness of our amended and restated certificate of incorporation, (iii) this offering at an assumed offering price of $ per share, the midpoint of the range set forth on the cover of this prospectus, (iv) $ million aggregate principal amount of dividend notes to be outstanding immediately following the completion of this offering and (v) the application of the net proceeds of this offering, together with $ million of borrowings under our new credit facility, as described under "Use of Proceeds."

You should read this table in conjunction with the consolidated financial statements and the related notes, "Selected Historical Consolidated Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information included elsewhere in this prospectus.

	As of June 30, 2009		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited) (in thousands)	
Cash	$ 850	$	$
Preferred stock dividends, undeclared subject to payment on conversion to common stock	$ 11,506	$ —	$ —
Indebtedness:			
Existing credit facility	60,138		—
New credit facility	—	—	
Dividend notes	—	—	
Other indebtedness	4,276		
Total indebtedness	64,414		
Total indebtedness and other obligations	$ 75,920		
Stockholders' equity:			
Common stock – $.001 par value; 900,000, and authorized and 94,375, and issued and outstanding actual, pro forma and pro forma as adjusted, respectively	—		
Preferred stock – $.001 par value; 100,000, and authorized and 37,750, 377,500 and zero issued and outstanding actual, pro forma and pro forma as adjusted, respectively	37,750		
Preferred stock dividends, undeclared subject to payment on conversion to common stock	(11,506)		
Additional paid-in capital	1,570		
Retained earnings	7,913		
Total stockholders' equity	35,727		
Total capitalization	$ 111,647	$	$

Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus, would increase or decrease, as applicable, the amount of cash, additional paid-in capital, total stockholders' equity and total capitalization by approximately $ million.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the as adjusted net tangible book value per share of our stock immediately after this offering. We calculate net tangible book value per share by dividing our net tangible book value, which equals total assets less intangible assets, total liabilities and total preferred stock, by the number of shares of common stock outstanding as of June 30, 2009. Our net tangible book value at June 30, 2009 was $ million, or $ per share, based on 94,375 shares outstanding. On a pro forma basis, assuming the conversion of all outstanding shares of our series A preferred stock into 377,500 shares of our common stock prior to the completion of this offering, our net tangible book value as of June 30, 2009 was approximately $ million, or $ per share, based on 471,875 shares outstanding. Our series A preferred stock converts into our common stock based on a formula that is equal to the quotient obtained by multiplying the original stated amount of the series A preferred stock, or $1,000, by the number of shares of series A preferred stock being converted into our common stock, and dividing the product by a conversion price of $100, adjusted for stock dividends, combinations and splits.

After giving effect to the sale of shares of common stock in this offering, based on an assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover of this prospectus, and after deducting the estimated underwriting discount and estimated offering expenses payable by us, our as adjusted net tangible book value as of June 30, 2009 would have been approximately $ million, or $ per share. This represents an immediate increase in net tangible book value attributable to this offering of $ per share to existing stockholders, and an immediate dilution in net tangible book value of $ per share to new investors, or approximately % of the assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover of this prospectus. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		$
Net tangible book value per share as of June 30, 2009, after giving effect to the conversion of series A preferred stock	$	
Increase per share attributable to new investors		
Net tangible book value per share after this offering		
Dilution per share to new investors		$

The information in the preceding table has been calculated using an assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover of this prospectus. A $1.00 increase or decrease in the assumed initial public offering price per share would decrease or increase, respectively, the pro forma net tangible book value per share of common stock after this offering by $ per share and increase or decrease, respectively, the dilution per share of common stock to new investors in this offering by $ per share, in each case calculated as described above and assuming that the number of shares offered by us, as set forth on the cover of this prospectus, remains the same. Likewise, the information in the preceding table has been calculated assuming that we issue a number of shares of common stock in this offering equal to the number of shares appearing on the cover of this prospectus. A share increase or decrease in the number of shares of common stock that we issue in this offering would decrease or increase, respectively, the pro forma net tangible book value per share of common stock after this offering by $ per share and increase or decrease, respectively, the dilution per share of common stock to new investors in this offering by $ per share, in each case calculated as described above and assuming an initial public offering price of $ per share.

The following table shows on an as adjusted basis at June 30, 2009, the number and percentage of shares of common stock purchased from us by our existing stockholders and new investors purchasing shares in this offering, the total cash consideration paid to us and the average price per share paid by existing stockholders and to be paid by new investors in this offering before deducting the estimated underwriting discount and estimated offering expenses payable by us, based on an assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover of this prospectus.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders		%	$	%	$
New investors					
Total		100.0%	$	100.0%	

The table above excludes, as of June 30, 2009, 74,265 shares of common stock issuable upon the exercise of options outstanding under our 2006 Plan at a weighted average exercise price of $101.02 per share. To the extent these options are exercised, investors purchasing common stock in this offering will experience further dilution. In addition, to the extent we issue new options or rights under any stock compensation plans or issue additional shares of common stock in the future, new investors may experience further dilution.

If the underwriters were to fully exercise their over-allotment option to purchase additional shares of common stock, the net tangible book value after giving effect to this offering would be $ per share, and the dilution in net tangible book value per share to investors in this offering would be $ per share. Furthermore, the number of shares of common stock held by existing stockholders would be , or % of the aggregate number of shares of common stock outstanding after this offering, and the number of shares of common stock held by new investors would be increased to , or % of the aggregate number of shares of common stock outstanding after this offering.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

Holdings was incorporated in Delaware on July 27, 2006 and acquired Addus HealthCare on September 19, 2006. Holdings is a holding company and has no material assets other than all of the capital stock of Addus HealthCare. The application of purchase accounting rules to the financial statements of Holdings resulted in different accounting bases from Addus HealthCare and, accordingly, different financial information for the periods beginning on or after September 19, 2006. We refer to Holdings and its subsidiaries, including Addus HealthCare, following the acquisition, as the successor for purposes of the presentation of the financial information below. We refer to Addus HealthCare prior to its acquisition by Holdings as the predecessor for purposes of the presentation of the financial information below.

We present in the tables below selected historical consolidated financial and other data of Holdings and its predecessor. The selected historical consolidated statements of income data for the periods January 1, 2006 through September 18, 2006 and September 19, 2006 through December 31, 2006 and the fiscal years ended December 31, 2007 and 2008, and the balance sheet data as of December 31, 2006, 2007 and 2008, were derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated statement of income data for the predecessor for the fiscal years ended December 31, 2004 and 2005 have been derived from predecessor audited financial statements, which are not included in this prospectus. The selected historical consolidated statements of income data for the six month periods ended June 30, 2008 and 2009 and balance sheet data as of June 30, 2009 were derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus, and in the opinion of management, include all normal recurring adjustments necessary to present fairly the data for such periods and as of such date. Operating results for the six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009 or for any future period.

You should read the information set forth below in conjunction with the information under “Capitalization,” “Unaudited Pro Forma Financial Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements, including the notes thereto, included elsewhere in this prospectus.

	Predecessor			Successor				
					Year Ended December 31,		Six Months Ended June 30,	
	Year Ended December 31, 2004	Year Ended December 31, 2005	January 1 to September 18, 2006	September 19 to December 31, 2006	2007	2008	2008	2009
							(unaudited)	
	(in thousands, except share and per share data)							
Consolidated Statements of Income Data:								
Net service revenues (1)	$ 153,097	$ 163,709	$ 125,927	$ 52,256	$194,567	$236,306	$110,868	$126,805
Cost of service revenues	114,136	120,111	91,568	36,767	139,268	167,254	78,737	89,440
Gross profit	38,961	43,598	34,359	15,489	55,299	69,052	32,131	37,365
General and administrative expenses	34,742	37,115	28,391	11,764	44,233	52,112	24,657	27,983
Depreciation and amortization (2)	944	881	439	1,919	6,029	6,092	2,841	2,444
Total operating expenses	35,686	37,996	28,830	13,683	50,262	58,204	27,498	30,427
Operating income	3,275	5,602	5,529	1,806	5,037	10,848	4,633	6,938
Interest expense	(1,410)	(1,818)	(750)	(1,392)	(4,952)	(5,806)	(2,633)	(2,180)
Interest and other income	74	64	100	65	144	51	49	12
Income from continuing operations before income taxes	1,939	3,848	4,879	479	229	5,093	2,049	4,770
Income tax expense (2)	18	66	434	82	32	1,070	430	1,474
Net income from continuing operations	1,921	3,782	4,445	397	197	4,023	1,619	3,296
Discontinued operations:								
Gain on sale of discontinued operations, net of tax of $695	3,414	—	—	—	—	—	—	—
Income from discontinued operations, net of tax expense of $42 and $36 in 2004 and the period from January 1, 2006 to September 18, 2006 and net of tax benefit of $10 in 2005	(3,928)	(512)	366	—	—	—	—	—
Net income	1,407	3,270	4,811	397	197	4,023	1,619	3,296
Less: Preferred stock dividends, undeclared subject to payment upon conversion	—	—	—	(1,070)	(3,882)	(4,270)	(2,076)	(2,284)
Net income (loss) attributable to common shareholders	$ 1,407	$ 3,270	$ 4,811	$ (673)	$ (3,685)	$ (247)	$ (457)	$ 1,012
Basic income (loss) per common share:								
From continuing operations	$ 19,209.88	$ 37,824.33	$ 44,450.43	$ (7.13)	$ (39.05)	$ (2.62)	$ (4.85)	$ 10.73
From discontinued operations	(5,142.21)	(5,119.87)	3,664.27	—	—	—	—	
Basic earnings per common share	$ 14,067.67	$ 32,704.46	$ 48,114.70	$ (7.13)	$ (39.05)	$ (2.62)	$ (4.85)	$ 10.73
Diluted income (loss) per common share:								
From continuing operations	$ 19,209.88	$ 37,824.33	$ 44,450.43	$ (7.13)	$ (39.05)	$ (2.62)	$ (4.85)	$ 6.84
From discontinued operations	(5,142.21)	(5,119.87)	3,664.27	—	—	—	—	—
Diluted earnings per common share	$ 14,067.67	$ 32,704.46	$ 48,114.70	$ (7.13)	$ (39.05)	$ (2.62)	$ (4.85)	$ 6.84
Weighted average number of common shares and potential common shares outstanding:								
Basic	100	100	100	94,375	94,375	94,375	94,375	94,375
Diluted	100	100	100	94,375	94,375	94,375	94,375	481,778

	Predecessor	Successor				
	January 1, 2006 to September 18, 2006	September 19, 2006 to December 31, 2006	Year Ended December 31,		Six Months Ended June 30,	
			2007	2008	2008	2009
					(unaudited)	
Operational Data:						
General:						
Adjusted EBITDA (in thousands) (3)	$ 6,334	$ 3,939	$12,010	$17,212	$ 7,646	$ 9,522
States served at period end	12	12	14	16	16	16
Locations at period end	93	92	104	122	120	121
Employees at period end	9,439	9,440	10,797	12,137	12,114	12,578
Home & Community Data:						
Average weekly census	16,044	16,275	17,117	19,432	18,808	20,147
Billable hours (in thousands)	6,798	2,864	10,421	12,139	5,832	6,355
Billable hours per business day	37,352	39,778	40,867	47,418	45,563	50,039
Revenues per billable hour	$ 13.88	$ 13.88	$ 14.36	$ 15.57	$ 15.07	$ 16.13
Home Health Data:						
Average weekly census:						
Medicare	1,187	1,114	1,130	1,270	1,221	1,433
Non-Medicare	1,389	1,442	1,435	1,413	1,383	1,536
Medicare admissions (4)	4,516	1,690	6,223	7,232	3,248	3,802
Medicare revenues per episode completed	$ 2,534	$ 2,534	$ 2,563	$ 2,606	$ 2,608	$ 2,521
Percentage of Revenues by Payor:						
State, local or other governmental	80%	80%	81%	82%	82%	82%
Medicare	14	14	13	12	12	12
Other	6	6	6	6	6	6

	Predecessor		Successor			
	Year Ended December 31,		As of December 31,			As of June 30,
	2004	2005	2006	2007	2008	2009
						(unaudited)
Consolidated Balance Sheet Data:				(in thousands)		
Cash	$ —	$ —	$ 3	$ 21	$ 6,113	$ 850
Accounts receivable, net of allowances	30,045	31,603	36,325	43,330	49,237	63,114
Goodwill and intangibles	2,766	2,766	55,530	63,158	64,961	63,275
Total assets	43,470	40,101	100,911	118,656	135,748	145,920
Total debt (5)	15,276	15,458	44,818	54,653	63,176	64,414
Stockholders’ equity (deficit)	(833)	2,438	37,291	34,550	34,575	35,727

(1) Acquisitions completed in 2007 accounted for $4.2 million of the growth in net service revenues for the year ended December 31, 2007 compared to the combined net service revenues for the periods from January 1, 2006 to September 18, 2006 and from September 19, 2006 to December 31, 2006. Acquisitions completed in 2008 and the results for the first twelve months of 2007 acquisitions included in 2008 accounted for $24.6 million of the growth in net service revenues for the year ended December 31, 2008 compared to the year ended December 31, 2007. Acquisitions completed in 2008 accounted for $5.1 million of the growth in net service revenues for the six months ended June 30, 2009 compared to the six months ended June 30, 2008.

(2) The September 19, 2006 acquisition of Addus HealthCare by Holdings resulted in a stepped-up basis of the assets of the successor compared to the predecessor. In addition, the predecessor filed as an S corporation with earnings for federal and for selected state taxes passed through to each shareholder's tax return, while the successor files as a C corporation with earnings for federal and state purposes taxed at the company level.

(3) We define Adjusted EBITDA as net income plus depreciation and amortization, net interest expense, income tax expense and stock-based compensation expense. Adjusted EBITDA is not a measure of financial performance under GAAP. It should not be considered in isolation or as a substitute for net income, operating income or any other measure of financial performance calculated in accordance with GAAP.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

- By reporting Adjusted EBITDA, we believe that we provide investors with insight and consistency in our financial reporting and present a basis for comparison of our business operations between current, past and future periods. This is because Adjusted EBITDA removes the impact of our capital structure (interest expense), asset base (amortization and depreciation), taxes and stock-based compensation expense from our results of operations.
- Our change from S-corporation status to C-corporation status for Federal income tax purposes on September 19, 2006 resulted in fluctuations in our tax expense or benefit unrelated to our results of operations.
- We adopted SFAS No. 123(R), "*Share-Based Payment*," on September 19, 2006, the effective date of the 2006 Plan, and recorded stock-based compensation expense of approximately $214,000 for the period from September 19, 2006 through December 31, 2006, $944,000 for the year ended December 31, 2007 and $272,000 for the year ended December 31, 2008. This fluctuation in expense primarily resulted from one option grant in 2006 with a one-year vesting period, with other option grants being subject to five-year vesting periods. By comparing our Adjusted EBITDA in different periods, our investors can evaluate our operating results without the additional variations caused by stock-based compensation expense, which is not comparable from year to year due to differing vesting periods and is a non-cash expense that is not a key measure of our operations.

Adjusted EBITDA provides a basis for our management to compare our financial results to those of other comparable publicly traded companies. Our management also uses Adjusted EBITDA for planning purposes, including preparation of our annual budget, to allocate resources and to evaluate the effectiveness of business strategies. Our calculation of Adjusted EBITDA is also the basis for our calculations to determine compliance with our debt covenants and assess our ability to borrow additional funds to finance or expand our operations. Our existing credit facility provides for calculating Adjusted EBITDA as described above, except that the calculation also permits adding back McKesson integration costs and management fees paid to an affiliate of the Eos Funds, and we expect that our new credit facility will provide for calculating Adjusted EBITDA substantially as described above with permitted addbacks. We also use the same metric for determining a portion of the incentive compensation of our President and Chief Executive Officer.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. Some of these limitations include:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or other contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect interest expense or interest income;

- Adjusted EBITDA does not reflect cash requirements for income taxes;
- although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for these replacements; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

We compensate for these limitations by relying primarily on our GAAP financial measures and by using Adjusted EBITDA only supplementally. We believe that consideration of Adjusted EBITDA, together with a careful review of our GAAP financial measures, is the most informed method of analyzing our company.

The following table sets forth a reconciliation of net income, the most directly comparable GAAP measure, to Adjusted EBITDA:

	Predecessor	Successor				
	January 1, 2006 to September 18, 2006	September 19, 2006 to December 31, 2006	Year Ended December 31,		Six Months Ended June 30,	
			2007	2008	2008	2009
					(unaudited)	
		(in thousands)				
Reconciliation of Adjusted EBITDA to Net income:						
Net income	$ 4,811	$ 397	$ 197	$ 4,023	$ 1,619	$ 3,296
Net interest expense	650	1,327	4,808	5,755	2,584	2,168
Income tax expense	434	82	32	1,070	430	1,474
Depreciation and amortization	439	1,919	6,029	6,092	2,841	2,444
Stock-based compensation expense	—	214	944	272	172	140
Adjusted EBITDA	$ 6,334	$ 3,939	$ 12,010	$ 17,212	$ 7,646	$ 9,522

The following table summarizes certain charges and costs for which we make no adjustment to net income in calculating Adjusted EBITDA:

	Predecessor	Successor				
	January 1, 2006 to September 18, 2006	September 19, 2006 to December 31, 2006	Year Ended December 31,		Six Months Ended June 30,	
			2007	2008	2008	2009
					(unaudited)	
		(in thousands)				
McKesson integration costs	$ 238	$ 140	$552	$438	$ 122	$ 379
Management fees paid to Eos Management	—	88	350	350	176	176
Total	$ 238	$ 228	$902	$788	$ 298	$ 555

(4) Medicare admissions represents the aggregate number of new cases approved for Medicare services during a specified period.

(5) Total debt includes the current portion of long-term debt classified in current liabilities of $11,352, $8,582, $3,611, $4,997 and $7,101, at December 31, 2004, 2005, 2006, 2007 and 2008, respectively, and $10,139 at June 30, 2009.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma consolidated financial information has been derived by the application of pro forma adjustments to our historical consolidated financial statements included elsewhere in this prospectus.

The unaudited pro forma consolidated statements of income for the fiscal year ended December 31, 2008 and the six months ended June 30, 2009 give effect to the following transactions, in each case, as if each such transaction took place on January 1, 2008:

- this offering and the payment of related fees and expenses;
- the incurrence of $ million of indebtedness under a new credit facility we intend to enter into at the completion of this offering, the simultaneous repayment of $ million of indebtedness under our existing credit facility, and the payment of related fees and expenses, or the Refinancing;
- the conversion of all outstanding shares of our series A preferred stock into an aggregate of 377,500 shares of common stock at a ratio of 1:10 prior to the completion of this offering, the payment of $ in respect of accrued and unpaid dividends on such shares and $ million aggregate principal amount of the dividend notes to be outstanding immediately following the completion of this offering, or the Conversion; and
- the elimination of fees payable to an affiliate of the Eos Funds under the management consulting agreement between Addus HealthCare and that entity, which will terminate prior to the completion of this offering pursuant to an agreement between Addus HealthCare and that affiliate of the Eos Funds.

The unaudited pro forma consolidated balance sheet data as of June 30, 2009 give effect to this offering and the payment of related fees and expenses, the Refinancing and the Conversion and the following transactions, in each case, as if each such transaction took place on June 30, 2009:

- the payment to the Eos Funds or their designee(s) of a $ one-time consent fee in connection with this offering, or the Sponsor Transaction; and
- the payment of $ to our Chairman of the Board, President and Chief Executive Officer, the Chairman of Addus HealthCare and certain of our other existing stockholders, pursuant to a contingent payment agreement entered into in connection with our acquisition of Addus HealthCare, or the Contingent Payment Transaction.

None of the unaudited pro forma statements of income data reflect the Sponsor Transaction or the Contingent Payment Transaction due to the non-recurring nature of these payments. The pro forma adjustments are based upon available information, preliminary estimates and certain assumptions that we believe are reasonable based on information currently available, and are described in the accompanying notes to our financial statements. The pro forma balance sheet data and consolidated statements of operations are for informational purposes only and should not be considered indicative of actual results that would have been achieved had the transactions set forth above been consummated on the dates indicated and do not purport to indicate balance sheet data or results of operations as of any future date or for any future period. The unaudited pro forma condensed consolidated financial information does not give effect to the increased selling, general and administrative expenses associated with being a public company with listed equity securities that we expect to incur in future periods.

The unaudited pro forma consolidated financial information should be read in conjunction with “Prospectus Summary—Summary Historical and Pro Forma Consolidated Financial and Other Data,” “Selected Historical Consolidated Financial and Other Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus.

ADDUS HOMECARE CORPORATION
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2009
(in thousands, except share and per share data)

	Actual	Adjustments	Pro Forma
Current assets			
Cash	$ 850	$	$
Accounts receivable, net	63,114		
Prepaid expenses and other current assets	9,195		
Deferred tax assets	4,059		
Income taxes receivable	227		
Total current assets	77,445		
Property and equipment, net of accumulated depreciation and amortization	3,184		
Other assets			
Goodwill	48,216		
Intangibles, net of accumulated amortization	15,059		
Debt issuance costs, net	1,006		
Deferred tax assets	1,010		
Total other assets	65,291		
Total assets	$145,920	$	$
Current liabilities			
Accounts payable	$ 3,381	$	$
Accrued expenses	28,859		
Current maturities of long-term debt	10,139		
Deferred revenue	2,033		
Total current liabilities	44,412		
Preferred stock dividends, undeclared subject to payment on conversion to common stock	11,506		
Long-term debt, less current maturities	54,275		
Total liabilities	110,193		
Commitments, contingencies and other matters			
Stockholder's equity			
Common stock—$.001 par value; 900,000 and authorized and 94,375 and issued and outstanding shares actual and pro forma, as of June 30, 2009, respectively	—		
Preferred stock—$.001 par value; 100,000 and authorized and 37,750 and 0 issued and outstanding shares actual and pro forma, as of June 30, 2009, respectively	37,750		
Preferred stock dividends, undeclared subject to payment on conversion to common stock	(11,506)		
Additional paid-in capital	1,570		
Retained earnings	7,913		
Total stockholders' equity	35,727		
Total liabilities and stockholders' equity	$145,920	$	$

See accompanying notes to the unaudited pro forma financial information.

ADDUS HOMECARE CORPORATION
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF INCOME
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2008
(in thousands, except share and per share data)

	Actual	Adjustments	Pro Forma
Net service revenues	$236,306	$	$
Cost of service revenues	167,254		
Gross profit	69,052		
General and administrative expenses	52,112		
Depreciation and amortization	6,092		
Total operating expenses	58,204		
Operating income	10,848		
Interest expense	(5,806)		
Interest and other income	51		
Income from operations before taxes	5,093		
Income tax expense	1,070		
Net income	4,023		
Less: Preferred stock dividends, undeclared subject to payment upon conversion	(4,270)		
Net income (loss) attributable to common shareholders	$ (247)	$	$
Net income per share of common stock:			
Basic	$ (2.62)	$	$
Diluted	$ (2.62)	$	$
Weighted average number of shares outstanding: (3)			
Basic	94,375		
Diluted	94,375		

See accompanying notes to the unaudited pro forma financial information.

ADDUS HOMECARE CORPORATION
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2009
(in thousands, except share and per share data)

	Actual	Adjustments	Pro Forma
Net service revenues	$126,805	$	$
Cost of service revenues	89,440		
Gross profit	37,365		
General and administrative expenses	27,983		
Depreciation and amortization	2,444		
Total operating expenses	30,427		
Operating income	6,938		
Interest expense	(2,180)		
Interest and other income	12		
Income from operations before taxes	4,770		
Income tax expense	1,474		
Net income	3,296		
Less: Preferred stock dividends, undeclared subject to payment upon conversion	(2,284)		
Net income attributable to common shareholders	$ 1,012	$	$
Net income per share of common stock:			
Basic	$ 10.73	$	$
Diluted	$ 6.84	$	$
Weighted average number of shares outstanding: (4)			
Basic	94,375		
Diluted	481,778		

See accompanying notes to the unaudited pro forma financial information.

Notes to Unaudited Pro Forma Financial Information

(1) The unaudited pro forma condensed consolidated balance sheet gives effect to the following estimated sources and uses from the issuance of common stock in this offering:

	Amount (millions)
Sources of Funds	
New credit facility (a)	$
Common stock offered in this offering, net of underwriting discount	
Total sources	$
Uses of funds	
Repayment of existing credit facility, together with related fees and expenses (b)	$
Contingent payments due to certain directors, officers and other existing stockholders (c)	
Payment of accrued and unpaid dividends on the shares of our series A preferred stock (d)	
Payment to the Eos Funds or their designee(s) of a one-time consent fee in connection with this offering (e)	
Transaction fees and expenses (f)	
Total uses	$

(a) We intend to enter into a new credit facility at the completion of this offering providing for a $50.0 million revolving credit facility.

(b) Addus HealthCare entered into a credit agreement with Freeport Financial LLC, Freeport Loan Fund LLC and certain other parties on September 19, 2006. Our existing credit facility was extended by the lenders to fund the repayment of certain indebtedness, to finance fees and expenses we incurred in connection with our acquisition of Addus HealthCare, to finance acquisitions, to provide working capital and to provide funds for other general corporate purposes. Our existing credit facility has a maturity date of September 19, 2011 and bears interest at a rate based on either LIBOR or a floating rate equal to the higher of (i) the prime rate as quoted by *The Wall Street Journal* and (ii) the Federal Funds Rate plus 0.50% per annum, plus, in each case, the applicable margin, with a weighted average effective interest rate of 4.7% as of June 30, 2009.

(c) In connection with our acquisition of Addus HealthCare, we entered into a contingent payment agreement pursuant to which our Chairman of the Board, President and Chief Executive Officer, the Chairman of Addus HealthCare and certain of our other existing stockholders are entitled to payments upon the completion of this offering. For additional information regarding these payments, see “Certain Relationships and Related Party Transactions—Contingent Payment Agreement.”

(d) Represents the cash payment of $ million of the $ million of accrued but unpaid dividends on our series A preferred stock in connection with the conversion of those shares into shares of our common stock. Immediately prior to the completion of this offering, we will issue the dividend notes to the Eos Funds in respect of the unpaid dividends accrued on the shares of our series A preferred stock held by them. Immediately following the completion of this offering, the aggregate outstanding principal amount of the dividend notes will be $. The $ of unpaid dividends accrued on the shares of our series A preferred stock held by Freeport Loan Fund LLC will be paid in cash from the net proceeds of this offering. Pursuant to the terms of the dividend notes, we will be obligated to pay $4.0 million of the principal amount of such dividend notes upon the completion of this offering. However, if the gross proceeds of this offering exceed $70.0 million, we will be obligated to prepay an additional portion of the principal amount of the dividend notes in an amount equal to 50% of the gross proceeds in excess of $70.0 million. In each case, we will pay interest on the amount of the principal so prepaid together with each payment of principal. See “Certain Relationships and Related Party Transactions—Dividend Notes.” Our series A preferred stock is owned by the Eos Funds and Freeport Loan Fund LLC, each of which has irrevocably elected to convert its shares of series A preferred stock into common stock prior to the completion of this offering.

(e) Pursuant to a consent fee agreement, the Eos Funds will be paid these amounts in consideration for their agreement to waive certain rights under our stockholders' agreement and registration rights agreement to permit this offering to be completed, to convert their shares of series A preferred stock into shares of our common stock immediately prior to the completion of this offering and to accept dividend notes in respect of the accrued and unpaid dividends thereon in lieu of cash.

(f) Transaction fees and expenses include: (i) $ related to fees and expenses associated with this offering, and (ii) $ related to fees and expenses associated with our new credit facility.

(2) Reflects the following adjustments to stockholders' equity related to this offering:

Issuance of common stock in this offering	$
Conversion of series A preferred stock into common stock	
Loss on debt related to repayment of existing indebtedness	
Underwriter discount	
Consent fee to the Eos Funds or their designee(s)	
Other fees and expenses associated with this offering	
Total	$

(3) Pro forma weighted average shares and net income per share assume that the 94,375 shares outstanding and the shares expected to be issued pursuant to this offering were outstanding for the fiscal year ended December 31, 2008.

(4) Pro forma weighted average shares and net income per share assume that the 94,375 shares outstanding and the shares expected to be issued pursuant to this offering were outstanding for the six months ended June 30, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of the factors we describe under "Risk Factors" and elsewhere in this prospectus.

Overview

We are a comprehensive provider of a broad range of social and medical services in the home. Our services include personal care and assistance with activities of daily living, skilled nursing and rehabilitative therapies, and adult day care. Our consumers are individuals with special needs who are at risk of hospitalization or institutionalization, such as the elderly, chronically ill and disabled. Our payor clients include federal, state and local governmental agencies, the Veterans Health Administration, commercial insurers, and private individuals. We provide our services through over 120 locations across 16 states to over 23,000 consumers.

We operate our business through two divisions, home & community services and home health services. Our home & community services are social, or non-medical, in nature and include assistance with bathing, grooming, dressing, personal hygiene and medication reminders, and other activities of daily living. We provide home & community services on a long-term, continuous basis, with an average duration of 20 months per consumer. Our home health services are medical in nature and include physical, occupational and speech therapy, as well as skilled nursing. We generally provide home health services on a short-term, intermittent or episodic basis to individuals recovering from an acute medical condition, with an average length of care of 54 days.

Our ability to grow our net service revenues is closely correlated with the number of consumers to whom we provide our services. Our continued growth depends on our ability to maintain our existing payor client relationships, establish relationships with new payors, enter into new contracts and increase our referral sources. Our continued growth is also dependent upon the authorization by state agencies of new consumers to receive our services. We believe there are several market opportunities for growth. The U.S. population of persons aged 65 and older is growing, and the U.S. Census Bureau estimates that this population will more than double by 2050. Additionally, we believe the overwhelming majority of individuals in need of care generally prefer to receive care in their homes or community-based settings. Finally, the provision of home & community services is more cost-effective than the provision of similar services in an institutional setting for long-term care.

We have historically grown our business primarily through organic growth, complemented with selective acquisitions. We have acquired 11 businesses over the past three years. Our home & community segment acquisitions have been focused on facilitating entry into new states such as New Jersey, Nevada, Idaho and North Carolina, whereas our home health segment acquisitions have been focused on complementing our existing home & community business in Nevada, Idaho and Indiana, enabling us to provide a more comprehensive range of services in those locations. Acquisitions in the home health segment, while not significant, reflect our goal of being a comprehensive provider of both home & community and home health services in the markets in which we operate.

Addus HealthCare Acquisition

On September 19, 2006, Holdings acquired all of the outstanding stock of Addus HealthCare. At the closing, Holdings paid a total purchase price of $81.7 million for the net assets acquired. The acquisition was accounted for in accordance with SFAS No. 141, "*Business Combinations*." The aggregate purchase price was allocated to the assets acquired and liabilities assumed based on their fair value. We recorded $39.1 million of goodwill in connection with the acquisition.

In accordance with guidance provided in Staff Accounting Bulletin No. 54, "*Push Down Accounting*," we have pushed down the basis of the Eos Funds to Holdings. The application of purchase accounting rules to the financial statements of Holdings beginning on and after September 19, 2006 resulted in a different accounting basis from Addus HealthCare. As such, we refer to Addus HealthCare for the periods prior to the acquisition, including January 1, 2006 to September 18, 2006, as the predecessor, and Holdings for the periods after the acquisition, including the period from September 19, 2006 to December 31, 2006, as the successor. The results of acquired operations are included in our consolidated results of operations subsequent to the closing of the predecessor's accounting records on September 19, 2006. Holdings had no operations prior to that acquisition.

Segments

We operate our business through two divisions, home & community services and home health services. We have organized our internal management reports to align with these division designations. As such, we have identified two reportable segments, home & community and home health, applying the criteria in SFAS No. 131, "*Disclosure about Segments of an Enterprise and Related Information*." For 2006, 2007 and 2008, our home & community segment represented 75%, 77% and 80% of our net service revenues, respectively. The following table presents our locations by segment, setting forth acquisitions, start-ups and closures for the period January 1, 2006 to December 31, 2008:

	Home & Community (1)	Home Health	Total
Total at January 1, 2006	65	26	91
Acquired	—	—	—
Start-up	3	1	4
Closed/Merged	(2)	(1)	(3)
Total at January 1, 2007	66	26	92
Acquired	7	1	8
Start-up	4	2	6
Closed/Merged	(2)	—	(2)
Total at January 1, 2008	75	29	104
Acquired	16	2	18
Start-up	2	1	3
Closed/Merged	(2)	(1)	(3)
Total at December 31, 2008	91	31	122

(1) Includes four adult day care centers in Illinois.

As of December 31, 2008, we provided our services through 122 locations across 16 states. As part of our comprehensive service model, we have integrated and provide both home & community and home health services in nine states.

Our payor clients are principally federal, state and local governmental agencies. The federal, state and local programs under which they operate are subject to legislative, budgetary and other risks that can influence reimbursement rates. Our commercial insurance carrier payor clients are typically for profit companies and are continuously seeking opportunities to control costs. We are seeking to grow our private duty business in both of our segments.

For 2006, 2007 and 2008, our payor revenue mix by segment was as follows:

	Home & Community		
	2006	2007	2008
State, local and other governmental programs	97.9%	97.4%	96.9%
Commercial	0.4	0.2	0.1
Private duty	1.7	2.4	3.0
	100.0%	100.0%	100.0%

	Home Health		
	2006	2007	2008
Medicare	57.6%	55.1%	58.3%
State, local and other governmental programs	26.7	27.8	23.4
Commercial	9.2	10.1	11.4
Private duty	6.5	7.0	6.9
	100.0%	100.0%	100.0%

We also measure the performance of each segment using a number of different metrics. For our home & community segment, we consider billable hours, billable hours per business day, revenues per billable hour and the number of consumers, or census. For our home health segment, we consider Medicare census, non-Medicare census, Medicare admissions and Medicare revenues per episode completed.

Recent Developments

Over 45 states are facing budget deficits. Of the 16 states in which we operate, 14 are operating with budget deficits for their current fiscal year, and 15 are projecting budget deficits for their 2010 fiscal year. Despite these budget deficits, we experienced rate increases in 75% of the states in which we operate in 2008. While the current general economic conditions have put pressure on state budgets, we have experienced some rate increases as well as some rate decreases for the new state fiscal year that generally started on July 1, 2009. In addition, certain states have, and we expect other states to, increase or decrease authorized hours or change eligibility standards to make adjustments for inflation and to combat these budget deficits. For example, California has considered a number of proposals, including potential changes in eligibility standards, and Nevada recently approved a reduction in hourly rates. In addition, Washington has passed restrictions that limit agencies from employing family caregivers and imposed a 3% reduction in authorized hours to its social service clients; however, the restriction relating to family caregivers has been postponed pursuant to a temporary restraining order. Conversely, legislators in Illinois have approved an increase in reimbursement rates. In 2008, we derived approximately 39% of our net service revenues from services provided in Illinois, 13% of our net service revenues from services provided in California, 9% of our net service revenues from services provided in Washington and 8% of our net service revenues from services provided in Nevada. While we cannot predict the outcomes of various pending and proposed legislative actions, we expect that, in the aggregate, these actions will have a net neutral effect on our results of operations in 2009.

We fund our operations primarily through the collection of accounts receivable and, where necessary, borrowings under our credit facility. The State of Illinois has delayed payments due to state budget deficit and financing issues, including with respect to our agreements with the Illinois Department on Aging, our largest payor client. As a result, our accounts receivable balance derived from these agreements increased by $3.0 million in 2008 and an additional $7.9 million during the first six months of 2009, resulting in an accounts receivable balance of $26.4 million as of June 30, 2009. Subsequent to June 30, 2009, we have collected approximately $12.1 million of unpaid invoices and have continued to bill for new services, resulting in no significant change in our outstanding receivable balance from the Illinois Department on Aging. While our accounts receivable collection effort has been impacted by certain states delaying or threatening to delay disbursements due to budgetary issues, to date we have only experienced actual delays in payment cycles in Illinois. These payment delays have adversely impacted, and may further adversely impact, our liquidity, and may result in the need to increase borrowings under our credit facility or obtain funds from other sources. As of June 30, 2009, we only had $1.2 million of available borrowings under our credit facility. At the completion of this offering, we intend to enter into a new credit facility, consisting of a $50 million revolving line of credit, of which we expect to immediately draw down approximately $. See "— Indebtedness — New Credit Facility." If this offering is delayed or postponed, we may need to increase borrowings under our existing credit facility, incur additional debt that is subordinated to the indebtedness under our existing credit facility or obtain funds from other sources, which may include the Eos Funds. We have been discussing these options with our existing lenders, and will continue to explore these and other options if this offering is not completed and additional sources of liquidity become necessary. If the offering is delayed or postponed, we believe additional funding can be secured in order to meet our working capital needs for at least the next twelve months.

On October 30, 2008, CMS provided the home health service program a market basket increase of 2.9% effective January 1, 2009. When combined with the previously announced case-mix adjustment policy that reduced base rates by 2.75% for the years 2008 through 2010 and 2.71% in 2011, the overall base rate, as determined by CMS, increased to $2,272 for 2009 from $2,270 for 2008.

In late February 2009, President Obama released the outline of his proposed fiscal 2010 budget for the United States, which included potential Medicare reimbursement rate reductions for home health services beginning January 1, 2010. One specific proposal by MedPAC, which is subject to change and congressional approval, would eliminate the home health market basket update for 2010, accelerate the case-mix adjustment of 2.71% for 2011 to 2010, and starting in 2011, rebase costs to an earlier year. If adopted as proposed, these potential reimbursement rate reductions would impact a portion of our business that represented approximately 12% of our net service revenues in 2008. The President's proposed budget for 2011 appears to align with the MedPAC proposal. In addition, in June 2009, President Obama announced plans to offset the cost of health care reform by reducing Medicare and Medicaid spending by $200 to $300 billion over 10 years. We are unable to predict the budget that will ultimately be adopted or the reductions that might be implemented, but we will continue to monitor developments in this area.

On July 30, 2009, CMS published proposed regulations providing for a 2.2% full market basket update for calendar year 2010. The proposed update would be reduced by 2 percentage points to 0.2% for 2010 for those agencies that do not submit certain required quality data. In addition, the proposal indicates that CMS is also considering accelerating certain reimbursement formula reductions, including due to documentation and coding, currently contemplated to be effective in 2010, which would result in a 2.75% reduction of the 60-day episode rate. If these proposals are adopted, the changes would result in an overall market basket reduction.

Components of our Statements of Income

Net Service Revenues

We generate net service revenues by providing our home & community services and home health services directly to consumers. We receive payment for providing such services from our payor clients, including federal, state and local governmental agencies, the Veterans Health Administration, commercial insurers and private individuals.

Home & community segment revenues are typically generated on an hourly basis. In 2008, 96.9% of our home & community segment revenues were generated through reimbursements by state, local and other governmental programs which are partially funded by Medicaid or Medicaid waiver programs, while the balance was from private duty and insurance programs. Net service revenues for our home & community segment are principally provided based on authorized hours, determined by the relevant agency, at an hourly rate, which is either contractual or fixed by legislation, and recognized as net service revenues at the time services are rendered.

Home health segment revenues are generated on a per episode or visit basis rather than on a flat fee or an hourly basis. In 2008, 58.3% of our home health segment revenues were generated through reimbursements by the Medicare program, while the balance was from Medicaid and Medicaid waiver programs, commercial insurers and private duty. Net service revenues from home health payors, other than Medicare, are readily determinable and recognized as net service revenues at the time the services are rendered. Medicare reimbursements are based on 60-day episodes of care. The net anticipated net service revenues from an episode are initially recognized as accounts receivable and deferred net service revenues and subsequently amortized as net service revenues ratably over the 60-day episodic period. At the end of each episode of care, a final claim billing is submitted to Medicare and any changes between the initial anticipated net service revenues and final claim billings are recorded as an adjustment to net service revenues. For open episodes, we estimate net service revenues based on historical data and adjust for the difference between the initial anticipated net service revenues and the ultimate final claim amount.

We derive a significant amount of our net service revenues from our operations in Illinois and California, which represented 46% and 18% of our total net service revenues for the fiscal year ended December 31, 2008, respectively. We derive a significant amount of our net service revenues from two specific payor clients. The Illinois Department on Aging, in the home & community segment, and Medicare, in the home health segment, accounted for 32% and 12% of our total net service revenues for 2008, respectively.

Cost of Service Revenues

We incur direct care wages with payroll taxes and benefit-related costs in connection with our employees providing our home & community and home health services. We also provide workers' compensation and general liability coverage for these employees. Employees are also reimbursed for their travel time and related travel costs. For home health services, we provide medical supplies and occasionally hire contract labor services to supplement existing staffing in order to meet our consumers' needs.

General and Administrative Expenses

Our general and administrative expenses consist of expenses incurred in connection with our segments' activities and as part of our central administrative functions.

Our general and administrative expenses for home & community and home health services consist principally of supervisory personnel, care coordination and office administration. Our general and administrative expenses for home health also include additional staffing for clinical and admissions processing. These expenses consist principally of wages, payroll taxes and benefit-related costs; facility rent; operating costs such as utilities, postage, telephone and office expenses; and bad debt expense.

Our corporate general and administrative expenses cover the centralized administrative departments of accounting, information systems, billing and collections and contract administration, as well as national program coordination efforts for marketing, private duty and care management. These expenses primarily consist of compensation, including stock-based compensation, and related benefits; legal, accounting and other professional fees; rents and related facility costs; and other operating costs such as software application costs, software implementation costs, travel, general insurance and bank account maintenance fees.

Depreciation and Amortization Expenses

We amortize our intangible assets with finite lives, consisting of trade names, trademarks and non-compete agreements, principally on accelerated methods based upon their estimated useful lives. Depreciable assets at the segment level, while immaterial, consist principally of furniture and equipment, and for the home & community segment, also include vehicles for our adult day care centers.

A substantial portion of our capital expenditures is infrastructure-related or for our corporate office. Corporate asset purchases consist primarily of network administration and telephone equipment, operating system software, furniture and equipment. Depreciable and leasehold assets are depreciated or amortized on a straight-line method over their useful lives or, if less and if applicable, their lease terms.

Interest Expense

Our interest bearing obligations consist principally of our credit facility and notes payable in respect of acquisitions. Our credit facility is comprised of a term loan component and a revolving credit component that includes a letter of credit subcomponent. Under our credit facility, we also have a derivative financial instrument that does not qualify as an accounting hedge under SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"* ("SFAS No. 133"). As such, material changes in the value of the instrument are included in interest expense in any given period.

Interest and Other Income

Our interest and other income consists principally of interest earned on invested cash balances, which typically occur when the revolving loan component of our credit facility has been reduced to nil.

Income Tax Expense

All of our income is from domestic sources. We incur state and local taxes in states in which we operate. The differences from the federal statutory rate of 34% are principally due to state taxes and the use of federal work opportunity tax credits.

Preferred Stock Dividends, Undeclared Subject to Payment Upon Conversion

Shares of our series A preferred stock accumulate dividends each quarter at a rate of 10%, compounded annually. We accrue these undeclared dividends because the holders have the option to convert their shares of series A preferred stock into common stock at any time with the accumulated dividends payable in cash. Accrued preferred dividends at June 30, 2009 were $11.5 million. We will pay all accrued but unpaid dividends on our series A preferred stock in connection with the conversion of those shares into shares of our common stock in a combination of cash at the completion of this offering and through the issuance of the dividend notes. The holders of our shares of series A preferred stock have irrevocably agreed to convert those shares into shares of our common stock immediately prior to the completion of this offering. See "Use of Proceeds."

Comparability of Results of Operations

The comparability of our results of operations is impacted by acquisitions we completed in 2007 and 2008. When we describe net service revenues, gross profit or operating expenses resulting from acquisitions, we are referring to the first twelve months of operations after such acquisitions. Organic growth represents existing locations, start-up locations and locations that have been acquired more than twelve months prior. Our results of operations for both 2007 and 2008 include partial year results of operations for the following acquisitions completed during the fiscal year:

Fiscal Year	Date of Acquisition	Segment	Locations
2007	March	Home Health	One location in Nevada
	May	Home & Community	One location in New Jersey
	July through November	Home & Community	Five acquisitions with six locations in Nevada
2008	April	Home & Community	Nine locations in Idaho Two locations in Montana One location in Nevada
		Home Health	One location in Idaho
	June	Home & Community	One location in Nevada, which was immediately merged into an existing location
	June	Home & Community	Four locations in North Carolina
	September	Home Health	One location in Indiana

The comparability of our results of operations in 2006 and 2007 is also impacted by the acquisition of Addus HealthCare by Holdings on September 19, 2006. As a result of this acquisition, the successor experienced a significant increase in the carrying values of intangible assets with finite lives and goodwill and an increase in consolidated debt to partially fund the acquisition. In addition, the successor raised new funds through the issuance of shares of series A preferred stock with cumulative dividends of 10% compounded annually, and became a C corporation for income tax purposes. We do not believe the impact of these adjustments is significant to an understanding of the underlying business trends or results of operations when comparing the year ended December 31, 2006 on a pro forma basis to the year ended December 31, 2007. See "—Addus HealthCare Acquisition."

Additionally, the comparability of our results of operations in 2006, 2007 and 2008 is affected by changes in the total number of business days from 254 to 255 to 256 in 2006, 2007 and 2008, respectively. The comparability of our results of operations in the six months ended June 30, 2008 and 2009 is affected by a decrease in the total number of business days from 128 to 127.

Results of Operations

Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

The following table sets forth, for the periods indicated, our unaudited consolidated results of operations from continuing operations.

	Six Months Ended June 30, 2008		Six Months Ended June 30, 2009		Change	
	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues	Amount	%
			(in thousands, except percentages)			
Net service revenues:						
Home & Community	$ 87,887	79.3%	$102,501	80.8%	$14,614	16.6%
Home Health	22,981	20.7	24,304	19.2	1,323	5.8
Total	110,868	100.0	126,805	100.0	15,937	14.4
Operating income before corporate expenses:						
Home & Community	8,108	9.2	10,341	10.1	2,233	27.5
Home Health	2,476	10.8	3,543	14.6	1,067	43.1
Total	10,584	9.5	13,884	10.9	3,300	31.2
Corporate general and administrative expenses	5,559	5.0	6,562	5.2	1,003	18.0
Corporate depreciation and amortization	392	0.4	384	0.3	(8)	(2.0)
Total operating income	4,633	4.2	6,938	5.5	2,305	49.8
Interest expense and other non-operating income	(2,584)	(2.3)	(2,168)	(1.7)	416	(16.1)
Income from operations before taxes	2,049	1.8	4,770	3.8	2,721	132.8
Income tax expense	430	0.4	1,474	1.2	1,044	242.8
Net income	1,619	1.5	3,296	2.6	1,677	103.6
Less: Preferred stock dividends, undeclared subject to payment upon conversion to common stock	(2,076)	(1.9)	(2,284)	(1.8)	(208)	10.0
Net income (loss) attributable to common shareholders	$ (457)	(0.4)%	$ 1,012	0.8%	$ 1,469	321.4%

Our net service revenues increased by $15.9 million, or 14.4%, to $126.8 million for the six months ended June 30, 2009 compared to $110.9 million for the six months ended June 30, 2008. This increase represents 16.6% growth in home & community net service revenues and 5.8% growth in home health net service revenues. Home & community revenue growth was driven by acquisitions completed in 2008, growth in service hours provided and program rate increases. Home health revenue growth was driven by increased Medicare revenues offset by our decision to discontinue providing certain contracted services on lower margin contracts. Total operating income, expressed as percentage of net service revenues, for the six months ended June 30, 2009 increased 1.3% to 5.5%, compared to 4.2% for the six months ended June 30, 2008. This increase was due primarily to improved gross profit margins in both of our segments.

Home & Community Segment

The following table sets forth, for the periods indicated, a summary of our home & community segment's unaudited results of operations through operating income and key metrics:

	Six Months Ended June 30, 2008		Six Months Ended June 30, 2009		Change	
	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues	Amount	%
	(in thousands, except percentages)					
Net service revenues	$87,887	100.0%	$102,501	100.0%	$14,614	16.6%
Cost of service revenues	66,142	75.3	76,620	74.8	10,478	15.8
Gross profit	21,745	24.7	25,881	25.2	4,136	19.0
General and administrative expenses	11,647	13.3	13,873	13.5	2,226	19.1
Depreciation and amortization	1,990	2.3	1,667	1.6	(323)	(16.2)
Operating income	$ 8,108	9.2%	$ 10,341	10.1%	$ 2,233	27.5%
Segment Data:						
Billable hours (in thousands)	5,832		6,355		523	9.0%
Billable hours per business day	45,563		50,039		4,476	9.8%
Revenues per billable hour	$ 15.07		$ 16.13		$ 1.06	7.0%
Average weekly census	18,808		20,147		1,339	7.1%

Net service revenues from state, local and other governmental programs accounted for 96.9% and 96.4% of home & community net service revenues for the six months ended June 30, 2008 and 2009, respectively. Private duty and, to a lesser extent, commercial payors accounted for the remainder of net service revenues.

Net service revenues increased $14.6 million, or 16.6%, to $102.5 million for the six months ended June 30, 2009 compared to $87.9 million for the six months ended June 30, 2008. Net service revenue growth in the home & community segment was driven by acquisitions completed in 2008, and an increase in both total billable hours and revenues per billable hour. Acquisitions completed in 2008 accounted for $4.8 million of the growth in net service revenues for the six months ended June 30, 2009 compared to the six months ended June 30, 2008. These acquisitions provided 0.3 million in billable hours, an average revenue per billable hour of $16.58 and increased weekly census of 615. The remainder of the growth in net service revenues of $9.8 million was attributable to organic growth. Organic growth was driven by an increase in billable hours accounting for $3.5 million and an increase in revenues per billable hour accounting for $6.3 million. There was some program rate increase between June 30, 2008 and June 30, 2009 in 12 of the 16 states in which we operate.

Cost of service revenues increased $10.5 million, or 15.8%, to $76.6 million for the six months ended June 30, 2009 compared to $66.1 million for the six months ended June 30, 2008. The increase was principally attributable to increased net service revenues due to organic growth and acquisitions.

Gross profit, expressed as a percentage of net service revenues, increased by 0.5% to 25.2% for the six months ended June 30, 2009, from 24.7% for the six months ended June 30, 2008. Higher margins attributable to acquisitions completed in 2008 accounted for 0.2% of the increase. The remaining increase of 0.3% was principally attributed to billable rate increases in excess of wage increases.

General and administrative expenses, expressed as a percentage of net service revenues, increased 0.2% to 13.5% for the six months ended June 30, 2009, from 13.3% for the six months ended June 30, 2008. Higher expenses attributable to acquisitions completed in 2008 accounted for 0.3% of this increase. The remaining decrease of 0.1% was principally attributable to operating costs rising at a lower rate than the growth in our business.

Depreciation and amortization, expressed as a percentage of net service revenues, decreased by 0.7% to 1.6% for the six months ended June 30, 2009, from 2.3% for the six months ended June 30, 2008. Amortization of intangibles, which are principally amortized using accelerated methods, totaled $1.9 million and $1.6 million for the six months ended June 30, 2008 and 2009, respectively.

Home Health Segment

The following table sets forth, for the periods indicated, a summary of our home health segment's unaudited results of operations through operating income and key metrics:

	Six Months Ended June 30, 2008		Six Months Ended June 30, 2009		Change	
	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues	Amount	%
			(in thousands, except percentages)			
Net service revenues	$22,981	100.0%	$24,304	100.0%	$1,323	5.8%
Cost of service revenues	12,594	54.8	12,820	52.7	226	1.8
Gross profit	10,387	45.2	11,484	47.3	1,097	10.6
General and administrative expenses	7,452	32.4	7,548	31.1	96	1.3
Depreciation and amortization	459	2.0	393	1.6	(66)	(14.4)
Operating income	$ 2,476	10.8%	$ 3,543	14.6%	$1,067	43.1%
Segment Data:						
Average weekly census:						
Medicare	1,221		1,433		212	17.4%
Non-Medicare	1,383		1,536		153	11.1%
Medicare admissions	3,248		3,802		554	17.1%
Medicare revenues per episode completed	$ 2,608		$ 2,521		$ (87)	(3.3)%

Net service revenues from Medicare accounted for 56.9% and 61.4% of home health net service revenues for the six months ended June 30, 2008 and 2009, respectively. Non-Medicare net service revenues, in order of significance, include Medicaid and other governmental programs (including the Veterans Health Administration), commercial insurers and private duty payors.

Net service revenues increased $1.3 million, or 5.8%, to $24.3 million for the six months ended June 30, 2009 compared to $23.0 million for the six months ended June 30, 2008. Net service revenue growth in the home health segment was principally driven by an increase in census. Acquisitions completed in 2008 accounted for $0.3 million of the growth in net service revenues for the six months ended June 30, 2009. The remainder of the growth in net service revenues of $1.0 million was attributable to organic growth. Medicare revenues, which included $0.2 million from acquisitions, increased by $1.9 million, or 14.2%, to $14.9 million principally due to increased census. We experienced a year over year decrease in the net service revenues per episode completed of 3.3%, principally due to lower acuity rates and a decrease in therapy care utilization. For the six months ended June 30, 2009, our non-Medicare revenues declined by $0.5 million, or 5.4%, to $9.4 million compared to $9.9 million for the six months ended June 30, 2008. During the third and fourth quarters of 2008, we conducted a review of contracts that did not provide reasonable profit margins resulting in decisions to stop taking referrals on certain contracts. As a result, net service revenues declined on these contracts for the six months ended June 30, 2009 compared to the six months ended June 30, 2008, negatively impacting growth by $1.2 million, or 6.0% of home health net service revenues.

Cost of service revenues increased $0.2 million for the six months ended June 30, 2009 compared to the six months ended June 30, 2008. This increase was principally due to the growth in field staffing levels, which includes contract labor, with increased net service revenues and higher travel related costs.

Gross profit, expressed as a percentage of net service revenues, increased by 2.1% to 47.3% for the six months ended June 30, 2009, from 45.2% for the six months ended June 30, 2008. Contributing to the increased gross profit percentage were the decision to decline referrals on certain lower-margin contracts, an increased mix of higher margin Medicare business and improvement in the number of visits per average episode.

General and administrative expenses, expressed as a percentage of net service revenues, decreased 1.3% to 31.1% for the six months ended June 30, 2009, from 32.4% for the six months ended June 30, 2008. Cost savings from the elimination of 20 administrative and clinical staff positions in 2008 were partially offset by expansion of supervisory management positions.

Depreciation and amortization, expressed as a percentage of net service revenues, decreased by 0.4% to 1.6% for the six months ended June 30, 2009, from 2.0% for the six months ended June 30, 2008. Amortization of intangibles, which are principally amortized using accelerated methods, was slightly lower for the six months ended June 30, 2009 compared to the six months ended June 30, 2008.

Corporate General and Administrative Expense

Corporate general and administrative expenses increased $1.0 million, or 18.0%, to $6.6 million for the six months ended June 30, 2009, from $5.6 million for the six months ended June 30, 2008. These expenses, expressed as a percentage of net service revenues, increased 0.2% from 5.0% for the six months ended June 30, 2008 to 5.2% for the six months ended June 30, 2009. The first six months of 2009 was a very active period for converting our locations to one common operating system. Software implementation costs increased $0.2 million to $0.5 million for the six months ended June 30, 2009. Our reimbursement department was expanded to handle centralized billing and collections, resulting in $0.3 million of corporate general and administrative expenses for the first six months of 2009. In addition, the increase in 2009 includes $0.1 million for the expansion of sales and marketing programs, $0.2 million related to an increase in compensation of employees in our National Support Center, and an increase of $0.2 million in legal and professional fees.

Interest Expense and Other Non-Operating Income

Interest expense and other non-operating income decreased by $0.4 million, or 16.1%, to $2.2 million for the six months ended June 30, 2009, from $2.6 million for the six months ended June 30, 2008. Our principal debt obligations as of June 30, 2009 were outstanding borrowings of $60.1 million under our credit facility, $2.1 million of acquisition-related notes payable and $2.2 million in insurance notes payable. As of June 30, 2009, net borrowings under our credit facility increased by $5.2 million over the comparable prior year period, which consisted of an increase of $8.1 million in net advances on the term and revolving portions of the credit facility, offset by $2.9 million in net payments on the term loan portion. While our total interest bearing obligations increased by $7.4 million, we experienced an offsetting decrease in interest rates. For comparative purposes, the average interest rate on the term loan portion of our credit facility decreased to 4.5% in the six months ended June 30, 2009 from 7.3% in the six months ended June 30, 2008. We have an existing interest rate agreement with a notional value of $22.5 million and a LIBOR cap and floor rate, before the applicable margin, of 6.0% and 3.72%, respectively. As the base rate was below the floor rate for both periods, we made payments under the agreement. While this agreement minimizes the impact of interest rate volatility on cash flows, it does not qualify as an accounting hedge under SFAS No. 133. As such, changes in the value of this agreement are reflected in interest expenses in the period of change. For the six months ended June 30, 2008 and 2009, the mark-to-market adjustment included in interest expense was an increase of $0.2 million and a decrease of $0.2 million, respectively.

Income Tax Expense

Our effective tax rates for the six months ended June 30, 2009 and 2008 were 30.9% and 21.0%, respectively. The principal difference between the statutory rate of 34.0% and our effective tax rates is the use of federal work opportunity tax credits. The level of pre-tax income, which was lower in the six months ended June 30, 2008 than the six months ended June 30, 2009, also impacts the magnitude of the tax rate reconciling items.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

The following table sets forth, for the periods indicated, our consolidated results of operations from continuing operations.

	2007		2008		Change	
	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues	Amount	%
			(in thousands, except percentages)			
Net service revenues:						
Home & Community	$149,645	76.9%	$189,006	80.0%	$39,361	26.3%
Home Health	44,922	23.1	47,300	20.0	2,378	5.3
Total	194,567	100.0	236,306	100.0	41,739	21.5
Operating income before corporate expenses:						
Home & Community	12,651	8.5	17,632	9.3	4,981	39.4
Home Health	3,505	7.8	5,819	12.3	2,314	66.0
Total	16,156	8.3	23,451	9.9	7,295	45.2
Corporate general and administrative expenses	10,238	5.3	11,792	5.0	1,554	15.2
Corporate depreciation and amortization	881	0.5	811	0.3	(70)	(7.9)
Total operating income	5,037	2.6	10,848	4.6	5,811	115.4
Interest expense and other non-operating income	(4,808)	(2.5)	(5,755)	(2.4)	(947)	19.7
Income from operations before taxes	229	0.1	5,093	2.2	4,864	*
Income tax expense	32	0.0	1,070	0.5	1,038	*
Net income	197	0.1	4,023	1.7	3,826	*
Less: Preferred stock dividends, undeclared subject to payment upon conversion	(3,882)	(2.0)	(4,270)	(1.8)	(388)	10.0
Net income (loss) attributable to common shareholders	$ (3,685)	(1.9)%	$ (247)	(0.1)%	$ 3,438	93.3%

* In excess of 1,000%.

Our net service revenues increased by $41.7 million, or 21.5%, to $236.3 million for 2008 compared to $194.6 million for 2007. This increase represents 26.3% growth in home & community net service revenues and 5.3% growth in home health net service revenues. Home & community revenue growth was driven by acquisitions, growth in service hours provided, and program rate increases. Home health revenue growth was driven by an increase in Medicare revenues in terms of dollars and payor mix, offset by a correctional facility contract lost in a competitive bid situation. Total operating income, expressed as percentage of net service revenues, increased 2.0% to 4.6% for 2008, compared to 2.6% for 2007. This increase was primarily due to improved gross profit margins in both of our segments, as discussed below, and lower corporate general and administrative expenses.

Home & Community Segment

The following table sets forth, for the periods indicated, a summary of our home & community segment's results of operations through operating income and key metrics:

	2007		2008		Change	
	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues	Amount	%
	(in thousands, except percentages)					
Net service revenues	$149,645	100.0%	$189,006	100.0%	$39,361	26.3%
Cost of service revenues	113,772	76.0	141,859	75.1	28,087	24.7
Gross profit	35,873	24.0	47,147	24.9	11,274	31.4
General and administrative expenses	19,294	12.9	25,167	13.3	5,873	30.4
Depreciation and amortization	3,928	2.6	4,348	2.3	420	10.7
Operating income	$ 12,651	8.5%	$ 17,632	9.3%	$ 4,981	39.4%
Segment Data:						
Billable hours (in thousands)	10,421		12,139		1,718	16.5%
Billable hours per business day	40,867		47,418		6,551	16.0%
Revenues per billable hour	$ 14.36		$ 15.57		$ 1.21	8.4%
Average weekly census	17,117		19,432		2,315	13.5%

Net service revenues from state, local and other governmental programs accounted for 96.9% and 97.4% of home & community net service revenues for 2008 and 2007, respectively. Private duty and, to a lesser extent, commercial payors accounted for the remainder of net service revenues.

Net service revenues increased by $39.4 million, or 26.3%, to $189.0 million for 2008 compared to $149.6 million for 2007. Net service revenue growth in the home & community segment was driven by acquisitions, an increase in billable hours and an increase in net service revenues per billable hour. Acquisitions accounted for $24.0 million of the growth in net service revenues. These acquisitions provided 1.4 million billable hours with average net service revenues per billable hour of $17.25 and increased weekly census of 1,437. The remainder of the growth in net service revenues of $15.4 million was attributable to organic growth. Organic growth was driven by an increase in billable hours accounting for $4.8 million and an increase in net service revenues per billable hour accounting for $10.6 million. There was some program rate increase during the calendar year 2008 in 12 of the 16 states in which we operate.

Cost of net service revenues increased $28.1 million, or 24.7%, to $141.9 million for 2008 compared to $113.7 million for 2007. The increase was principally attributable to increased net service revenues due to organic growth and acquisitions.

Gross profit, expressed as a percentage of net service revenues, increased by 0.9% to 24.9% for 2008, from 24.0% for 2007. Higher margins attributable to acquisitions accounted for 0.6% of the increase. The remaining increase of 0.3% was principally attributable to higher program billable rates, reduced overtime and lower unemployment insurance costs.

General and administrative expenses, expressed as a percentage of net service revenues, increased by 0.4% to 13.3% for 2008, from 12.9% for 2007. Higher expenses attributable to acquisitions accounted for 0.2% of this increase. The remaining increase of 0.2% was principally attributable to higher bad debt expense.

Depreciation and amortization, expressed as a percentage of net service revenues, decreased by 0.3% to 2.3% for 2008, from 2.6% for 2007. Intangible assets acquired in connection with acquisitions in 2007 and 2008 totaled $2.5 million and $2.8 million, respectively. Amortization of intangibles, which are principally amortized using accelerated methods, totaled $3.8 million and $4.2 million for 2007 and 2008, respectively.

Home Health Segment

The following table sets forth, for the periods indicated, a summary of our home health segment's results of operations through operating income and key metrics:

	2007		2008		Change	
	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues	Amount	%
	(in thousands, except percentages)					
Net service revenues	$44,922	100.0%	$47,300	100.0%	$2,378	5.3%
Cost of service revenues	25,496	56.8	25,395	53.7	(101)	(0.4)
Gross profit	19,426	43.2	21,905	46.3	2,479	12.8
General and administrative expenses	14,701	32.7	15,153	32.0	452	3.1
Depreciation and amortization	1,220	2.7	933	2.0	(287)	(23.5)
Operating income	$ 3,505	7.8%	$ 5,819	12.3%	$2,314	66.0%
Segment Data:						
Average weekly census:						
Medicare	1,130		1,270		140	12.4%
Non-Medicare	1,435		1,413		(22)	(1.5)%
Medicare admissions	6,223		7,232		1,009	16.2%
Medicare revenues per episode completed	$ 2,563		$ 2,606		$ 43	1.7%

Net service revenues from Medicare accounted for 55.1% and 58.3% of segment revenues for 2007 and 2008, respectively. Non-Medicare net service revenues, in order of significance, include Medicaid and other governmental programs (including the Veterans Health Administration), commercial insurers and private duty payors.

Net service revenues increased by $2.4 million, or 5.3%, to $47.3 million for 2008 compared to $44.9 million for 2007. Net service revenue growth in the home health segment was principally driven by an increase in census. Acquisitions accounted for $0.6 million of the growth in net service revenues for 2008. The remainder of the growth in net service revenues of $1.8 million was attributable to organic growth. Medicare revenues, including $0.5 million from acquisitions, increased $2.8 million, or 11.5%, to $27.6 million as a result of increased census and an increase in Medicare revenues per episode completed. Effective January 1, 2008, the Medicare base episodic payment amount, as measured by CMS, was reduced by 2.95%. Despite this decrease in the base episodic rate, we experienced a year over year increase in the net service revenues per episode completed of 1.7% as a result of improved clinical management and care oversight. In the third and fourth quarters of 2008, we conducted a review of contracts that did not provide reasonable profit margins resulting in decisions to stop taking referrals on certain contracts. As a result, net service revenues declined $0.4 million on these contracts for 2008 compared to 2007, negatively impacting organic growth by 0.8%. In addition, we lost a competitive bid on a correctional facility contract in mid-2007, negatively impacting growth for 2008 by $1.8 million, or 4.1% of home health net service revenues.

Cost of service revenues remained relatively constant, totaling $25.5 million and $25.4 million for 2007 and 2008, respectively. We experienced offsetting labor costs as we shifted our field and contract labor to higher margin Medicare business and away from lower-margin non-Medicare business, which included the correctional facility contract.

Gross profit, expressed as a percentage of net service revenues, increased by 3.1% to 46.3% for 2008, from 43.2% for 2007. Contributing to the increased gross profit percentage were an increased mix of higher margin Medicare business, non-renewal of the lower-margin correctional facility contract and improvement in the number of visits per average episode.

General and administrative expenses, expressed as a percentage of net service revenues, decreased by 0.7% to 32.0% for 2008, from 32.7% for 2007. Contributing to this expense were cost savings from the elimination of 20 administrative and clinical staff positions and lower consulting fees in 2008.

Depreciation and amortization, expressed as a percentage of net service revenues, decreased 0.7% to 2.0% for 2008, from 2.7% for 2007. Intangible assets acquired in connection with 2008 and 2007 acquisitions totaled $0.3 million and $0.3 million, respectively. Amortization of intangibles, which are principally amortized using accelerated methods, totaled $0.9 million and $1.2 million for 2008 and 2007, respectively.

Corporate General and Administrative Expenses

Corporate general and administrative expenses increased $1.6 million, or 15.2%, to $11.8 million in 2008. These expenses, expressed as a percentage of net service revenues, decreased 0.3% to 5.0% for 2008 from 5.3% for 2007. Key staff additions to strengthen our back office operations in accounting, information systems and human resources accounted for an additional cost of $0.5 million in 2008. We also expanded our sales and marketing program and coordination efforts resulting in additional costs of $0.6 million in 2008. Other increases for 2008 included higher professional fees of $0.3 million, principally attributable to a $0.1 million increase in legal and accounting fees, a $0.1 million increase in consulting fees and a $0.1 million increase in employment agency fees, and management bonuses of $0.1 million. Due to the vesting period on selected stock options, stock-based compensation expense for 2008 of $0.2 million decreased by $0.5 million from the prior year.

Interest Expense and Other Non-Operating Income

Interest expense and other non-operating income increased by $1.0 million, or 19.7%, to $5.8 million for 2008 from $4.8 million for 2007. Our principal debt obligations were outstanding borrowings of $61.0 million under our credit facility and $2.1 million of acquisition-related notes payable. Borrowings under our credit facility increased by $7.2 million in 2008, including advances of $5.7 million related to acquisitions, and acquisition-related notes payable increased by $1.4 million. While our total interest bearing obligations increased by $8.5 million, this was partially offset by a significant decrease in interest rates. For comparative purposes, the average interest rate on the term loan portion of our credit facility decreased to 6.9% in 2008 from 9.3% in 2007. In March 2007, we entered into a three year interest rate agreement designed to reduce variability associated with a portion of our term loan balance outstanding under the credit facility. The interest rate swap agreement has a notional value of $22.5 million and a LIBOR cap and floor rate, before the applicable margin, of 6.0% and 3.72%, respectively. While this agreement minimizes the impact on cash flows from interest rate volatility, it does not qualify as an accounting hedge under SFAS No. 133. As such, changes in the value of this agreement are reflected in interest expense during the period of change. The mark-to-market adjustment resulted in a charge to operations of $0.8 million for 2008 with no material fluctuation for 2007.

Income Tax Expense

Our effective tax rates for 2008 and 2007 were 21.0% and 14.2%, respectively. The principal reason for the difference between the statutory rate of 34.0% and our effective tax rates is the use of federal work opportunity tax credits. The level of pre-tax income, which was lower in 2007, also impacted the magnitude of the tax rate reconciling items.

Year Ended December 31, 2007 Compared to the Period from January 1, 2006 to September 18, 2006 and the Period from September 19, 2006 to December 31, 2006

The following tables set forth a summary of our consolidated results of operations from continuing operations, with comparisons of the year ended December 31, 2007 to the period from January 1, 2006 to September 18, 2006, or the predecessor period, and to the period from September 19, 2006 to December 31, 2006, or the successor period.

	January 1, 2006 to September 18, 2006		September 19, 2006 to December 31, 2006		2007	
	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues
			(in thousands, except percentages)			
Net service revenues:						
Home & Community	$ 94,351	74.9%	$39,759	76.1%	$149,645	76.9%
Home Health	31,576	25.1	12,497	23.9	44,922	23.1
Total	125,927	100.0	52,256	100.0	194,567	100.0
Operating income:						
Home & Community	8,174	8.7	3,367	8.5	12,651	8.5
Home Health	4,956	15.7	1,410	11.3	3,505	7.8
Total	13,130	10.4	4,777	9.1	16,156	8.3
Corporate general and administrative expenses	7,259	5.8	2,762	5.3	10,238	5.3
Corporate depreciation and amortization	342	0.3	209	0.4	881	0.5
Total operating income	5,529	4.4	1,806	3.5	5,037	2.6
Interest expense and other non-operating income	(650)	(0.5)	(1,327)	(2.5)	(4,808)	(2.5)
Income from continuing operations before taxes	4,879	3.9	479	0.9	229	0.1
Income tax expense	434	0.3	82	0.2	32	0.0
Net income continuing operations	4,445	3.5	397	0.8	197	0.1
Income from discontinued operations, net of tax	366	0.3	—	0.0	—	0.0
Net income	4,811	3.8	397	0.8	197	0.1
Less: Preferred stock dividends, undeclared subject to payment upon conversion	—	0.0	(1,070)	(2.0)	(3,882)	(2.0)
Net income (loss) attributable to common shareholders	$ 4,811	3.8%	$ (673)	(1.3)%	$ (3,685)	(1.9)%

The following table sets forth our unaudited pro forma net service revenues for the full year ended December 31, 2006 to enable comparisons with the year ended December 31, 2007 on a full-year basis. These pro forma data are non-GAAP measures. We have prepared the unaudited pro forma table to give effect to the acquisition of Addus HealthCare by the successor as if such transaction took place on January 1, 2006. Management believes this information provides a useful means of assessing the relative revenue growth of the business in the years ended December 31, 2007 and December 31, 2006. Pro forma disclosure of operating income and corporate expenses would not be meaningful or accurately depict our operating results, as they include items that are not common to both the predecessor and successor. These pro forma results do not purport to reflect the results that would have been obtained had the successor acquired Addus HealthCare on January 1, 2006.

	January 1, 2006 to September 18, 2006		September 19, 2006 to December 31, 2006			Pro Forma 2006		Change to 2007	
	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues	Pro Forma Adjustment	Amount	% of Net Service Revenues	Amount	%
	(in thousands, except percentages)								
Net service revenues:									
Home & Community	$ 94,351	74.9%	$ 39,759	76.1%	$ —	$134,110	75.3%	$15,535	11.6%
Home Health	31,576	25.1	12,497	23.9	—	44,073	24.7	849	1.9
Total	$125,927	100.0%	$ 52,256	100.0%	$ —	$178,183	100.0%	$16,384	9.2%

Unaudited pro forma net service revenues were $178.2 million for the year ended December 31, 2006 compared to net service revenues of $194.6 million for the year ended December 31, 2007, representing an increase of 9.2%. Home & community services grew by 11.6% while home health services grew by 1.9%. Home & community net service revenue growth was driven by growth in service hours provided, program rate increases and acquisitions. Home health net service revenue growth was driven by non-Medicare business. Total operating income, expressed as a percentage of net service revenues, was 2.6% for the year ended December 31, 2007, compared to 4.4% in the predecessor period and 3.5% in the successor period. The decrease in 2007 relative to the predecessor period was primarily attributable to the amortization of intangibles of 2.4% in connection with the Addus HealthCare acquisition. The decrease relative to the successor period was primarily attributable to higher stock-based compensation expense of 0.3% due to the timing and vesting terms of stock options issued in late 2007 and lower operating income performance in home health services.

Home & Community Segment

The following tables set forth a summary of our home & community segment's results of operations through operating income and key metrics, with comparisons of the year ended December 31, 2007 to the predecessor period and the successor period.

	January 1, 2006 to September 18, 2006		September 19, 2006 to December 31, 2006		2007	
	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues
			(in thousands, except percentages)			
Net service revenues	$94,351	100.0%	$ 39,759	100.0%	$149,645	100.0%
Cost of service revenues	74,581	79.0	30,011	75.5	113,730	76.0
Gross profit	19,770	21.0	9,748	24.5	35,915	24.0
General and administrative expenses	11,514	12.2	5,095	12.8	19,336	12.9
Depreciation and amortization	82	0.1	1,286	3.2	3,928	2.6
Operating income	$ 8,174	8.7%	$ 3,367	8.5%	$ 12,651	8.5%
Segment Data:						
Billable hours (in thousands)	6,798		2,864		10,421	
Billable hours per business day	37,352		39,778		40,867	
Revenues per billable hour	$ 13.88		$ 13.88		$ 14.36	
Average weekly census	16,044		16,275		17,117	

The table below shows unaudited pro forma net service revenues, cost of service revenues, gross profit and other key operating metrics for the full year ended December 31, 2006 to enable comparisons with the year ended December 31, 2007 on a full-year basis. These pro forma data are non-GAAP measures. We have prepared the unaudited pro forma table to give effect to the acquisition of Addus HealthCare by the successor as if such transaction took place on January 1, 2006. Management believes this information provides a useful means of assessing the relative revenue growth of the business in the years ended December 31, 2007 and December 31, 2006. Pro forma disclosure of operating income and corporate expenses would not be meaningful or accurately depict our operating results, as they include items that are not common to both the predecessor and successor. These pro forma results do not purport to reflect the results that would have been obtained had the successor acquired Addus HealthCare on January 1, 2006.

	January 1, 2006 to September 18, 2006		September 19, 2006 to December 31, 2006			Pro Forma 2006		Change to 2007	
	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues	Pro Forma Adjustment	Amount	% of Net Service Revenues	Amount	%
	(in thousands, except percentages)								
Net service revenues:	$94,351	100.0%	$ 39,759	100.0%	$ —	$134,110	100.0%	$15,535	11.6%
Cost of service revenues	74,581	79.0	30,011	75.5	—	104,592	78.0	9,138	8.7
Gross Profit	$19,770	21.0%	$ 9,748	24.5%	$ —	$ 29,518	22.0%	$ 6,397	21.7%
Segment Data:									
Billable hours (in thousands)	6,798		2,864			9,662		759	7.9%
Billable hours per business day	37,352		39,778			38,039		2,828	7.4%
Revenues per billable hour	$ 13.88		$ 13.88			$ 13.88		$ 0.48	3.5%
Average weekly census	16,044		16,275			16,102		1,015	6.3%

Net service revenues from state, local and other governmental programs accounted for 97.4% of home & community net service revenues for the year ended December 31, 2007 and 97.9% of pro forma segment revenues for the year ended December 31, 2006. Private duty and, to a lesser extent, commercial payors accounted for the remainder of net service revenues.

Net service revenues were $149.6 million for the year ended December 31, 2007, compared to $134.1 million of unaudited pro forma net service revenues for the year ended December 31, 2006, an increase of $15.5 million, or 11.6%. Revenue growth in the home & community segment was driven by acquisitions, an increase in total billable hours and an increase in revenues per billable hour. Acquisitions accounted for $4.2 million of the growth in net service revenues, providing 0.2 million in billable hours with average net service revenues per billable hour of $18.39 and increased weekly census of 148. The remainder of the growth in net service revenues of $11.3 million was attributable to organic growth. Organic growth was driven by an increase in billable hours accounting for $7.3 million and an increase in revenues per billable hour accounting for $4.0 million. Eight of the 14 states in which we operated had some program rate increase during the calendar year 2007.

Cost of service revenues was $113.7 million for 2007, compared to $104.6 million of unaudited pro forma net service revenues for 2006, an increase of $9.1 million, or 8.7%. The increase in cost of service revenues was principally attributable to acquisitions for 2007 partially offset by a $1.7 million decrease in workers' compensation costs.

Gross profit, expressed as a percentage of net service revenues, was 24.0% for the year ended December 31, 2007, an increase of 2.0% from 22.0% pro forma gross profit for the year ended December 31, 2006. Acquisitions did not have a significant impact on this increase. The remaining increase of 2.0% was principally attributed to a reduction in workers' compensation costs and employee insurance costs, particularly compared to the predecessor period.

General and administrative expenses, expressed as a percentage of net service revenues, were 12.9% for the year ended December 31, 2007, compared to 12.2% for the predecessor period and 12.8% for the successor period. This increase of 0.7% relative to the predecessor period was principally attributable to higher bad debt expense, bonuses and office-related expenses.

Depreciation and amortization, expressed as a percentage of net service revenues, was 2.6% for the year ended December 31, 2007, compared to 0.1% for the predecessor period and 3.2% for the successor period. Intangible assets acquired in connection with acquisitions in 2007 and the acquisition of Addus HealthCare in 2006 totaled $2.5 million and $17.3 million, respectively. Amortization of intangibles totaled $3.8 million for the year ended December 31, 2007, nil for the predecessor period and $1.3 million for the successor period. This increase in both the successor period and for 2007 is primarily attributable to the stepped-up basis of assets due to the acquisition of Addus HealthCare by Holdings. The decrease from the successor period compared to 2007 is primarily attributable to accelerated amortization in earlier periods.

Home Health Segment

The following tables set forth a summary of the segment's results of operations through operating income and key metrics, with comparisons of the year ended December 31, 2007 to the predecessor period and the successor period.

	January 1, 2006 to September 18, 2006		September 19, 2006 to December 31, 2006		2007	
	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues
			(in thousands, except percentages)			
Net service revenues	$31,576	100.0%	$ 12,497	100.0%	$44,922	100.0%
Cost of service revenues	16,987	53.8	6,756	54.1	25,496	56.8
Gross profit	14,589	46.2	5,741	45.9	19,426	43.2
General and administrative expenses	9,618	30.5	3,907	31.3	14,701	32.7
Depreciation and amortization	15	0.0	424	3.4	1,220	2.7
Operating income	$ 4,956	15.7%	$ 1,410	11.3%	$ 3,505	7.8%
Segment Data:						
Average weekly census:						
Medicare	1,187		1,114		1,130	
Non-Medicare	1,389		1,442		1,435	
Medicare admissions	4,516		1,690		6,223	
Medicare revenues per episode completed	$ 2,534		$ 2,534		$ 2,563	

The table below shows unaudited pro forma net service revenues, cost of service revenues, gross profit and other key operating metrics for the full year ended December 31, 2006 to enable comparisons with the year ended December 31, 2007 on a full-year basis. These pro forma data are non-GAAP measures. We have prepared the unaudited pro forma table to give effect to the acquisition of Addus HealthCare by the successor as if such transaction took place on January 1, 2006. Management believes this information provides a useful means of assessing the relative revenue growth of the business in the years ended December 31, 2007 and December 31, 2006. Pro forma disclosure of operating income and corporate expenses would not be meaningful or accurately depict our operating results, as they include items that are not common to both the predecessor and successor. These pro forma results do not purport to reflect the results that would have been obtained had the successor acquired Addus HealthCare on January 1, 2006.

	January 1, 2006 to September 18, 2006		September 19, 2006 to December 31, 2006			Pro Forma 2006		Change to 2007	
	Amount	% of Net Service Revenues	Amount	% of Net Service Revenues	Pro Forma Adjustments	Amount	% of Net Service Revenues	Amount	%
				(in thousands, except percentages)					
Net service revenues	$31,576	100.0%	$ 12,497	100.0%	$ —	$44,073	100.0%	$ 849	1.9%
Cost of service revenues	16,987	53.8	6,756	54.1	—	23,743	53.9	1,753	7.4
Gross profit	$14,589	46.2%	$ 5,741	45.9%	$ —	$20,330	46.1%	$ (904)	(4.4)%
Segment Data:									
Average weekly census:									
Medicare	1,187		1,114			1,169		(39)	(3.3)%
Non-Medicare	1,389		1,442			1,403		32	2.3%
Medicare admissions	4,516		1,690			6,206		17	0.3%
Medicare revenues per episode completed	$ 2,534		$ 2,534			$ 2,534		$ 29	1.1%

Net service revenues from Medicare accounted for 57.6% of segment revenues for the year ended December 31, 2007 and 55.1% of unaudited pro forma segment revenues for the year ended December 31, 2006. Non-Medicare net service revenues, in order of significance, include Medicaid and other governmental programs (including the Veterans Health Administration), commercial insurers and private duty payors. With relatively flat net service revenues and declining margins, in the second half of 2007 we made management changes, which included the hiring of a new Vice President of home health services and reorganizing our reporting structure. With these changes, emphasis was placed on growth in our Medicare business, implementing the recently completed conversion to a common operating system within this segment and instituting the use of operational metrics.

Net service revenues were $44.9 million for the year ended December 31, 2007, compared to $44.1 million of unaudited pro forma net service revenues for the year ended December 31, 2006, an increase of $0.8 million, or 1.9%. Organic growth accounted for $0.7 million of net service revenues for the year ended December 31, 2007. Medicare revenues for 2007 decreased by $0.6 million, or 2.5%, as census decreased by 3.3% and Medicare revenues per episode completed were comparable with the prior period. Effective January 1, 2007, the calendar 2007 Medicare base episodic payment amount, as measured by CMS, was increased by 3.3%. Non-Medicare net service revenues for 2007 increased by $1.4 million, or 7.9%, due to census growth and an increase in net service revenues per consumer despite the loss of a competitive bid on a correctional facility contract in mid-2007. The loss of the correctional facility contract adversely impacted our organic growth for 2007 by $0.3 million, or 0.6%.

Cost of service revenues was $25.5 million for the year ended December 31, 2007, compared to $23.7 million of unaudited pro forma net service revenues for the year ended December 31, 2006, an increase of $1.8 million, or 7.4%. Cost of services for 2007 included the hiring of additional field staff personnel in anticipation of net service revenues increasing, which did not materialize.

Gross profit, expressed as a percentage of net service revenues, was 43.2% for the year ended December 31, 2007, a decrease of 2.9% from 46.1% pro forma gross profit for the year ended December 31, 2006. Contributing to the decrease in gross profit percentage was a lower mix of higher margin Medicare business and disruptions caused by the conversion to a new operating system.

General and administrative expenses, expressed as a percentage of net service revenues, were 32.7% for the year ended December 31, 2007 compared to 30.5% for the predecessor period and 31.3% for the successor period. The higher level of expenses for 2007 over both prior year periods was the result of additional hiring in anticipation of higher revenue levels which did not materialize.

Depreciation and amortization, expressed as a percentage of net service revenues, was 2.7% for the year ended December 31, 2007, compared to an insignificant amount for the predecessor period and 3.4% for the successor period. Intangible assets acquired in connection with the 2007 acquisitions and the acquisition of Addus HealthCare in 2006 totaled $0.3 million and $5.7 million, respectively. Amortization of intangibles totaled $1.2 million for the year ended December 31, 2007, nil for the predecessor period and $0.4 million for the successor period. The increase in both the successor period and for 2007 is primarily attributable to the stepped-up basis of assets due to the acquisition of Addus HealthCare by Holdings. The decrease from the successor period to 2007 is primarily attributable to accelerated amortization in the earlier years.

Corporate General and Administrative Expense

Corporate general and administrative expenses were $10.2 million for the year ended December 31, 2007, compared to $7.2 million for the predecessor period and $2.8 million for the successor period. These expenses, expressed as a percentage of net service revenues, were 5.3% for the year ended December 31, 2007 compared to 5.8% for the predecessor period and 5.3% for the successor period. The higher level of expenses during the predecessor period principally related to professional fees we incurred in connection with litigation that was settled prior to, and fees incurred in connection with, the acquisition of Addus HealthCare in 2006.

Corporate Depreciation and Amortization Expense

Depreciation and leasehold amortization were $0.9 million for the year ended December 31, 2007 compared to $0.3 million for the predecessor period and $0.2 million for the successor period. These costs, expressed as a percentage of net service revenues, were 0.5% for 2007, 0.3% for the predecessor period and 0.4% for the successor period. A stepped-up basis for internally developed software resulted in an increase in amortization of $0.1 million and $0.3 million for the successor period and 2007, respectively.

Interest Expense and Other

Interest expense and other totaled $4.8 million in 2007, compared to $0.6 million in the predecessor period and $1.3 million in the successor period. As part of the funding of the acquisition of Addus HealthCare by Holdings, we borrowed $45.0 million under our credit facility. These borrowings, and to a lesser extent additional term loan advances associated with 2007 acquisitions, led to the increase in interest expense for 2007 and, to a lesser extent, the successor period.

Income Tax Expense

For tax purposes, the predecessor filed as an S corporation with earnings for federal and for selected state taxes passed through to its shareholders' individual tax returns. The successor files as a C corporation with earnings for federal and state purposes taxed at the company level. The effective tax rates for 2007 and the successor period were 14.2% and 17.2%, respectively. The principal difference between the statutory rate of 34.0% and the effective tax rates is the use of federal work opportunity tax credits. The level of pre-tax income, especially for 2007, also impacts the magnitude of the tax rate reconciling items.

Seasonality

We have historically experienced and expect to continue to experience quarterly fluctuations in net service revenues. Our net service revenues in the first and fourth quarters of the year may be impacted by severe weather conditions disrupting our operations in affected areas.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash from operations and borrowings under our credit facility. At June 30, 2009 and December 31, 2008, we had cash balances of $0.9 million and $6.1 million, respectively. At the completion of this offering, we intend to enter into a new credit facility, consisting of a $50 million revolving line of credit, of which we expect to immediately draw down approximately $. See "—Indebtedness—New Credit Facility" below. We believe that net cash provided by operating activities, together with cash available under our new credit facility, will be sufficient to cover our working capital needs for at least the next 12 months. If this offering is delayed or postponed, we may need to increase borrowings under our existing credit facility, incur additional debt that is subordinated to the indebtedness under our existing credit facility or obtain funds from other sources, which may include the Eos Funds. We have been discussing these options with our existing lenders, and will continue to explore these and other options if this offering is not completed and additional sources of liquidity become necessary. If the offering is delayed or postponed, we believe additional funding can be secured in order to meet our working capital needs for at least the next twelve months.

Cash flows from operating activities represent the inflow of cash from our payor clients and the outflow of cash for operating expenses and taxes. The increase in our receivables balances of $15.2 million and $8.3 million for the six months ended June 30, 2009 and for the year ended December 31, 2008 has been a significant use of funds from operations. Due to its budget deficit and funding issues, the State of Illinois is currently reimbursing us on a delayed basis with respect to our agreements with our largest payor, the Illinois Department on Aging, and as a result, the open receivable balance related to these agreements increased by $3.0 million in 2008 and an additional $7.9 million in the first six months of 2009. Subsequent to June 30, 2009, we have collected approximately $12.1 million of unpaid invoices and have continued to bill for new services, resulting in no significant change in our outstanding receivable balance from the Illinois Department on Aging. These payment delays have adversely impacted, and may further adversely impact, our liquidity, and may result in the need to increase borrowings under our credit facility or obtain funds from other sources. Other delayed reimbursements from the State of Illinois and delays caused by the conversion of home & community payors to our centralized operating system have also contributed to the increase in our receivables balances.

We entered into our credit facility on September 19, 2006 in connection with our acquisition of Addus HealthCare. At June 30, 2009 and December 31, 2008, the aggregate amount of borrowings under our credit facility was $60.1 million and $61.1 million, respectively, consisting of a term loan of $50.0 million and $53.4 million, respectively, and revolving credit loans for $10.1 million and $7.7 million, respectively. We completed 11 acquisitions in the past three years, which were funded with cash on hand, the issuance of acquisition-related notes payable and borrowings under our credit facility of $45.0 million in the successor period, $9.0 million in 2007 and $5.7 million in 2008. At June 30, 2009 and December 31, 2008, all term loan funds were drawn and all but $1.2 million of the revolving credit loan was drawn or being utilized for letters of credit.

At June 30, 2009 and December 31, 2008, we recognized as a long term liability the undeclared dividends due of $11.5 million and $9.2 million, respectively, on our series A preferred stock. Shares of our series A preferred stock accumulate dividends each quarter at a rate of 10% per year, compounded annually. The holders of our outstanding shares of series A preferred stock have irrevocably elected to convert their shares of series A preferred stock into common stock immediately prior to the completion of this offering. Upon such conversion, we will issue the dividend notes for the accrued and unpaid dividends in respect of the shares of series A preferred stock held by the Eos Funds. At the completion of this offering, we will pay $ million of the $ million of the dividend notes. Immediately following the completion of this offering, the aggregate principal amount of the dividend notes will be $. See "Certain Relationships and Related Party Transactions—Dividend Notes." In addition, there is a contingent payment due to the former shareholders of Addus HealthCare, the predecessor, including Mark S. Heaney, our Chief Executive Officer and President and Chairman of the Board, W. Andrew Wright, III, Chairman of Addus HealthCare and a member of our board of directors, and certain members of Mr. Wright's family and trusts for their benefit, pursuant to a contingent payment agreement we entered into with them in connection with the acquisition of Addus HealthCare. This contingent payment ranges from nil to $10 million plus 8% per annum compounded annually on the amount determined in accordance with the contingent payment agreement. We anticipate this contingent payment will be funded from the net proceeds of this offering, and will result in a payment of $.

We intend to use a portion of the net proceeds of this offering to repay $ of outstanding debt under our credit facility, together with related fees, expenses and LIBOR breakage costs.

After giving effect to the anticipated use of proceeds from the offering, as described under "Use of Proceeds," we expect $ will be available for borrowing upon the completion of this offering under our new credit facility which, when taken together with cash from operations, we believe will be sufficient to cover our working capital needs for at least the next 12 months.

Cash Flows

The following table summarizes historical changes in our cash flows:

	Predecessor	Successor				
			Year ended December 31,		Six months ended June 30,	
	January 1, 2006 to September 18, 2006	September 19, 2006 to December 31, 2006	2007	2008	2008	2009
					(unaudited)	
		(in thousands)				
Net cash provided by (used in) operating activities	$ 4,850	$ 72	$ 3,487	$ 4,606	$ 5,277	$(4,797)
Net cash provided by (used in) investing activities	1,224	(71,308)	(12,127)	(5,415)	(4,575)	(1,704)
Net cash provided by (used in) financing activities	(6,074)	71,239	8,658	6,901	1,066	1,238

Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

Net cash used in operating activities was $4.8 million in the six months ended June 30, 2009, compared to net cash provided by operating activities of $5.3 million for the six months ended June 30, 2008. Net cash used in operating activities during 2009 was the result of an increase in net income of $1.7 million and an insignificant change of $0.2 million in non-cash items, which were more than offset by operating activities use of funds of $11.6 million. The principal use of funds from operating activities was an increase in accounts receivable of $16.3 million partially offset by a decrease in checks issued against future deposits, which represents outstanding checks in excess of bank balances of $4.0 million and the fluctuation in current income taxes of $0.5 million. Accounts receivable, net of allowance, increased $13.9 million in the six months ended June 30, 2009 compared to a decrease (due to funds provided) of $2.2 million in the same period last year.

Our days of sales outstanding, or DSOs, at June 30, 2009 and December 31, 2008 were 86 days and 68 days, respectively. The DSOs for our largest payor, the Illinois Department on Aging, at June 30, 2009 and December 31, 2008 were 112 days and 82 days, respectively.

Net cash used in investing activities was $1.7 million for the six months ended June 30, 2009 and $4.6 million for the six months ended June 30, 2008. Our investing activities for the six months ended June 30, 2009 related principally to contingency payments earned on previously acquired businesses and for the six months ended June 30, 2008 related principally to acquisitions of businesses, net of cash received.

Net cash provided by financing activities was $1.2 million for the six months ended June 30, 2009 and $1.1 million for the six months ended June 30, 2008. For 2009, cash was provided by borrowings of $2.4 million under the revolving credit portion of the credit facility and $2.1 million in twelve month financing of our insurance premiums. Cash provided by these financing activities were offset by loan repayments of $3.3 million on the term loan portion of the credit facility. For 2008, cash was provided from the borrowings of $5.2 million from the term loan portion of the credit facility all of which related to funding acquisitions. We also made term loan repayments of $2.3 million and net repayments on the revolving credit portion of the credit facility of $1.8 million during the six month period ended June 30, 2008.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Net cash provided by operating activities increased by $1.1 million to $4.6 million for 2008. Net cash provided by operating activities was generated by an increase in net income of $3.8 million, an increase in non-cash items of $3.1 million offset by operating activities use of funds of $5.8 million. The principal increases in non-cash items were deferred income taxes of $1.7 million and provision for doubtful accounts of $1.1 million. The principal use of funds from operating activities was a decrease in checks issued against future deposits, which represents outstanding checks in excess of bank balances, of $7.9 million. Accounts receivable, net of allowance, increased by $5.9 million and is discussed further below.

Net cash used in investing activities was $5.4 million for 2008 and $12.1 million for 2007. In both periods, our investing activities related to acquisitions of businesses, net of cash received, and the purchase of property and equipment of $0.4 million in 2008 and $0.8 million in 2007, which related primarily to computer software and equipment.

Net cash provided by financing activities was $6.9 million for 2008 and $8.7 million for 2007. In both periods, the cash was primarily provided by borrowings under the term and revolving loan portions of our credit facility, including the funding of acquisitions of $5.7 million for 2008 and $9.0 million for 2007. Borrowings for 2008 included the conversion of the remaining $2.8 million of term loan commitment for working capital needs.

Year Ended December 31, 2007 Compared to the Period from January 1, 2006 to September 18, 2006 and the Period from September 19, 2006 to December 31, 2006

Net cash provided by operating activities for 2007 was $3.5 million compared to net cash provided for the predecessor period of $4.9 million and $0.1 million for the successor period. Increases or decreases in certain balances, such as net income, depreciation and amortization, accounts receivable, and the provision for doubtful accounts, are impacted due to the changes in the predecessor and successor periods not covering a full year. The net decrease in cash provided by operating activities between the predecessor period and 2007 of $1.4 million was the result of lower net income of $4.6 million and an increase in operating activities use of funds of $1.8 million partially offset by an increase in non-cash items of $5.0 million. The principal use of funds from operations were an increase in accounts receivable of $6.5 million offset by changes in accounts payable and checks issued against future deposits, which represent outstanding checks in excess of bank balances, of $5.2 million. The principal increases in non-cash items were depreciation and amortization of $5.6 million, primarily attributable to the stepped-up basis of intangible assets related to the acquisitions, an increase in the provision for doubtful accounts of $0.8 million, and an increase in stock-based compensation of $0.9 million, as a new stock option plan was put in place for the successor company, partially offset by changes in deferred taxes of $2.6 million, as the successor is a C corporation.

The net increase in cash provided by operating activities between the successor period and 2007 of $3.4 million was the result of an increase in non-cash items of $5.0 million partially offset by an increase in operating activities use of funds of $1.4 million and a decrease in net income of $0.2 million. The principal increases in non-cash items were depreciation and amortization of $4.1 million and an increase in the provision for doubtful accounts of $1.0 million, partially offset by the change in deferred taxes of $1.2 million. The principal use of funds from operations were an increase in accounts receivable of $4.2 million offset by changes in accounts payable and checks issued against future deposits, which represents outstanding checks in excess of bank balances, of $3.3 million.

Net cash used in investing activities for 2007 was $12.1 million, compared to net cash provided from investing activities of $1.2 million for the predecessor period and net cash used in investing activities of $71.3 million for the successor period. In 2007 and the successor period, the principal investing activities were related to acquisitions including the acquisition of Addus HealthCare by Holdings in 2006. Cash provided from investing activities for the predecessor period included the repayment of amounts due from stockholders and officers of $1.6 million.

Net cash provided by financing activities for 2007 was $8.7 million, compared to net cash used in financing activities of $6.1 million for the predecessor period and net cash provided from financing activities of $71.2 million for the successor period. Cash was provided by borrowings under the term and revolving loan portions of the credit facility, including the funding of acquisitions of $9.0 million and $45.0 million for 2007 and the successor period, respectively. For the successor period, financing of Addus HealthCare included the issuance of series A preferred stock of $37.8 million and issuance of term debt under our credit facility of $45.0 million. Cash used in financing activities for the predecessor period included the repayment of amounts due under our former credit facility of $6.3 million.

Outstanding Accounts Receivable

Outstanding accounts receivable, net of the allowance for doubtful accounts increased by $13.9 million and $5.9 million in the six months ended June 30, 2009 and the year ended December 31, 2008, respectively. We establish our allowance for doubtful accounts to the extent it is probable that a portion or all of a particular account will not be collected. We estimate our allowance for doubtful accounts primarily on receivable aging trends. These estimates rely on historical collection trends for large payors and remaining payor groups. In our evaluation of these estimates, we also consider delays in payment trends in individual states due to budget or funding issues, resubmission of bills with required documentation and ongoing disputes with specific payors. During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we had no significant adjustments to the allowance for doubtful accounts related to prior periods. Our collection procedures include review of account agings and direct contact with our payors. We do not use collection agencies. Any uncollectible amount is written off to the allowance account when we have determined the balance will not be collected. The following tables detail our accounts receivable before reserves by payor group within each segment and the related allowance amount at June 30, 2009, December 31, 2008 and 2007:

	June 30, 2009 (unaudited) (in thousands, except percentages)				
	0-90 Days	91-180 Days	181-365 Days	Over 365 Days	Total
State, local and other governmental programs	$39,006	$ 7,830	$ 4,151	$ 527	$51,514
Private duty and commercial	1,405	469	353	297	2,524
Home & Community	40,411	8,299	4,504	824	54,038
Medicare	4,654	1,248	578	243	6,723
State, local and other governmental programs	1,847	394	525	381	3,147
Private duty and commercial	1,667	481	279	222	2,649
Home Health	8,168	2,123	1,382	846	12,519
Total	$48,579	$ 10,422	$ 5,886	$ 1,670	$66,557
Related aging %	73.0%	15.7%	8.8%	2.5%	
Allowance for doubtful accounts					$ 3,443
Reserve as % of gross accounts receivable					5.2%

	December 31, 2008 (in thousands, except percentages)				
	0-90 Days	91-180 Days	181-365 Days	Over 365 Days	Total
State, local and other governmental programs	$34,342	$ 2,496	$ 545	$ 161	$37,544
Private duty and commercial	1,450	275	219	164	2,108
Home & Community	35,792	2,771	764	325	39,652
Medicare	4,560	1,050	601	84	6,295
State, local and other governmental programs	2,074	759	498	354	3,685
Private duty and commercial	1,347	357	298	296	2,298
Home Health	7,981	2,166	1,397	734	12,278
Total	$43,773	$ 4,937	$ 2,161	$ 1,059	$51,930
Related aging %	84.3%	9.5%	4.2%	2.0%	
Allowance for doubtful accounts					$ 2,693
Reserve as % of gross accounts receivable					5.2%

	December 31, 2007 (in thousands, except percentages)				
	0-90 Days	91-180 Days	181-365 Days	Over 365 Days	Total
State, local and other governmental programs	$28,634	$ 903	$ 470	$ 505	$30,512
Private duty and commercial	1,056	143	94	48	1,341
Home & Community	29,690	1,046	564	553	31,853
Medicare	3,776	1,667	1,550	32	7,025
State, local and other governmental programs	2,131	931	785	114	3,961
Private duty and commercial	1,443	723	352	28	2,546
Home Health	7,350	3,321	2,687	174	13,532
Total	$37,040	$ 4,367	$ 3,251	$ 727	$45,385
Related aging %	81.6%	9.6%	7.2%	1.6%	
Allowance for doubtful accounts					$ 2,055
Reserve as % of gross accounts receivable					4.5%

We calculate our DSO by taking the accounts receivable outstanding net of the allowance for doubtful accounts and deducting deferred net service revenues at the end of the period, divided by the total net service revenues for the last quarter, multiplied by the number of days in that quarter. The adjustment for deferred net service revenues relates to Medicare receivables which are recorded at the inception of each episode of care at the full requested anticipated payment (“RAP”) amount. Our DSOs at June 30, 2009, December 31, 2008 and 2007 were 86 days, 68 days and 73 days, respectively. The DSO for our largest payor, the Illinois Department on Aging, at June 30, 2009, December 31, 2008 and 2007 was 112 days, 82 days and 84 days, respectively. The remaining decrease in DSO was primarily due to improved collections on Medicare receivables.

Indebtedness

This Offering

We intend to use a portion of the net proceeds from this offering, together with borrowings under our new credit facility, to repay the outstanding indebtedness under our existing credit facility and to pay $ of accrued interest and expenses in connection therewith. See "Use of Proceeds."

Existing Credit Facility

As part of the September 2006 acquisition of Addus HealthCare by Holdings, we entered into a new credit facility to partially fund the acquisition and retire existing indebtedness. The credit facility consists of a $62.5 million term loan and a $17.5 million revolving credit facility. Scheduled quarterly principal installments permanently reduce the term loan commitment and the revolving loan provides for the issuance of up to $8.0 million in letters of credit. At June 30, 2009 and December 31, 2008, our available borrowings under the revolving credit facility were $1.2 million and $3.6 million, respectively. A number of our acquisitions were funded by the term loan portion of our credit facility. See "—Liquidity and Capital Resources—Overview." Currently, we have no available funds for borrowing under the term loan portion of our credit facility.

The credit facility matures in September 2011. The term loan portion of our credit facility, with an outstanding balance of $53.4 million at December 31, 2008, requires increases in our scheduled quarterly payments every December 31 with a balloon payment of $32.4 million at maturity. The revolving credit portion of our credit facility, with an outstanding balance of $7.7 million at December 31, 2008, is due at maturity. While not applicable for 2008, additional principal payments from excess cash flows, as defined in our credit agreement, would further reduce quarterly principal payments. The scheduled quarterly payments due in 2009 total $7.1 million. Proceeds from the sale of any stock, with certain limited exceptions, are required to be applied to reduce outstanding loan balances.

Interest on borrowings under the credit facility provides for an index rate, as defined, or LIBOR for terms of one, two, three or six months. The index base rate is the higher of the prime rate or the federal funds rate plus 50 basis points. The applicable margin over the index base rate or LIBOR rate for each facility component is as follows:

Borrowing availability	Term	Revolving
Index	2.50% - 3.50%	2.75%
LIBOR, depending on leverage ratio	3.50% - 4.50%	3.75%

At December 31, 2008, LIBOR borrowings were only drawn under the term loan at an applicable margin of 4.0%. The term loan was comprised of $53.0 million at LIBOR, including applicable margin, at 5.64% and $0.4 million at an index rate, including applicable margin, at 6.25%. The revolving loan, which includes the outstanding letters of credit, was all at an index rate, including applicable margin, of 6.0%.

In March 2007, we entered into an interest rate agreement pursuant to the credit facility to minimize fluctuations in interest rate volatility. The agreement, which expires in March 2010, is for a notional value of $22.5 million and provides for a LIBOR cap and floor rate, before applicable margin, of 6.0% and 3.72%, respectively. While this agreement minimizes the impact of interest rate volatility, it does not qualify as an accounting hedge under SFAS No. 133. As such, changes in the value of this agreement are reflected in interest expense in the period of change. For 2008, the mark-to-market adjustment resulted in a charge to operations of $0.8 million and is included in interest expense. The impact of such adjustment was not significant at December 31, 2007. For the six months ended June 30, 2008 and 2009, the mark-to-market adjustment included in interest expense was an increase of $0.2 million and a decrease of $0.2 million, respectively.

The credit facility requires us to comply with customary financial and non-financial covenants. The more significant financial covenants require us to maintain a minimum trailing twelve month EBITDA amount, a maximum fixed charge ratio and a maximum leverage ratio, and limit our capital expenditures. The more significant non-financial covenants require us to receive approval on all acquisitions, not to pay dividends on our preferred or common stock, and not to incur any additional debt. As of June 30, 2009 and December 31, 2008, we were in compliance with all of our credit facility covenants. Our credit facility is collateralized by substantially all of our assets.

New Credit Facility

At the completion of this offering, we intend to enter into a new senior secured credit facility through our wholly-owned subsidiary, Addus HealthCare, which we refer to as our new credit facility. We have received a Summary of Indicative Terms and Conditions from Fifth Third Bank (Chicago), pursuant to which Fifth Third Bank has proposed the terms and conditions that would be contained in definitive documentation governing our new credit facility, which remain subject to negotiation and may not reflect the definitive terms of our new credit facility. Our new credit facility is expected to have a $50.0 million revolving line of credit with a maturity of five years, and include a $15.0 million sublimit for the issuance of letters of credit. All of the subsidiaries of Addus HealthCare are expected to be co-borrowers, and Holdings is expected to guarantee Addus HealthCare's obligations under our new credit facility. We expect that our new credit facility will be secured by a first priority security interest in all of Addus HealthCare's current and future tangible and intangible assets. We expect that our new credit facility will contain customary financial covenants and other covenants that restrict our ability to incur additional indebtedness, make substantial asset sales or make capital expenditures. The new credit facility is expected to allow for the payment of all debt outstanding after the completion of this offering in accordance with the repayment terms thereof, including the dividend notes, as long as we are not in default under the new credit facility.

We expect the availability of funds under our new credit facility to be based upon a specified advance rate calculated as the product of a specified multiple, up to 2.75, and EBITDA for the most recent 12-month period for which financial statements have been delivered under our new credit facility. Interest on the amounts outstanding under our new credit facility is expected to be payable monthly at a floating rate equal to the 30-day LIBOR plus an applicable margin. We may select LIBOR periods up to six months. We expect to pay a monthly fee equal to 0.5% of the unused portion of the credit facility. Issued stand-by letters of credit are expected to be charged at a rate of 2% per annum payable monthly.

We expect the fees and expenses of the lender associated with entering into our new credit facility to be $250,000 plus out-of-pocket expenses.

The execution of a definitive credit agreement providing for our new credit facility and the initial drawdown thereunder are expected to occur substantially concurrently with the completion of this offering. The consummation of this offering will not occur unless the lenders are prepared to fund the initial drawdown thereunder substantially concurrently with the completion of this offering.

Contractual Obligations and Commitments

We have outstanding letters of credit of $6.3 million at December 31, 2008. These standby letters of credit benefit our third party insurer for our high deductible workers' compensation insurance program. The amount of letters of credit is negotiated annually in conjunction with the insurance renewals. We anticipate our commitment will increase as we continue to grow our business and more years are the responsibility of the successor.

The following table summarizes our cash contractual obligations as of December 31, 2008:

Contractual Obligation	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
			(in thousands)		
Bank credit facility	$61,063	$ 7,101	$53,962	$ —	$ —
Other debt	2,113	13	2,100	—	—
Interest on all debt (1)	8,403	3,547	4,856	—	—
Operating leases	6,403	2,525	3,085	603	190
Total contractual obligations	$77,982	$13,186	$64,003	$603	$ 190

(1) Interest is calculated at the applicable debt borrowing rate as of December 31, 2008.

(2) The above table excludes contingent consideration in connection with earn-outs related to completed acquisitions. The maximum aggregate potential earn-outs were $2.6 million at December 31, 2008. We cannot quantify the exact amounts to be paid because they are based on the achievement of certain future annual revenue or EBITDA thresholds. In 2008, we recognized $1.4 million of contingent consideration.

(3) After giving effect to the repayment of indebtedness under our existing credit facility following this offering and borrowings under our new credit facility, as well as the $ million aggregate principal amount of dividend notes to be outstanding immediately following the completion of this offering, assuming that the aggregate gross proceeds from this offering will be no greater than $70 million, our total contractual obligations are expected to be $, with $ payable in less than one year, $ payable between one and three years, $ payable between three and five years, and $ payable after more than five years.

Off-Balance Sheet Arrangements

As of December 31, 2008, we did not have any off-balance sheet guarantees or arrangements with unconsolidated entities. Other than our interest rate derivative agreement, we do not engage in trading activities involving non-exchange traded contracts.

Impact of Inflation

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operation.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States. The preparation of the financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expense and related disclosures. We base our estimates and judgments on historical experience and other sources and factors that we believe to be reasonable under the circumstances; however, actual results may differ from these estimates. We consider the items discussed below to be critical because of their impact on operations and their application requires our judgment and estimates.

Revenue Recognition

Approximately 95% of our home & community segment revenues are derived from Medicaid and Medicaid waiver programs under agreements with various state and local authorities. These agreements provide for a service term from one year to an indefinite term. Services are provided based on authorized hours, determined by the relevant state or local agency, at an hourly rate specified in the agreement or fixed by legislation. Services to other payors, such as private or commercial clients, are provided at negotiated hourly rates and recognized in net service revenues as services are provided. We provide for appropriate allowances for uncollectible amounts at the time the services are rendered.

Nearly 60% of our home health segment revenues are derived from Medicare. Home health services are reimbursed by Medicare based on episodes of care. Under the Medicare Prospective Payment System, or PPS, an episode of care is defined as a length of care up to 60 days per patient with multiple continuous episodes allowed. Billings per episode under PPS vary based on the severity of the patient’s condition and are subject to adjustment, both higher and lower, for changes in the patient’s medical condition and certain other reasons. At the inception of each episode of care, we submit a request for anticipated payment, or RAP, to Medicare for 50% to 60% of the estimated PPS reimbursement. We estimate the net PPS revenues to be earned during an episode of care based on the initial RAP billing, historical trends and other known factors. The net PPS revenues are initially recognized as deferred net service revenues and subsequently amortized as net service revenues ratably over the 60-day episodic period. At the end of each episode of care, a final claim billing is submitted to Medicare and any changes between the initial RAP and final claim billings are recorded as an adjustment to net service revenues. For open episodes, we estimate net revenues based on historical data, and adjust net service revenues for the difference, if any, between the initial RAP and ultimate final claim amount. We did not record any significant adjustments of prior period net PPS estimates.

The other approximately 40% of payors in our home health segment are state and local governmental agencies, the Veterans Health Administration, commercial insurers and private individuals. Services are primarily provided to these payors on a per visit basis based on negotiated rates. As such, net service revenues are readily determinable and recognized at the time the services are rendered. We provide for appropriate allowances for uncollectible amounts at the time the services are rendered.

Accounts Receivable and Allowance for Doubtful Accounts

We are paid for our services primarily by state and local agencies under Medicaid or Medicaid waiver programs, Medicare, commercial insurance companies and private individuals. While our accounts receivable are uncollateralized, our credit risk is limited due to the significance of Medicare and state agency payors to our results of operations. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Amounts collected may be different than amounts billed due to client eligibility issues, insufficient or incomplete documentation, services at levels other than authorized and other reasons unrelated to credit risk. We establish our allowance for doubtful accounts to the extent it is probable that a portion or all of a particular account will not be collected. We estimate our allowance for doubtful accounts primarily on receivable aging trends. These estimates rely on historical collection trends for large payors and remaining payor groups. In our evaluation of these estimates, we also consider delays in payment trends in individual states due to budget or funding issues, resubmission of bills with required documentation and ongoing disputes with specific payors. During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we had no significant adjustments to the allowance accounts related to prior periods. Historically, we have not experienced any write-off of accounts as a result of a state operating with budget deficits. While we regularly monitor state budget and funding developments for the states in which we operate, we consider losses due to state credit risk on outstanding balances as remote. We believe that our recorded allowance for doubtful accounts is sufficient to cover potential losses; however, actual collections in subsequent periods may require changes to our estimates.

Goodwill and Other Intangible Assets

Intangible assets are stated at fair value at the time of acquisition and the carrying value of goodwill is the residual of the purchase price over the fair value of the net assets acquired and liabilities assumed. Our intangible assets with finite lives, consisting of trade names, trademarks and non-compete agreements, are amortized principally on accelerated methods based upon their estimated useful lives. In accordance with SFAS No. 142, *"Goodwill and Other Intangible Assets,"* goodwill and intangible assets with indefinite useful lives, of which we have none, are not amortized. Goodwill and indefinite lived intangible assets are required to be tested for impairment at least annually using a two-step method. We test goodwill for impairment at the reporting unit level on an annual basis, as of October 1, or whenever circumstances change, such as a significant change in business climate or regulatory changes that would indicate that an impairment may have occurred. The evaluation of goodwill impairment involves comparing the current fair value of each reporting unit to the recorded value, including goodwill. We use a discounted cash flow, or DCF, model to determine the current fair value of each reporting unit. The DCF model was prepared using revenue and expense projections based on our current operating plan. As such, a number of significant assumptions and estimates are involved in the application of the DCF model to forecast revenue growth, price changes, gross profits, operating expenses and operating cash flows.

Long-Lived Assets

We review our long-lived assets (except goodwill and other intangible assets, as described above) for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. To determine if impairment exists, we compare the estimated future undiscounted cash flows from the related long-lived assets to the net carrying amount of such assets. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset, generally determined by discounting the estimated future cash flows. No impairment charge was recorded in 2006, 2007 or 2008.

Workers’ Compensation Program

Our workers’ compensation insurance program has a $350,000 deductible component. We recognize our obligations associated with this program in the period the claim is incurred. The cost of both the claims reported and claims incurred but not reported, up to the deductible, have been accrued based on historical claims experience, industry statistics and an actuarial analysis performed by an independent third party. We monitor our claims quarterly and adjust our reserves accordingly. These costs are recorded primarily in the cost of services caption in the consolidated statement of income. Under the agreement pursuant to which we acquired Addus HealthCare, claims under our workers’ compensation insurance program that relate to December 31, 2005 or earlier are the responsibility of the selling shareholders in the acquisition, subject to certain limitations. See “Certain Relationships and Related Party Transactions—Formation and Acquisition of Addus HealthCare.”

Income Taxes

We account for income taxes under the provisions of SFAS No. 109, *“Accounting for Income Taxes.”* The objective of accounting for income taxes is to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Deferred taxes, resulting from differences between the financial and tax basis of our assets and liabilities, are also adjusted for changes in tax rates and tax laws when changes are enacted. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Quantitative and Qualitative Disclosures about Market Risk

While we are exposed to market risk from fluctuations in interest rates, we do have in place a derivative financial instrument to minimize a portion of the risk. Under our credit facility, floating rate borrowings can be drawn at either a LIBOR or index base rate, as defined. The index base rate is the higher of the prime rate or the federal funds rate plus 50 basis points. As of December 31, 2008, our weighted average interest rate on the credit facility was 5.64% on total indebtedness of $61.1 million. The interest rate agreement has a notional value of $22.5 million with a LIBOR cap and floor rate of 6.0% and 3.72%, respectively. As the base rate component of the weighted average interest rate is below the floor rate, this swap has the effect of fixing the rate of interest we pay on $22.5 million of our credit facility. As a result, we are exposed to interest rate risk on the un-hedged portion of our borrowings, which was $38.6 million as of December 31, 2008. The impact on a 1.0% increase or decrease in interest rates, net of the estimated impact of a lower or higher payment due on the derivative instrument, would increase or decrease interest expense by $0.4 million. This swap does not qualify as an accounting hedge under SFAS No. 133.

New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 160, “*Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51*” (“SFAS 160”). SFAS 160 gives guidance on the presentation and disclosure of noncontrolling interests of consolidated subsidiaries. This statement requires the noncontrolling interest to be included in the equity section of the consolidated balance sheet, requires disclosure on the face of the consolidated statement of income of the amounts of consolidated net income attributable to the consolidated parent and the noncontrolling interest, and expands disclosures. The provisions of this statement are to be applied prospectively to fiscal years beginning on or after December 15, 2008. The adoption of SFAS 160 did not have a material effect on our financial statements.

In April 2008, the FASB issued Staff Position No. FAS 142-3, “*Determination of the Useful Life of Intangible Assets*” (“FSP FAS 142-3”). This position amends the factors an entity should consider when developing renewal or extension assumptions used in determining the useful life over which to amortize the cost of a recognized intangible asset under SAFS No. 142, *“Goodwill and Other Intangible Assets.”* FSP FAS 142-3 requires an entity to consider its own historical experience in renewing or extending similar arrangements in determining the amortizable useful life. Additionally, this position requires expanded disclosures related to the determination of intangible asset useful lives. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008, and may impact any intangible assets we acquire in future transactions. The guidance for determining the useful life of a recognized intangible asset must be applied prospectively to intangible assets acquired after the effective date. The disclosure requirements, though, shall be applied prospectively to all intangible assets recognized as of the effective date. Early adoption is prohibited. The adoption of FSP FAS 142-3 did not have a material effect on our financial statements.

In January 2009, we adopted SFAS No. 141 (revised 2007), "*Business Combinations*" ("SFAS 141(R)"), which continues the evolution toward fair value reporting and significantly changes the accounting for acquisitions that closed beginning in 2009, both at the acquisition date and in subsequent periods. In April 2009, the FASB issued Staff Position 141R-1, "*Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arises from Contingencies,"* which modifies the accounting and reporting of business combinations. These statements retain the fundamental principles of the purchase method of accounting for business combinations; however, they require several changes in the way the assets and liabilities are recognized in an acquisition. These statements require an acquirer to recognize all the assets acquired and liabilities assumed, excluding contingent consideration, in a transaction at the acquisition-date fair value with limited exceptions. These statements also require acquisition related costs, including due diligence fees, to be expensed. These statements introduce new accounting concepts and valuation complexities, and many of the changes have the potential to generate greater earnings volatility after an acquisition. The effect of the adoption of these statements on our results of operations and financial condition will depend on the nature and size of the acquisitions that take place after their effective date.

We adopted the remaining provisions of SFAS No. 157, "*Fair Value Measurements*" ("SFAS 157"), in January 2009, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of SFAS 157 did not have a material effect on our results of operations and financial position.

In January 2009, FASB issued SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities*," ("SFAS 161") which provides expanded disclosure requirements for derivative instruments and hedging activities. SFAS 161 requires expanded disclosure including, the fair value of derivative instruments and their gains or losses in a tabular format, information about credit risk, and strategies and objectives for using derivative instruments. SFAS 161 is effective for fiscal years beginning after November 15, 2008. The adoption of SFAS 161 required us to include additional disclosures regarding the interest rate swap beginning March 31, 2009.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *"Interim Disclosures about Fair Value of Financial Instruments."* This FSP expands to interim periods the existing annual requirement to disclose the fair value of financial instruments that are not reflected on the balance sheet at fair value. The FSP will be effective and could potentially require additional disclosures in interim periods after our fiscal year ending 2009.

The FASB issued SFAS 165, "*Subsequent Events*," on May 28, 2009. SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Although there is new terminology, the standard is based on the same principles as those that currently exist in the auditing standards. The standard, which includes a new required disclosure of the date through which an entity has evaluated subsequent events, is effective for interim or annual periods ending after June 15, 2009. We do not anticipate the adoption of SFAS 165 to have a material effect on our financial statements.

In June 2009, the FASB issued SFAS No. 167, "*Amendments to FASB Interpretation No. 46(R)*" ("SFAS 167"). SFAS 167 improves financial reporting by enterprises involved with variable interest entities and to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), "*Consolidation of Variable Interest Entities*," as a result of the elimination of the qualifying special-purpose entity concept in the SFAS 166 and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. SFAS 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. We are evaluating the impact that the adoption of SFAS 167 will have on our financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168 (“SFAS 168”), The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles. SFAS 168 replaces SFAS 162, The Hierarchy of Generally Accepted Accounting Principles and establishes the FASB Accounting Standards Codification™ (Codification) as the source of authoritative accounting principles recognized by the FASB. The Codification is to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP and it supersedes all existing non-SEC accounting and reporting standards. SFAS 168 also identifies the framework for selecting the principles used in preparation of financial statements that are presented in conformity with GAAP. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We expect that the adoption of SFAS 168 will not have a material impact on our financial condition, results of operations or cash flows.

OUR BUSINESS

We are a comprehensive provider of a broad range of social and medical services in the home. Our services include personal care and assistance with activities of daily living, skilled nursing and rehabilitative therapies, and adult day care. Our consumers are individuals with special needs who are at risk of hospitalization or institutionalization, such as the elderly, chronically ill and disabled. Our payor clients include federal, state and local governmental agencies, the Veterans Health Administration, commercial insurers, and private individuals. We provide our services through over 120 locations across 16 states to over 23,000 consumers.

We operate our business through two divisions, home & community services and home health services. Our home & community services are social, or non-medical, in nature and include assistance with bathing, grooming, dressing, personal hygiene and medication reminders, and other activities of daily living. We provide home & community services on a long-term, continuous basis, with an average duration of 20 months per consumer. Our home health services are medical in nature and include physical, occupational and speech therapy, as well as skilled nursing. We generally provide home health services on a short-term, intermittent or episodic basis to individuals recovering from an acute medical condition, with an average length of care of 54 days.

The comprehensive nature of our social and medical services enables us to maintain a long-term relationship with our consumers as their needs change over time and provides us with diversified sources of revenue. To meet our consumers’ changing needs, we have developed and are implementing an integrated service delivery model that allows our consumers to access social and medical services from one homecare provider and appeals to referral sources who are seeking a provider with a breadth of services, scale and systems to meet consumers’ needs effectively. Our integrated service delivery model enables our consumers to access services from both our home & community services and home health services divisions, thereby receiving the full spectrum of their social and medical homecare service needs from a single provider. Our integrated service model is designed to reduce service duplication, which lowers health care costs, enhances consumer outcomes and satisfaction and lowers our operating costs, as well as drives our internal growth strategy. In our target markets, our care and service coordinators work with our caregivers, consumers and their providers to review our consumers’ current and anticipated service needs and, based on this continuous review, identify areas of service duplication or new service opportunities. This approach, combined with our integrated service delivery model, enabled us to derive approximately 25% of our Medicare home health cases in 2008 from our home & community consumer base.

We generated net service revenues of $178.2 million, $194.6 million and $236.3 million in 2006 (including the predecessor prior to September 19, 2006), 2007 and 2008, respectively. The predecessor had net income of $4.8 million for the period from January 1, 2006 to September 18, 2006, and the successor had net income of $0.4 million for the period from September 19, 2006 to December 31, 2006, and we generated net income of $0.2 million and $4.0 million in 2007 and 2008, respectively. As a result of our diversified payor base, we believe that we have less exposure to potential decreases in Medicare reimbursement than our public company peers. In 2008, we derived approximately 82% of our net service revenues from a number of different state and county government payors, which included 32% from the Illinois Department on Aging, and approximately 14% of our net service revenues from Medicare and other federal government payors.

Our Market and Opportunity

We provide services to the elderly and adult infirm who need long-term care and assistance with essential, routine tasks of life, as well as Medicare-eligible beneficiaries who are in need of recuperative care services following an acute medical condition. The Georgetown University Long-Term Care Financing Project estimated total expenditures in 2005 for services such as these, including services provided in the home or in a community-based setting, as well as in institutions such as skilled nursing facilities, at over $205 billion. It is estimated that 49.0% of these expenditures were paid for by Medicaid, 20.4% by Medicare, 18.1% by private duty, 7.2% by private insurance and 5.3% by other sources. Homecare services is the fastest growing segment within this overall market. According to the NAHC, Medicaid expenditures for home & community services increased from $9.4 billion in 1995 to $37.2 billion in 2004, representing a CAGR of 16.5%. In addition, NAHC estimates that Medicare expenditures for home health care, targeted primarily at individuals discharged from in-patient hospitals or other institutions for recuperative care, increased from $7.4 billion in 2000 to $14.0 billion in 2006, representing a CAGR of 11.2%.

We believe growth in homecare is being driven by the following trends:

- *Aging population.* The primary consumers of our services are the elderly, who are increasing in number and living longer. The United States Census Bureau estimates that Americans aged 65 and older will more than double to 88.5 million by 2050, and a 2005 report by the National Institute on Aging found that the 65 and older age bracket is the fastest-growing segment of the United States population. See "*Census Bureau Reports World's Older Population Projected to Triple by 2050*," published June 23, 2009 by Tom Edwards, available at http://www.census.gov/Press-Release/www/releases/archives/ international_population/013882.html, and report by the National Institute on Aging titled "*65+ in the United States: 2005*," issued December 2005 by Wan He, Manisha Sangupta, Victoria A. Velkoff and Kimberly A. DeBarros, available at http://www.census.gov/prod/2006pubs/p23-209.pdf.
- *Consumer preference.* We believe the overwhelming majority of individuals in need of care prefer to receive care in a less restrictive setting, such as the home or a community-based setting. An AARP Public Policy Institute, or AARP, study of individuals aged 50 and older with disabilities found that only 1% preferred to receive assistance with daily activities in a nursing home. Even under circumstances in which 24-hour help is required, only 6% expressed a preference to receive care in a nursing home. See study titled "*Beyond 50: 2003 a Report to the Nation on Independent Living and Disability*," published in 2003 by Mary Jo Gibson, available by request at member@aarp.org.
- *Cost effectiveness.* The provision of homecare services is less costly than the provision of similar services in an institutional setting for long-term care. According to AARP, in 2004, average Medicaid spending per beneficiary, by type of long-term care service, was approximately $9,200 for personal care delivered in the home, compared to $24,500 for nursing homes. For post-acute care, home health care is the most cost-effective mode of delivering care. According to a February 2004 report by the Congressional Joint Economic Committee, the cost per episode in Medicare post-acute settings was $4,000 for home health care, compared to $8,300 for a skilled nursing facility, $12,500 for an inpatient rehabilitation facility and $35,700 for a long-term acute care hospital. See article titled "*A Balancing Act: State Long-Term Care Reform,*" published in July 2008 by Enid Kassner, Susan Reinhard, Wendy Fox-Grage, Ari Houser, Jean Accius, Barbara Coleman and Dan Milne available at http://assets.aarp.org/rgcenter/il/2008_10_ltc.pdf, and report by the Congressional Joint Economic Committee, titled "*Long Term Care Hospitals: More Facilities, More Expenditures, More Questions,*" by Peter Stark, available at http://jec.senate.gov/ archive/Documents/Reports/ltch6feb2004.pdf.

According to CMS, payment for homecare services, which does not include personal care services funded primarily under Medicaid waiver programs, was $59 billion in 2007, and is forecasted to increase to $135 billion in 2018, representing a CAGR of 7.8%. See "*National Health Expenditure Projections*," published in 2008, available at http://www.cms.hhs.gov/NationalHealthExpendData/downloads/proj2008.pdf. In addition to the projected growth of government-sponsored homecare services, the private duty market for our services is rapidly growing. We provide our private duty consumers with all of the services we provide to both our home & community and home health consumers. In addition, we have developed a comprehensive care management program, through which we provide additional services to our private duty consumers. Through our comprehensive care management program, we undertake a detailed assessment of our private duty consumers' needs and resources, and develop a complete plan of care, which may include consultative services, telephone reassurance and other services tailored to their specific needs.

Historically, there were limited barriers to entry in the homecare industry. As a result, the industry developed in a highly fragmented manner, with many small local providers. As such, few companies have a significant market share across multiple regions or states. According to the NAHC, as of 2007, there were over 9,000 Medicare-certified homecare agencies. In addition, while difficult to estimate, there are many non-licensed, non-certified homecare agencies. More recently, the homecare industry has been subject to increased regulation. In several states, providers are now required to obtain state licenses or registrations and must comply with laws and regulations governing standards of practice. Providers must dedicate substantial resources to ensure continuing compliance with all applicable regulations and significant expenditures may be necessary to offer new services or to expand into new markets. Any failure to comply with this growing and changing regulatory regime could lead to the termination of rights to participate in federal and state-sponsored programs and the suspension or revocation of licenses. We believe limitations on the availability of new licenses, the rising cost and complexity of operations and pressure on reimbursement rates due to constrained government resources create substantial barriers for new providers and may encourage industry consolidation.

Our Competitive Strengths

We believe the following competitive strengths position us to grow our business and our market share:

- *Large scale of operations*. We believe we are one of the largest providers of comprehensive homecare services, based on both the number of our service locations and markets in which we operate, as well as the broad range of social and medical services we provide. Our size and the diversity of our services distinguish us from the vast majority of our competitors, which are generally small and local. We provide our services through over 120 locations across 16 states to over 23,000 consumers. We derive the majority of our business through relationships or agreements with over 100 government and government-related agencies that are financially responsible for providing homecare services to our consumers. The scale of our operations provides us with a broad platform from which we are able to expand into new markets, add new service lines and participate in new programs.
- *Comprehensive, integrated service offering*. We offer a full spectrum of social and medical homecare services that enables us to meet the specific and dynamic needs of each consumer. This approach allows our consumers to stay within our delivery system as their health care needs change over time. This approach serves to diversify our financial risk. We have developed and are implementing an integrated service model that allows our consumers to access social and medical homecare services from one provider, and appeals to referral sources who are seeking a local provider with a breadth of services and scale. Our integrated model is designed to reduce service duplication, which lowers overall health care costs, to enhance consumer outcomes, to increase referral sources and consumer satisfaction, to lower our operating costs and to drive our growth. Additionally, we believe our integrated service model is a competitive differentiator in our target markets. For example, 25% of our Medicare home health cases in 2008 were derived from our home & community consumer base.
- *Long-term, mutually beneficial relationships with payors and referral sources*. Our success has been built on establishing and maintaining long-term, mutually beneficial relationships with payors and referral sources. We are often invited to participate in advisory commissions that provide advice to our payor clients with respect to funding, procurement and service delivery matters. In addition, we are often selected to participate in the planning and implementation of pilot programs that test alternative methods and enhancements to service delivery. Our leadership in this area, as well as our targeted advocacy in support of other payor client initiatives, has developed and strengthened our relationships with our payor clients. Given the long duration of our average home & community services, we often report to a consumer’s physician on the status of his or her patient. This practice provides us with an opportunity to inform the physician about additional services that might benefit the patient and ensures that the physician is aware of the consumer’s current condition, leading to better and more cost-effective outcomes and strong referral relationships.
- *Strong relationships with employees*. Our employees play a critical role in the delivery of our high quality homecare services and the establishment of long-term, trusted relationships with our consumers, their families and referral sources. We continually strive to attract and retain qualified, talented employees by offering competitive compensation and benefit programs. We maintain strong working relationships with the labor unions that represent approximately 57% of our total workforce. Together with these unions, we work to improve wages and benefits and to support the introduction and passage of legislation and regulations favorable to the homecare industry. We believe our relationships with unions enhance our relationships with our employees. We work cooperatively with unions on business development efforts, such as expanding into new markets and mobilizing legislative advocacy efforts. In 2005, American Rights at Work, a leading labor policy and advocacy organization, included us, along with eight other employers, including Cingular Wireless, Costco Wholesale Corporation, Kaiser Permanente and Harley-Davidson Motor Company, in its inaugural Labor Day

List: Partnerships that Work which recognizes successful partnerships between employees and their employees' labor unions.

- *Cost-effective, scalable operating model*. We centralize accounting, payroll, billing, collections, human resources and information technology services in our National Support Center. We operate our business using a single information technology system, McKesson Horizon Homecare. The McKesson system provides us with real-time operating metrics, giving us the ability to monitor and adjust our services and operating performance on a continuous basis. This technology allows us to standardize and integrate the care delivered across our locations and within divisions, as well as to promote best clinical practices by blending social and medical models of care, thereby preventing hospitalizations and generally improving outcomes. We believe our centralized model and technology capabilities provide efficiencies, reducing the need for additional administrative staff and related expenses, and facilitate our efforts to be a low-cost provider.
- *Strong management team with extensive industry experience*. We are led by an experienced management team, who have an average of over 12 years of experience in the home & community services industry and over 16 years of experience in the home health industry. Our senior management team has experience executing organic and acquisition-based growth strategies, having increased our net service revenues to $236.3 million in 2008 from $178.2 million in 2006. Members of our management team have significant experience with government- sponsored social and medical services and work closely with state regulators in developing and implementing policies.

Our Growth Strategy

We intend to grow as an integrated provider of homecare services. The following are the key elements of our growth strategy:

- *Expand our comprehensive, integrated service model*. Our comprehensive, integrated model provides significant opportunities to effectively market to a wide range of payor clients and referral sources, many of whom are responsible for consumers with both social and medical service needs. We have implemented this model in approximately 18% of our current locations and intend to extend this model to all of our markets, both organically and through strategic acquisitions. Over the past three years, we have acquired seven businesses that have enhanced our integrated service offerings in existing markets.
- *Drive growth in existing markets*. We intend to drive growth in our existing markets by enhancing the breadth of our services, increasing the number of referral sources and leveraging and expanding our payor relationships in each market. We believe this will result in an increase in the number of consumers we serve and enable us to achieve greater market share at the local level. We intend to achieve this growth by continuing to educate referral sources about the benefits of our services and maintaining our emphasis on high quality care for our consumers. To take advantage of the growing demand for quality and reputable homecare services from private duty consumers, we are focusing on increasing and enhancing the private duty services we provide to veterans and other consumers in all of our locations. We believe that private duty homecare is the fastest growing segment of the homecare industry. We provide our private duty consumers with all of the services we provide to both our home & community and home health consumers. In addition, we have developed a comprehensive care management program, through which we provide additional services to our private duty consumers. In our comprehensive care management program, we undertake a detailed assessment of our private duty consumers' needs and resources, and develop a complete plan of care, which may include consultative services, telephone reassurance and other services tailored to their specific needs. By providing private duty services through our existing home & community and home health employees, we expect to increase our net service revenues without a corresponding increase in our operating costs.
- *Expand into new markets*. We intend to offer our services in new geographic markets by opening new locations, expanding services from current locations into geographically contiguous markets and through acquisitions. We target expansion locations where we believe we can establish a significant presence. We regularly assess potential acquisition candidates that will augment and extend our existing operations. Over the past three years, we have completed four acquisitions in new markets and have established three new locations.

Our Services

We provide comprehensive homecare services through two divisions: home & community services and home health services. Our home & community services assist consumers, who would otherwise be at risk of placement in a long-term care institution, with activities of daily living. Our home health services provide restorative measures to consumers with chronic diseases or after hospitalization. Our net service revenues attributable to services provided by our home community services division represented 74.9%, 76.1%, 76.9% and 80.0% of our total net service revenues for the predecessor period of 2006, the successor period of 2006, 2007 and 2008, respectively. Our net service revenues attributable to services provided by our home health services division represented 25.1%, 23.9%, 23.1% and 20.0% of our total net service revenues for the predecessor period of 2006, the successor period of 2006, 2007 and 2008, respectively.

We have an integrated care approach which delivers an integrated care plan to our consumers. We believe this approach allows consumers to stay within our delivery system as their health care needs change and to continue to receive a full spectrum of services in a home or community-based setting. This approach also reduces the costs to the health care system associated with frequent hospitalization or admission into a skilled nursing facility or other health care institution.

We currently provide our services from locations in the following states: Alabama, Arkansas, California, Delaware, Idaho, Illinois, Indiana, Missouri, Montana, Nevada, New Jersey, New Mexico, North Carolina, Oregon, Pennsylvania and Washington. We also provide services through these locations to consumers in Iowa, Wisconsin and Mississippi. In 2008, 81% of our net service revenues was generated from 213 payors in Illinois, California, Washington and Nevada, with 140 payors in Illinois accounting for 46% of our net service revenues.

Home & Community Services

Our home & community services division provides a broad range of services primarily in consumers’ homes on an as-needed, hourly basis, mostly to older adults and younger disabled persons. Our home & community services division, which accounted for $189.0 million, or 80.0%, of our net service revenues in 2008, primarily involves providing assistance with activities of daily living. These services, generally provided by para-professional staff such as homecare aides, are of a social rather than medical nature, and include personal care, home support services and adult day care.

Personal care and home support services are provided to consumers who are unable to independently perform some or all of their activities of daily living. Our services are needed when assistance from family or community members is insufficient or where caregiver respite is needed. Personal care services include bathing, grooming, mouth care, skin care, assistance with feeding and dressing and medication reminders. Home support services include meal planning and preparation, housekeeping and transportation services. A consumer may need such services on a temporary or long-term basis to address chronic or acute conditions. Each payor client establishes its own eligibility standards, determines the type, amount, duration and scope of services, and establishes the applicable reimbursement rate. Our services average 15 hours per consumer per week. The average duration of our provision of home & community services is approximately 20 months per consumer.

We also operate four adult day care centers in Illinois that provide an integrated program of skilled and support services and designated health services for adults in a community-based group setting. Services provided by our adult day care centers include social activities, transportation services to and from the centers, the provision of meals and snacks, personal care and therapeutic activities such as exercise and cognitive interaction. Adult day care generated $2.7 million, or 1%, of net service revenues in 2008.

Most of our home & community services are provided pursuant to agreements with state and local governmental social and aging service agencies. These agreements generally have a stated term of one to two years and generally may be terminated by the counterparty upon 60 days’ notice. They are typically renewed for one- to five-year terms, provided we have complied with licensing, certification and program standards, and other regulatory requirements. Reimbursement rates and methods vary by state and service type, but are typically based on an hourly or unit-of-service basis. In 2008, approximately 96.9% of our home & community net service revenues were derived from state and local government programs, while approximately 3.1% of our home & community net service revenues were derived from insurance programs and private duty consumers.

Home Health Services

Our home health services are typically prescribed by a physician following an in-home nursing assessment or a consumer's discharge from a hospital, skilled nursing facility, rehabilitation center or other institutional setting. Services may be provided in lieu of, or delay the need for, hospitalization. Our home health services are provided on an intermittent basis to consumers who are typically unable to leave their homes without considerable effort. Our home health services are provided by skilled nurses, physical, occupational and speech therapists, medical social workers and home health aides. We provide these services to the homebound elderly, adult infirm and children, including the high-risk pediatric population.

We provide home health services after an episode of acute illness or surgical intervention, or after an exacerbation or worsening of a chronic disorder that typically requires hospitalization or other institutionalization. These services include disease management instruction, wound care, occupational and speech therapy, risk assessment and prevention and education. We have also developed disease-specific plans for consumers with diabetes, congestive heart failure, post-orthopedic surgery or injury and respiratory diseases.

Our home health net service revenues accounted for $47.3 million, or 20.0%, of our net service revenues in 2008. Of these net service revenues, 58.3% were reimbursed by Medicare, 23.4% by state and local government programs, 11.4% by insurance programs and 6.9% from other private payors.

Acquisitions

We have historically grown our business primarily through organic growth, complemented with selective acquisitions. We have acquired 11 businesses over the past three years. Our home & community segment acquisitions have been focused on facilitating entry into new states such as New Jersey, Nevada, Idaho and North Carolina, whereas our home health segment acquisitions have been focused on complementing our existing home & community business in Nevada, Idaho and Indiana, enabling us to provide a more comprehensive range of services in those locations. Acquisitions in the home health segment, while not significant, reflect our goal of being a comprehensive provider of both home & community and home health services in the markets in which we operate.

Our process of integrating acquired businesses depends on several factors, including the services provided by the acquired business, the geographic areas in which services are provided and the overall size of the acquired business. In all cases, all personnel retained as part of the acquisition undergo orientation and education regarding our company. Personnel at our National Support Center ensure that all necessary licenses, certifications and agreements are transitioned to us as required. We also integrate the operations of the acquired business to the McKesson Horizon Homecare system and our payroll system as soon as practical after the acquisition with as little disruption to the acquired business as possible. The 11 businesses acquired over the past three years have been fully-integrated into our operations.

Sales and Marketing

We focus on initiating and maintaining working relationships with state and local governmental agencies responsible for the provision of the services we offer. We target these agencies in our current markets and in geographical areas that we have identified as potential markets for expansion. We also seek to identify service needs or changes in the service delivery or reimbursement system of governmental entities and attempt to work with and provide input to the responsible government personnel, provider associations and consumer advocacy groups.

We receive substantially all of our consumers from third party referrals. Generally, family members of potential homecare consumers are made aware of available in-home or alternative living arrangements through a state or local case management system. These systems are operated by governmental or private agencies. We receive referrals from state departments on aging, rehabilitation, mental health and children's services, county departments of social services, the Veterans Health Administration and city departments on aging. Other service referrals, particularly in our home health division, come from physicians, hospitals, long-term care facilities and private insurers. Accordingly, there is no single referral source that accounts for a substantial portion of our referrals.

In our home & community services division, we provide ongoing education and outreach to our target communities, both to inform residents about state and locally-subsidized care options and to communicate our role in providing quality home & community services. We also utilize consumer-direct sales, marketing and advertising programs designed to attract consumers. We market our home health services by educating referral sources. We have a focused sales force that manages the retention of our consumers and payors, organic expansion of existing referral sources and continued growth of new referral sources.

Payment for Services

We are compensated for our services by state and local government programs, such as Medicaid funded programs and Medicaid waiver programs, other state agencies and Medicare, as well as the Veterans Health Administration, commercial insurers and private duty consumers.

The following table sets forth net service revenues derived from each of our major payors during the indicated periods as a percentage of total net service revenues:

	Year Ended December 31,		
Payor Group	**2006 (1)**	**2007**	**2008**
Illinois Department on Aging	32.7%	33.3%	31.6%
Medicare	14.2	12.7	11.7
Nevada Medicaid	—	2.0	7.5
Riverside County Department of Social Services	9.5	8.3	6.6
Private duty	2.9	3.5	3.8
Commercial insurance	2.5	2.4	2.4
Other federal, state and local payors (2)	38.2	37.8	36.4
Total	100.0%	100.0%	100.0%

(1) Includes Addus HealthCare prior to September 19, 2006.

(2) Includes the Veterans Health Administration and over 100 state and local government payors.

Illinois Department on Aging

We provide homecare services pursuant to agreements with the Illinois Department on Aging, which is funded by Medicaid and general revenue funds of the State of Illinois. Consumers are identified by case managers contracted independently with the Illinois Department on Aging. Once a consumer has been evaluated and determined to be eligible for the program, the case manager refers the consumer to a list of authorized providers, from which the consumer selects the provider. We provide our services in accordance with a care plan developed by the case manager and under administrative directives from the Illinois Department on Aging. We are reimbursed on an hourly fee for service basis.

Medicare

Medicare is the U.S. government's health insurance program funded by the Social Security Administration for individuals aged 65 or older, individuals under the age of 65 with certain disabilities and individuals of all ages with end-stage renal diseases. Eligibility for Medicare does not depend on income, and coverage is restricted to reasonable and medically-necessary treatment. According to MedPAC, an independent federal body established to advise Congress on issues affecting the Medicare program, Medicare spending for home health care services totaled approximately $16 billion in 2007. See "*Healthcare Spending and the Medicare Program*," published in June 2009, available at http://www.medpac.gov/documents/Jun09DataBookEntireReport.pdf. According to the Congressional Budget Office, Medicare spending on home health will increase from $17.8 billion in 2009 to $47.9 billion in 2019.

Medicare home health rates are based on the severity of the consumer's condition, his or her service needs and other factors relating to the cost of providing services and supplies. Through PPS, Medicare pays providers of home health care at fixed, predetermined rates for services bundled into 60-day episodes of home health care. Medicare base episodic rates are set annually through federal legislation, as follows:

Period		Base Episode Payment (1)
January 1, 2006 through December 31, 2006	$	2,264
January 1, 2007 through December 31, 2007 (2)		2,339
January 1, 2008 through December 31, 2008 (2)		2,270
January 1, 2009 through December 31, 2009		2,272

(1) The actual episode payment rates vary based on the scoring of Outcome and Assessment Information Set responses which then categorize characteristics into home health resource groups with a corresponding rate of payment. The per episode payment is typically reduced or increased by such factors as the consumer's clinical, functional and services utilization domains.

(2) As a result of CMS' update of the PPS for 2008, episodes concluded after January 1, 2008 that began in 2007 were paid at the base rate of $2,337, and episodes that began on or after January 1, 2008 and concluded prior to December 31, 2008 were paid at the base rate of $2,270.

Medicare payments can be adjusted through changes in the base episode payments and recoveries of overpayments for, among other things, unusually costly care for a particular consumer, low utilization, transfers to another provider, the level of therapy services required and the number of episodes of care provided. In addition, Medicare can also reduce levels of reimbursement if a provider is unable to produce appropriate billing documentation or acceptable medical authorizations. Medicare reimbursement, on an episodic basis, is subject to adjustment if the consumer is discharged but readmitted within the same 60-day episodic period.

In late February 2009, President Obama released the outline of his proposed fiscal 2010 budget for the United States. The budget outline included a provision to create a reserve fund to pay for a portion of the cost of reforming the country's health care system. The budget outline indicated that a portion of the reserve would be funded through restructuring Medicare home health care payments. This provision, if enacted, could have a negative impact on Medicare reimbursement beginning in 2010. One specific proposal by MedPAC, which is subject to change and congressional approval, would eliminate the home health market basket update for 2010, accelerate the case-mix adjustment of 2.71% for 2011 to 2010, and starting in 2011, rebase costs to an earlier year. If adopted as proposed, these potential reimbursement rate reductions would impact a portion of our business that represented approximately 12% of our net service revenues in 2008. The President's proposed budget for 2011 appears to align with the MedPAC proposal. In addition, in May 2009 the Senate Committee on Finance released policy options for financing comprehensive health care reform, one of which included reducing Medicare payment rates for home health services to be more reflective of actual costs of providing care. In June 2009, President Obama announced plans to offset the cost of health care reform by reducing Medicare and Medicaid spending by $200 to $300 billion over 10 years. On July 30, 2009, CMS published proposed regulations providing for a 2.2% full market basket update for calendar year 2010. The proposed update would be reduced by 2 percentage points to 0.2% for 2010 for those agencies that do not submit certain required quality data. In addition, the proposal indicates that CMS is also considering accelerating certain reimbursement formula reductions, including due to documentation and coding, currently contemplated to be effective in 2010, which would result in a 2.75% reduction of the 60-day episode rate. If these proposals are adopted, the changes would result in an overall market basket reduction. See "Risk Factors – *Our profitability could be negatively affected by a reduction in reimbursement from Medicare or other payors.*"

Nevada Medicaid

We provide services pursuant to an agreement with the State of Nevada Division of Health Care Financing and Policy under Nevada Medicaid's Personal Care Options program. Under this agreement, we identify consumers through community outreach efforts, who are then qualified by the State of Nevada to receive services. We provide personal care and other in-home supportive services under this program. All services are reimbursed on an hourly fee for service basis.

Riverside County Department of Social Services

We provide services pursuant to an agreement with the County of Riverside, California under its In-Home Support Services Program. Under this agreement, we serve consumers referred to us by County Employed Social Workers in accordance with the term and conditions of a Quality Assurance Work Plan. We provide personal care and other assistance with activities of daily living under this program. All services are reimbursed on an hourly fee for service basis. The current agreement has a term of three years beginning July 1, 2009 and is subject to annual renewal by the County Board of Supervisors. We have been a provider to the County of Riverside since 1988.

Private Duty

We believe that private duty is the fastest growing segment of the homecare industry. Our private duty services are provided on an hourly basis. Our rates are established to achieve a pre-determined gross profit margin, and are competitive with those of other local providers. We bill our private duty consumers for services rendered every two weeks, and we obtain a two-week deposit from each consumer. Other private duty payors include workers' compensation programs/insurance, preferred provider organizations and other managed care companies and employers.

Commercial Insurance

We also receive compensation from commercial payors. Most long-term care insurance policies contain benefits for in-home services, home health care and adult day care. Policies are generally subject to dollar limitations on the amount of daily, weekly or monthly coverage provided. Depending on the type of service, coverage for services may be predicated on a physician determination that the care is necessary or on the development of a plan for care in the home.

Other Federal, State and Local Payors

Medicaid Funded Programs and Medicaid Waiver Programs

Medicaid is a state-administered program that provides certain social and medical services to qualified low-income individuals, and is jointly funded by the federal government and individual states. Reimbursement rates and methods vary by state and service type, but are typically based on an hourly or unit-of-service basis. Rates are subject to adjustment based on statutory and regulatory changes, administrative rulings, government funding limitations and interpretations of policy by individual state agencies. Within guidelines established by federal statutes and regulations, each state establishes its own eligibility standards, determines the type, amount, duration and scope of services, sets the rate of payment for services and administers its own program, subject to federal oversight. Most states cover Medicaid beneficiaries for intermittent home health services, as well as continuous services for children and young adults with complicated medical conditions, and certain states cover home and community-based services. According to CMS, total Medicaid spending in 2008 was approximately $339 billion. See "*CMS: Medicaid Spending Projected To Rise Much Faster Than The Economy*," published October 23, 2008 in NAHC Report Issue #1087.

Title XIX of the Social Security Act and related regulations set forth the requirements for state-operated Medicaid programs. In some cases, a state may request waivers for some of these requirements. Home and community-based service programs are among the programs that operate under such waivers. The services provided pursuant to these waivers may be services that are either not covered by the Social Security Act or that enhance a state's existing coverage. According to The Kaiser Commission on Medicaid and the Uninsured, based on its analysis of CMS filings, total spending in home and community-based service Medicaid waiver programs in 2005 was approximately $23 billion, with over one million consumers receiving services. See "*Medicaid Home and Community-Based Service Programs: Data Update,*" available at http://www.kff.org/medicaid/upload/7720_02.pdf.

Veterans Health Administration

The Veterans Health Administration operates the nation's largest integrated health care system, with more than 1,400 sites of care, and provides health care benefits to eligible military veterans. The Veterans Health Administration provides funding to regional and local offices and facilities that support the in-home care needs of eligible aged and disabled veterans by contracting directly with local in-home care providers, and to the aid and attendance pension, which pays veterans for their otherwise unreimbursed health and long-term care expenses. We currently have relationships and agreements with the Veterans Health Administration to provide such services in Illinois, Arkansas and California.

Other

Other sources of funding are available to support homecare services in different states and localities. In addition, many states appropriate general funds or special use funds through targeted taxes or lotteries to finance homecare services for senior citizens and people with disabilities. Depending on the state, these funds may be used to supplement existing Medicaid waiver programs or for distinct programs that serve non-Medicaid eligible consumers.

Compliance and Quality and Performance Improvement

The quality and reputation of our personnel and operations are critical to our success. We develop, implement and maintain comprehensive compliance and quality improvement programs to help ensure that we comply with applicable laws and regulatory requirements. We promote a culture of compliance through persistent messages from our senior leadership concerning the need to strictly comply with legal requirements and company policies and procedures.

Compliance

We have developed a compliance program to help ensure that we meet regulatory and legal requirements applicable to home care services. The program is tailored to the specific compliance challenges of each of our locations and contains the following elements:

- written policies and procedures, codes of conduct and a system outlining the investigation of allegations of improper activities and appropriate discipline;
- standards for education and training of employees on internal controls and other measures that promote compliance and help prevent, detect and respond to fraud, abuse and waste;
- efforts focused on early detection and correction of emerging problems;
- mechanisms for reporting exceptions or questionable adherence; and
- monitoring and auditing activities to ensure compliance in critical operations areas through systematic and prescribed periodic evaluations that determine the program’s overall effectiveness.

We operate our business using the McKesson Horizon Homecare technology system, which assists us with compliance issues by enabling us to monitor authorized visits or hours compared to scheduled visits or hours, track professional license expiration dates and monitor required training of our employees.

Quality and Performance Improvement

Quality and performance improvement are core values of our company. We design our quality and performance review activities to be consistent with state, federal and other regulatory and payor requirements, and we have implemented a system for monitoring and evaluating the quality of consumer care services and consumer satisfaction. Our quality and performance improvement plan provides a collaborative, planned, systematic, organization-wide approach to designing, measuring, assessing and improving organizational performance, with a focus on efficacy, appropriateness and availability of care, timeliness, effectiveness, continuity and safety. We educate our employees with respect to quality and performance activities through the distribution of literature, on-site conferences and classes, seminars and workshops, as well as during new employee orientation. These efforts are intended to ensure that our employees are well trained and prepared to deliver high quality service.

Competition

The homecare industry is highly competitive, fragmented and market specific. Each local market has its own competitive profile and no single competitor has significant market share across all of our markets. Our competition consists of home health providers, private caregivers, larger publicly held companies, privately held homecare companies, privately held single-site agencies, hospital-based agencies, not-for-profit organizations, community-based organizations and self-directed care programs. On a national level, there are very few organizations that compete for local, county and state agreements to provide all of the types of services we offer. We believe that we deliver a level of quality, diversity of services and responsiveness that smaller local providers are not always able to offer, which has helped us develop strong relationships with payors and referral sources. Our national platform has also enabled us to implement best practices across our organization and leverage economies of scale in various direct and indirect costs.

We believe that we compete based on our scale, the availability of our caregivers and our ability to provide quality services, retain consumers and attract consumers through referrals. However, some of our competitors may have greater financial, technical, political and marketing resources, name recognition or a larger number of consumers and payors than we do. We have experienced, and expect to continue to experience, competition from new entrants into our markets. Increased competition may result in pricing pressures, loss of or failure to gain market share or loss of consumers or payors, any of which could harm our business.

Government Regulation

Overview

Our business is subject to extensive and increasing federal, state and local regulation. Changes in the law or new interpretations of existing laws may have a dramatic effect on the definition of permissible activities, the relative cost of doing business, and the methods and amounts of payment for care by both governmental and other payors. Congress and departments of the federal government are currently considering many policy changes and proposals as part of comprehensive health reform legislation. A major component of such proposals is a plan to offset the cost of reform through the reduction of Medicare and Medicaid reimbursement. State legislatures are also reviewing and assessing alternative health care delivery systems and payment methodologies. The health care industry has experienced, and is expected to continue to experience, extensive and dynamic change. In addition, differences between state laws may impede our ability to expand into certain markets. If we fail to comply with applicable laws and regulations, we could suffer civil or criminal penalties, including the loss of our licenses to operate and our ability to participate in federal or state programs.

Medicaid and Medicare Participation

To participate in and qualify for reimbursement under Medicaid programs, we are subject to various requirements imposed by federal and state authorities. We must comply with regulations promulgated by the Department of Health and Human Services, or DHHS, in order to participate in the Medicare program and receive payments. If we were to violate the applicable federal and state regulations, we could be excluded from participation in certain programs and be subject to substantial civil and criminal penalties. See "—Payment for Services" for additional information regarding regulations relating to Medicaid and Medicare reimbursement.

Permits and Licensure

Home health agencies operate under licenses granted by the health authorities of their respective states. In addition, certain health care practitioners employed by us require individual state licensure and/or registration and must comply with laws and regulations governing standards of practice. We believe we are currently licensed appropriately where required by the laws of the states in which we operate, but additional licensing requirements may be imposed upon us in existing markets or markets that we enter in the future.

Certain states carefully restrict expansion by existing providers or entry into the market by new providers and permit such activities only where unmet need exists resulting either from population increases or a reduction in competing providers. Companies seeking to provide health care services in these states are required to obtain a certificate of need or permit of approval issued by the state health planning agency. We provide homecare services in many states where a certificate of need is required for a home health agency to provide Medicare-covered services. We may be unable to obtain certificates of need that may be required in the future if we expand the scope of our services, if state laws change to impose additional certificate of need requirements or if we expand into new states that require certificates of need.

Federal and State Anti-Kickback Laws

For purposes of the federal health care programs, including Medicaid and Medicare, the federal government enforces the federal Anti-Kickback Law that prohibits the offer, payment, solicitation or receipt of any remuneration to or from any person or entity to induce or in exchange for the referral of patients covered by federal health care programs. The federal Anti-Kickback Law also prohibits the purchasing, leasing, ordering or arranging for any item, facility or service covered by the government payment programs (or the recommendation thereof) in exchange for such referrals. In the absence of an applicable safe harbor that may be available, a violation of the Anti-Kickback Law may occur even if only one purpose of a payment arrangement is to induce patient referrals. The federal Anti-Kickback Law is very broad in scope and is subject to modifications and differing interpretations. Violations are punishable by criminal fines, civil penalties, imprisonment or exclusion from participation in reimbursement programs. States, including Illinois, Nevada and California, also have similar laws proscribing kickbacks, some of which are not limited to services for which government-funded payment may be made.

Stark Laws

We may also be affected by the federal physician self-referral prohibition, known as the “Stark Law.” The Stark Law prohibits physicians from making a referral for certain health care items or services, including home health services, if they, or their family members, have a financial relationship with the entity receiving the referral. No bill may be submitted for reimbursement in connection with a prohibited referral. Violations are punishable by civil monetary penalties on both the person making the referral and the provider rendering the service. Such persons or entities are also subject to exclusion from federal healthcare programs. We believe our compensation agreements with physicians who serve as medical directors meet the requirements for the personal services exception and that our operations comply with the Stark Law.

Many states, including Illinois, Nevada and California, have also enacted statutes similar in scope and purpose to the Stark Law. These state laws may mirror the federal Stark Laws or may be broader in scope, as they generally apply regardless of payor. The available guidance and enforcement activity associated with such state laws vary considerably. Some states also have laws that prohibit certain direct or indirect payments or fee-splitting arrangements between health care providers, if such arrangements are designed to induce or to encourage the referral of patients to a particular provider.

Beneficiary Inducement Prohibition

The federal Civil Monetary Penalties Law prohibits offering remuneration or other inducements to influence federal health care beneficiaries’ decisions to seek specific governmentally reimbursable items or services, or to choose particular providers. Violations of the statute or regulations could result in sanctions.

The False Claims Act

Under the federal False Claims Act, the government may fine any person, company or corporation that knowingly submits, or participates in submitting, claims for payment to the federal government which are false or fraudulent, or which contain false or misleading information. Any such person or entity that knowingly makes or uses a false record or statement to avoid paying the federal government may also be subject to fines under the False Claims Act. Private parties may initiate whistleblower lawsuits against any person or entity under the False Claims Act in the name of the government and may share in the proceeds of a successful suit. The penalty for violation of the False Claims Act is a minimum of $5,500 for each fraudulent claim plus three times the amount of damages caused to the government as a result of each fraudulent claim. A False Claims Act violation may provide the basis for the imposition of administrative penalties as well as exclusion from participation in governmental health care programs, including Medicare and Medicaid. In addition to the False Claims Act, the federal government may use several criminal statutes to prosecute the submission of false or fraudulent claims for payment to the federal government.

The Fraud Enforcement and Recovery Act, signed by the President in May 2009, expanded the grounds for liability under the False Claims Act by providing for enforcement against any person or entity that knowingly makes, uses or causes to be made or used, a false record or statement material to a false or fraudulent claim. The statute's definition of "claim" makes clear that this includes false records or claims made to the government or to contractors or other recipients of federal funds. Further, the new definition of "material" includes statements or records having a natural tendency to influence, or be capable of influencing, the payment or receipt of money or property. The recent amendments clarify that specific intent to defraud the government is not required for liability under the False Claims Act.

Many states, including Illinois, Nevada and California, have similar false claims statutes that impose additional liability for the types of acts prohibited by the False Claims Act.

Fraud Alerts and Advisory Opinions

From time to time, various federal and state agencies, such as the DHHS, issue pronouncements that identify practices that may be subject to heightened scrutiny, as well as practices that may violate fraud and abuse laws. For example, the Office of Inspector General's 2009 and 2008 Work Plans describe a number of issues that are being examined with respect to home health agencies. We believe, but cannot assure you, that our operations comply with the principles expressed by the Office of Inspector General in these and other special fraud alerts.

Combating health care fraud and abuse is a priority of President Obama's administration. For example, in May 2009, the DHHS and the U.S. Department of Justice announced a new and aggressive interagency task force called the Health Care Fraud Prevention and Enforcement Action Team whose efforts will include, among other things, expansion of strike force teams, assistance with state Medicaid audits, and use of technology to analyze CMS data in real time.

Health Insurance Portability and Accountability Act

Health Information Privacy and Security Standards

HIPAA privacy regulations contain detailed requirements concerning the use and disclosure of individually identifiable health information by "HIPAA covered entities," which includes our company. In addition to the privacy requirements, HIPAA covered entities must implement certain security standards to protect the integrity, confidentiality and availability of certain electronic health information. The American Recovery and Reinvestment Act, or ARRA, which was enacted in February 2009, has imposed additional privacy and security requirements on health care providers and on their business associates. Violations of the HIPAA privacy and security standards may result in penalties, including: civil monetary penalties of $100 per incident, to a maximum of $25,000, per person, per year, per standard violated and, depending upon the nature of the violation, fines of up to $250,000 and imprisonment for up to ten years. ARRA provides for increased civil penalties for violations under HIPAA. Civil penalties are tiered according to conduct, from $100 per violation with a maximum of $25,000 per year, to the maximum penalty of $50,000 per occurrence and $1.5 million per year. The federal government must impose penalties if the violation was willful. Criminal penalties can apply to employees of covered entities or other individuals who knowingly access, use or disclose protected health information for improper purposes.

Most states, including Illinois, Nevada and California, also have laws that protect the privacy and security of confidential personal information. For example, California's patient's medical information regulation imposes penalties of up to $25,000 per patient for an initial occurrence and up to $17,500 per subsequent occurrence. These laws may be similar to or even more protective than the federal provisions. Not only may some of these state laws impose fines and penalties upon violators, but some may afford private rights of action to individuals who believe their personal information has been misused.

Anti-Fraud Provisions of HIPAA

HIPAA permits the imposition of civil monetary penalties on health care providers and identifies individuals and entities that may be excluded from participating in any federal health care program. HIPAA encourages the reporting of health care fraud by allowing reporting individuals to share in any recovery made by the government, and requires the DHHS to create new programs to control fraud and abuse and conduct investigations, audits and inspections. HIPAA also defines new healthcare fraud crimes to include, among other things, knowingly and willfully attempting to defraud any health care benefit program, including as both government and private commercial plans, or knowingly and willfully falsifying or concealing a material fact or making a materially false or fraudulent statement in connection with claims for health care services. Violation of this statute is a felony and may result in fines, imprisonment and/or exclusion from governmental health care programs.

Civil Monetary Penalties

The DHHS may impose civil monetary penalties upon any person or entity that presents, or causes to be presented, certain ineligible claims for medical items or services. The amount of penalties varies, depending on the offense, from $2,000 to $50,000 per violation plus treble damages for the amount at issue and exclusion from federal health care programs, including Medicare and Medicaid. In addition, persons who have been excluded from the Medicare or Medicaid program and still retain ownership in a participating entity, or who contract with excluded persons, may be penalized. Penalties are also applicable in certain other cases, including violations of the federal Anti-Kickback Law, payments to limit certain patient services and improper execution of statements of medical necessity.

Surveys and Audits

We are subject to routine and periodic surveys and audits by various governmental agencies and other payors. From time to time, we receive and respond to survey reports containing statements of deficiencies. Periodic and random audits conducted or directed by these agencies could result in a delay in receipt or an adjustment to the amount of reimbursements due or received under federal or state programs. Violation of the applicable federal and state health care regulations can result in excluding a health care provider from participating in the Medicare and/or Medicaid programs and can subject the provider to substantial civil and/or criminal penalties.

Pursuant to the Tax Relief and Health Care Act of 2006, a permanent and national recovery audit program is required to be in place by January 1, 2010 to identify improper Medicare payments made on claims of health care services provided to Medicare beneficiaries. The program uses RACs to identify the improper Medicare payments and protect the Medicare Trust Fund from fraud, waste and abuse. An initial demonstration project implemented in several states resulted in the return of over $900 million in overpayments to Medicare between 2005 and 2008. RACs are paid a contingent fee based on the improper payments identified. The nationwide rollout of this program is ongoing.

Environmental, Health and Safety Laws

We are subject to federal, state and local regulations governing the storage, transport, use and disposal of hazardous materials and waste products. In the event of an accident involving such hazardous materials, we could be held liable for any damages that result, and any liability could exceed the limits or fall outside the coverage of our insurance. We may not be able to maintain insurance on acceptable terms, or at all.

Insurance Programs and Costs

We maintain workers’ compensation, general and professional liability, automobile, directors’ and officers’ liability, fiduciary liability and excess liability insurance. We offer various health insurance plans to full-time and part-time employees. We believe our insurance coverage and self-insurance reserves are adequate for our current operations. However, we cannot assure you that any potential losses or asserted claims will not exceed such insurance coverage and self-insurance reserves.

Employees

The quality of services provided by our employees, as well as their dependability, dedication, compassion and professionalism, ultimately determines our reputation and success. We continually strive to attract and retain qualified, talented employees by offering competitive compensation and benefit programs. We have an employee-centered culture that recognizes our employees' contributions and value, and promotes their engagement with our mission, vision and values. We are committed to maintaining a positive connection with our employees through open, honest communication, and a work environment that promotes teamwork, sensitivity to work/life balance, ongoing education and professional growth, and celebration of achievements.

In order to maintain high service quality, we conduct comprehensive employee education and training programs through the Addus Learning Resources Center. These programs are directed at all levels of direct service and administrative staff and management, and include courses in compliance, workplace safety, marketing and business development, financial management, human resource management, service integration and information technology.

The following is a breakdown of our part- and full-time employees who provide home & community services and home health services, as well as the employees in our National Support Center, as of June 30, 2009:

	Full-time	Part-time	Total
Segment Employment			
Home & community services	3,518	7,788	11,306
Home health services	324	873	1,197
National Support Center	71	4	75
Total	3,913	8,665	12,578

Our homecare aides are our employees who provide all of the services provided by our home & community services division, and are generally high school graduates who have some caregiving experience with a friend, relative or child. All but 295 of our homecare aides are included in the home & community services totals in the table above, and the 295 homecare aides included in our home health services division provide the same services to our private duty consumers. Our homecare aides comprise approximately 90% of our total workforce. In most cases, our homecare aides undergo a criminal background check, and are provided with pre-service training and orientation and an evaluation of their skills. In many cases, homecare aides are also required to attend ongoing in-services education. The number of hours and types of training and education provided varies widely among states and payor agreement requirements. In certain states, our homecare aides are required to complete certified training programs and maintain a state certification; however, no state in which we operate requires homecare aides to maintain a license similar to that of a nurse or therapist. Approximately 57% of our total employees are represented by labor unions. We maintain strong working relationships with these labor unions.

Our Technology

We have licensed the Horizon Homecare software solution from McKesson to address our administrative, office, clinical and operating information system needs, including compliance with HIPAA requirements and Medicare's PPS. Horizon Homecare assists our staff in gathering information to improve the quality of consumer care, optimize financial performance, adjust consumer mix, promote regulatory compliance and enhance staff efficiency. Horizon Homecare supports intake, personnel scheduling, office clinical and reimbursement management in an integrated database. The Horizon Homecare software is hosted by McKesson in a secure data center, which provides multiple redundancies for storage, power, bandwidth and security. Using this technology, we are able to standardize the care delivered across our network of locations and effectively monitor the consumers we are serving.

We have developed internally an innovative and highly scalable customized payroll management system. This system has been utilized for almost ten years to maintain and produce our payroll. This software is integrated with Horizon Homecare and other clinical data-management systems, and includes a feature for general ledger population, tax reporting, managing wage assignments and garnishments, on-site check printing, direct-deposit paychecks, and customizable heuristic analytical controls. Secure management reports are made available centrally and through our internal reporting module. This system was designed, and is continually maintained and updated, to satisfy our unique payroll and reporting needs with a minimum amount of operator training and labor.

Properties

We do not own any real property. As of June 30, 2009, we operated at 124 leased properties including our National Support Center. Home & community services are operated out of 93 of these facilities, while home health services are operated out of 30 of these facilities. We lease approximately 20,847 square feet of an office building in Palatine, Illinois, which serves as our corporate headquarters. See “Certain Relationships and Related Party Transactions.”

Legal Proceedings

From time to time, we are subject to claims and suits arising in the ordinary course of our business, including claims for damages for personal injuries. In our management’s opinion, the ultimate resolution of any of these pending claims and legal proceedings will not have a material adverse effect on our financial position or results of operations.

MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this prospectus:

Name	Age	Position
Mark S. Heaney	53	Chairman of the Board, President and Chief Executive Officer of Holdings and President and Chief Executive Officer of Addus HealthCare
Francis J. Leonard	53	Chief Financial Officer, Vice President and Secretary of Holdings and Addus HealthCare
Darby Anderson	43	Vice President of Home & Community Services of Addus HealthCare
Sharon Rudden	49	Vice President of Home Health Services of Addus HealthCare
Paul Diamond	54	Vice President of Human Resources of Addus HealthCare
W. Andrew Wright, III	62	Chairman of Addus HealthCare and Director
Brian D. Young	54	Director
Mark L. First(1)(2)	44	Director
Simon A. Bachleda(2)(3)	32	Director

(1) Member of the nominating and corporate governance committee.

(2) Member of the compensation committee.

(3) Member of the audit committee.

Mark S. Heaney has served as Chairman of the Board, President and Chief Executive Officer of Holdings since June 2009, President and Chief Executive Officer of Addus HealthCare since May 6, 2008 and a director of Holdings since September 2006. From 1985 until May 2008, Mr. Heaney served as Addus HealthCare's Vice President, Operations and Chief Operating Officer. Mr. Heaney is a member of the board of directors of NAHC and is 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. 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 DHHS's 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.

Francis J. Leonard has served as Chief Financial Officer, Vice President and Secretary of Holdings since June 2009 and Chief Financial Officer and Secretary of Addus HealthCare since July 16, 2008. From 2006 to 2008, Mr. Leonard was the Chief Financial Officer of LifeWatch Corp., a provider of cardiac event monitoring services and manufacturer of related technology products. From 2000 to 2005, Mr. Leonard was the Chief Financial Officer of Apropos Technology Inc., a developer and distributor of software for contact centers. Mr. Leonard earned a bachelor of science degree in accounting from Bradley University and is a certified public accountant.

Darby Anderson has served as Vice President of Home & Community Services of Addus HealthCare since October 2007. Mr. Anderson joined Addus HealthCare in 1996, starting as a Regional Manager, Midwest until his promotion in 2000 to Regional Vice President, Midwest & East. Mr. Anderson earned a bachelor of science degree from Michigan State University.

Sharon Rudden has served as Vice President of Home Health Services of Addus HealthCare since October 2007. From May 2006 until September 2007, Ms. Rudden was the Chief Operating Officer of the Home Health Group of Community Health Systems. Prior to that, from March 2004 until May 2006, Ms. Rudden was the Vice President of Operations of Life Line Home Health Care. Ms. Rudden earned a bachelor of science degree in nursing from Bloomfield College and a masters degree in business administration with a concentration in health services management from Webster University.

Paul Diamond has served as Vice President of Human Resources of Addus HealthCare since March 2007. 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 masters degree in business administration from Northern Illinois University.

W. Andrew Wright, III has served as Chairman of Addus HealthCare since May 6, 2008 and a director of Holdings since September 2006. Mr. Wright founded Addus HealthCare in 1979, and served as its President and Chief Executive Officer until May 5, 2008, when he became Chairman. Mr. Wright earned a bachelor of science degree from Drake University and a masters degree in business administration from Northwestern University.

Brian D. Young has served as a director of Holdings since September 2006. Mr. Young has served as the Managing Member of Eos General, L.L.C., an affiliate of the Eos Funds, since December 1999.

Mark L. First has served as a director of Holdings since September 2006 and Lead Director since June 2009. Mr. First was the President of Holdings from July 2006 until June 2009. Mr. First is a Managing Director of Eos Management, L.P., 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. He is also 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 masters degree in business administration from Harvard Business School.

Simon A. Bachleda has served as a director of Holdings since September 2006. Mr. Bachleda was the Vice President and Secretary of Holdings from July 2006 until June 2009. Mr. Bachleda is a Principal of Eos Management, L.P., an affiliate of the Eos Funds, where he has been employed since 2004. Prior to joining Eos Management, L.P., 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 masters degree in business administration from Harvard Business School.

Composition of our Board of Directors; Classes of Directors

Our board of directors currently consists of five members, three of whom are non-employee directors. Each director holds office until the election and qualification of his successor, or his earlier death, resignation or removal.

Pursuant to the terms of our stockholders’ agreement dated September 19, 2006, our current directors were elected as follows:

- the Eos Funds elected three members of our board of directors: Brian D. Young, Mark L. First and Simon A. Bachleda; and
- the management stockholders identified in the stockholders’ agreement elected two members of our board of directors: W. Andrew Wright, III and Mark S. Heaney.

Upon the completion of this offering, the stockholders’ agreement and all of the contractual rights to appoint directors thereunder will automatically be terminated.

Prior to the completion of this offering, we intend to amend and restate our certificate of incorporation and bylaws. The following summary of our executive officers and directors contains references to provisions of our amended and restated certificate of incorporation and our amended and restated bylaws, which will be effective prior to the completion of this offering, including the composition of our board of directors and its committees, the classification of our board of directors and the election and term of service of directors that will be in effect upon the completion of this offering.

Upon completion of this offering, our board of directors will be divided into three classes of directors, each serving a staggered three-year term. As a result, commencing with the first annual meeting of our stockholders following the completion of this offering, one class, which will only be comprised of a portion of our board of directors, will be elected for a three-year term at each annual meeting of the stockholders. Our board of directors will be classified as follows:

Class I (Terms expire 2010)	Class II (Terms expire 2011)	Class III (Terms expire 2012)
Mark S. Heaney	W. Andrew Wright, III	Mark L. First
Simon A. Bachleda		

Any increase or decrease in the number of authorized directors will be distributed among the three classes so that, as nearly as reasonably possible, each class will consist of one-third of the directors. The classification of our board of directors may have the effect of delaying or preventing changes in control of our company. Our amended and restated certificate of incorporation will further provide for the removal of a director only for cause and by the affirmative vote of the holders of at least 66 2/3% of all shares then entitled to vote in an election of our directors.

We intend to add   new directors shortly after the completion of this offering. In compliance with the transitional rules of the SEC and The NASDAQ Stock Market LLC, we expect that a majority of our directors will be independent within twelve months from the date of listing our common stock on The Nasdaq Global Market.

Director Independence

Our board of directors has affirmatively determined that each director other than W. Andrew Wright, III, Mark S. Heaney and Brian D. Young 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 of directors affirmatively determines that the director does not have a relationship which, in the opinion of our board of directors, 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 of directors considered Mr. First’s role as a managing director and Mr. Bachleda’s role as a principal of Eos Management, L.P., 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 “Principal Stockholders.” In addition, our board of directors considered that Messrs. First and Bachleda have served as non-employee, unpaid executive officers of Holdings prior to the completion of this offering. In addition, our board of directors considered the fact that Addus HealthCare is party to a management consulting agreement with Eos Management, an affiliate of the Eos Funds, which will terminate prior to the completion of this offering, pursuant to which Eos Management serves as its consultant with respect to proposed financial transactions, acquisitions and other senior management matters related to its business, administration and policies, in exchange for a management fee. See “Certain Relationships and Related Party Transactions—Management Consulting Agreement.” Our board of directors also considered the fact that we are a party to a stockholders’ agreement with the Eos Funds, among others, which will terminate by its terms upon the completion of this offering, and a registration rights agreement with the Eos Funds, among others, in connection with their ownership of our capital stock, which will survive the completion of this offering. See “Certain Relationships and Related Party Transactions—Stockholders’ Agreement” and “—Registration Rights Agreement.” Our board of directors also considered the payments to be received by the Eos Funds and its affiliates upon completion of this offering, including the issuance of the dividend notes and the prepayments required thereunder at the completion of this offering, and a $ one-time consent fee to be paid to the Eos Funds or their designee(s) in connection with this offering. See “Use of Proceeds.” After reviewing the existing relationships between us and the Eos Funds and their affiliates, and considering that the affiliation between Messrs. First and Bachleda and the Eos Funds will positively align their interests with those of our public stockholders, our board of directors has affirmatively determined (with Messrs. First and Bachleda abstaining) 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.

Committees of Our Board of Directors

Prior to listing our common stock on The NASDAQ Stock Market LLC, our board of directors will have three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. Each of our audit, compensation and nominating and corporate governance committees will initially consist of at least one independent director. In accordance with the transitional rules of the SEC and The NASDAQ Stock Market LLC, each committee will have a majority of independent directors within 90 days following the completion of this offering and all members of each committee will be independent within one year following the completion of this offering. We intend to adopt charters for the audit, compensation and nominating and corporate governance committees describing the authority and responsibilities delegated to each committee by our board of directors substantially as set forth below. We will post on our website, at www.addus.com, the charters of our audit, compensation and nominating and corporate governance committees and any other corporate governance materials contemplated by SEC or The NASDAQ Stock Market LLC rules and regulations. These documents will also be available in print to any stockholder requesting a copy in writing from our corporate secretary at our executive offices set forth in this prospectus.

Audit Committee

Our audit committee will consist of Simon A. Bachleda, and . will serve as chairman of the audit committee. Our board of directors has determined that qualifies as the audit committee "financial expert" as such term is defined in Item 401(h) of Regulation S-K under the Securities Act of 1933, as amended, or the Securities Act. The primary purpose of our audit committee will be 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 of directors. In particular, our audit committee will perform the following key functions, among others:

- reviewing our financial statements, reports, earnings press releases, earnings guidance and other financial information in conjunction with management and the independent auditor;
- 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;
- 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 of directors.

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 "Certain Relationships and Related Party Transactions—Policies and Procedures for Transactions with Related Persons."

Compensation Committee

Our compensation committee will consist of , Mark L. First and Simon A. Bachleda. will serve as chairman of our compensation committee. Our compensation committee will have the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of executive compensation. The principal responsibilities of our compensation committee will be to assist our board of directors 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 will be 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;

- reviewing and discussing annually with management our “Compensation Discussion and Analysis” disclosure required by SEC rules; and
- administering stock plans and other incentive and equity compensation plans.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee will consist of Mark L. First,   and   . Mr. First will serve as chairman of the nominating and corporate governance committee. The primary responsibilities of the nominating and corporate governance committee will include:

- identifying individuals qualified to become board members consistent with the criteria established by our board of directors from time to time and recommending nominees to our board of directors;
- selecting, or recommending that our board of directors select, candidates for election to the board at the next annual meeting of stockholders, or to fill vacancies on our board of directors as necessary;
- evaluating and approving outside director compensation;
- overseeing the evaluation of our board of directors and our management; and
- overseeing the succession planning of the President and Chief Executive Officer and senior executive officers.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is an officer or employee of our company. None of our executive officers serves, or in the past year has served, as a member of our board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Code of Business Conduct and Ethics

We plan to adopt a code of business conduct and ethics that applies to our principal executive, financial and accounting officers and all persons responsible for financial reporting. See “Certain Relationships and Related Party Transactions—Policies and Procedures for Transactions with Related Persons.” Upon completion of this offering, the code of business conduct and ethics will be available on our website at www.addus.com. Information on, or accessible through, our website is not part of this prospectus. We expect that any amendments to the code, or any waivers of its requirements, will be disclosed on our website.

Director Compensation for the Year Ended December 31, 2008

We do not currently provide any cash compensation to our non-employee directors. Our directors who are also employees are compensated for their service as employees and do not receive any additional compensation for their service on our board. See “Executive Compensation – Summary Compensation Table” for compensation received by directors in their capacities as our employees. In addition, see “Certain Relationships and Related Party Transactions” for a description of payments made to the Eos Funds and their affiliates, which are affiliates of our directors Brian D. Young, Mark L. First and Simon A. Bachleda.

Following the completion of this offering, we intend to compensate our non-employee directors. It is currently anticipated that these directors will receive an annual retainer of $22,500 for service on our board of directors, and will receive $1,500 per board meeting attended in person and $750 per board meeting attended telephonically. The chairmen of our audit committee, compensation committee and nominating and corporate governance committee will receive an additional annual retainer of $12,000, $7,500 and $5,000, respectively. Non-employee directors who serve on committees will receive $1,000 per committee meeting attended. Non-employee directors will be reimbursed for reasonable expenses incurred in attending board of directors meetings, committee meetings and stockholder meetings. In addition, upon election or appointment as a director and annually thereafter, each non-employee director, including our new independent directors, will receive restricted shares of our common stock valued at $10,000, which will vest equally over a three-year period. Our new non-employee directors will receive these restricted stock grants. The foregoing non-employee director compensation will be subject to review and adjustment by our nominating and corporate governance committee.

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 executive officers who are named in the "2008 Summary Compensation Table" below. For 2008, these "named executive officers" are:

- Mark S. Heaney, President and Chief Executive Officer of Holdings since June 2009 and President and Chief Executive Officer of Addus HealthCare since May 6, 2008;
- Francis J. Leonard, Chief Financial Officer, Vice President and Secretary of Holdings since June 2009 and Chief Financial Officer and Secretary of Addus HealthCare since July 16, 2008;
- Darby Anderson, Vice President of Home & Community Services of Addus HealthCare;
- Sharon Rudden, Vice President of Home Health Services of Addus HealthCare;
- Paul Diamond, Vice President of Human Resources of Addus HealthCare;
- W. Andrew Wright, III, Chairman of Addus HealthCare, and President and Chief Executive Officer of Addus HealthCare until May 5, 2008; and
- David W. Stasiewicz, Chief Financial Officer of Addus HealthCare until July 15, 2008 and Vice President of Finance of Addus HealthCare since July 16, 2008.

This compensation discussion and analysis describes and explains the compensation practices that were followed in 2008, the numerical and related information contained in the tables presented below and certain actions taken regarding executive compensation since December 31, 2008. The discussion below is intended to help you understand the detailed information presented in the tables, as well as our proposed compensation practices after the completion of this offering.

Overview of our Compensation Program and Compensation Philosophy

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

- *Reward the executive officer for a job done well***.** While base salary, which is related to the essential elements of an executive officer's position, remains the largest component of an executive officer's compensation, cash bonuses based on corporate, divisional or departmental and individual performance comprise a significant portion of compensation, with executive officers having the opportunity to obtain a maximum bonus of 20% to 100% of base salary, depending on the individual executive officer, as set forth in their respective employment agreements.
- *Compensate executive officers within market standards.* While we do not evaluate compensation compared to specified peer companies, we utilize market data to determine that our executive officers initially receive compensation that is comparable to that received by executives of companies that are our competitors for executive officer talent. We believe that competitive pay, together with our employee-centered corporate culture, allows us to attract and retain qualified executive talent.
- *Provide compensation that is fair to the executive officer and our company.* We believe that it is important for executive officers to be fairly compensated, in light of each executive officer's talent and experience. We also believe that it is important that each executive officer perceives that his or her compensation is fair. This focus on equitability promotes our retention objectives.
- *Create a high-performance culture.* We believe that executive officers should strive to achieve and exceed performance expectations. In order to achieve this goal, we utilize individualized performance-based annual bonus plans that provide bonuses based on meeting corporate, divisional and individual targets, and base increases in base salary on merit and evaluations of our executive officers.

Historical Compensation Decision Making

Prior to this offering, we were a privately-held company with a relatively small number of stockholders, including our principal investors, the Eos Funds. As such, we have not been required to have a majority of independent directors on our board, or to have a compensation committee comprised of independent directors. Historically, our board of directors reviewed and approved executive compensation and benefits policies. Initial base salaries, maximum annual performance bonuses and equity grants upon hire of an executive officer were negotiated with each executive officer as part of his or her employment agreement. After the completion of this offering, we expect that a compensation committee of our board of directors will take all actions that are reflected as being taken by our board of directors under the captions “Compensation Discussion and Analysis” and “Executive Compensation.” In addition, we expect that the compensation committee may take additional actions after the completion of this offering that our board of directors did not take when we were a privately-held company, including certain actions specified herein. For additional information regarding the compensation committee of our board of directors that will oversee our compensation program following the completion of this offering, see “Management – Committees of our Board of Directors – Compensation Committee.”

Elements of Our Executive Compensation Program

The compensation we provide to our 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 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 providing compensation for performing the essential elements of an executive officer’s job. Base salary increases are used to reward superior individual job performance of each executive officer on a day-to-day basis during the year and to encourage the executive officer to continue to perform at his or her highest level. The base salaries of our executive officers are determined at the time of hire, promotion or change in responsibilities, and may be increased up to 7% annually for eligible executive officers based upon performance reviews. We believe that base salaries of our executive officers are set at levels that allow us to attract and retain qualified executive talent in competitive markets.

Performance-Based Annual Bonuses

An important part of each executive officer’s annual cash compensation is awarded under our individualized bonus plans, and therefore is dependent on achievement of corporate performance goals and individually tailored performance criteria. Annual cash bonuses are intended to reward our executive officers for meeting certain financial and non-financial objectives at the corporate, individual and divisional or departmental level. In addition, these bonuses are intended to reward and incentivize our executive officers for achieving their objectives. These objectives are separated so that an 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 executive officer will only receive the maximum bonus if his or her performance exceeds our expectations, which may be adjusted up or down based on overall corporate performance.

Equity Compensation

Historically, we have granted stock options to our executive officers upon joining our company or upon promotion. We believe this form of compensation aligns the interests of our executive officers with the interests of our stockholders, and rewards our 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 stock options are an important part of a competitive compensation structure necessary to attract and retain talented executive officers.

Prior to the completion of this offering, we intend to adopt, and expect our stockholders to approve, a new equity incentive plan, under which we plan to grant equity incentives to our executive officers based on performance. We intend to grant options exercisable into 5,000 shares of our common stock to Mark S. Heaney and options exercisable into 2,500 shares of our common stock to Sharon Rudden, in each case, immediately following the date of this prospectus with an exercise price equal to the initial public offering price.

Determining the Amount of Each Element of Compensation

The amount of each element of our compensation program is determined by our board of directors 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 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. At the time of initial hire, our President and Chief Executive Officer and Vice President of Human Resources determine a targeted compensation range for the new executive officer. This targeted compensation range is then approved by our board of directors based on general industry data, described below, and our understanding of the market. While the total compensation actually paid to the hired executive officer occupying such position is generally within such range, it may be negotiated outside of such range between us and such executive officer. We then determine the amount of each element of compensation based on our compensation objectives.

To date, we have not utilized the services of a compensation consultant and have not engaged in any company-specific benchmarking when making general or individual compensation determinations. We do, however, utilize certain general industry survey information for purposes of establishing an initial range of overall compensation for our named executive officers. For instance, we utilized the 2008 Watson Wyatt Data Services *Survey Report on Top Management Compensation*, the Robert Half Associates *Salary Guide* and The Management Association of Illinois' *National Executive Compensation Survey* when establishing the initial compensation for a new or newly-promoted named executive officer. While these reports do not name specific benchmark companies, they do set forth average salary and total cash compensation data for executive positions, broken down by geographic location, industry, number of employees, annual revenue range and private/public sector, as applicable. Generally, we seek to compensate our executive officers along the lines of the compensation provided by similarly situated companies, as determined by considering the foregoing measures, although this is just a general guideline rather than a set benchmark . After entry into an employment agreement with the named executive officer, we do not review this general industry survey information in determining year-to-year changes in the named executive officer's compensation.

Our board of directors makes compensation determinations through a process coordinated by our Vice President of Human Resources, with input from our President and Chief Executive Officer (except with respect to the President and Chief Executive Officer's compensation, which is determined independently by our board of directors). Compensation determinations regarding our Vice President of Human Resources are coordinated by our board of directors and our President and Chief Executive Officer. We believe this allows our board of directors to make informed compensation decisions. After completion of this offering, we expect that the compensation committee will have an ongoing dialogue with these executive officers regarding internal, external, cultural and business challenges and opportunities facing our company and our executive officers.

Base Salary

We agree upon a base salary with each 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 executive officer agreed upon, which is not "at risk," reflects our views as to the individual executive officer's past experience, future potential to add value through performance, knowledge, scope of anticipated responsibilities, skills and expertise, as well as competitive industry salary practices, which is derived through use of the general industry surveys described above, as well as through our relationships with executive recruiting firms. The base salary amount is then negotiated between the prospective executive officer and our President and Chief Executive Officer (or in the case of a new President and Chief Executive Officer, our board of directors). Once negotiated, this base salary amount, as well as the final compensation mix, is then considered and approved by our board of directors, with input and recommendations from our President and Chief Executive Officer and Vice President of Human Resources. Our board of directors directly determines the base salary and other elements of compensation of our President and Chief Executive Officer.

An executive officer may receive a merit-based salary increase to the extent such 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 an executive officer's employment agreement, have generally been determined based on the 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.

In 2008, executive officer evaluations were performed in a narrative format by our President and Chief Executive Officer (and in the case of our President and Chief Executive Officer, our board of directors). The evaluation was designed to determine: whether the executive officer achieved the goals we established for him or her; the executive officer's effectiveness as a manager, including planning, organization, project management, divisional or departmental management, team development, leadership, communication and decision-making activities; the areas in which the executive officer could show improvement; and, if applicable, the overall recommended merit-based salary increase. This review was performed from a holistic perspective, with no specific guidelines or measurables used to assist the President and Chief Executive Officer or our board of directors, as applicable, in making such determinations. However, in 2008, most of our named executive officers were not eligible for merit-based salary increases due to the terms of their respective employment agreements.

While our executive officers other than Ms. Rudden did receive the evaluations described above, all base salary increases were due to factors other than these evaluations. Mr. Heaney and Mr. Stasiewicz received base salary increases of 25.0% and 3.8%, respectively, as a result of changing their positions with Addus HealthCare. Mr. Wright and Mr. Diamond received base salary increases of 5.0% and 3.3%, respectively, as mandated by their respective employment agreements. Mr. Anderson and Mr. Leonard were not yet eligible to receive salary increases under their respective employment agreements. Ms. Rudden has not yet received her 2008 evaluation due to scheduling conflicts.

In early 2009, we revised our mechanism for administering merit-based salary increases in order to provide more formal guidance in the performance review and evaluation process, including more specific parameters. This performance review tool grades an executive officer's performance on a scale of one (unacceptable) to four (exceptional), with the amount of the executive officer's merit-based salary increase determined by the executive officer's cumulative weighted average performance rating. This performance tool is divided into two sections: major priorities and initiatives and performance areas.

With respect to major priorities and initiatives, the executive officer is evaluated on his or her performance on four or five objectives, projects or initiatives that represent the major priorities and focus areas for the individual executive officer for the review period, using a rating scale of one through four for each of those objectives. The ratings of the four to five areas evaluated in this section are weighted so that they count for 60% of the cumulative weighted average performance rating, or a total weight of 2.4 out of 4.0.

A total of 40% of the cumulative weighted average performance rating, or a total weight of 1.6 out of 4.0, is attributable to the following performance areas, each of which has the same relative weight of 6.7% of the cumulative weighted average performance rating, or .027 out of 4.0:

- planning and organization;
- management and control;
- team development;
- leadership;

- communication; and
- judgment, problem solving and decision making.

The cumulative weighted average performance rating, which combines the weighted ratings for both the major priorities and initiatives and the performance areas, is used as a basis for determining the amount of the executive officer’s merit-based salary increase. The amount of the merit-based salary increase is determined on a sliding scale of cumulative weighted average performance ratings as follows, with 2.0 representing poor performance, 3.0 representing average performance and 3.75 representing exceptional performance:

Rating	Less than 2.0	2.00 –2.24	2.25 –2.49	2.50 - 2.75	2.75 - 2.99	3.00 - 3.24	3.25 - 3.49	3.50 - 3.74	Greater than 3.75
Base salary increase	0.00%	1.00%	1.50 - 1.75%	2.00 - 2.50%	3.00 - 3.50%	4.00 - 4.50%	5.00 - 5.50%	6.00 - 6.50%	7.00%

Performance-Based Annual Bonuses

Our board of directors establishes and approves individual executive bonus plans on an annual basis. These plans are developed with the guidance and input of the President and Chief Executive Officer and our Vice President of Human Resources (except with respect to the President and Chief Executive Officer’s bonus plan, which is determined independently by our board of directors, and except with respect to the Vice President of Human Resources’ bonus plan, which is developed with the guidance of the President and Chief Executive Officer). The plans provide that an executive officer may receive an annual performance bonus of up to a defined target amount of annual performance bonus, as set forth in the executive’s employment agreement, based on the achievement of certain performance objectives. These objectives are separated so that an executive officer may receive a portion of the target amount based on achievement of the goals set forth in that objective, but may not receive a portion of the bonus as to which the executive officer did not meet the performance objective. The target amount may then be further adjusted, based on overall corporate performance and, in the case of our divisional managers, based on overall division performance.

Our board of directors has the authority to modify a bonus structure during the year if it deems appropriate, including, for example, due to a merger, acquisition, divestiture, board-approved budget revision or other material change in our company.

The actual amount payable for annual bonuses is determined by our board of directors after the preparation of our annual financial statements, based on the extent to which performance goals were met and corporate performance was achieved. Distributions are typically made within 120 days after the end of each fiscal year, after completion of our audited financial statements and once the evaluations of the achievement of performance objectives have been completed.

The target amount for each annual performance bonus is set as a percentage of the executive officer’s base salary. The executive officer may realize a percentage of that target amount based on the achievement of certain numerical and other tangible performance objectives. These performance objectives are determined by our President and Chief Executive Officer on an annual basis. After the completion of this offering, we expect that these performance objectives will be approved by our compensation committee, with the input and advice of our President and Chief Executive Officer and Vice President of Human Resources, on an annual basis. Divisional and departmental performance objectives are designed to ensure high performance of each of our divisions and departments, and to ensure that these divisions and departments meet certain budgetary thresholds, as applicable. Individual performance objectives are intended to add economic value and to align each executive officer’s compensation with expectations of leadership and achievement placed on the individual to realize various aspects of our business plan. Non-financial objectives are set so that the full amount of bonus with respect to such objectives may only be attained through superior performance, while financial objectives are the same objectives set forth in our internally-developed corporate budget, with the maximum potential bonus amount only attainable by exceeding the estimates set by these internal budgets.

For 2008, the individual performance objectives of our named executive officers, together with the percentage of target bonus attributable thereto, included the following:

Mark S. Heaney – One hundred percent of Mr. Heaney's bonus was attributable to the achievement of budgeted EBITDA, exclusive of the effect of acquisitions completed during the year. For compensation purposes, we calculate EBITDA by using net income from continuing operations, and adding back net interest expense, income taxes, depreciation and amortization, stock based compensation, management fees and McKesson implementation costs, in each case to the extent permitted by our credit facility. Mr. Heaney was entitled to a bonus on an interval sliding scale such that he was entitled to no bonus if EBITDA was less than 82% of the target, a bonus equal to 60% of his base salary if EBITDA was equal to the target and a bonus equal to 100% of his base salary if EBITDA exceeded 120% of the target. In 2008, our budgeted EBITDA was $18,794,434, and our actual EBITDA for these purposes was $16,719,276, or 89.0% of budgeted EBITDA, in each case exclusive of the effect of acquisitions completed during the year. As a result, Mr. Heaney earned a 2008 bonus of $93,600, or 47.7% of his target bonus.

Francis J. Leonard – Forty percent of Mr. Leonard's target bonus was attributable to assessing the organizational structure and adequacy of staff for the accounting, information systems and reimbursement departments. Thirty percent was attributable to a review of internal financial reporting and control procedures. Fifteen percent was attributable to a review of month end closing procedures focusing on improved timeliness and key metrics. Finally, 15% was attributable to prioritizing information technology initiatives and long-term technology vision. For 2008, Mr. Leonard earned a bonus of $15,981, or 81.0% of his target bonus.

Darby Anderson – Sixty percent of Mr. Anderson's target bonus was attributable to meeting divisional operating budget targets. Mr. Anderson was entitled to a bonus on a sliding scale such that he was entitled to none of this portion of the bonus if home & community services divisional net operating income, adjusted for the effect of acquisitions, was less than 91% of the budgeted amount and 100% of this portion of the bonus if home & community services divisional income was 100% of the budgeted amount. In 2008, the budgeted adjusted net operating income for the home & community services division was $22,005,767, and actual adjusted net operating income of the home & community services division for these purposes was $20,924,397, or 95.1% of the budgeted amount. These budgeted and actual adjusted net operating income figures were used for compensation purposes only and differ from net operating income figures presented elsewhere in this prospectus. Twenty percent of Mr. Anderson's target bonus was attributable to division objectives, including directing implementation of the conversion to the McKesson Horizon Homecare system, coordinating marketing and business development plans for the home & community services division, implementing training programs and conducting one-on-one discussions with regional directors. Finally, 20% of Mr. Anderson's target bonus was attributable to the compliance process. In addition, Mr. Anderson was eligible to receive a "President's Club" bonus of up to an additional 20% of his base salary, as described below. For 2008, Mr. Anderson earned a bonus of $27,983, or 75.6% of his target bonus.

Sharon Rudden – Sixty percent of Ms. Rudden's target bonus was attributable to meeting divisional operating budget targets. Ms. Rudden was entitled to a bonus on a sliding scale such that she was entitled to none of this portion of the bonus if home health divisional net operating income, adjusted for the effect of acquisitions, was less than 91% of the budgeted amount and 100% of this portion of the bonus if home health divisional income was 100% of the budgeted amount. In 2008, the budgeted adjusted net operating income for the home health division was $6,445,978, and actual adjusted net operating income of the home health division for these purposes was $5,532,322, or 85.8% of the budgeted amount. These budgeted and actual adjusted net operating income figures were used for compensation purposes only and differ from those presented elsewhere in this prospectus. Twenty percent of Ms. Rudden's target bonus was attributable to division objectives, including directing implementation of the conversion to the McKesson Horizon Homecare system, coordinating marketing and business development plans for the home health services division, implementing training programs and conducting one-on-one discussions with regional directors. Finally, 20% of Ms. Rudden's target bonus was attributable to the compliance process. In addition, Ms. Rudden was eligible to receive the "President's Club" bonus described below. For 2008, Ms. Rudden earned a bonus of $12,286, or 35.1% of her target bonus.

Paul Diamond – Thirty percent of Mr. Diamond's target bonus was attributable to directing the conduct of wage and hour compliance audits in all of our locations. Five percent was attributable to the conduct of one-on-one discussions with all human resources staff within a specified timeframe. Fifteen percent was attributable to identification of areas of training needs and developing training programs for those areas, with 5% of the target bonus attributable to such task with respect to human resources staff and 10% attributable to such task with respect to consumer groups. Twenty percent was attributable to design of a customer service survey, overseeing its implementation through all branches and addressing key areas of concern. Ten percent was attributable to overseeing the conduct of management searches to achieve recruitment efficiency. Finally, 20% of Mr. Diamond's target bonus was attributable to the design and implementation of a new 401(k) plan for Addus HealthCare. For 2008, Mr. Diamond earned a bonus of $27,463, or 89.1% of his target bonus.

David W. Stasiewicz – Ten percent of Mr. Stasiewicz's target bonus was attributable to conducting one-on-one discussions with all accounting staff within a specified timeframe. Twenty percent was attributable to identifying areas of training needs and developing training programs for those areas for each of the accounting staff (10%) and consumer groups (10%). Ten percent was attributable to preparing an action plan for departmental results under a customer service survey. Thirty-five percent was attributable to enhancing financial reporting. Fifteen percent was attributable to directing the implementation of the conversion to the McKesson Horizon Homecare system. Ten percent was attributable to the automation of vacation and sick pay reports by specified deadlines. For 2008, Mr. Stasiewicz earned a bonus of $25,535, or 81.0% of his target bonus.

"President's Club" – In addition to these targets, the bonus amount may be adjusted based on the achievement of corporate-level goals and, in the case of heads of divisions, certain divisional targets. Mr. Anderson and Ms. Rudden, our vice presidents in charge of our two divisions, each may earn an additional "President's Club" bonus if divisional net operating income, adjusted for the effect of acquisitions, exceeds the budgeted level of divisional net operating income. For each one percent that divisional adjusted net operating income exceeds budgeted income, Mr. Anderson and Ms. Rudden would be entitled to an additional one percent of annual base salary as a bonus, up to a maximum of 100% of their respective target bonus amounts. As indicated above, in 2008, the budgeted and actual adjusted net operating income for the home & community services division were $22,005,767 and $20,924,397, respectively, and the budgeted and actual adjusted net operating income for the home health division were $6,445,978 and $5,532,322, respectively. Since the actual net operating income for each division was less than budgeted adjusted net operating income, neither Mr. Anderson nor Ms. Rudden qualified for a "President's Club" bonus.

Furthermore, each of our named executive officers, other than Mr. Heaney and Mr. Wright, is entitled to a further adjustment to the bonus that is based on our net operating income. Each such bonus is adjusted up or down, based on actual net operating income, adjusted for the effect of acquisitions, against budgeted adjusted net operating income at the corporate level. For each one percent that actual net operating income exceeds budgeted net operating income, the executive officer's bonus would be increased by one percent from what it otherwise would have been, up to a maximum increase of 10% of the bonus. Conversely, for each one percent that actual adjusted net operating income is less than budgeted adjusted net operating income, the executive officer's bonus would be decreased by one percent from what it otherwise would have been, up to a maximum decrease of 10% of the bonus. We believe that this adjustment provides a small incentive for executive officers to act in a manner that would help overall corporate performance, as well as a small disincentive from acting in a manner that may adversely affect annual corporate performance. In 2008, our net operating income was $11,545,550, which was 82.4% of our budgeted net operating income of $14,014,933, which resulted in a decrease of 10% to the bonuses of all executive officers other than Mr. Heaney and Mr. Wright. These budgeted and actual adjusted net operating income figures were used for compensation purposes only and differ from those presented elsewhere in this prospectus.

Each named executive officer's target amount for 2008 is set forth in the table below. In addition, each named executive officer's maximum potential annual performance bonus for 2008, together with the maximum adjustments that could be made to the target amount to arrive at such maximum potential annual performance bonus, is set forth in the table below. The amount of annual performance bonus actually received by each named executive officer is described as non-equity incentive plan compensation in "Executive Compensation – 2008 Summary Compensation Table."

Name	2008 Base Salary Earnings ($)	Percentage of Base Salary Earnings (%)	Target Amount ($)	"President's Club" Bonus (%) (1)	Maximum Corporate Performance Adjustment (%) (2)	Maximum Potential Annual Performance Bonus ($)
Mark S. Heaney	$303,040	100%	$303,040	—%	—%	$ 303,040
Francis J. Leonard	98,648	20	19,730	—	10	21,703
Darby Anderson	185,074	20	37,015	20	10	81,433
Sharon Rudden	175,011	20	35,002	20	10	77,004
Paul Diamond	154,114	20	30,823	—	10	33,905
W. Andrew Wright, III	—	—	—	—	—	—
David W. Stasiewicz	157,626	20	31,525	—	10	34,677

(1) Represents a portion of annual base salary, with one percent attributable to each percentage point that actual divisional operating income exceeds budgeted divisional operating income.

(2) Represents a percentage adjustment to the bonus itself, not a percentage of annual base salary. The corporate performance adjustment may increase or decrease the named executive officer's total bonus by up to 10%.

Equity Compensation

Historically, we have granted stock options to executive officers only upon hire or promotion. The amount of these stock option grants has been determined by our board of directors, on the advice and recommendation of our President and Chief Executive Officer (other than in the case of grants to our President and Chief Executive Officer). The size and terms of the initial option grant made to each executive officer upon joining our company are primarily based on competitive conditions applicable to the executive officer's specific position, as well as the new executive officer's experience and compensation requirements relative to our executive officers then employed. We presently have no mandatory stock ownership policy for officers and directors.

Prior to the completion of this offering, we intend to adopt, and expect our stockholders to approve, a new equity incentive plan, under which we plan to grant equity incentives to our executive officers based on performance. Prior to the grant of equity incentives thereunder, we will implement equity grant guidelines for executive officers, which will determine how we evaluate each executive officer's performance for the purposes of granting equity options, and will set the target grant levels for such equity compensation. We intend to grant options exercisable for 5,000 shares of our common stock to Mark S. Heaney and options exercisable for 2,500 shares of our common stock to Sharon Rudden, in each case, immediately following the date of this prospectus with an exercise price equal to the initial public offering price.

Other Compensation

In addition to the primary compensation elements discussed above, we provide our executive officers with limited benefits and perquisites as described below in "Executive Compensation—2008 Summary Compensation Table." We consider these additional benefits to be a part of an executive officer's overall compensation. These benefits generally do not impact the level of other compensation paid to our executive officers, due to the fact that the incremental cost to us of these benefits and perquisites represents a small percentage of each executive officer's total compensation package. We believe that these enhanced benefits and perquisites provide our 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 executive officers and their families. These benefits, which we generally offer to all eligible employees, include medical, dental and life insurance benefits, short-term disability pay, long-term disability insurance, flexible spending accounts for medical expense reimbursements and a 401(k) retirement savings plan with limited matching by us.

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 executive officer that we have made an investment in the executive officer and provide stability for both us and the 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. Historically, we have not taken 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 hiring and were not based on any set formula. Our stock option grant agreements with each of the named executive officers also generally provide for some or all of the unvested options to vest immediately upon a change in control of our company.

We believe that these change in control and severance arrangements provide additional benefits to our company by allowing us to receive certain covenants from our 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 our company. These covenants are described in further detail below under “Executive Compensation – Potential Payments upon Termination or Change in Control.”

Effect of Accounting and Tax Treatment on Compensation Decisions

In 2008, while we generally considered the financial accounting and tax implications of our executive compensation decisions, these implications were not material considerations in the compensation awarded to our named executive officers during such fiscal year.

2008 Summary Compensation Table

The following table provides information regarding the compensation earned by each of our named executive officers in 2008:

Name and Principal Position	Year	Salary ($)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation ($) (2)	All Other Compensation ($)	Total ($)
Mark S. Heaney (3) *President and Chief Executive Officer of Addus HealthCare*	2008	$ 303,040	$ 119,740	$ 93,600	$ 38,195	$ 554,575
Francis J. Leonard (4) *Chief Financial Officer and Secretary of Addus HealthCare*	2008	98,648	34,400	15,981	1,719	150,748
Darby Anderson (5) *Vice President of Home & Community Services of Addus HealthCare*	2008	185,074	39,911	27,983	5,379	258,347
Sharon Rudden (6) *Vice President of Home Health Services of Addus HealthCare*	2008	175,011	17,499	12,286	741	205,537
Paul Diamond (7) *Vice President of Human Resources of Addus HealthCare*	2008	154,114	25,602	27,463	2,561	209,740
W. Andrew Wright, III (8) *Chairman of Addus HealthCare* *(former Chief Executive Officer)*	2008	435,058	—	—	36,409	471,467
David W. Stasiewicz (9) *Vice President of Finance of Addus HealthCare (former Chief Financial Officer)*	2008	157,626	29,978	25,535	8,547	221,686

(1) Represents amounts recognized for financial statement reporting purposes with respect to the 2008 fiscal year in accordance with SFAS No. 123(R), adjusted to disregard the effects of any estimate of forfeitures related to service-based vesting but assuming, instead, that the executive will perform the requisite service for the award to vest in full. The assumptions we used in valuing options are described under the caption "Stock Options" in Note 9 to our consolidated financial statements included in this prospectus.

(2) Reflects annual cash incentive awards earned pursuant to individualized bonus plans based on performance in 2008. These amounts were approved by our board of directors in July 2009. For information regarding our bonus plans, see "Compensation Discussion and Analysis."

(3) Mr. Heaney served as Vice President and Chief Operating Officer of Addus HealthCare until May 5, 2008, and has served as President and Chief Executive Officer of Addus HealthCare since May 6, 2008. Mr. Heaney has been the President and Chief Executive Officer of Holdings since June 2009. Other compensation includes $27,000 in premiums paid by us for a whole life insurance plan for the benefit of Mr. Heaney, $3,665 in term life insurance premiums paid by us for the benefit of Mr. Heaney and $7,530 in payments for a company vehicle.

(4) Mr. Leonard has been the Chief Financial Officer of Addus HealthCare since July 16, 2008. Mr. Leonard has been the Chief Financial Officer of Holdings since June 2009. Other compensation consisted of $1,289 in term life insurance premiums paid for the benefit of Mr. Leonard and $430 in matching contributions paid under our 401(k) plan.

(5) Other compensation consisted of $2,381 in term life insurance premiums paid by us for the benefit of Mr. Anderson, $2,628 in payments for a company vehicle and $370 in matching contributions paid under our 401(k) plan.

(6) Other compensation consisted of $741 in term life insurance premiums paid by us for the benefit of Ms. Rudden.

(7) Other compensation consisted of $1,878 in term life insurance premiums paid by us for the benefit of Mr. Diamond and $683 in matching contributions paid under our 401(k) plan.

(8) Mr. Wright served as President and Chief Executive Officer of Addus HealthCare through May 5, 2008. Other compensation consisted of $5,905 in term life insurance premiums paid by us for the benefit of Mr. Wright, $5,316 in payments for a company vehicle and $25,188 in cash payments for accrued and unused vacation days that became due to Mr. Wright as a result of an amendment to his employment agreement in connection with his position change from President and Chief Executive Officer of Addus HealthCare to Chairman of Addus HealthCare, under which Mr. Wright is no longer entitled to vacation time.

(9) Mr. Stasiewicz served as the Chief Financial Officer of Addus HealthCare through July 15, 2008. Other compensation consisted of $4,413 in term life insurance premiums paid by us for the benefit of Mr. Stasiewicz and $4,134 in payments for a company vehicle.

Grants of Plan-Based Awards in 2008

The following table sets forth each grant of plan-based awards to our named executive officers during 2008:

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards					
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**All Other Option Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($)**	**Grant Date Fair Value of Option Awards ($) (1)**
Mark S. Heaney		$ 9,750	$ 195,000	$ 303,040	—	$ —	$ —
Francis J. Leonard		888	19,730	21,703	—	—	—
	7/16/08				5,551	110.00	180,796
Darby Anderson		1,666	37,015	81,433	—	—	—
Sharon Rudden		1,575	35,002	77,004	—	—	—
	5/12/08				2,082	100.00	75,223
Paul Diamond		1,387	30,823	33,905	—	—	—
W. Andrew Wright, III (2)	—	—	—	—	—	—	—
David W. Stasiewicz		1,419	31,525	34,677	—	—	—

(1) Represents the grant date fair value of each award computed in accordance with SFAS No. 123(R), adjusted to disregard the effects of any estimate of forfeitures related to service-based vesting but assuming, instead, that the executive will perform the requisite service for the award to vest in full. The assumptions we used in valuing options are described under the caption “Stock Options” in Note 9 to our consolidated financial statements included in this prospectus.

(2) Pursuant to an amendment dated as of May 6, 2008, Mr. Wright no longer participates in plan-based bonus awards.

Outstanding Equity Awards at 2008 Fiscal Year End

The following table lists all outstanding equity awards held by our named executive officers as of December 31, 2008:

	Number of Securities Underlying Unexercised Options (#)		Option Exercise Price ($)	Option Expiration Date
Name	**Exercisable**	**Unexercisable**		
Mark S. Heaney	6,661	9,993(1)	$100.00	12/7/2016
Francis J. Leonard	—	5,551(2)	110.00	7/16/2018
Darby Anderson	2,220	3,331(3)	100.00	12/7/2016
Sharon Rudden	416	1,666(4)	100.00	5/12/2018
Paul Diamond	624	2,499(5)	100.00	4/3/2017
W. Andrew Wright, III	27,757	—	100.00	9/19/2016
David W. Stasiewicz	1,720	1,831(6)	100.00	7/16/2018

(1) Mr. Heaney's unexercisable options vest in three equal installments on each of December 7, 2009, 2010 and 2011, respectively.

(2) Mr. Leonard's unexercisable options vest in five equal installments on each of July 16, 2009, 2010, 2011, 2012 and 2013, respectively.

(3) 1,110 of Mr. Anderson's unexercisable options vest on each of December 7, 2009 and 2010, and 1,111 of Mr. Anderson's unexercisable options vest on December 7, 2011.

(4) Ms. Rudden's unexercisable options vest in four equal installments on each of October 1, 2009, 2010, 2011 and 2012, respectively.

(5) 624 of Mr. Diamond's stock options vested on April 3, 2009. 625 of Mr. Diamond's stock options vest on each of April 3, 2010, 2011 and 2012, respectively.

(6) Mr. Stasiewicz's unexercisable options vest in three equal installments on each of December 7, 2009, 2010 and 2011, respectively.

Option Exercises and Stock Vested

None of our named executive officers exercised any options in the fiscal year ended December 31, 2008.

Pension Benefits

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

Non-Qualified Deferred Compensation

None of our named executive officers participates in or has account balances in non-qualified defined contribution plans or other deferred compensation plans maintained by us.

Employment Agreements

We have entered into employment agreements with each of our named executive officers. Each of these agreements will be amended, effective upon the completion of this offering, so that determinations relating to compensation matters will be made by the compensation committee of the board of directors of Holdings rather than by the board of directors of Addus HealthCare.

Employment Agreement with Mark S. Heaney

We entered into an employment agreement with Mark S. Heaney, President and Chief Executive Officer of Addus HealthCare, on May 6, 2008. Mr. Heaney's agreement expires September 19, 2011. 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 board of directors. In addition, for the year ended December 31, 2008, Mr. Heaney was eligible to receive a maximum bonus of 100% of base salary, based on the achievement of certain EBITDA targets, calculated to exclude acquisitions completed during the 2008 fiscal year. This bonus is described in greater detail above under the heading "– Compensation Discussion and Analysis – Determining the Amount of Each Element of Compensation – Performance-Based Annual Bonuses." 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 Addus HealthCare, 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 $27,000. 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 Francis J. Leonard

We entered into an employment agreement with Francis J. Leonard, Chief Financial Officer of Addus HealthCare, on July 30, 2008, which became effective as of July 16, 2008. The initial term of Mr. Leonard'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 Addus HealthCare 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. Leonard's base salary was originally $215,000 per year, subject to review by the board of directors of Addus HealthCare on or about July 16 of each year. In addition, Mr. Leonard is eligible to receive a target bonus of up to 20% of his base salary, based on our evaluation of his performance compared to established company and individual objectives. This bonus is described in greater detail above under the heading "– Compensation Discussion and Analysis – Determining the Amount of Each Element of Compensation – Performance-Based Annual Bonuses." In addition, under the agreement, Mr. Leonard 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 Mr. Leonard's base salary for such insurance policy. Mr. Leonard 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 Darby Anderson

We entered into an employment agreement with Darby Anderson, Vice President of Home & Community Services of Addus HealthCare, on August 27, 2007. 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 Addus HealthCare 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 of directors of Addus HealthCare on or about January 1 of each year starting in 2009. In addition, for the year ended December 31, 2008, Mr. Anderson was eligible to receive a target bonus of 20% of base salary, based 60% on the achievement of budgeted divisional annual net operating income, 20% on specific divisional objectives and 20% on substantial compliance with policies and procedures. This bonus is described in greater detail above under the heading "– Compensation Discussion and Analysis – Determining the Amount of Each Element of Compensation – Performance-Based Annual Bonuses." 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 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 Sharon Rudden

We entered into an employment agreement with Sharon Rudden, Vice President of Home Health Services of Addus HealthCare, on April 10, 2008, which became effective as of October 1, 2007. The initial term of Ms. Rudden'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 Addus HealthCare 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. Rudden's base salary was originally $175,000, subject to review by the board of directors of Addus HealthCare on or about October 1 of each year. In addition, for the year ended December 31, 2008, Ms. Rudden was eligible to receive a target bonus of 20% of base salary, based 60% on the achievement of budgeted divisional annual net operating income, 20% on specific divisional objectives and 20% on substantial compliance with policies and procedures. This bonus is described in greater detail above under the heading "– Compensation Discussion and Analysis – Determining the Amount of Each Element of Compensation – Performance-Based Annual Bonuses." In addition, under the agreement, Ms. Rudden 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. Rudden's base salary for such insurance policy. Ms. Rudden 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 Paul Diamond

We entered into an employment agreement with Paul Diamond, Vice President of Human Resources of Addus HealthCare, on March 23, 2007, which became effective as of March 5, 2007. The initial term of Mr. Diamond'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 Addus HealthCare 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. 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 of directors of Addus HealthCare on or about March 5 of each year starting in 2008. In addition, Mr. Diamond is eligible to receive a target bonus of 20% of base salary, based on our evaluation of his performance compared to established company and individual objectives. This bonus is described in greater detail above under the heading "– Compensation Discussion and Analysis – Determining the Amount of Each Element of Compensation – Performance-Based Annual Bonuses." In addition, Mr. Diamond 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 Mr. Diamond's base salary for such insurance policy. Mr. Diamond 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 W. Andrew Wright, III

We entered into an employment agreement with W. Andrew Wright, III, Chairman and former President and Chief Executive Officer of Addus HealthCare, on September 19, 2006, which was amended as of May 6, 2008 in connection with Mr. Wright changing positions from President and Chief Executive Officer to Chairman of Addus HealthCare. The term of Mr. Wright's agreement ends on the fifth anniversary of the agreement's effective date. Under the agreement, Mr. Wright's base salary was originally $396,000 per year, increasing by 5% each January 1. This increase in base salary was subject only to Mr. Wright's failure to perform the duties of his position, as determined in the sole discretion of Addus HealthCare. In addition, under the agreement, Mr. Wright is entitled to receive a company vehicle and to participate in all employee benefit programs generally available to senior executives of Addus HealthCare, as well as to receive a ten-year level term life insurance policy with a minimum death benefit equal to the greater of $2,000,000 or five times his base salary, although we are not required to pay more than 3% of Mr. Wright's base salary for such insurance policy. Mr. Wright 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 David W. Stasiewicz

David Stasiewicz served as Chief Financial Officer of Addus HealthCare through July 15, 2008. Under his prior employment agreement, Mr. Stasiewicz's base salary was originally $147,500. We entered into an amended and restated employment agreement with Mr. Stasiewicz on October 8, 2008, that was effective as of July 16, 2008, in connection with his change in position from Chief Financial Officer to Vice President of Finance of Addus HealthCare. The initial term of Mr. Stasiewicz'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 Addus HealthCare provides at least thirty days' notice prior to the expiration of the applicable term of its intention not to renew the agreement. Under this amended and restated agreement, Mr. Stasiewicz's base salary was originally $157,500, subject to annual review and adjustment by the board of directors of Addus HealthCare on or about January 10 of each year. For the year ended December 31, 2008, Mr. Stasiewicz was eligible to receive a target bonus of 20% of base salary, based on our evaluation of his performance compared to established company and individual objectives. This bonus is described in greater detail above under the heading "– Compensation Discussion and Analysis – Determining the Amount of Each Element of Compensation – Performance-Based Annual Bonuses." In addition, Mr. Stasiewicz 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 Mr. Stasiewicz's base salary for such insurance policy. Mr. Stasiewicz is entitled to receive severance benefits upon termination of employment as described below under "— Potential Payments upon Termination or Change in Control."

Potential Payments upon Termination or Change in Control

We have entered into employment agreements, described above, that provide for payments and benefits in the event of termination of employment. Under the employment agreements, each named executive officer is entitled to severance benefits if we terminate his or her employment other than for reasonable cause. Except under the employment agreements for Mr. Heaney and Mr. Wright, reasonable cause is defined as:

- death or mental or physical disability of the executive so that the executive would be unable to perform his or her 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 or her 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, our 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 which is materially injurious to our company;
- gross insubordination by the executive, including intentional disregard of any directive from the President and Chief Executive Officer, Chief Financial Officer (in the case of our Vice President of Finance) or board of directors of Addus HealthCare; or
- failure to perform any material duty in a timely and effective manner, with a failure to timely cure such nonperformance after notice.

Solely with respect to Mr. Heaney and Mr. Wright, reasonable cause is limited to the commission of any act involving the misuse or misappropriation of our money or other property, commission of a felony (which, in the case of Mr. Wright, must cause a materially adverse impact on Addus HealthCare), habitual use of drugs or intoxicants (which, in the case of Mr. Wright, must cause a materially adverse impact on Addus HealthCare), 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.

If we terminate an executive's employment other than for reasonable cause, then, generally, such executive is entitled to:

- unpaid base salary for any period prior to the effective date of termination;
- a pro rata payment of bonus for any period prior to the effective date of termination;
- accrued but unpaid benefits, including accrued vacation time and unused holidays; and
- subject to strict compliance with the noncompetition, confidentiality and other covenants discussed below, severance pay generally based on 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, generally payable in equal monthly installments, plus a continuation of all benefits offered to the executive, in each case in an amount set forth in the table below.

With respect solely to Mr. Heaney and Mr. Wright, if a change in control of Addus HealthCare occurs less than two years prior to or 18 months after termination without reasonable cause, then each 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, under Mr. Wright's and Mr. Heaney's employment agreements, 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 Section 280G of the Code, he will 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. For these purposes, a change in control will be deemed to have occurred if:

- any person becomes the beneficial owner, directly or indirectly, of greater than 50% of Addus HealthCare's voting securities, subject to limited exceptions;
- the stockholders of Addus HealthCare approve a merger or consolidation where the holders of Addus HealthCare's voting securities would not continue to represent greater than 50% of the total voting power of the surviving corporation; or
- the stockholders of Addus HealthCare approve a plan of liquidation or an agreement for the sale or disposition of substantially all of the assets of Addus HealthCare.

The right for any executive to receive severance, except for payments made to Mr. Heaney or Mr. Wright 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 one year after the executive officer's termination;
- 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 our company.

In addition to the severance payments that may be paid to our named executive officers under their employment agreements upon termination, all of our named executive officers are also entitled to accelerated vesting of their unvested options upon a change in control of our company. For purposes of our options, under the 2006 Plan, a change in control includes:

- any person becoming the beneficial owner, directly or indirectly, of greater than 50% of Addus HealthCare's voting securities, subject to limited exceptions;

- our consummation of a merger or consolidation of our company where the holders of the voting securities of Holdings would not continue to represent greater than 50% of the total voting power of the surviving corporation;
- our consummation of a plan of complete liquidation or an agreement for the sale or disposition of all or substantially all of our assets; or
- any other event that a committee of our board of directors determines to be a change of control that is set forth in a supplement to the applicable option agreement.

A change in control explicitly does not include any acquisition of securities or voting power directly from Holdings through a public offering, and thus this offering will not constitute a change in control under the 2006 Plan.

The following table sets forth information concerning the payments that would be received by each named executive officer upon a termination of employment other than for reasonable cause without a change in control, assuming the termination occurred on December 31, 2008. 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. The following table also sets forth information concerning the payments that would be received by each named executive officer upon a change in control:

	Payments on Termination without Reasonable Cause			Payments on Change in Control			
Name	Severance	Extension of Benefits	Total	Value of Accelerated Equity Awards(1)	Severance(2)	280G Gross-Ups	Total
Mark S. Heaney (3)	$ 975,000	—	$ 975,000	$ 141,992	$ 1,115,397	$ 261,187	$ 1,518,576
Francis J. Leonard (4)	129,000	$ 14,508	143,508	23,370	—	—	23,370
Darby Anderson (5)	234,859	28,681	263,540	47,328	—	—	47,328
Sharon Rudden (6)	105,000	3,370	108,370	23,668	—	—	23,668
Paul Diamond (7)	93,000	6,474	99,474	35,502	—	—	35,502
W. Andrew Wright, III (8)	1,309,770	14,887	1,324,657	—	1,309,770	246,501	1,556,271
David W. Stasiewicz (9)	196,200	30,402	226,602	30,276	—	—	30,276

(1) Options vest automatically upon a change in control, as defined under the 2006 Plan.

(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 Mr. Heaney or Mr. Wright have already received severance prior to a change in control.

(3) Mr. Heaney's severance payments due to termination without reasonable cause consist of three times Mr. Heaney's then-current annual base salary.

(4) Mr. Leonard's severance payments include one-half of his annual cash compensation, plus a continuation of all benefits until the earlier of the six-month anniversary of such termination or eligibility to receive benefits from a new employer. Once Mr. Leonard has been employed by Addus HealthCare for one year, his severance payment will increase to three-fourths of his annual cash compensation, to be paid in twelve equal monthly installments, and he will have a continuation of all benefits for twelve months after such termination. In addition, Mr. Leonard will become entitled to an additional one-twelfth of annual cash compensation for each 12-month period he remains continuously employed by Addus HealthCare, up to a maximum of one year of annual cash compensation. As of December 31, 2008, severance equal to six months of annual cash compensation had vested for Mr. Leonard.

(5) Mr. Anderson's severance payments include one year of his annual cash compensation, plus a continuation of all benefits for a period of one year after termination.

(6) Ms. Rudden’s severance payments include one-half of her annual cash compensation, plus a continuation of all benefits until the earlier of the three-month anniversary of such termination or eligibility to receive benefits from a new employer, plus an additional one-twelfth of annual cash compensation for each 12-month period she remains continuously employed by Addus HealthCare, up to a maximum of one year of annual cash compensation. As of December 31, 2008, severance equal to six months of annual cash compensation had vested for Ms. Rudden.

(7) Mr. Diamond’s severance payments include one-half of his annual cash compensation, plus a continuation of all benefits until the earlier of the three-month anniversary of such termination or eligibility to receive benefits from a new employer, plus an additional one-twelfth of annual cash compensation for each 12-month period he remains continuously employed by Addus HealthCare, up to a maximum of one year of annual cash compensation. As of December 31, 2008, severance equal to six months of annual cash compensation had vested for Mr. Diamond.

(8) Mr. Wright’s severance payments include the greater of either three times Mr. Wright’s then-current annual base salary or a continuation of Mr. Wright’s salary through September 19, 2011, assuming annual increases to base salary of 5%, plus a continuation of all benefits for six months.

(9) Mr. Stasiewicz’s severance payments include one half of his annual cash compensation, plus a continuation of all benefits until the earlier of the six-month anniversary of such termination or eligibility to receive benefits from a new employer, plus an additional one-twelfth of annual cash compensation for each 12-month period he remains continuously employed by Addus HealthCare, up to a maximum of one year of annual cash compensation. As of December 31, 2008, severance equal to twelve months of annual cash compensation had vested for Mr. Stasiewicz.

Benefit Plans

2006 Stock Incentive Plan

Our board of directors adopted, and our stockholders approved, our 2006 Stock Incentive Plan, or the 2006 Plan, in September 2006. The purpose of the 2006 Plan is to promote the interest and long-term success of our company by authorizing a committee of our board of directors to attract and retain eligible employees and directors, to provide an additional incentive for employees and directors to work to increase the value of our common stock and to provide each eligible employee or director with a stake in the future of our company which aligns with the interests of our stockholders.

An aggregate of 83,272 shares of our common stock is reserved for issuance under the 2006 Plan. The 2006 Plan provides for the grant of options to purchase our common stock to our eligible employees, directors, consultants and independent contractors. As of December 31, 2008, there were outstanding options to purchase 74,265 shares of our common stock at a weighted average exercise price per share of $101.02 under the 2006 Plan. As of December 31, 2008, options to purchase 9,007 shares of our common stock remained available for future issuance pursuant to awards granted under the 2006 Plan.

Our board of directors, or a committee thereof appointed by our board of directors, has the authority to administer the 2006 Plan and the awards granted under it. Following the completion of this offering, we anticipate that no further awards will be granted under the 2006 Plan, although all outstanding awards will continue to be governed by their existing terms. In addition, prior to the completion of this offering, we expect that our board of directors will specifically designate the compensation committee as the administrator of the 2006 Plan.

The price at which shares of our common stock may be purchased under an option is determined by our board of directors, but such price must be greater than or equal to the fair market value of the underlying shares of common stock on the date the option is granted. Options issued under the 2006 Plan generally vest and become exercisable as to one-fifth of the shares on each of the first five anniversaries of the grant date, with slight variation as set forth in the individual option agreements. Options issued under the 2006 Plan generally expire on the tenth anniversary of the grant date, unless earlier terminated.

After termination of a grantee’s service to our company and its affiliates, he or she may exercise the vested portion of his or her option for the period of time stated in the option agreement. In all cases, however, the option agreement provides that the grantee 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 grantee will have the right to exercise the option for at least six months if the grantee’s service terminates due to death or a qualifying disability.

An optionholder does not have any rights as a stockholder with respect to our common stock covered by an option until the date on which we issue a stock certificate for such common stock. Options granted under the 2006 Plan are nontransferable other than by will or the laws of descent and distribution; however, our named executive officers who are also stockholders are contractually prohibited from transferring any options during and including the period ending 180 days after the date of this prospectus, which period may be extended in the discretion of the underwriters upon the occurrence of certain events. See “Underwriting – Lock-up Agreements.”

Our 2006 Plan provides that, in the event of our acquisition or other change of control, all options granted under the 2006 Plan automatically become vested and fully exercisable. In addition, our board of directors will have the discretion to either cancel the options after providing each optionholder with a reasonable period of no more than seven calendar days to exercise his or her options as of the effective date of the change of control, or, in the case of a change of control where stockholders will receive cash payments in exchange for their stock, to provide that all outstanding options shall terminate as of the effective date of the change of control and that each optionholder shall receive a cash payment in exchange for cancellation of his or her options. Under the latter circumstance, the cash payment would be equal to the amount by which the payment for each share of stock exceeds the option price for such share of stock, subject to adjustments as determined by our board of directors in good faith.

New Equity Incentive Plan

Prior to the completion of this offering, we intend to adopt, and we expect our stockholders to approve, a new equity incentive plan, under which we plan to grant equity incentives to our executive officers based on performance.

401(k) Plan

Currently, all of our non-union employees, including our executive officers, are eligible to participate in our 401(k) plan. Under the 401(k) plan, eligible employees may elect to reduce their current compensation by up to the lesser of 100% of their base salary and cash compensation or the prescribed annual limit and contribute these amounts to the 401(k) plan. The annual limit in 2008 was $15,500. We may, in the discretion of our board of directors, make matching or other contributions to the 401(k) plan on behalf of eligible employees. In 2008, we elected to make a matching contribution equal to 6% of employee contributions. The 401(k) plan is intended to qualify under Section 401 of the Code so that contributions by employees to the 401(k) plan, and income earned on the 401(k) plan contributions, are not taxable to employees until withdrawn from the 401(k) plan. The trustees under the 401(k) plan, at the direction of each participant, invest the 401(k) plan employee salary deferrals in selected investment options.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Since January 1, 2006, 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 $120,000 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 “Management” and “Executive Compensation” appearing elsewhere in this prospectus, and the transactions described below.

Formation and Acquisition of Addus HealthCare

Addus HomeCare Corporation was originally formed by the Eos Funds in July 2006 for the purpose of acquiring Addus HealthCare, which acquisition was completed in September 2006, with the result that Addus HealthCare became a wholly-owned subsidiary of Addus HomeCare Corporation. The stock of Addus HealthCare was acquired for $81.7 million in cash, $10.0 million payable pursuant to the contingent payment agreement described below and 94,375 shares of our common stock. Prior to Addus HealthCare’s acquisition by Holdings, Addus HealthCare was a privately-held company owned by Mark S. Heaney, President and Chief Executive Officer and Chairman of the Board of Holdings and President and Chief Executive Officer of Addus HealthCare, W. Andrew Wright, III, Chairman of Addus HealthCare and a member of our board of directors, and certain members of Mr. Wright’s family and trusts for their benefit, who we collectively refer to as the sellers.

In connection with the initial formation of Holdings and acquisition of Addus HealthCare, we issued the following shares to the following 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:

- The Eos Funds and Freeport Loan Fund, LLC invested an aggregate of $37,750,000 and received an aggregate of 37,750 shares of our series A preferred stock, or 80% of the equity value of Holdings;
- Mark S. Heaney contributed shares of common stock of Addus HealthCare having an aggregate value of $528,500 in exchange for 5,285 shares of our common stock; and
- W. Andrew Wright, III, certain members of his family and trusts for their benefit contributed shares of common stock of Addus HealthCare having an aggregate value of $8,909,000 in exchange for 89,090 shares of our common stock.

In addition, at the closing of the Addus HealthCare acquisition, Messrs. Heaney and Wright received approximately $2.0 million and approximately $27.0 million, respectively, of the purchase price paid to the sellers in connection with our acquisition of Addus HealthCare.

As of September 18, 2006, Addus HealthCare had $87,109 of advances outstanding to Mr. Heaney and $2,162,083 of advances outstanding to Mr. Wright and certain of his affiliates. In September 2006, Messrs. Heaney and Wright repaid $87,109 and $2,071,776 of these advances, respectively, and $90,307 of the advances to Mr. Wright and certain of his affiliates were forgiven.

In addition, immediately prior to our acquisition of Addus HealthCare, Addus HealthCare distributed the capital stock of its discontinued and inactive subsidiaries to the sellers. The value of the net assets of these subsidiaries was $159,273 on the date of distribution.

In connection with the acquisition of Addus HealthCare on September 19, 2006, Holdings entered into a purchase agreement with the sellers. Pursuant to the purchase agreement, subject to certain limitations, following this offering, the sellers will 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 in this prospectus 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 the 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 June 30, 2009, approximately $12.6 million, excluding interest to which the sellers are entitled, of the escrowed funds had been released to the sellers, and $10.5 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 $2.6 million, excluding interest to which the sellers are entitled, remained in escrow as of June 30, 2009 and serves as collateral for outstanding letters of credit securing the pre-2006 workers' compensation claims. The sellers may be required to contribute additional funds to the escrow account to the extent of increases in the amounts of the corresponding outstanding letters of credit. To the extent the escrowed funds are insufficient to fully indemnify us for any losses we may suffer as a result of the pre-2006 workers' compensation claims, the sellers are required to indemnify us for such losses. 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. 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.

Upon completion of this offering, the obligation of the sellers to indemnify us in respect of the pre-2006 workers' compensation claims will be limited to the cash amounts then remaining in the escrow account, and the obligation of the sellers to contribute any additional funds to the escrow account will terminate.

Management Consulting Agreement

In September 2006, Addus HealthCare entered into a management consulting agreement with Eos Management, an affiliate of the Eos Funds, our largest stockholders and an affiliate of our directors Brian D. Young, Mark L. First and Simon A. Bachleda. Pursuant to the management consulting agreement, Eos Management serves as its consultant with respect to proposed financial transactions, acquisitions and other senior management matters related to its business, administration and policies. In exchange for such services, Eos Management is paid aggregate annual management fees of up to $350,000 and is entitled to be reimbursed for its expenses. In connection with the acquisition of Addus HealthCare, we paid Eos Management an aggregate transaction fee of $1.5 million. For 2006, 2007 and 2008, and the six months ended June 30, 2009, we paid Eos Management aggregate fees of $88,000, $350,000, $350,000 and $176,000, respectively.

Pursuant to the management consulting agreement, Addus HealthCare agreed to indemnify Eos Management, its affiliates, stockholders, officers, directors, employees, agents, representatives, counsel, successors and permitted assigns, and hold each of them harmless against any losses which any such person may suffer as a result of any material breach by Addus HealthCare of the management consulting agreement; the performance by Eos Management of services under the management consulting agreement; or the execution, delivery and performance by Addus HealthCare or Eos Management of the management consulting agreement.

The agreement has a term ending on the later of September 19, 2011 and the time at which Eos Management or its affiliates own less than 5% of our outstanding equity securities on a fully diluted basis. The parties have entered into a termination agreement pursuant to which the management consulting agreement, other than the provisions related to the foregoing indemnification obligations, will terminate immediately prior to the completion of this offering.

Consent Fee

We intend to enter into a consent fee agreement with the Eos Funds pursuant to which we will pay to the Eos Funds or their designee(s) an aggregate amount equal to $1.5 million promptly following the completion of this offering in consideration for their agreement to waive certain of their rights under our stockholders' agreement and registration rights agreement to permit this offering to be completed, to convert their shares of series A preferred stock into shares of our common stock immediately prior to the completion of this offering and to accept dividend notes in respect of the accrued and unpaid dividends thereon in lieu of cash.

Dividend Notes

There will be $ million in accrued and unpaid dividends payable in respect of the shares of our series A preferred stock owned by the Eos Funds and Freeport Loan Fund LLC that each has irrevocably elected to convert into common stock immediately prior to the completion of this offering.

Our certificate of incorporation to be in effect at the time of such conversion will permit us to pay the amount of any unpaid dividend accrued on the shares of our series A preferred stock upon conversion in cash, by the issuance of a note or in a combination thereof, at the election of the holder. Freeport Loan Fund LLC has elected to receive the $ in accrued and unpaid dividends payable in respect of the shares of our series A preferred stock held by it in cash. The Eos Funds have elected to receive the $ in accrued and unpaid dividends payable in respect of the shares of our series A preferred stock held by them through the issuance of the dividend notes. Our directors Brian D. Young, Mark L. First and Simon A. Bachleda are affiliates of the Eos Funds.

Interest on the amounts outstanding under the dividend notes will accrue at a rate of 10% per annum, compounded annually. The outstanding principal amount of the dividend notes will be payable in eight equal consecutive quarterly installments commencing on December 31, 2009 and each March 31, June 30, September 30 and December 31 of each year thereafter until paid in full. Interest on the unpaid principal balance of the dividend notes will be due and payable quarterly in arrears together with each payment of principal.

The dividend notes may be prepaid at our option in whole or in part at any time prior to the maturity date. Mandatory prepayments of the dividend notes will be required as follows:

- We will be required to prepay $4.0 million in the aggregate of the outstanding principal amount of the dividend notes and all accrued interest thereon promptly following the completion of this offering from the proceeds of this offering; *provided*, that if this offering results in gross proceeds of more than $70.0 million, we will be required to prepay a portion of the aggregate outstanding principal amount of the dividend notes promptly following the completion of this offering equal to the sum of (a) such $4.0 million aggregate amount of principal plus (b) 50% of the gross proceeds of this offering in excess of $70.0 million, together with all accrued interest on such aggregate principal amount;

- If, after the completion of this offering, we consummate any public offering of newly-issued shares of our common stock and the gross proceeds of such public offering received by us are at least $10.0 million, we will be required, promptly following the receipt of proceeds, to prepay a portion of the aggregate outstanding principal amount of the dividend notes as of such date in an aggregate amount equal to 50% of the amount of such proceeds, together with all accrued interest thereon; and

- We will be required to prepay the aggregate outstanding principal amount of the dividend notes and all accrued interest thereon upon (a) any voluntary or involuntary liquidation, dissolution or winding up of our company, (b) the sale of all or substantially all of our assets, (c) the sale or transfer of our outstanding shares of capital stock or (d) the merger or consolidation of our company with another person or entity, in the case of an event specified in each of clause (c) or (d) above, under circumstances in which the holders of the voting power of our outstanding capital stock immediately prior to such transaction own less than 50% in voting power of our outstanding capital stock or the outstanding capital stock of the surviving or resulting corporation or acquirer, as the case may be, immediately following such transaction.

Stockholders' Agreement

We are a party to a stockholders' agreement with the Eos Funds and certain management stockholders named therein, including Mark S. Heaney and W. Andrew Wright, III, which provides, among other things, for rights to appoint certain directors, rights of representation on committees of our board of directors and rights to force participation in a sale of the company. All of these rights terminate upon completion of this offering.

Contingent Payment Agreement

In September 2006, in connection with our acquisition of Addus HealthCare, we entered into a contingent payment agreement with Mark S. Heaney, W. Andrew Wright, III and certain members of Mr. Wright's family and trusts for their benefit, referred to as the contingent payment recipients, each of whom was a former stockholder of Addus HealthCare. We entered into the contingent payment agreement in recognition of the sellers' desire to maximize the aggregate consideration payable for the shares of Addus HealthCare acquired by Holdings. While we were unwilling to increase the purchase price payable upon the closing of the acquisition, we agreed that the sellers would be entitled to additional consideration, subject to the terms and conditions set forth in the contingent payment agreement. Pursuant to the contingent payment agreement, on the closing date of this offering, the contingent payment recipients will be entitled to receive an aggregate amount equal to the lesser of the implied equity value of our company on a debt-free basis, or the sum of $10 million plus 8% of such amount per annum, compounded annually on the closing date of this offering. Accordingly, we will pay $ to Mr. Heaney and $ to Mr. Wright and certain members of his family and trusts for their benefit on the completion of this offering. See "Use of Proceeds."

Headquarters Lease

Addus HealthCare is party to a lease agreement, dated as of April 1, 1999, with W. Andrew Wright, III, pursuant to which we lease our corporate headquarters in Palatine, Illinois from Mr. Wright. Under this lease, we lease approximately 20,847 square feet of office space. For 2006, 2007 and 2008, and the six months ended June 30, 2009, our aggregate lease expense payable to Mr. Wright was $383,866, $322,000, $350,000 and $182,388, respectively. The term of the lease, as amended to date, expires September 18, 2011. We have the option to renew and extend the lease for an additional five-year term through September 2016, subject to certain conditions, including annual rent increases. The current monthly rent payable under the lease is approximately $30,398 plus our proportionate share of the common costs and expenses. Our monthly base rent under the lease will increase to $31,310 beginning in September 2009 and to $32,249 beginning in September 2010.

Registration Rights Agreement

We are parties to a registration rights agreement with all of our existing stockholders, including 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 stockholders under the Securities Act. See "Description of Capital Stock—Registration Rights."

Limitation of Liability and Indemnification

Our amended and restated certificate of incorporation, which will be in effect prior to the completion of this offering, 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 stockholders 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 stockholders;
- 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, which will be in effect prior to the completion of this offering, 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 stockholders 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 stockholders. Furthermore, a stockholder'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 Brian D. Young, Mark L. First, Simon A. Bachleda, W. Andrew Wright, III and Mark S. Heaney in their capacities as officers and directors (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 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, pursuant to our existing certificate of incorporation, 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 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.

Policies and Procedures for Transactions with Related Persons

We intend to adopt a written code of business conduct and ethics in accordance with the rules of The NASDAQ Stock Market LLC, or code of conduct, effective as of the date of and applicable to transactions after this offering, pursuant to which our executive officers, directors and principal stockholders, including their immediate family members and affiliates, will not be 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 of directors in the event it is inappropriate for our audit committee to review such transaction due to a conflict of interest. Any request for us to enter into a transaction with an executive officer, director, principal stockholder or any of such persons' immediate family members or affiliates, 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, executive officers and employees will be 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 agreements 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. This policy has not been and will not be applied to the transactions described above.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our capital stock, as of June 30, 2009, 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 officers, directors and principal stockholders. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed below, based on the information each of them has given to us, 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 June 30, 2009 to be outstanding and beneficially owned by the person holding the options for the 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 June 30, 2009, we did not have any warrants issued or outstanding.

The percentage of shares beneficially owned prior to the offering is based on 471,875 shares of our common stock outstanding as of June 30, 2009, assuming conversion of all outstanding shares of our series A preferred stock into shares of common stock at a ratio of 1:10, and assuming no exercise of outstanding options. The percentage of shares beneficially owned after the offering is based on shares of common stock outstanding after the closing of the offering, assuming no exercise of the underwriters' overallotment option.

Unless otherwise indicated, the address for each person or entity named below is 2401 South Plum Grove Road, Palatine, Illinois 60067.

	Shares Beneficially Owned Prior to the Offering		Shares to be Beneficially Owned After the Offering	
Name of Beneficial Owner	**Number**	**%**	**Number**	**%**
Eos Funds (1)	372,500	78.9	372,500	
Mark S. Heaney (2)	11,946	2.5	11,946	
Francis J. Leonard (3)	1,110	*	1,110	
Darby Anderson (4)	2,220	*	2,220	
Sharon Rudden (5)	416	*	416	
Paul Diamond (6)	1,248	*	1,248	
W. Andrew Wright, III (7)	99,293	19.9	99,293	
David W. Stasiewicz (8)	1,720	*	1,720	
Brian D. Young (1)	372,500	78.9	372,500	
Mark L. First (1)	372,500	78.9	372,500	
Simon A. Bachleda (1)	372,500	78.9	372,500	
All directors and executive officers as a group (8 persons)	389,440	80.5	389,440	

* Less than one percent.

(1) Consists of 289,400 shares of common stock issuable upon conversion of the 28,940 shares of series A preferred stock held by Eos Capital Partners III, L.P. and 83,100 shares of common stock issuable upon conversion of the

8,310 shares of series A preferred stock held by Eos Partners SBIC III, L.P., which are affiliates and are referred to as the Eos Funds. The Eos Funds have irrevocably elected to convert all such shares of series A preferred stock into shares of common stock prior to the completion of this offering. As a Managing Member of Eos General, L.L.C., Mr. Young has voting and investment control over and may be considered the beneficial owner of stock owned by the Eos Funds. As a Managing Director of Eos Management, L.P., Mr. First has voting and investment control over and may be considered the beneficial owner of stock owned by the Eos Funds. As a Principal of Eos Management, L.P., Mr. Bachleda has voting and investment control over and may be considered the beneficial owner of stock owned by the Eos Funds. Each of Messrs. First and Bachleda 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.

(2) Includes options to purchase 6,661 shares, all of which are immediately exercisable.

(3) Includes options to purchase 1,110 shares, all of which are exercisable within 60 days of June 30, 2009.

(4) Includes options to purchase 2,220 shares, all of which are immediately exercisable.

(5) Includes options to purchase 416 shares, all of which are immediately exercisable.

(6) Includes options to purchase 1,248 shares, all of which are immediately exercisable.

(7) Includes 27,757 shares beneficially owned by Mr. Wright which may be purchased upon exercise of stock options that were exercisable as of June 30, 2009 or within 60 days of such date.

(8) Includes options to purchase 1,720 shares, all of which are immediately exercisable.

DESCRIPTION OF CAPITAL STOCK

The following is a summary of the material terms of our capital stock and provisions of our amended and restated certificate of incorporation and amended and restated bylaws, as they will be in effect upon the completion of this offering. This summary does not purport to be complete and is qualified in its entirety by the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, copies of which will be filed as exhibits to the registration statement of which this prospectus is a part. Upon the completion of this offering, our authorized capital stock will consist of   shares of common stock, $0.001 par value per share, and shares of preferred stock, $0.001 par value per share.

Common Stock

As of June 30, 2009, there were 471,875 shares of our common stock outstanding, assuming the conversion of all outstanding shares of series A preferred stock into 377,500 shares of common stock, held of record by eight stockholders. Each share of our common stock entitles its holder to one vote on all matters to be voted on by our stockholders. There is no provision for cumulative voting for the election of directors in our amended and restated certificate of incorporation. This means that the holders of a majority of the shares voted can elect all of the directors then standing for election. Subject to preferences to which holders of any series of our preferred stock that we may designate may be entitled, holders of our common stock will receive ratably any dividends our board of directors declares out of funds legally available for that purpose. If we liquidate, dissolve or wind-up our business, the holders of our common stock are entitled to share ratably in all distributions of assets remaining after payment of liabilities and the satisfaction of any liquidation preference of any outstanding shares of preferred stock that we may designate. Holders of our common stock have no preemptive rights, conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock.

The rights, preferences and privileges of holders of our common stock are subject to and may be adversely affected by the rights of holders of any series of preferred stock that we may designate.

Preferred Stock

The holders of our outstanding shares of series A preferred stock have irrevocably elected to convert such shares into an aggregate of 377,500 shares of our common stock immediately prior to the completion of this offering. Following the completion of this offering, no shares of our preferred stock will be issued or outstanding. We will be authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions. Our board of directors will also be able to increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding and not the number of authorized shares of preferred stock or common stock as a whole, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change of control of our company and may adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plans to issue any shares of our preferred stock.

Registration Rights

Pursuant to the terms of our registration rights agreement, following this offering, the holders of 521,286 shares of our common stock, including shares of common stock issued upon conversion of our series A preferred stock and the exercise of outstanding options, will be entitled to rights with respect to the registration of these shares under the Securities Act, as described below.

Demand registration rights. At any time beginning six months after the completion of this offering, upon the written request of either (a) holders of a majority of the shares held by the Eos Funds and Freeport Loan Fund LLC, which we refer to collectively as the investor stockholders, or (b) holders of a majority of the shares held by Mark S. Heaney, W. Andrew Wright, III and certain members of Mr. Wright's family and trusts for their benefit, who we refer to collectively as the management stockholders, we will be obligated to use our best efforts to register such shares. We are not required to effect more than three registrations requested by the investor stockholders or more than one registration requested by the management stockholders. We may delay the filing or effectiveness of any registration statement for a period of up to 30 days after the date of any such request if at the time of such request we have engaged or have plans to engage within 15 days of the time of such request in a firm commitment underwritten public offering of shares in which the holders will be permitted to include the shares requested to be registered, or if our board of directors reasonably determines that such registration would interfere with any material transaction involving our company. These rights may only be invoked one time during any 12-month period.

Piggyback registration rights. If we register any of our securities under the Securities Act (other than on Form S-4 or Form S-8 promulgated under the Securities Act (or any successor forms thereto)), the investor stockholders and management stockholders will have the right to include any or all of their shares in the registration statement subject to certain exceptions. All of the investor stockholders and management stockholders have waived their piggyback registration rights with respect to this offering.

Form S–3 registration rights. At such time as we are qualified for the use of a Form S-3 registration statement, holders of a majority of the shares held by the investor stockholders will have the right to request an unlimited number of registrations on Form S-3, and holders of a majority of the shares held by the management stockholders will have the right to request three registrations on Form S-3, in each case, provided that any such request relates to shares having an aggregate offering price of at least $2,000,000.

Cut-backs. In connection with any registration, if the managing underwriter advises us that the inclusion of all shares proposed to be included in such registration would interfere with the successful marketing (including pricing) of the shares proposed to be included in such registration, then the number of shares to be included in the registration will consist of first, the shares requested to be included in the registration by the investor stockholders or management stockholders, as applicable, second, previously authorized but unissued shares, and third, other shares of common stock.

Registration expenses. We will pay all expenses incurred in connection with each of the registrations described above, except for underwriting discounts and selling commissions.

Termination. The registration rights described above will terminate when all of the shares held by the investor stockholders and management stockholders have been registered under the Securities Act, are eligible for sale under Rule 144 promulgated under the Securities Act, cease to be outstanding or are no longer subject to any restrictive legend.

Anti-Takeover Effects of Provisions of the Certificate of Incorporation, Bylaws and Other Agreements

Stockholders' rights and related matters are governed by the Delaware General Corporation Law, our amended and restated certificate of incorporation and our amended and restated bylaws, which will be effective prior to the completion of this offering. Provisions of the Delaware General Corporation Law, our amended and restated certificate of incorporation and our amended and restated bylaws, which are summarized below, may discourage or make more difficult a takeover attempt that a stockholder might consider in its best interest. These provisions are designed to encourage persons seeking to acquire control of our company to first negotiate with our board of directors. They are also intended to provide our management with the flexibility to enhance the likelihood of continuity and stability if our board of directors determines that a takeover is not in our best interests or the best interests of our stockholders. These provisions, however, could have the effect of discouraging attempts to acquire us, which could deprive stockholders of opportunities to sell their shares of our common stock at prices higher than prevailing market prices. We believe that the benefits of these provisions, including increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure our company, outweigh the disadvantages of discouraging takeover proposals because negotiation of takeover proposals could result in an improvement of their terms. These provisions may also adversely affect prevailing market prices for the common stock.

Board of Directors

Our amended and restated certificate of incorporation, which will be effective prior to the completion of this offering, provides that our board of directors will be classified with approximately one-third elected each year. The number of directors will be fixed from time to time by a majority of the total number of directors which we have at the time such number is fixed if there were no vacancies. Our board of directors will be divided into three classes, designated class I, class II and class III. Each class will consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire board. The term of the class I directors will terminate on the date of the 2010 annual meeting of stockholders; the term of initial class II directors will terminate on the date of the 2011 annual meeting of stockholders; and the term of initial class III directors will terminate on the date of the 2012 annual meeting of stockholders. At each annual meeting of stockholders beginning in 2010, successors to the class of directors whose term expires at that annual meeting will be elected for a three-year term. In addition, if the number of directors is changed, any increase or decrease will be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class will hold office for a term that will coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. Our board of directors has the sole authority to fill any vacancy on our board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise. Our amended and restated certificate of incorporation also provides that directors may be removed only for cause at a meeting of stockholders at which a quorum is present by the affirmative vote of at least 66 2/3% of the votes entitled to be cast thereon.

Undesignated Preferred Stock

Our amended and restated certificate of incorporation authorizes our board of directors to designate by resolution different classes and series of preferred stock. Our board of directors will also be empowered to fix the relative rights, preferences, privileges and limitations of each class or series of preferred stock. This means that our board of directors may issue shares of preferred stock with rights and preferences, including, among other things, dividend, liquidation, redemption and voting rights, that are superior to the rights, preferences and privileges of the shares of our common stock issued in this offering. The ability of our board of directors to designate the rights and preferences of the preferred stock could impede or deter an unsolicited tender offer, merger or takeover of our business, or make a change of control of our company difficult to accomplish.

Advance Notice Procedures

Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors. Stockholder nominations for directors or proposals for business to be conducted at our annual meeting must be delivered to our secretary, in proper form, not later than the 120th day nor earlier than the 150th day prior to the first anniversary of the preceding year’s annual meeting, except that if the date of the annual meeting is more than 30 days before or more than 60 days after the anniversary date, notice must be delivered not earlier than the 150th day prior to such annual meeting and not later than the close of business on the later of the 120th day prior to the annual meeting or the 10th day following our public announcement of the meeting date. To be in proper form, any notice for the nomination of directors must contain all information relating to the individual subject to such nomination that is required to be disclosed in solicitations of proxies for election of directors under securities laws, as well as the nominee’s written consent to being named in a proxy statement as a nominee and to serving as a director if elected. To be in proper form, any notice to propose business to come before our annual meeting must contain a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and the language of any proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made. Furthermore, to be in proper form, any notice for the nomination of directors or to propose business to come before our annual meeting must contain:

- the name and address of the nominating or proposing stockholder, as applicable, and beneficial owner;
- the class, series and number of shares of our capital stock owned beneficially and of record by such stockholder and such beneficial owner;
- a representation that the stockholder is a holder of record of our stock, entitled to vote at such meeting and that such stockholder intends to appear in person or by proxy at the meeting to propose such nomination or business, as applicable;
- whether the stockholder or beneficial owner has entered into any arrangements with the effect of mitigating loss or managing risk on our stock, and the extent of any such arrangement; and
- a representation whether the stockholder or the beneficial owner intends to solicit proxies.

Special Meetings of Stockholders

Under our amended and restated certificate of incorporation, special meetings of the stockholders may only be called by the chairman of the board or our board of directors.

No Cumulative Voting

Our amended and restated certificate of incorporation and amended and restated bylaws do not provide for cumulative voting in the election of directors. Cumulative voting allows a minority stockholder to vote all or a portion of its shares for one or more candidates for seats on the board of directors. Without cumulative voting, a minority stockholder will not be able to gain as many seats on our board of directors based on the number of shares of our stock the stockholder holds as the stockholder would be able to gain if cumulative voting were permitted. The absence of cumulative voting makes it more difficult for a minority stockholder to gain a seat on our board of directors to influence our board of directors’ decision regarding a takeover.

Certificate of Incorporation Amendments

Any amendment to the provisions of our amended and restated certificate of incorporation regarding the bylaws, indemnification of directors, our board of directors, special meetings of stockholders, special stockholder notice provisions, special stockholder voting requirements or amendment of our amended and restated certificate of incorporation will require the affirmative vote of at least 66 $^2/_3$% of the votes entitled to be cast on such matter, unless such amendment is deemed advisable by the affirmative vote of at least 75% of our board of directors, in which case such amendment will require the affirmative vote of a majority of the votes entitled to be cast on such matter.

Credit Facility Restrictions

Our existing credit facility contains a covenant restricting our ability to enter into a merger or consolidation or acquisition of all or any of the stock, business or assets of another entity, unless we obtain the prior consent of the lenders.

Delaware Anti-Takeover Law

We are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. In general, those provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

- the transaction is approved by the board of directors prior to the date the interested stockholder obtained such status;

- upon completion of the transaction which resulted in the stockholder becoming an interested stockholder, the stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or subsequent to the date of the combination, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 $^2/_3$% of the outstanding voting stock which is not owned by the interested stockholder.

In this context, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with his or her affiliates and associates, owns or, within three years owned, 15% or more of a corporation's outstanding voting securities.

The application of Section 203 of the Delaware General Corporation Law could prohibit or delay mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us even if a change in control would be beneficial to the interests of our stockholders. However, because the Eos Funds acquired their shares prior to this offering, Section 203 is currently inapplicable to any business combination with the Eos Funds or their affiliates.

Transfer Agent and Registrar

Computershare Trust Company, N.A. has been appointed as the transfer agent and registrar for our common stock.

Listing

We have applied to list our common stock on The Nasdaq Global Market under the trading symbol "ADUS."

Shares Eligible for Future Sale

Prior to this offering, no public market existed for our common stock. As described below, only a limited number of shares currently outstanding will be available for sale immediately after this offering due to legal and contractual restrictions on resale. Nevertheless, future sales of substantial amounts of our common stock in the public market after these restrictions lapse, including shares issued upon exercise of outstanding options, or the perception that these sales could occur, could adversely affect prevailing market prices for our common stock and could impair our future ability to raise equity capital.

After the completion of this offering, shares of our common stock will be outstanding, after giving effect to the conversion of all of the outstanding shares of our series A preferred stock and assuming that the underwriters do not exercise their over-allotment option. Of these outstanding shares, shares sold in this offering, or shares if the underwriters' over-allotment option is exercised in full, will be freely transferable without restriction or further registration under the Securities Act, unless the shares are held by our "affiliates," as that term is defined under Rule 144 under the Securities Act, or Rule 144.

The remaining shares of common stock that will be outstanding upon the completion of this offering will be "restricted securities," as defined under Rule 144. Restricted securities may be sold in the U.S. public markets only if registered or if they qualify for an exemption from registration, including by reason of Rule 144 or 701 under the Securities Act, which rules are summarized below. For shares of common stock received upon payment of the exercise price of an option, the Rule 144 holding period commences on the date the holder acquires the shares of common stock received upon exercise. These remaining shares will be eligible for sale in the public market upon the expiration of the registration rights agreement lock-up provisions and the lock-up agreements, in each case described below.

Rule 144

In general, under Rule 144, beginning 90 days after the date of this prospectus, a person who is not our affiliate and has not been our affiliate at any time during the preceding three months will be entitled to sell any shares of our common stock that such person has beneficially owned for at least six months, including the holding period of any prior owner other than one of our affiliates, without regard to volume limitations. Sales of our common stock by any such person would be subject to the availability of current public information about us if the shares to be sold were beneficially owned by such person for less than one year.

In addition, under Rule 144, a person may sell shares of our common stock acquired from us immediately upon the completion of this offering, without regard to volume limitations or the availability of public information about us, if:

- the person is not our affiliate and has not been our affiliate at any time during the preceding three months; and
- the person has beneficially owned the shares to be sold for at least one year, including the holding period of any prior owner other than one of our affiliates.

Beginning 90 days after the date of this prospectus, our affiliates who have beneficially owned shares of our common stock for at least six months, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; and
- the average weekly trading volume in our common stock on The Nasdaq Global Market during the four calendar weeks preceding the date of filing of a Notice of Proposed Sale of Securities Pursuant to Rule 144 with respect to the sale.

Sales under Rule 144 by our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 of the Securities Act, as in effect as of the date of this prospectus, permits any of our employees, officers, directors or consultants who purchased or received shares from us pursuant to a written compensatory plan or contract to resell such shares in reliance on Rule 144, but without compliance with certain restrictions. Subject to any applicable lock-up agreements, Rule 701 provides that affiliates may sell their Rule 701 shares under Rule 144 beginning 90 days after the date of this prospectus without complying with the holding period requirement of Rule 144 and that non-affiliates may sell such shares in reliance on Rule 144 beginning 90 days after the date of this prospectus without complying with the holding period, public information, volume limitation or notice requirements of Rule 144.

Form S–8 Registration Statements

We intend to file one or more registration statements on Form S–8 under the Securities Act after the completion of this offering to register the shares of our common stock that are issuable pursuant to our equity incentive plans. These registration statements are expected to be filed soon after the date of this prospectus and will be effective upon filing. Shares covered by these registration statements will then be eligible for sale in the public markets, subject to any applicable lock-up agreements and to Rule 144 limitations applicable to affiliates.

Registration Rights

After completion of this offering and based on shares outstanding as of June 30, 2009, the holders of 471,875 shares of our common stock and 49,411 shares of our common stock issuable upon the exercise of our outstanding stock options will be entitled to various rights with respect to the registration of their shares of common stock for offer or sale to the public pursuant to a registration rights agreement. If these shares are registered, they will be freely tradable without restriction under the Securities Act. For additional information, see “Description of Capital Stock—Registration Rights.”

Lock-up Agreements

Our executive officers, directors and the holders of all of our outstanding shares of stock have entered into lock-up agreements pursuant to which they have agreed not to sell, transfer or otherwise dispose of any of their shares for a period of 180 days following the date of this prospectus, subject to extension in the case of an earnings release or material news or a material event relating to us. Jefferies & Company, Inc. may, in its sole discretion and at any time or from time to time before the termination of the 180-day period, without notice, release all or any portion of the securities subject to these lock-up agreements. See “Underwriting—Lock-up Agreements.” In addition to the foregoing, each of our existing stockholders is subject to similar lock-up obligations pursuant to our registration rights agreement. See “Description of Capital Stock—Registration Rights.”

U.S. Federal Income Tax Considerations for Non-U.S. Holders

The following is a general discussion of material U.S. federal income tax consequences of the acquisition, ownership and disposition of our common stock purchased pursuant to this offering by a beneficial owner that, for U.S. federal income tax purposes, is treated as a non–U.S. holder. As used in this prospectus, the term “non–U.S. holder” is a person that is not, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation or partnership (including any entity treated as such for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States or of any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, the administration of which is subject to the primary supervision of a U.S. court and one or more U.S. persons have the authority to control all of its substantial decisions, or that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.

An individual may be treated, for U.S. federal income tax purposes, as a resident of the United States in any calendar year by being present in the United States on at least 31 days in that calendar year and for an aggregate of at least 183 days during a three–year period ending in the current calendar year. The 183–day test is determined by counting all of the days the individual is treated as being present in the current year, one–third of such days in the immediately preceding year and one–sixth of such days in the second preceding year. Residents are subject to U.S. federal income tax as if they were U.S. citizens.

If a partnership or other entity treated as a partnership for U.S. federal income tax purposes is a beneficial owner of our common stock, the treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. We urge any beneficial owner of our common stock that is a partnership and partners in these partnerships to consult their tax advisors regarding the U.S. federal income tax consequences of acquiring, owning and disposing of our common stock.

This discussion assumes that non–U.S. holders will acquire and hold our common stock sold pursuant to this offering as a capital asset (generally, property held for investment) within the meaning of the Code, which will generally be the case if you hold our stock for investment.

This discussion does not address all aspects of U.S. federal taxation that may be relevant to a particular non–U.S. holder in light of the holder’s individual investment or tax circumstances, or to non–U.S. holders that are subject to special U.S. federal income tax rules. Without limiting the forgoing, this description of U.S. tax consequences does not address:

- U.S. state and local or non–U.S. tax consequences;
- the tax consequences for the stockholders, partners, beneficiaries or other owners of a non–U.S. holder; and
- special tax rules that may apply to non–U.S. holders subject to special tax treatment under U.S. federal tax laws, including:
  - former citizens or residents of the United States subject to tax as expatriates;
  - partnerships or other pass–through entities;
  - pension plans;
  - hybrid entities;
  - tax-exempt entities;
  - controlled foreign corporations and passive foreign investment companies;
  - banks, financial institutions and insurance companies;
  - real estate investment trusts, regulated investment companies or grantor trusts;

- certain trusts;
- brokers and dealers in securities;
- holders of securities held as part of a “straddle,” “hedge,” “conversion transaction” or other risk–reduction or integrated transaction; and
- persons who hold or receive our common stock as compensation, such as that received pursuant to stock option plans and stock purchase plans.

This discussion is based on current provisions of the Code, final, temporary and proposed U.S. Treasury regulations, judicial opinions, published positions of the U.S. Internal Revenue Service, or the IRS, and other applicable authorities, all as in effect on the date hereof and all of which are subject to differing interpretations or change, possibly with retroactive effect, which could materially affect the tax consequences described herein. We have not requested, nor will we request, a ruling from the IRS or an opinion of counsel with respect to the tax consequences discussed herein, and there can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any position taken by the IRS would not be sustained.

In view of the foregoing and because the following is intended as a general summary only, we urge you to consult your tax advisor regarding the U.S. federal tax consequences of acquiring, owning or disposing of our common stock, as well as any tax consequences that may arise under the laws of any foreign, state, local or other taxing jurisdiction or under any applicable tax treaty.

Dividends

As described under “Dividend Policy” above, we do not anticipate making distributions with respect to our common stock in the foreseeable future. If, however, distributions are made with respect to shares of our common stock, such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. References in the remainder of this discussion to “dividends” will be to distributions that are treated as dividends for U.S. federal tax purposes. Distributions in excess of our current or accumulated earnings and profits, referred to herein as “non-dividend distributions,” generally will constitute a return of capital to the extent of the recipient’s adjusted tax basis in our common stock and will be applied against and reduce such adjusted tax basis. To the extent that a non-dividend distribution exceeds the recipient’s adjusted tax basis in our common stock, the excess will be treated as gain realized on the sale or other disposition of the common stock and will be treated, for non–U.S. holders, as described under “—Disposition of Common Stock” below.

Distributions made to a non–U.S. holder, that are not treated as effectively connected with the non–U.S. holder’s conduct of a trade or business in the United States, generally will be subject to U.S. federal income withholding tax at a rate of 30% of the gross amount of the distribution unless the holder is entitled to an exemption from or reduced rate of withholding under an applicable income tax treaty. To receive a reduced treaty rate, prior to the making of a distribution, a non–U.S. holder must provide us with an IRS Form W–8BEN (or successor form) certifying qualification for the reduced rate.

Distributions made to a non–U.S. holder that are treated as effectively connected with a non–U.S. holder’s conduct of a trade or business in the United States, or, if an applicable income tax treaty applies, that are attributable to a permanent establishment or fixed base maintained by the non–U.S. holder in the United States, generally are not subject to the U.S. withholding tax. To obtain this exemption, prior to the making of a distribution, a non–U.S. holder must provide us with an IRS Form W–8ECI (or successor form) properly certifying this exemption. The portion of any such effectively connected distributions or distributions attributable to a permanent establishment that constitute a dividend, together with other U.S. trade or business income, net of specified deductions and credits, generally are subject to U.S. federal income tax at rates applicable to U.S. persons. In addition, such dividends received by a corporate non–U.S. holder that are effectively connected with a U.S. trade or business, or dividends attributable to a corporate non–U.S. holder’s permanent establishment in the United States, if an income tax treaty applies, may be subject to an additional “branch profits tax” at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty.

Regardless of whether the distribution is treated as effectively connected with the non–U.S. holder's conduct of a trade or business in the United States, if we are, or have been at any time during the five–year period preceding such distribution (or the non–U.S. holder's holding period, if shorter), a "United States real property holding corporation" (see "—Disposition of Common Stock" below), we may be required to withhold 10% of the gross amount of a non–dividend distribution (*i.e*., not made out of earnings and profits). Consequently, we may withhold at a 10% rate in circumstances in which withholding at a 30% rate, or lower rate as specified in an applicable income tax treaty, does not apply or may not apply. Although we are not currently a U.S. real property holding corporation and do not expect to become a U.S. real property holding corporation, it is possible that we could become a U.S. real property holding corporation. Accordingly, although we do not expect to become a U.S. real property holding corporation, no assurances can be made in this regard.

A non–U.S. holder who provides us with an IRS Form W–8BEN or an IRS Form W–8ECI will be required to periodically update such form.

A non–U.S. holder that is eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS.

Disposition of Common Stock

A non–U.S. holder generally will not be subject to U.S. federal income tax, including by way of withholding, on gain recognized on a sale, exchange or other taxable disposition of our common stock. If, however, any one of the following applies, a non-U.S. holder will generally be subject to tax at the rates to which U.S. persons are subject:

- The non–U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale, exchange or other taxable disposition and certain other conditions are met;
- The gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States or (if an applicable tax treaty requires) attributable to a U.S. permanent establishment or fixed base of such non-U.S. holder, which gain, in the case of a corporate non–U.S. holder, must also be taken into account for branch profits purposes; or
- We are, or have been at any time during the five–year period preceding such disposition, or the non–U.S. holder's holding period, if shorter, a "United States real property holding corporation," unless (1) our common stock is regularly traded on an "established securities market," as defined in applicable U.S. Treasury regulations, and (2) the non–U.S. holder holds no more than 5% of our outstanding common stock, directly or indirectly, during the relevant five–year period, or the non–U.S. holder's holding period, if shorter. Generally, we will be a United States real property holding corporation if the fair market value of our U.S. real property interests equals or exceeds 50% of the sum of the fair market values of our worldwide real property interests and our other assets used or held for use in a trade or business, all as determined under applicable U.S. Treasury regulations. Although we are not currently a U.S. real property holding corporation and do not expect to become a U.S. real property holding corporation, it is possible that we could become a U.S. real property holding corporation in the future. Accordingly, although we do not expect to become a U.S. real property holding corporation, no assurances can be made in this regard. If we are a U.S. real property holding corporation and you are a non–U.S. stockholder owning more than 5% of our outstanding common stock, directly or indirectly, during the relevant period prescribed above, you may be subject to U.S. federal income tax (including a 10% withholding tax) on your disposition of our common stock and should consult your tax advisor.

U.S. Federal Estate Taxes

An individual non–U.S. holder who is treated as the owner, or has made certain lifetime transfers, of an interest in our common stock will be required to include the value thereof in his or her gross estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

Generally, we must report annually to the IRS the amount of distributions paid, the name and address of the recipient and the amount of the tax withheld, if any. A similar report is sent to the holder. The information reporting requirement applies regardless of whether withholding was required. Copies of the information returns reporting those distributions and withholding, if any, may also be made available to the tax authorities in the country in which the non–U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement. The gross amount of dividends paid to a non–U.S. holder subject to information reporting that fails to certify its non–U.S. holder status in accordance with applicable U.S. Treasury regulations may be subject to backup withholding at the applicable rate.

Payments of dividends or of proceeds on the disposition of stock made to a non–U.S. holder may be subject to additional informational reporting and backup withholding. Backup withholding will not apply if the non–U.S. holder established an exemption, for example, by properly certifying its non–U.S. status on an IRS Form W–8BEN (or successor form). Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be refunded or credited against the non–U.S. holder’s U.S. federal income tax liability, if any, provided that certain required information is furnished to the IRS in a timely manner.

The foregoing discussion is only a summary of certain U.S. federal income and estate tax consequences of the acquisition, ownership and disposition of our common stock by non–U.S. holders. You are urged to consult your own tax advisor with respect to the particular tax consequences to you of ownership and disposition of our common stock, including the effect of any U.S., state, local, non–U.S. or other tax laws and any applicable income or estate tax treaty.

UNDERWRITING

Jefferies & Company, Inc. is acting as the representative of the underwriters and as sole bookrunning manager of this offering. Under the terms and subject to the conditions contained in an underwriting agreement to be entered into prior to the completion of this offering and to be filed as an exhibit to the registration statement of which this prospectus is a part, the underwriters named below have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares indicated below:

Name	Number of Shares
Jefferies & Company, Inc.	
Robert W. Baird & Co. Incorporated	
Oppenheimer & Co. Inc.	
Total	

The underwriting agreement will provide that the underwriters are obligated to purchase all the shares of common stock in this offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement will provide that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to certain conditions.

Over-Allotment Option

We will grant to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of   additional shares of common stock at the public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. If the underwriters exercise this option, each underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares proportionate to that underwriter's initial purchase commitment as indicated in the table above.

Commission and Expenses

The underwriters have advised us that they propose to offer the shares of common stock to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and certain dealers may reallow, a discount from the concession not in excess of $ per share of common stock to certain brokers and dealers. After the offering, the initial public offering price, concession and reallowance to dealers may be reduced by the representative. No such reduction shall change the amount of proceeds to be received by us as set forth on the cover page of this prospectus. The shares of common stock are offered by the underwriters as stated herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. The underwriters do not intend to confirm sales to any accounts over which they exercise discretionary authority.

The following table shows the public offering price, the underwriting discounts and commissions payable to the underwriters by us, and the proceeds, before expenses, to us. Such amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option to purchase additional shares.

	Per Share		Total	
	Without Over-allotment	With Full Exercise of Over-allotment	Without Over-allotment	With Full Exercise of Over-allotment
Public offering price	$	$	$	$
Underwriting discount and commissions paid by us				
Proceeds, before expenses, to us				

We estimate expenses payable by us in connection with the offering of shares of common stock, other than the underwriting discount and commissions referred to above, will be approximately $ million.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act and liabilities arising from breaches of representations and warranties contained in the underwriting agreement, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

Lock-up Agreements

We, our executive officers and directors and all of our existing stockholders have agreed, subject to specified exceptions, not to directly or indirectly:

- sell, offer, contract or grant any option to sell (including any short sale), pledge, transfer, establish an open “put equivalent position” within the meaning of Rule 16a-1(h) under the Securities Exchange Act of 1934, or the Exchange Act;
- otherwise dispose of any shares of common stock, options or warrants to acquire shares of common stock, or securities exchangeable or exercisable for or convertible into shares of common stock currently or hereafter owned either of record or beneficially; or
- publicly announce an intention to do any of the foregoing for a period of 180 days after the date of this prospectus without the prior written consent of Jefferies & Company, Inc.

This restriction terminates after the close of trading of the shares of common stock on and including the 180-day period ending after the date of this prospectus. However, subject to certain exceptions, in the event that either (i) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs or (ii) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day restricted period, then in either case the expiration of the 180-day restricted period will be extended until the expiration of the 18-day period beginning on the date of the issuance of an earnings release or the occurrence of the material news or event, as applicable, unless Jefferies & Company, Inc. waives, in writing, such an extension.

Jefferies & Company, Inc. may, in its sole discretion and at any time or from time to time before the termination of the 180-day period, without notice, release all or any portion of the securities subject to these lock-up agreements. There are no existing agreements between the underwriters and any of the persons who will execute a lock-up agreement, providing consent to the sale of shares prior to the expiration of the lock-up period.

In addition to the foregoing, each of our existing stockholders is subject to similar lock-up obligations pursuant to our registration rights agreement. See “Description of Capital Stock—Registration Rights.”

Listing

We have applied to list our common stock on The Nasdaq Global Market under the trading symbol “ADUS.”

Electronic Distribution

A prospectus in electronic format may be made available on websites or through other online services maintained by one or more of the underwriters of this offering, or by their affiliates. Other than the prospectus in electronic format, the information on an underwriter’s website and any information contained in any other website maintained by that underwriter is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter in its capacity as underwriter and should not be relied upon by investors.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares of common stock is completed, SEC rules may limit underwriters from bidding for and purchasing shares. However, the representative may engage in transactions that stabilize the market price of the shares, such as bids or purchases to peg, fix or maintain that price so long as stabilizing transactions do not exceed a specified maximum.

In connection with this offering, the underwriters may engage in transactions that stabilize, maintain or otherwise make short sales of shares of our common stock and may purchase shares of our common stock on the open market to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering. "Covered" short sales are sales made in an amount not greater than the underwriters' over-allotment option to purchase additional shares in this offering. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. "Naked" short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in this offering. A "stabilizing bid" is a bid for or the purchase of shares of common stock on behalf of the underwriter in the open market prior to the completion of this offering for the purpose of fixing or maintaining the price of the shares of common stock. A "syndicate covering transaction" is the bid for or purchase of shares of common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our stock or preventing or retarding a decline in the market price of our stock. As a result, the price of our stock may be higher than the price that might otherwise exist in the open market.

The representative may also impose a "penalty bid" on underwriters. A "penalty bid" is an arrangement permitting the representative to reclaim the selling concession otherwise accruing to the underwriters in connection with this offering if the shares of common stock originally sold by the underwriters are purchased by the underwriters in a syndicate covering transaction and have therefore not been effectively placed by the underwriters. The imposition of a penalty bid may also affect the price of the shares of common stock in that it discourages resales of those shares of common stock.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of shares of our common stock. In addition, neither we nor any of the underwriters makes any representation that the representative will engage in these transactions or that any transaction, if commenced, will not be discontinued without notice.

Passive Market Making

In connection with the offering, the underwriters may engage in passive market-making transactions in the common stock on The Nasdaq Global Market in accordance with Rule 103 of Regulation M under the Exchange Act during the period before the commencement of offers or sales of common stock and extending through the completion and distribution. A passive market-maker must display its bids at a price not in excess of the highest independent bid of the security. However, if all independent bids are lowered below the passive market-maker's bid that bid must be lowered when specified purchase limits are exceeded.

No Public Market

Prior to this offering, there has not been a public market for our common stock. Consequently, the initial public offering price for our shares of common stock was determined by negotiations between us and the underwriters. Among the factors considered in these negotiations were prevailing market conditions, our financial information, market valuations of other companies that we and the underwriters believe to be comparable to us, estimates of our business potential, the present state of our development and other factors deemed relevant.

We offer no assurances that the initial public offering price will correspond to the price at which the common stock will trade in the public market subsequent to the offering or that an active trading market for the common stock will develop and continue after the offering.

Affiliations

Certain of the underwriters or their respective affiliates have in the past performed investment banking and other financial services for our affiliates for which they received advisory or transaction fees, as applicable, plus out-of-pocket expenses, of the nature and in amounts customary in the industry for these financial services. Each of the underwriters may perform such services for us or our affiliates in the future.

Notice to Investors

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the European Union Prospectus Directive (Directive 2003/71/EC), each of which we refer to as a "Relevant Member State," an offer to the public of any shares which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State prior to the publication of a prospectus in relation to our common stock which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive except that an offer to the public in that Relevant Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of: an average of at least 250 employees during the last financial year; a total balance sheet of more than 43,000,000 euros; and an annual net turnover of more than 50,000,000 euros, as shown in its last annual or consolidated accounts;
- by the managing underwriters to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Jefferies & Company, Inc. and Robert W. Baird & Co. Incorporated for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of our common stock to the public" in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and our common stock to be offered so as to enable an investor to decide to purchase or subscribe our common stock, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means European Union Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

With respect to the United Kingdom, this prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order, or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order, with all such persons together being referred to as relevant persons. This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any persons other than relevant persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

LEGAL MATTERS

The validity of the issuance of the shares of common stock offered by this prospectus will be passed upon for us by our counsel, Nixon Peabody LLP. White & Case LLP is acting as counsel for the underwriters in connection with this offering.

EXPERTS

The consolidated financial statements and schedule of Addus HealthCare, Inc. (predecessor) for the period January 1, 2006 through September 18, 2006, included in this prospectus, have been so included in reliance on the report of BDO Seidman, LLP, an independent registered public accounting firm, appearing elsewhere herein, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements and schedule of Addus HomeCare Corporation (f/k/a Addus Holding Corporation) (successor) for the period September 19, 2006 through December 31, 2006 and as of December 31, 2007 and 2008 and for each of the two years in the period ended December 31, 2008, included in this prospectus, have been so included in reliance on the report of BDO Seidman, LLP, an independent registered public accounting firm, appearing elsewhere herein, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Desert PCA of Nevada, LLC as of July 28, 2007 and for the period from January 1, 2007 through July 28, 2007, SuCasa Personal Care, LLC as of July 28, 2007 and for the period from January 1, 2007 through July 28, 2007, Greater Vegas Personal Care, LLC as of November 12, 2007 and for the period from January 1, 2007 through November 12, 2007 and Vegas Valley Personal Care, LLC as of November 12, 2007 and for the period from January 1, 2007 through November 12, 2007, included in this prospectus, have each been audited by Dixon Hughes PLLC, independent public accounting firm, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S–1 under the Securities Act that registers the shares of our common stock to be sold in this offering. The registration statement, including the attached exhibits and schedules, contains additional relevant information about us and our capital stock. The rules and regulations of the SEC allow us to omit from this prospectus certain information included in the registration statement. For further information about us and our common stock, you should refer to the registration statement and the exhibits and schedules filed with the registration statement. With respect to the statements contained in this prospectus regarding the contents of any agreement or any other document, in each instance, the statement is qualified in all respects by the complete text of the agreement or document, a copy of which has been filed as an exhibit to the registration statement. In addition, upon the completion of this offering, we will file annual, quarterly, and current reports, proxy statements and other information with the SEC under the Exchange Act. You may obtain copies of this information by mail from the Public Reference Room of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the public reference rooms by calling the SEC at 1–800–SEC–0330. The SEC also maintains an internet website that contains reports, proxy statements and other information about issuers that file electronically with the SEC. The address of that website is www.sec.gov.

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Report of Independent Registered Public Accounting Firm

Board of Directors
Addus HealthCare, Inc. and Subsidiaries
Palatine, Illinois

We have audited the accompanying consolidated statements of income, stockholders' equity, cash flows and schedule of Addus HealthCare, Inc. and Subsidiaries for the period from January 1, 2006 to September 18, 2006. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company was not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations, cash flows and schedule of Addus HealthCare Inc. and Subsidiaries for the period from January 1, 2006 to September 18, 2006, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO SEIDMAN, LLP
Chicago, Illinois
October 5, 2007,
except for Note 12,
as to which the date is June 30, 2009

Report of Independent Registered Public Accounting Firm

Board of Directors
Addus HomeCare Corporation (f/k/a Addus Holding Corporation) and Subsidiaries
Palatine, Illinois

We have audited the accompanying consolidated balance sheets of Addus HomeCare Corporation (f/k/a Addus Holding Corporation) and Subsidiaries as of December 31, 2007 and 2008, and the related consolidated statements of income, stockholders' equity, cash flows and schedule for the period from September 19, 2006 to December 31, 2006 and the years ended December 31, 2007 and 2008. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company was not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Addus HomeCare Corporation (f/k/a Addus Holding Corporation) and Subsidiaries at December 31, 2007 and 2008, and the results of their operations, cash flows and schedule for the period from September 19, 2006 to December 31, 2006 and the years ended December 31, 2007 and 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO SEIDMAN, LLP
Chicago, Illinois
April 30, 2009,
except for Note 12,
as to which the date is June 30, 2009

ADDUS HOMECARE CORPORATION
(F/K/A ADDUS HOLDING CORPORATION)
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of December 31, 2007 and 2008 (Successor)
(amounts in thousands, except share and per share data)

	2007	2008
Assets		
Current assets		
Cash	$ 21	$ 6,113
Accounts receivable, net of allowances of $2,055 and $2,693 in 2007 and 2008, respectively	43,330	49,237
Prepaid expenses and other current assets	2,536	5,147
Deferred tax assets	2,950	3,826
Income taxes receivable	—	460
Total current assets	48,837	64,783
Property and equipment, net of accumulated depreciation and amortization	3,941	3,421
Other assets		
Goodwill	44,097	47,926
Intangibles, net of accumulated amortization	19,061	17,035
Debt issuance costs, net of accumulated amortization of $429 and $912 in 2007 and 2008, respectively	1,571	1,360
Deferred tax assets	1,149	1,223
Total other assets	65,878	67,544
Total assets	$ 118,656	$ 135,748

See accompanying notes to consolidated financial statements.

ADDUS HOMECARE CORPORATION
(F/K/A ADDUS HOLDING CORPORATION)
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of December 31, 2007 and 2008 (Successor)
(amounts in thousands, except share and per share data)

	2007	2008
Liabilities and stockholders' equity		
Current liabilities		
Checks issued against future deposits	$ 3,956	$ —
Accounts payable	2,599	3,879
Accrued expenses	15,967	22,721
Current maturities of long-term debt	4,997	7,101
Deferred revenue	1,687	2,175
Income taxes payable	292	—
Total current liabilities	29,498	35,876
Preferred stock dividends, undeclared subject to payment on conversion to common stock	4,952	9,222
Long-term debt, less current maturities	49,656	56,075
Total liabilities	84,106	101,173
Commitments, contingencies and other matters		
Stockholders' equity		
Preferred stock—$.001 par value; 100,000 authorized and 37,750 shares issued and outstanding	37,750	37,750
Common stock—$.001 par value; 900,000 authorized and 94,375 shares issued and outstanding	—	—
Preferred stock dividends, undeclared subject to payment on conversion to common stock	(4,952)	(9,222)
Additional paid-in capital	1,158	1,430
Retained earnings	594	4,617
Total stockholders' equity	34,550	34,575
Total liabilities and stockholders' equity	$118,656	$135,748

See accompanying notes to consolidated financial statements.

ADDUS HEALTHCARE, INC. AND SUBSIDIARIES (PREDECESSOR)
and
ADDUS HOMECARE CORPORATION
(F/K/A ADDUS HOLDING CORPORATION)
AND SUBSIDIARIES (SUCCESSOR)

CONSOLIDATED STATEMENTS OF INCOME
For the period of January 1, 2006 to September 18, 2006 (Predecessor),
the period from September 19, 2006 to December 31, 2006,
and the years ended December 31, 2007 and 2008 (Successor)
(amounts in thousands, except share and per share data)

	Predecessor	Successor		
	January 1 to September 18, 2006	September 19 to December 31, 2006	Year ended December 31, 2007	Year ended December 31, 2008
Net service revenues	$ 125,927	$ 52,256	$ 194,567	$ 236,306
Cost of service revenues	91,568	36,767	139,268	167,254
Gross profit	34,359	15,489	55,299	69,052
General and administrative expenses	28,391	11,764	44,233	52,112
Depreciation and amortization	439	1,919	6,029	6,092
Total operating expenses	28,830	13,683	50,262	58,204
Operating income	5,529	1,806	5,037	10,848
Interest expense	(750)	(1,392)	(4,952)	(5,806)
Interest and other income	100	65	144	51
Income from continuing operations before income taxes	4,879	479	229	5,093
Income tax expense	434	82	32	1,070
Net income from continuing operations	4,445	397	197	4,023
Income from discontinued operations, net of tax of $36	366	—	—	—
Net income	4,811	397	197	4,023
Less: Preferred stock dividends, undeclared subject to payment on conversion to common stock	—	(1,070)	(3,882)	(4,270)
Net income (loss) attributable to common shareholders	$ 4,811	$ (673)	$ (3,685)	$ (247)
Basic and diluted earnings (loss) per common share:				
From continuing operations	$ 44,450.43	$ (7.13)	$ (39.05)	$ (2.62)
From discontinued operations	3,664.27	—	—	—
Basic and diluted earnings (loss) per common share	$ 48,114.70	$ (7.13)	$ (39.05)	$ (2.62)
Weighted average number of common shares and potential common shares outstanding—basic and diluted	100	94,375	94,375	94,375

See accompanying notes to consolidated financial statements.

ADDUS HEALTHCARE, INC. AND SUBSIDIARIES (PREDECESSOR)
and
ADDUS HOMECARE CORPORATION
(F/K/A ADDUS HOLDING CORPORATION)
AND SUBSIDIARIES (SUCCESSOR)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the period from January 1, 2006 to September 18, 2006 (Predecessor)
the period from September 19, 2006 to December 31, 2006,
and the years ended December 31, 2007 and December 31, 2008 (Successor) (amounts in thousands, except share and per share data)

	Common Stock			Preferred Stock		Paid-In	Retained	Stockholders'
Predecessor	Shares	Amount	Shares	Amount	Dividends	Capital	Earnings	Equity
Balance at December 31, 2005	100	$ 1	—	$ —	$ —	$ —	$ 2,437	$ 2,438
Net income	—	—	—	—	—		4,811	4,811
Balance at September 18, 2006	100	$ 1	—	$ —	$ —	$ —	$ 7,248	$ 7,249

Successor								
Balance at inception, September 19, 2006	94,375	$ —	37,750	$37,750	$ —	$ —	$ —	$ 37,750
Dividends accrued on preferred stock	—	—	—	—	(1,070)	—	—	(1,070)
Stock-based compensation	—	—	—	—	—	214		214
Net income	—	—	—	—	—	—	397	397
Balance at December 31, 2006	94,375	—	37,750	37,750	(1,070)	214	397	37,291
Dividends accrued on preferred stock	—	—	—	—	(3,882)	—	—	(3,882)
Stock-based compensation	—	—	—	—	—	944	—	944
Net income	—	—	—	—	—	—	197	197
Balance at December 31, 2007	94,375	—	37,750	37,750	(4,952)	1,158	594	34,550
Dividends accrued on preferred stock	—	—	—	—	(4,270)	—	—	(4,270)
Stock-based compensation	—	—	—	—	—	272	—	272
Net income	—	—	—	—	—	—	4,023	4,023
Balance at December 31, 2008	94,375	$ —	37,750	$37,750	$ (9,222)	$1,430	$ 4,617	$ 34,575

See accompanying notes to consolidated financial statements.

ADDUS HEALTHCARE, INC. AND SUBSIDIARIES (PREDECESSOR)
and
ADDUS HOMECARE CORPORATION
(F/K/A ADDUS HOLDING CORPORATION)
AND SUBSIDIARIES (SUCCESSOR)

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period from January 1, 2006 to September 18, 2006 (Predecessor)
the period from September 19, 2006 to December 31, 2006,
and the years ended December 31, 2007 and 2008 (Successor)
(amounts in thousands, except share and per share data)

	Predecessor	Successor		
	January 1 to September 18, 2006	September 19 to December 31, 2006	Year ended December 31, 2007	Year ended December 31, 2008
Cash flows from operating activities				
Net income	$ 4,811	$ 397	$ 197	$ 4,023
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	439	1,919	6,029	6,092
Deferred income taxes	—	(1,363)	(2,561)	(815)
Change in fair value of financial instrument	—	—	—	778
Stock-based compensation	—	214	944	272
Amortization of debt issuance costs		91	337	483
Provision for doubtful accounts	616	349	1,396	2,451
Gain on sale of assets		—	(41)	(11)
Changes in operating assets and liabilities, net of acquired business:				
Accounts receivable	(1,690)	(3,996)	(8,187)	(8,313)
Prepaid expenses and other assets	(874)	233	(471)	(2,610)
Income taxes receivable	—	—	—	(460)
Checks issued against future deposits	726	—	3,956	(3,956)
Accounts payable	(2,312)	310	(368)	502
Accrued expenses and deferred revenue	3,450	867	3,014	6,462
Income taxes payable	(316)	1,051	(758)	(292)
Net cash provided by operating activities	4,850	72	3,487	4,606
Cash flows from investing activities				
Acquisitions of businesses, net of cash received		(70,912)	(11,397)	(5,026)
Decrease in due from stockholder/affiliated entities	1,604	—	—	—
Proceeds on sale of equipment	—	7	57	17
Purchases of property and equipment	(380)	(403)	(787)	(406)
Net cash used in investing activities	1,224	(71,308)	(12,127)	(5,415)
Cash flows from financing activities				
Proceeds from issuance of term loan	—	45,000	9,000	8,500
Payments on term loan	(1,000)	(3,700)	(3,240)	(5,192)
Net borrowings (repayments) on revolving credit loan	(5,321)	(1,850)	3,787	3,908
Proceeds from other notes	1,045	—	—	—
Payments on other notes	(639)	(4,389)	(462)	(43)
Debt issuance costs	—	(1,572)	(427)	(272)
Proceeds from issuance of preferred stock	—	37,750	—	—
Distributions to stockholder	(159)	—	—	—
Net cash provided by financing activities	(6,074)	71,239	8,658	6,901
Net change in cash	—	3	18	6,092
Cash, at beginning of year	—	—	3	21
Cash, at end of year	$ —	$ 3	$ 21	$ 6,113
Supplemental disclosures of cash flow information				
Cash paid for interest	$ 886	$ 261	$ 5,103	$ 4,606
Cash paid for taxes	787	772	3,277	3,084
Supplemental disclosures of non-cash investing and financing activities				
Issuance of subordinated promissory notes for acquisitions	—	—	750	1,350
Contingent and deferred consideration accrued for acquisitions	—	—	750	1,528
Tax benefit related to the amortization of tax goodwill in excess of book basis	—	—	175	135
Undeclared accrued preferred stock dividend	—	1,070	3,882	4,270

See accompanying notes to consolidated financial statements.

1. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Addus HealthCare, Inc. ("Addus HealthCare") and subsidiaries (predecessor) and Addus HomeCare Corporation (f/k/a Addus Holding Corporation) ("Holdings") and its subsidiaries (successor) (together with Holdings, the "Company"), all of which are wholly-owned. Holdings commenced operations on September 19, 2006. Holdings was originally formed by Eos Capital Partners III, L.P. and Eos Partners SBIC III, L.P. Prior to Addus HealthCare's acquisition by Holdings, Addus HealthCare was a privately-held company owned by the current President and Chief Executive Officer of Holdings and the current Chairman of Addus HealthCare, and certain other affiliates of the Chairman of Addus HealthCare. Prior to the acquisition, there was no common ownership between Holdings and Addus HealthCare.

On September 19, 2006, Holdings acquired the stock of Addus HealthCare for $81,700 in cash, a $10,000 contingent payment and 94,375 shares of common stock of Holdings. The aggregate purchase price was allocated to the assets acquired and liabilities assumed based upon their fair value, with $22,980 allocated to identifiable intangible assets and $39,052 to goodwill.

On July 10, 2009, Holdings changed its name to Addus HomeCare Corporation from Addus Holding Corporation.

Business and Operations

The Company provides home & community and home health services through a network of locations throughout the United States. These services are primarily performed in the homes of the consumers. The Company's home & community services include assistance to the elderly, chronically ill and disabled with bathing, grooming, dressing, personal hygiene and medication reminders, and other activities of daily living. Home & community services are primarily performed under agreements with state and local governmental agencies. The Company's home health services are operated through licensed and Medicare certified offices that provide physical, occupational and speech therapy, as well as skilled nursing services to pediatric, adult infirm and elderly patients. Home health services are reimbursed from Medicare, Medicaid and Medicaid-waiver programs, commercial insurance and private payors.

Principles of Consolidation

All intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

The Company generates net service revenues by providing home & community services and home health services directly to consumers. The Company receives payments for providing such services from federal, state and local governmental agencies, the Veterans Health Administration, commercial insurers and private individuals.

Home & Community

The home & community segment net service revenues are principally provided based on authorized hours, determined by the relevant agency, at an hourly rate specified in agreements or fixed by legislation and recognized as revenues at the time services are rendered. Home & community net service revenues are reimbursed by state, local and other governmental programs which are partially funded by Medicaid or Medicaid waiver programs, with the remainder reimbursed through private duty and insurance programs.

Home Health

The home health segment net service revenues are generated on a per episode or per visit basis. Home health segment net service revenues consist of approximately 60% of Medicare services with the balance being non-Medicare services derived from Medicaid, commercial insurers and private duty. Home health net service revenues reimbursed by Medicare are based on episodes of care. Under the Medicare Prospective Payment System (“PPS”), an episode of care is defined as a length of care up to 60 days with multiple continuous episodes allowed per patient. Medicare billings under PPS vary based on the severity of the patient’s condition and are subject to adjustment, both positive and negative, for changes in the patient’s medical condition and certain other reasons. At the inception of each episode of care a request for anticipated payment (“RAP”) is submitted to Medicare for 50% to 60% of the estimated PPS reimbursement. The Company estimates the net PPS revenues to be earned during an episode of care based on the initial RAP billing, historical trends and other known factors. The net PPS revenues are initially recognized as deferred revenues and subsequently amortized as net service revenues ratably over the 60-day episodic period. At the end of each episode of care a final claim billing is submitted to Medicare and any changes between the initial RAP and final claim billings are recorded as an adjustment to net service revenues. No significant adjustments from initial estimates have been recorded as a result of the process. Other non-Medicare services are primarily provided on a per visit basis determinable and recognized as revenues at the time services are rendered.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change in the near term. The Company believes that it is in compliance in all material respects with all applicable laws and regulations.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is maintained at a level management believes is sufficient to cover potential losses based on historical trends, age of the accounts receivable and known current factors impacting the Company’s payors. The Company establishes its allowance for doubtful accounts to the extent it is probable that a portion or all of a particular account will not be collected. The Company estimates its allowance for doubtful accounts primarily on receivable aging trends. These estimates rely on historical collection trends for large payors and remaining payor groups. During the years ended December 31, 2006, 2007 and 2008, the Company had no significant adjustments to the allowance for doubtful accounts related to prior periods. In its evaluation of these estimates, the Company also considers delays in payment trends in individual states due to budget or funding issues, resubmission of bills with required documentation and ongoing disputes with specific payors.

Property and Equipment

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the related assets by use of the straight-line method except for internally developed software which is amortized by the sum-of-years digits method. Maintenance and repairs are charged to expense as incurred. The estimated useful lives of the property and equipment are as follows:

Computer equipment	3 – 5 years
Furniture and equipment	5 – 7 years
Transportation equipment	5 years
Computer software	5 – 10 years
Leasehold improvements	Lesser of useful life or lease term, unless probability of lease renewal is likely

Goodwill

The Company’s carrying value of goodwill is the residual of the purchase price over the fair value of the net assets acquired from various acquisitions including the Addus HealthCare acquisition. In accordance with Statement of Financial Standards (“SFAS”) No. 142, *“Goodwill and Other Intangible Assets,”* goodwill and intangible assets with indefinite useful lives, of which the Company has none, are not amortized. The Company tests goodwill for impairment at the reporting unit level on an annual basis, as of October 1, or whenever potential impairment triggers occur, such as a significant change in business climate or regulatory changes that would indicate that an impairment may have occurred. Goodwill and indefinite lived intangible assets are required to be tested for impairment at least annually using a two-step method. The first step in the evaluation of goodwill impairment involves comparing the current fair value of each reporting unit to the recorded value, including goodwill. The Company uses a discounted cash flow model (“DCF model”) to determine the current fair value of each reporting unit. The DCF model was prepared using revenue and expense projections based on the Company’s current operating plan. As such, a number of significant assumptions and estimates are involved in the application of the DCF model to forecast revenue growth, price changes, gross profits, operating expenses and operating cash flows. The cash flows were discounted using a weighted average cost of capital ranging from 12.5% to 17.0%, which was management’s best estimate based on the capital structure of the Company and external industry data.

As part of the second step of this evaluation, if the carrying value of goodwill exceeds its fair value an impairment loss would be recognized. No impairment in the carrying value of goodwill was recognized in 2006, 2007 or 2008.

Intangible Assets

The Company's identifiable intangible assets consist of customer and referral relationships, tradenames, trademarks and non-compete agreements. Amortization is computed using straight-line and accelerated methods based upon the estimated useful lives of the respective assets, which range from two to 25 years.

SFAS No. 142 requires that the fair value of intangible assets with indefinite lives be estimated and compared to the carrying value. The Company estimates the fair value of these intangible assets using the income approach. The Company recognizes an impairment loss when the estimated fair value of the intangible asset is less than the carrying value. Intangible assets with finite lives are amortized using the estimated economic benefit method over the useful life and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The income approach, which the Company uses to estimate the fair value of its reporting units and intangible assets, is dependent on a number of factors including estimates of future market growth and trends, forecasted revenue and costs, expected periods the assets will be utilized, appropriate discount rates and other variables. The Company bases its fair value estimates on assumptions the Company believes to be reasonable but which are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, the Company makes certain judgments about the selection of comparable companies used in the market approach in valuing its reporting units, as well as certain assumptions to allocate shared assets and liabilities to calculate the carrying values for each of the Company's reporting units.

Long-Lived Assets

The Company reviews its long-lived assets (except goodwill and intangible assets, as described above) for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. To determine if impairment exists, the Company compares the estimated future undiscounted cash flows from the related long-lived assets to the net carrying amount of such assets. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset, generally determined by discounting the estimated future cash flows. No impairment charge was recorded in 2006, 2007 or 2008.

Debt Issuance Costs

The Company amortizes debt issuance costs on a straight-line method over the term of its credit facility agreement.

Workers' Compensation Program

The Company's workers' compensation program has a $350 deductible component. The Company recognizes its obligations associated with this program in the period the claim is incurred. The cost of both the claims reported and claims incurred but not reported, up to the deductible, have been accrued based on historical claims experience, industry statistics and an actuarial analysis performed by an independent third party. The future claims payments related to the workers' compensation program are secured by letters of credit. As part of the terms of the acquisition of Addus HealthCare in 2006, all 2005 and prior workers' compensation claims are the obligation of the former stockholders of Addus HealthCare.

Derivative Financial Instrument

The Company utilizes a derivative financial instrument to minimize interest rate risk. The Company's derivative instrument consists of a three-year interest rate agreement designed to reduce the variability of cash flows associated with a portion of the Company's term debt. As the hedge accounting criteria established in SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"* have not been met, the Company accounts for the instrument at its fair value and recognizes any changes in its fair value in earnings for the period.

SFAS No. 157, *"Fair Value Measurements,"* establishes a three-tier fair value hierarchy, which categorizes the inputs used in measuring fair value. These categories include in descending order of priority: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair value of the swap is calculated using proprietary models utilizing observable inputs (Level 2) as well as future assumptions related to interest rates and other applicable variables. These calculations are performed by the financial institution which is counterparty to the applicable swap agreement and reviewed by the Company. The Company uses these reported fair values to adjust the asset or liability as appropriate.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No. 109, *"Accounting for Income Taxes"* ("SFAS 109"). The objective of accounting for income taxes is to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in its financial statements or tax returns. Deferred taxes, resulting from differences between the financial and tax basis of the Company's assets and liabilities, are also adjusted for changes in tax rates and tax laws when changes are enacted. SFAS 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company has adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*" ("FIN 48"), which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The adoption of FIN 48 did not have a material effect on the Company's financial statements.

Stock-based Compensation

The Company has a stock incentive plan that provides for stock-based employee compensation. Compensation expense is recognized on a graded method over the vesting period of the awards based on the fair value of the options. The fair value is based on management's best estimate of the stock price volatility, dividend yield and expected option lives as of the grant date and calculated using the Black-Scholes option pricing model. The discount rate used in the calculation represents the U.S. Treasury yield curve rate.

Net Income (Loss) Per Common Share

Net income (loss) per common share, calculated on the treasury stock method, is based on the weighted average number of shares outstanding during the period. The Company's outstanding securities that may potentially dilute the common stock are stock options and convertible preferred stock. For all periods with outstanding securities which may potentially dilute the common stock, the Company reported a net loss available to common stockholders. With a net loss any potentially dilutive securities would be antidilutive, therefore, no additional shares were considered in the calculation of diluted earnings per share.

Estimates

The financial statements are prepared by management in conformity with generally accepted accounting principles ("GAAP") and include estimated amounts and certain disclosures based on assumptions about future events. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, payables and debt. The carrying amounts reported in the consolidated balance sheets for cash, accounts receivable, accounts payable and accrued expenses approximate fair value because of the short-term nature of these instruments. The Company's long-term debt with variable interest rates approximates fair value based on instruments with similar terms.

Reclassifications

Certain reclassifications have been made to prior period amounts in order to conform to the current year presentation. Such reclassifications had no effect on the previously reported net income.

New Accounting Pronouncements

In March 2008, FASB issued SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities*," ("SFAS 161") which provides expanded disclosure requirements for derivative instruments and hedging activities. SFAS 161 requires expanded disclosure including the fair value of derivative instruments and their gains or losses in a tabular format, information about credit risk, and strategies and objectives for using derivative instruments. SFAS 161 is effective for fiscal years beginning after November 15, 2008. The adoption of SFAS 161 will require the Company to include additional disclosures regarding the interest rate swap beginning March 31, 2009.

In December 2007 and April 2009, the FASB issued SFAS No. 141R, *"Business Combinations,"* and Staff Position 141R-1, *"Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies,"* which modify the accounting and reporting of business combinations. These statements retain the fundamental principles of the purchase method of accounting for business combinations; however, they require several changes in the way the assets and liabilities are recognized in an acquisition. These statements require an acquirer to recognize all the assets acquired and liabilities assumed, excluding contingent consideration, in a transaction at the acquisition-date fair value with limited exceptions. These statements also require acquisition related costs, including due diligence fees, to be expensed. These statements apply prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The effect of the adoption of these statements on the Company's results of operations and financial condition will depend on the nature and size of the acquisitions that take place after their effective date.

In April 2008, the FASB issued Staff Position No. FAS 142-3, "*Determination of the Useful Life of Intangible Assets"* ("FSP FAS 142-3"). This position amends the factors an entity should consider when developing renewal or extension assumptions used in determining the useful life over which to amortize the cost of a recognized intangible asset under SAFS No. 142, *"Goodwill and Other Intangible Assets."* FSP FAS 142-3 requires an entity to consider its own historical experience in renewing or extending similar arrangements in determining the amortizable useful life. Additionally, this position requires expanded disclosures related to the determination of intangible asset useful lives. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008, and may impact any intangible assets the Company acquires in future transactions. The guidance for determining the useful life of a recognized intangible asset must be applied prospectively to intangible assets acquired after the effective date. The disclosure requirements, though, shall be applied prospectively to all intangible assets recognized as of the effective date. Early adoption is prohibited. The adoption of FSP FAS 142-3 is not expected to impact the Company's financial statements.

In December 2007, the FASB issued SFAS No. 160, *"Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51"* ("SFAS 160"). SFAS 160 gives guidance on the presentation and disclosure of noncontrolling interests of consolidated subsidiaries. This statement requires the noncontrolling interest to be included in the equity section of the consolidated balance sheet, requires disclosure on the face of the consolidated statement of income of the amounts of consolidated net income attributable to the consolidated parent and the noncontrolling interest, and expands disclosures. The provisions of this statement are to be applied prospectively to fiscal years beginning on or after December 15, 2008. The adoption of SFAS 160 is not expected to have a significant effect on the Company's financial statements.

2. Acquisitions

In 2008, the Company acquired four agencies containing several locations. In 2007, the Company acquired seven agencies. The purchase price of each acquisition was determined based on, among other things, comparable acquisitions and the expected EBITDA and cash flows of the business being acquired. All of the acquisitions were accounted for in accordance with purchase accounting under the provisions of SFAS No. 141, *"Business Combinations,"* and included in the Company's financial statements from the respective acquisition date. The purchase price of each acquisition typically consisted of cash and either a subordinated promissory note or contingent cash consideration if certain targets were met. Goodwill and identifiable intangible assets were recognized on each acquisition.

On April 1, 2008, the Company acquired an agency providing home & community services and home health services through thirteen locations in Idaho, Montana and Nevada for $2,000 in cash at closing, a $1,250 subordinated promissory note bearing interest at 8.0%, $350 in contingent cash consideration that was earned in 2008 and a deferred purchase price payment of $125. The contingent cash consideration was based on the acquired business' EBITDA for calendar 2008. The contingent and deferred consideration were unpaid at December 31, 2008. An additional $475 in contingent cash consideration may become payable if the acquired business meets its EBITDA target for 2009. The acquisition was financed with a $2,500 term loan advance. Goodwill of $2,042, identifiable intangible assets of $1,864 and other assets of $30 were recognized in connection with the acquisition.

In June 2008, the Company acquired in two separate transactions two agencies providing home & community services in Nevada and four locations in North Carolina for $1,300 in cash, $1,200 in potential contingent cash consideration (of which $289 was earned at December 31, 2008) and a $125 deferred purchase price payment. The contingent cash consideration was based on post-acquisition client service levels of one of the acquired businesses. The deferred purchase price and $128 of the contingent consideration were unpaid at December 31, 2008. An additional $911 in contingent cash consideration may become payable based on client service levels of one of the acquired agencies in 2009 and 2010. The acquisition was financed with $2,700 in term loan advances. Goodwill of $939, identifiable intangible assets of $940 and other assets of $45 were recognized in connection with these acquisitions.

On September 25, 2008, the Company acquired a Medicare certified home health agency in Indiana for $300 in cash, a $100 subordinated promissory note and a $50 deferred purchase price payment. The deferred purchase price was unpaid as of December 31, 2008. A $500 term loan advance was used to finance this acquisition. Goodwill of $229, identifiable intangible assets of $300 and other assets of $10 were recognized in connection with this acquisition.

The following table contains unaudited pro forma consolidated income statement information assuming all 2008 acquisitions closed on January 1, 2007.

	2007	2008
Net service revenues	$212,717	$242,147
Operating income	4,551	10,683
Net (loss) income	(723)	3,724
Preferred stock dividends, undeclared subject to payment upon conversion	(3,882)	(4,270)
Net income (loss) attributable to common shareholders	(4,605)	(546)
Basic and diluted earnings (loss) per share	$ (48.79)	$ (5.79)

The pro forma disclosures in the table above include adjustments for interest expense, amortization of intangible assets and tax expense to reflect results that are more representative of the combined results of the transactions as if they had occurred on January 1, 2007. This pro forma information is presented for illustrative purposes only and may not be indicative of the results of operation that would have actually occurred. In addition, future results may vary significantly from the results reflected in the pro forma information.

On March 16, 2007, the Company acquired a Medicare certified home health agency in Nevada for $444 in cash, with all but $50 of the purchase price paid at closing. The Company recognized goodwill of $203 and identifiable intangible assets of $250 in connection with this acquisition.

On May 4, 2007, the Company acquired an agency providing home & community services in New Jersey for $350 in cash. Goodwill of $225 and identifiable intangible assets of $150 were recognized in connection with this acquisition.

From July through November 2007, the Company acquired five Nevada agencies providing home & community services through six existing locations. The total consideration for these five agencies was $7,400, with $5,150 paid in cash at closing. The balance of the purchase price consisted of two 8.0% subordinated promissory notes totaling $750 and contingent cash consideration of $1,500. The contingent cash consideration was based on one of the acquired businesses revenues for 2007 and 2008, with $750 unpaid as of December 31, 2008. An additional $1,200 in contingent cash consideration is available if one of the acquired businesses meets its EBITDA targets for 2009, 2010 and 2011. A total of $9,000 of term loan advances were used to finance these acquisitions. The Company recognized goodwill of $5,546 and identifiable intangible assets of $2,345 in connection with these acquisitions.

The following table contains unaudited pro forma consolidated income statement information assuming all 2007 acquisitions closed on January 1, 2006.

	January 1, 2006 to September 18, 2006	September 19, 2006 to December 31, 2006	2007
Net service revenues	$ 136,292	$ 56,402	$205,252
Operating income	5,588	1,787	5,036
Net income (loss)	4,470	260	(308)
Preferred stock dividends, undeclared subject to payment upon conversion	—	(1,070)	(3,882)
Net income (loss) attributable to common shareholders	4,470	(810)	(4,190)
Basic and diluted earnings (loss) per share	$ 44,695.71	$ (8.58)	$ (44.40)

The pro forma disclosures in the table above include adjustments for interest expense, amortization of intangible assets and tax expense to reflect the combined results of the transactions as if they had occurred on January 1, 2006. This pro forma information is presented for illustrative purposes only and may not be indicative of the results of operation that would have actually occurred. In addition, future results may vary significantly from the results reflected in the pro forma information.

The Company capitalized goodwill of $602 and $515 for legal fees and due diligence costs associated with these acquisitions in 2007 and 2008, respectively.

3. Property and Equipment

Property and equipment consisted of the following:

	December 31,	
	2007	2008
Computer equipment	$ 823	$ 1,126
Furniture and equipment	652	775
Transportation equipment	360	328
Leasehold improvements	1,176	1,176
Computer software	2,202	2,223
	5,213	5,628
Less accumulated depreciation and amortization	(1,272)	(2,207)
	$ 3,941	$ 3,421

Computer software includes $1,500 of internally developed software that was recognized in conjunction with the acquisition of Addus HealthCare.

Depreciation and amortization expense predominantly related to corporate leaseholds and software is reflected in general and administrative expenses and totaled $439, $247, $1,037 and $962 for the period from January 1, 2006 to September 18, 2006, the period from September 19, 2006 to December 31, 2006 and the years ended December 31, 2007 and 2008, respectively.

4. Goodwill and Intangible Assets

The Company’s goodwill and identifiable intangible assets have been recorded at the acquisition date. The following is a summary of the goodwill activity by segment and in total the years ended December 31, 2007 and 2008.

	Home & Community	Home Health	Total
Goodwill, at December 31, 2006	$ 25,757	$ 8,465	$34,222
Acquisitions in 2007	5,016	203	5,219
Adjustments to previously recorded goodwill	3,504	1,152	4,656
Goodwill, at December 31, 2007	34,277	9,820	44,097
Acquisitions in 2008	2,981	229	3,210
Adjustments to previously recorded goodwill	653	(34)	619
Goodwill, at December 31, 2008	$ 37,911	$10,015	$47,926

Adjustments to the previously recorded goodwill relate primarily to contingent consideration that is generally earned and determined at specific future dates, credits related to amortization of tax goodwill in excess of book basis and, in 2007, a working capital adjustment related to the acquisition of Addus HealthCare.

The carrying amount and accumulated amortization of each identifiable intangible asset category consisted of the following at December 31, 2007 and 2008:

December 31, 2007	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer and referral relationships	$ 21,295	$ 5,872	$ 15,423
Tradenames and trademarks	4,250	735	3,515
Non-competition agreements	180	57	123
	$ 25,725	$ 6,664	$ 19,061

December 31, 2008	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer and referral relationships	$ 24,235	$ 10,388	$ 13,847
Tradenames and trademarks	4,365	1,300	3,065
Non-competition agreements	229	106	123
	$ 28,829	$ 11,794	$ 17,035

Amortization expense related to the identifiable intangible assets amounted to $0, $1,672, $4,992 and $5,130 for the period from January 1, 2006 to September 18, 2006, the period from September 19, 2006 to December 31, 2006, and the years ended December 31, 2007 and 2008, respectively. Goodwill is not amortized pursuant to SFAS No. 142.

The estimated future intangible amortization expense is as follows:

	For the year ending December 31,
2009	$ 3,950
2010	2,942
2011	2,301
2012	1,707
2013	1,349
Thereafter	4,786
Total	$ 17,035

5. Details of Certain Balance Sheet Accounts

Prepaid expenses and other current assets consist of the following:

	December 31,	
	2007	2008
Prepaid health insurance	$ 1,227	$ 3,113
Prepaid workers' compensation and liability insurance	648	1,111
Prepaid rent	224	290
Other	437	633
	$ 2,536	$ 5,147

Accrued expenses consisted of the following:

	December 31,	
	2007	2008
Accrued payroll	$ 9,023	$ 11,141
Accrued workers' compensation insurance	3,955	5,620
Accrued payroll taxes	1,818	1,862
Accrued health insurance	—	1,848
Accrued interest	258	1,186
Other	913	1,064
	$ 15,967	$ 22,721

In 2008, the Company entered into a health insurance reimbursement program with an Illinois governmental agency. Pursuant to the terms of the program, the Company provides health insurance coverage to qualified union employees providing home & community services in Illinois through a Taft-Hartley multi-employer health and welfare plan under Section 302(c)(5) of the Labor Management Relations Act of 1947. The Company's insurance contributions equal the amount reimbursed by the State of Illinois. Contributions are due within five business days from the date the funds are received from the State. Amounts due of $1,848 for health insurance reimbursements and contributions were reflected in prepaid insurance and accrued insurance at December 31, 2008.

The Company's workers' compensation program has a $350 deductible component. The Company recognizes its obligations associated with this program in the period the claim is incurred. The cost of both the claims reported and claims incurred but not reported, up to the deductible, have been accrued based on historical claims experience, industry statistics and an actuarial analysis performed by an independent third party. The future claims payments related to the workers' compensation program are secured by letters of credit. These letters of credit totaled $2,975 and $6,250 at December 31, 2007 and 2008, respectively.

As part of the terms of the acquisition of Addus HealthCare in 2006, all 2005 and prior workers' compensation claims are the obligation of the former stockholders of Addus HealthCare. Approximately $5,800 in cash escrows and deposits were set-aside from the purchase price of Addus HealthCare as collateral for these 2005 and prior claims. The outstanding loss reserves associated with the 2005 and prior workers' compensation policies approximated $2,100 at December 31, 2008.

The Company has an interest rate agreement to manage its exposures to movements in interest rates. The related derivative financial instrument is accounted for on a full mark-to-market basis through current earnings. Accrued interest included a $778 mark-to-market liability at December 31, 2008. The impact of such accounting was not significant at December 31, 2007.

6. Long-Term Debt

Long-term debt consisted of the following:

	December 31,	
	2007	2008
Credit facility		
Revolving credit loan	$ 3,787	$ 7,694
Term loan	50,060	53,369
Subordinated promissory note, due July 2010 and bearing interest at 8.0%	250	250
Subordinated promissory note, due October 2010 and bearing interest at 8.0%	500	500
Subordinated promissory note, due December 2010 and bearing interest at 8.0%	—	1,250
Subordinated promissory note, due December 2010 and bearing interest at 6.0%	—	100
Other	56	13
Total	54,653	63,176
Less current maturities	(4,997)	(7,101)
Long-term debt	$49,656	$56,075

On September 19, 2006, the Company entered into a credit facility that matures in September 2011. The facility was initially comprised of a $45,000 term loan and a $12,500 revolving credit commitment which includes the issuance of letters of credit. On October 15, 2007, the credit facility agreement was amended to increase the revolving credit commitment to $17,500 and an additional $17,500 term loan commitment was provided to fund certain acquisitions through July 15, 2008 and, as subsequently amended, to January 15, 2009. The term loan interest rate also increased 25 basis points in connection with the October 15, 2007 amendment. All acquisitions and term loan advances were subject to consent by the Company's lenders. The Company received $9,000 and $5,700 in term loan advances to fund the 2007 and 2008 acquisitions, respectively. In October 2008 the lenders consented to the Company drawing the remaining $2,800 of the term loan commitment for working capital purposes. At December 31, 2008, the Company had $3,556 available under its revolving credit commitment.

The term loan is to be repaid through increases in the scheduled quarterly principal installments and a balloon payment of $32,369 at maturity. In addition, the term and revolving credit loans are required to be repaid from the proceeds of the issuance of stock and the excess cash flow generated by the Company, as defined in the credit agreement. Such repayments are first applied to the next scheduled term loan installment(s) until fully repaid and then to any outstanding revolving credit loans. There were no excess cash flow principal payments due the years ended December 31, 2007 and 2008. The credit facility and term loan are collateralized by substantially all of the Company’s assets.

Under the amended credit facility, interest on the borrowings is at an index, as defined, or LIBOR rate. The index base rate is the higher of the prime rate or the federal funds rate plus 50 basis points. For borrowings under the revolving credit loan the interest rate includes an applicable margin of 2.75% for an index rate loan and 3.75% for a LIBOR rate loan. For borrowings under the term loan, the interest rate includes an applicable margin ranging from 2.50% to 3.50% for an index rate loan and 3.50% to 4.50% for a LIBOR rate loan, depending on the Company’s leverage ratio. At December 31, 2008, the Company’s revolving credit loan was at an index rate of 6.0%. The term loan was comprised of $369 at an index rate of 6.25% and $53,000 at a LIBOR rate of 5.64%.

The Company has an interest rate agreement that minimizes significant unplanned fluctuations in cash flows caused by interest rate volatility on a portion of its term loan. The agreement has a notional value of $22,500 and provides for a LIBOR cap and floor rate, before the applicable margin, of 6.0% and 3.72%, respectively, whereby the Company receives payments from the counterparty when interest rates are above 6.0% and pays when rates are below 3.72%. The interest rate agreement is for a period of three years and expires on March 5, 2010. This interest rate agreement is accounted for under SFAS No. 133, “*Accounting for Derivative Instruments and Hedging Activities”* (“SFAS 133”). While the agreement appropriately minimizes the impact of the unplanned fluctuations in cash flows, it does not qualify as an accounting hedge under SFAS 133. As such, changes in the value of the agreement are reflected as additional interest expense in the period of change. At December 31, 2008, a $778 mark-to-market interest rate accrual was recorded as the LIBOR rate was below the floor rate of the interest rate agreement. The impact of such accounting was not significant at December 31, 2007.

The credit facility agreement established certain restrictions on the Company and requires the Company to maintain certain financial covenants, including an EBITDA covenant, fixed charge ratio and leverage ratio. The Company was in compliance with all of its covenants at December 31, 2007 and 2008. The credit facility is collateralized by substantially all of the Company’s assets.

The revolving credit commitment also provides for the issuance of letters of credit of up to $8,000. The letters of credit reduce borrowings available under the revolving credit commitment by 100% of the amount outstanding. At December 31, 2007 and 2008, the Company had $2,975 and $6,250 of outstanding letters of credit, respectively. The letters of credit collateralize the Company's future claims payments related to its workers' compensation insurance policies. In addition to letter of credit fees, the Company pays a facility fee and commitment fee of 0.5% of the unused portion of the credit facility. These fees are reflected in interest expense and totaled $57, $235 and $349 for the period from September 19, 2006 to December 31, 2006 and for the years ended December 31, 2007 and 2008, respectively.

Aggregate maturities of long-term debt at December 31, 2008, are as follows:

	For the year ending December 31,
2009	$ 7,101
2010	10,938
2011	45,137
Total	$ 63,176

7. Preferred Stock

On September 19, 2006, Holdings issued 37,750 shares of series A preferred stock for $37,750. The series A preferred stock accumulates undeclared dividends at a rate of 10% per year, compounded annually, and participates in any dividends on the common stock based on the number of shares of common stock into which the preferred stock is convertible. All dividends are cumulative and accrue quarterly and are payable in cash, when declared. At December 31, 2008, accrued but undeclared dividends of $9,222 have been reflected as a reduction of stockholders' equity. In the absence of sufficient retained earnings or additional paid in capital, the undeclared dividends have been shown as a separate charge in the stockholders' equity section. The board of directors has not declared any dividends on the common stock.

Each share of series A preferred stock is entitled to the same number of votes and has the same voting rights as the number of shares of common stock into which such share of preferred stock is convertible. The series A preferred stock may be converted into shares of Holdings' common stock equal to the quotient obtained by dividing (i) the product of the original purchase price ($1,000 per share) and the number of shares being converted by (ii) the conversion price. The conversion price is $100 and subject to adjustment. These adjustments relate to common stock dividends, combinations or forward or reverse splits, and would result in a proportionate conversion ratio after giving effect to such adjustments.

The series A preferred stockholders may convert their shares at any time into fully paid common stock at the prevailing conversion price. Automatic, or mandatory, conversion of the series A preferred stock at the prevailing conversion price, would occur upon consummation of an initial public offering meeting predetermined qualifying thresholds. All accumulated, undeclared dividends on the series A preferred stock shall be payable in cash on the conversion date. As the preferred stockholders have the ability to convert their shares, even though no shares have been converted, all undeclared dividends have been reflected as a long-term liability. The Company’s current credit facility restricts the declaration or payment of any dividends. In addition, the series A preferred stock has a liquidation preference equal to all accrued and unpaid dividends, plus $1,000 per share, subject to any adjustments to the conversion price.

8. Income Taxes

Income tax expense is comprised of the following:

	For the Period from September 19, 2006 to December 31, 2006	For the years ended December 31,	
		2007	2008
Current			
Federal	$ 1,228	$ 2,103	$ 1,497
State	216	491	523
Deferred			
Federal	(1,158)	(2,098)	(787)
State	(204)	(464)	(163)
Provision for income taxes	$ 82	$ 32	$ 1,070

The tax effects of certain temporary differences between the Company's book and tax bases of assets and liabilities give rise to significant portions of the deferred income tax assets at December 31, 2007 and 2008. The deferred tax assets consisted of the following:

	December 31,	
	2007	2008
Deferred tax assets		
Current		
Accounts receivable allowances	$ 746	$1,018
Accrued compensation	916	1,087
Accrued workers' compensation	1,503	2,136
Accrued interest	—	296
Other	88	44
Total current deferred tax assets	3,253	4,581
Deferred tax liabilities		
Current		
Prepaid insurance	(303)	(755)
Net deferred tax assets—current	2,950	3,826
Deferred tax assets		
Long-term		
Property and equipment	164	125
Stock-based compensation	440	531
Goodwill and intangible assets	545	567
Total deferred tax assets—long term	1,149	1,223
Total deferred tax assets	$4,099	$5,049

The predecessor elected to be taxed under the Subchapter S provisions of the Internal Revenue Code of 1986, as amended. As a result of the election, income taxes on the earnings were payable personally by the stockholders and no provision for federal income taxes was made for the predecessor period. Income tax expense from continuing operations for the period from January 1, 2006 to September 18, 2006 of $434 represented current state and local income taxes. As the predecessor did not pay federal taxes, we have not included a reconciliation of tax expense to the federal statutory rate. A reconciliation of the statutory federal tax rate of 34% to the effective income tax rate of the successor, a Subchapter C corporation paying taxes on earnings at the corporation level, is summarized as follows:

	Successor		
	September 19 to December 31, 2006	December 31, 2007	2008
Federal income tax at statutory rate	34.0%	34.0%	34.0%
State and local taxes, net of federal benefit	4.3	4.3	4.3
Jobs tax credits, net	(29.5)	(43.3)	(19.0)
Nondeductible meals and entertainment	3.8	14.0	0.8
Other nondeductible expenses	4.5	5.0	0.9
Effective income tax rate	17.1%	14.0%	21.0%

The Company is subject to taxation in jurisdictions in which it operates. The Company continues to remain subject to examination by U.S. federal authorities for the years 2004 through 2007 and for various state authorities for the years 2005 through 2007. As part of the acquisition of Addus HealthCare in 2006, the selling stockholders of the predecessor agreed to assume and indemnify the successor for any federal or state tax liabilities prior to the acquisition date.

The total amount of unrecognized tax benefits under FIN 48 at December 31, 2008 was $75. If recognized, the entire amount would favorably impact the effective tax rate in future periods. Interest and penalties related to income tax liabilities are recognized in interest expense and general and administrative expenses, respectively. For the years ended December 31, 2007 and 2008, the Company paid penalties of $3 and $22, respectively.

9. Stock Options

The Company's 2006 Stock Incentive Plan (the "Plan") provides for the grant of non-qualified stock options to directors and eligible employees, as defined in the Plan. A total of 83,272 of Holdings' shares of common stock have been reserved for issuance under the Plan. The number of options to be granted and the terms thereof are approved by Holdings' board of directors. The option price for each share of common stock subject to an option may be greater than or equal to the fair market value of the stock at the date of grant. The stock options generally vest ratably over a five year period, with the exception of one option grant in 2006 with a one year vesting period, and expire 10 years from the date of grant, if not previously exercised.

A summary of stock option activity and weighted average exercise price is as follows:

	Successor					
			For The Year Ended December 31,			
			2007		2008	
	September 19 to December 31, 2006	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of period	—	$ 100.00	69,837	$ 100.00	72,878	$ 100.00
Granted	69,837	100.00	7,205	100.00	9,633	110.00
Exercised	—	—	—	—	—	—
Forfeited	—	—	(4,164)	100.00	(8,246)	100.00
Outstanding, end of period	69,837	$ 100.00	72,878	$ 100.00	74,265	$ 101.02

The following table summarizes stock options outstanding and exercisable at December 31, 2008:

	Outstanding			Exercisable		
Exercise Price	Options	Weighted Average Remaining Contractual Life In Years	Weighted Average Exercise Price	Options	Weighted Average Remaining Contractual Life In Years	Weighted Average Exercise Price
$100.00	66,714	7.9	$ 100.00	41,899	7.8	$ 100.00
$110.00	7,551	9.7	110.00	—	—	—
	74,265	8.1	$ 101.02	41,899	7.8	$ 100.00

The Company currently uses the Black-Scholes option pricing model to estimate the fair value of its stock-based payment awards. The determination of the fair value of stock-based payments utilizing the Black-Scholes model is affected by Holdings' stock price and a number of assumptions, including expected volatility, risk-free interest rate, expected term, expected dividends yield and expected forfeiture rate. Holdings does not have a history of market prices of its common stock as it has not previously been a public company, and as such it estimates volatility in accordance with Staff Accounting Bulletin No. 107 using historical volatilities of similar public entities. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of the Company's awards. The life of the awards is based on a simplified method which defines the life as the average of the contractual term of the options and the weighted average vesting period. The dividend assumption is based on the Company's history and expectation of not paying dividends. No forfeiture provision is estimated at the time of the grant consistent with the Company's expectations. The weighted-average estimated fair value of employee stock options granted as calculated using the Black-Scholes model and the related weighted-average assumptions follow:

	Successor		
	September 19 to December 31, 2006	For the year ended December 31,	
		2007	2008
	Grants	Grants	Grants
Weighted average fair value	$25.65	$22.33	$32.57
Risk-free discount rate	4.45% - 4.72%	4.29% - 4.56%	3.00% - 3.30%
Expected life	3 and 5 years	5 years	5 years
Dividend yield	—	—	—
Volatility	37%	34% - 37%	34% - 37%
Forfeiture	—	—	—

Stock option compensation expense totaled $0, $214, $944 and $272 for the period from January 1, 2006 to September 18, 2006, the period from September 19, 2006 to December 31, 2006, and the years ended December 31, 2007 and 2008, respectively. As of December 31, 2008, there was $546 of total unrecognized compensation cost that is expected to be recognized over a period of five years. The intrinsic value of vested and all outstanding stock options at December 31, 2008 were $595 and $980, respectively. There were no stock options exercised during the period from September 19, 2006 through December 31, 2008 and as a result the Company did not receive any cash from option exercises and did not realize any related tax benefits.

10. Operating Leases and Related Party Transactions

The Company leases its location office space under various operating leases that expire through 2015. In addition to rent the Company is typically responsible for taxes, maintenance, insurance and common area costs. A number of the office leases also contain escalation and renewal option clauses. The Company is not a party to any sublease rentals. Total rent expense on these office leases was $1,707, $568, $2,177 and $2,621 for the period from January 1, 2006 to September 18, 2006, the period from September 19, 2006 to December 31, 2006 and the years ended December 31, 2007 and 2008, respectively.

The Company leases its corporate office space from a member of its board of directors, who is also a stockholder of the Company and the Chairman of Addus HealthCare, under the terms of an operating lease that expires in September 2011. The lease agreement provides for a renewal option of five years, commencing upon the expiration of the initial term of the lease. Rental expense relating to this lease amounted to $293, $91, $322 and $350 for the period from January 1, 2006 to September 18, 2006, the period from September 19, 2006 to December 31, 2006 and the years ended December 31, 2007 and 2008, respectively.

The following is a schedule of the future minimum rental payments, exclusive of taxes and other operating expenses, required under the Company's operating leases.

	Non-Related Party Rent	Related Party Rent	Amount
2009	$ 2,157	$ 368	$2,525
2010	1,568	379	1,947
2011	861	277	1,138
2012	441	—	441
2013	162	—	162
Thereafter	190	—	190
Total	$ 5,379	$ 1,024	$6,403

Prior to the acquisition of Addus HealthCare in 2006, affiliate advances of $1,604 were paid in full. Affiliates included companies owned by the majority stockholder of the predecessor.

11. Discontinued Operations

In previous years, management of the Company decided to sell its home medical equipment division ("HME") and exit its correctional facility operations. In the current period, the amount presented represents residual activity from the HME and correctional facility operations. Immediately prior to the 2006 acquisition of Addus HealthCare, the stockholders of the predecessor distributed the capital stock of the inactive and discontinued subsidiaries of $159.

12. Segment Data

The Company provides home & community and home health services primarily in the home of the consumer. The Company's locations are organized principally along these lines of service. The home & community and home health services lines have been identified as reportable segments applying the criteria in SFAS No. 131, "*Disclosure about Segments of an Enterprise and Related Information.*" The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies. Intersegment net service revenues are not significant. All services are provided in the United States.

The Company evaluates the performance of its segments through operating income which excludes corporate depreciation and general corporate expenses. General corporate expenses consist principally of accounting and finance, information systems, billing and collections, human resources and national sales and marketing administration. The Company does not identify capital expenditures, due to the low level of expenditures directly related to either segment in its internal financial reports. Identifiable assets by segment consist of accounts receivable, goodwill, identifiable intangible assets and other assets. Corporate assets consist primarily of cash balances, current and non-current deferred income taxes, and property and equipment, net of accumulated depreciation.

The following is a summary of segment information for the period from January 1, 2006 to September 18, 2006, the period from September 19, 2006 to December 31, 2006 and the years ended December 31, 2007 and 2008 and as of December 31, 2006, 2007 and 2008:

	Predecessor	Successor		
	January 1, 2006 to September 18, 2006	September 19, 2006 to December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008
Net service revenue				
Home & Community	$ 94,351	$ 39,759	$ 149,645	$ 189,006
Home Health	31,576	12,497	44,922	47,300
	$ 125,927	$ 52,256	$ 194,567	$ 236,306
Operating income				
Home & Community	$ 8,174	$ 3,367	$ 12,651	$ 17,632
Home Health	4,956	1,410	3,505	5,819
General corporate expenses & corporate depreciation	(7,601)	(2,971)	(11,119)	(12,603)
	$ 5,529	$ 1,806	$ 5,037	$ 10,848
Depreciation and Amortization				
Home & Community	$ 82	$ 1,286	$ 3,928	$ 4,348
Home Health	15	424	1,220	933
Corporate	342	209	881	811
	$ 439	$ 1,919	$ 6,029	$ 6,092
Total and identifiable assets				
Home & Community		$ 69,687	$ 79,405	$ 90,942
Home Health		23,094	28,356	24,430
Corporate		8,130	10,895	20,376
		$ 100,911	$ 118,656	$ 135,748

13. Employee Benefit Plans

The Company's 401(k) Retirement Plan covers all non-union employees. The 401(k) plan is a defined contribution plan that provides for Company matching contributions. Matching contributions are discretionary and subject to change by management. Under the provisions of the 401(k) plan, employees can contribute up to the maximum percentage and limits allowable under the Code. There were no matching contributions for the period January 1, 2006 to September 18, 2006, the period from September 19, 2006 to December 31, 2006, or for the year ended December 31, 2007. For the year ended December 31, 2008, the Company elected to provide a matching contribution, equal to 6.0% of the employees' contributions, totaling $30 for the year ended December 31, 2008.

14. Commitments and Contingencies

Contingent Payment

In conjunction with the 2006 acquisition of Addus HealthCare, the sellers are entitled to receive a contingent payment equal to the lesser of $10,000 plus 8% per annum compounded annually or the net value of the Company less the target amount, as defined in the agreement. The target amount represents the total of (i) $37,750, plus 10% per annum compounded annually plus (ii) the cash consideration received from the issuance of any securities that are senior to the series A preferred stock ("Senior Securities") and any accrued and unpaid dividends with respect to such Senior Securities, if any, less (iii) the principal amount of any series A preferred stock or Senior Securities that are redeemed or otherwise repurchased and any dividends paid or other distributions made on the series A preferred stock, Senior Securities or common stock of Holdings. The contingent payment amount is due upon the earliest of a public offering with net proceeds of not less than $50,000, the sale, liquidation or dissolution of the Company which results in a net value of the Company greater than the target amount, or September 19, 2011. Based on its final determination, goodwill will be adjusted for the amount of the actual payment.

Legal Proceedings

Addus HealthCare and the former stockholders of Addus HealthCare have been in arbitration with an insurance carrier that provided workers' compensation insurance coverage from 1993 to 1997. The former stockholders of Addus HealthCare indemnified the Company for this obligation as part of the terms of the Addus HealthCare acquisition. The dispute pertained to certain amounts claimed to be due under the insurance program. In May 2009, the parties settled the dispute, with the execution of a definitive settlement agreement. The terms of the settlement agreement required the insurance carrier to draw down $1,782 from an outstanding letter of credit in full satisfaction of all amounts due as of September 30, 2008, and Addus HealthCare to provide a $218 letter of credit, subject to adjustment, as security for any insured losses paid by the insurance carrier after September 2008. The settlement draw and the issuance of the letter of credit were funded by escrow accounts previously set aside in conjunction with the acquisition of Addus HealthCare in 2006.

The Company is a party to other legal and/or administrative proceedings arising in the ordinary course of its business. It is the opinion of management that the outcome of such proceedings will not have a material effect on the Company's financial position and results of operations.

Employment Agreements

The Company has entered into employment agreements with certain members of senior management. The terms of these agreements are up to four years and include non-compete and nondisclosure provisions, as well as provide for defined severance payments in the event of termination.

15. Significant Payors

A substantial portion of the Company's net service revenues and accounts receivables are derived from services performed for federal, state and local governmental agencies. Medicare and one state governmental agency accounted for 15% and 32% of the Company's net service revenues for the period January 1, 2006 to September 18, 2006, respectively, 13% and 42% of the Company's net service revenues for the period September 19, 2006 to December 31, 2006, respectively, 13% and 33% of the Company's net service revenues for 2007, respectively, and 12% and 32% of the Company's net service revenues for 2008, respectively. The related receivables due from Medicare and the state agency represented 15% and 36% of the Company's accounts receivable at December 31, 2007, respectively, and 10% and 38% of the Company's accounts receivable at December 31, 2008, respectively.

16. Concentration of Cash

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash. The Company maintains cash with financial institutions which, at times, may exceed federally insured limits. The Company believes it is not exposed to any significant credit risk on cash.

ADDUS HEALTHCARE, INC. AND SUBSIDIARIES (PREDECESSOR)
and
ADDUS HOMECARE CORPORATION
(F/K/A ADDUS HOLDING CORPORATION)
AND SUBSIDIARIES (SUCCESSOR)

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
DECEMBER 31, 2008

Allowance for doubtful accounts	Balance at beginning of period	Additions/ charges	Deductions*	Balance at end of period
Period from January 1, 2006 through September 18, 2006 (Predecessor)				
Allowance for doubtful accounts	$ 2,135	$ 616	$ 797	$ 1,954
Period from September 19, 2006 through December 31, 2006 (Successor)				
Allowance for doubtful accounts	1,954	349	416	1,887
Year ended December 31, 2007				
Allowance for doubtful accounts	1,887	1,396	1,228	2,055
Year ended December 31, 2008				
Allowance for doubtful accounts	2,055	2,451	1,813	2.693

* Write-offs, net of recoveries

ADDUS HOMECARE CORPORATION
(F/K/A ADDUS HOLDING CORPORATION)
AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
As of December 31, 2008 and June 30, 2009
(amounts in thousands, except share and per share data)

	2008	2009
Assets		
Current assets		
Cash	$ 6,113	$ 850
Accounts receivable, net of allowances of $2,693 and $3,443 in 2008 and 2009, respectively	49,237	63,114
Prepaid expenses and other current assets	5,147	9,195
Deferred tax assets	3,826	4,059
Income taxes receivable	460	227
Total current assets	64,783	77,445
Property and equipment, net of accumulated depreciation and amortization	3,421	3,184
Other assets		
Goodwill	47,926	48,216
Intangibles, net of accumulated amortization	17,035	15,059
Debt issuance costs, net of accumulated amortization of $912 and $1,265 in 2008 and 2009, respectively	1,360	1,006
Deferred tax assets	1,223	1,010
Total other assets	67,544	65,291
Total assets	$ 135,748	$ 145,920

See accompanying notes to unaudited condensed consolidated financial statements.

ADDUS HOMECARE CORPORATION
(F/K/A ADDUS HOLDING CORPORATION)
AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
As of December 31, 2008 and June 30, 2009
(amounts in thousands, except share and per share data)

	2008	2009
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 3,879	$ 3,381
Accrued expenses	22,721	28,859
Current maturities of long-term debt	7,101	10,139
Deferred revenue	2,175	2,033
Total current liabilities	35,876	44,412
Preferred stock dividends, undeclared subject to payment on conversion to common stock	9,222	11,506
Long-term debt, less current maturities	56,075	54,275
Total liabilities	101,173	110,193
Commitments, contingencies and other matters		
Stockholders' equity		
Preferred stock - $.001 par value; 100,000 authorized and 37,750 shares issued and outstanding	37,750	37,750
Common stock - $.001 par value; 900,000 authorized and 94,375 shares issued and outstanding	—	—
Preferred stock dividends, undeclared subject to payment on conversion to common stock	(9,222)	(11,506)
Additional paid-in capital	1,430	1,570
Retained earnings	4,617	7,913
Total stockholders' equity	34,575	35,727
Total liabilities and stockholders' equity	$135,748	$145,920

See accompanying notes to unaudited condensed consolidated financial statements.

ADDUS HOMECARE CORPORATION (F/K/A ADDUS HOLDING CORPORATION) AND SUBSIDIARIES (SUCCESSOR)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the six months ended June 30, 2008 and 2009
(amounts in thousands, except share and per share data)

	2008	2009
Net service revenues	$110,868	$126,805
Cost of service revenues	78,737	89,440
Gross profit	32,131	37,365
General and administrative expenses	24,657	27,983
Depreciation and amortization	2,841	2,444
Total operating expenses	27,498	30,427
Operating income	4,633	6,938
Interest expense	(2,633)	(2,180)
Interest and other income	49	12
Income from operations before income taxes	2,049	4,770
Income tax expense	430	1,474
Net income	1,619	3,296
Less: Preferred stock dividends, undeclared subject to payment on conversion to common stock	(2,076)	(2,284)
Net income (loss) attributable to common shareholders	$ (457)	$ 1,012
Income (loss) per common share:		
Basic	$ (4.85)	$ 10.73
Diluted	$ (4.85)	$ 6.84
Weighted average number of common shares and potential common shares outstanding:		
Basic	94,375	94,375
Diluted	94,375	481,778

See accompanying notes to unaudited condensed consolidated financial statements.

ADDUS HOMECARE CORPORATION
(F/K/A ADDUS HOLDING CORPORATION)
AND SUBSIDIARIES (SUCCESSOR)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the six months ended June 30, 2009
(amounts in thousands, except share and per share data)

	Common Stock			Preferred Stock				Total
	Shares	Amount	Shares	Amount	Dividends	Paid-In Capital	Retained Earnings	Stockholders' Equity
Balance at December 31, 2008	94,375	$ —	37,750	$ 37,750	$ (9,222)	$ 1,430	$ 4,617	$ 34,575
Dividends accrued on preferred stock	—	—	—	—	(2,284)	—	—	(2,284)
Stock-based compensation	—	—	—	—	—	140	—	140
Net income	—	—	—	—	—	—	3,296	3,296
Balance at June 30, 2009	94,375	$ —	37,750	$ 37,750	$ (11,506)	$ 1,570	$ 7,913	$ 35,727

See accompanying notes to unaudited condensed consolidated financial statements.

ADDUS HOMECARE CORPORATION
(F/K/A ADDUS HOLDING CORPORATION)
AND SUBSIDIARIES (SUCCESSOR)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2008 and 2009
(amounts in thousands, except share and per share data)

	2008	2009
Cash flows from operating activities		
Net income	$ 1,619	$ 3,296
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,841	2,444
Deferred income taxes	(413)	(20)
Change in fair value of financial instrument	203	(228)
Stock-based compensation	172	140
Amortization of debt issuance costs	212	354
Provision for doubtful accounts	1,156	1,319
Gain on sale of assets	(14)	—
Changes in operating assets and liabilities, net of acquired businesses:		
Accounts receivable	1,133	(15,196)
Prepaid expenses and other assets	(1,910)	(4,048)
Checks issued against future deposits	(3,956)	—
Accounts payable	1,395	975
Accrued expenses	3,272	6,076
Deferred revenue	(141)	(142)
Income taxes	(292)	233
Net cash provided by (used in) operating activities	5,277	(4,797)
Cash flows from investing activities		
Acquisitions of businesses, net of cash received	(4,493)	(1,473)
Proceeds on sale of equipment	19	—
Purchases of property and equipment	(101)	(231)
Net cash used in investing activities	(4,575)	(1,704)
Cash flows from financing activities		
Borrowings on term loan	5,200	—
Payments on term loan	(2,332)	(3,325)
Net borrowings (repayments) on revolving credit loan	(1,787)	2,400
Net borrowings (repayments) on other notes	(15)	2,163
Net cash provided by financing activities	1,066	1,238
Net change in cash	1,768	(5,263)
Cash, at beginning of period	21	6,113
Cash, at end of period	$ 1,789	$ 850
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 2,259	$ 2,180
Cash paid for taxes	1,691	1,188
Supplemental disclosures of non-cash investing and financing activities		
Contingent and deferred consideration accrued for acquisitions	250	115
Tax benefit related to the amortization of tax goodwill in excess of book basis	68	68
Undeclared accrued preferred stock dividend	2,076	2,284

See accompanying notes to unaudited condensed consolidated financial statements.

ADDUS HOMECARE CORPORATION
(F/K/A ADDUS HOLDING CORPORATION)
AND SUBSIDIARIES (SUCCESSOR)

Notes to Unaudited Condensed Consolidated Financial Statements
for the six months ended June 30, 2008 and 2009
(amounts in thousands, except share and per share data)

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Addus HomeCare Corporation (f/k/a Addus Holding Corporation) ("Holdings") and its subsidiaries (together with Holdings, the "Company") have been prepared in accordance with Accounting Principles Board ("APB") No. 28, "*Interim Financial Reporting*," and, accordingly, do not include all the information disclosures required by generally accepted accounting principles in the United States of America ("GAAP") for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the years ended December 31, 2006, 2007 and 2008, included elsewhere in this prospectus. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to state fairly the financial position of the Company as of June 30, 2009, the results of operations for the six months ended June 30, 2008 and 2009, changes in stockholders' equity for the six months ended June 30, 2009, and cash flows for the six months ended June 30, 2008 and 2009. We have evaluated subsequent events through August 24, 2009 which is the date that these financial statements were issued. The results of operations for the six months ended June 30, 2009 are not necessarily indicative of the results for the full year or the results for any future periods. The consolidated balance sheet as of December 31, 2008 has been derived from audited financial statements at that time.

On July 10, 2009, Holdings changed its name to Addus HomeCare Corporation from Addus Holding Corporation.

Business and Operations

The Company provides home & community and home health services through a network of locations throughout the United States. These services are primarily performed in the homes of the consumers. The Company's home & community services include assistance to the elderly, chronically ill and disabled with bathing, grooming, dressing, personal hygiene and medication reminders, and other activities of daily living. Home & community services are primarily performed under agreements with state and local governmental agencies. The Company's home health services are operated through licensed and Medicare certified offices that provide physical, occupational and speech therapy, as well as skilled nursing services to pediatric, adult infirm and elderly patients. Home health services are reimbursed from Medicare, Medicaid and Medicaid-waiver programs, commercial insurance and private payors.

Principles of Consolidation

All intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

The Company generates net service revenues by providing home & community services and home health services directly to consumers. The Company receives payments for providing such services from federal, state and local governmental agencies, the Veterans Health Administration, commercial insurers and private individuals.

Home & Community

The home & community segment net service revenues are principally provided based on authorized hours, determined by the relevant agency, at an hourly rate specified in agreements or fixed by legislation and recognized as revenues at the time services are rendered. Home & community net service revenues are reimbursed by state, local and other governmental programs which are partially funded by Medicaid or Medicaid waiver programs, with the remainder reimbursed through private duty and insurance programs.

Home Health

The home health segment net service revenues are generated on a per episode or per visit basis. Home health segment net service revenues consist of approximately 60% of Medicare services with the balance being non-Medicare services derived from Medicaid, commercial insurers and private duty. Home health net service revenues reimbursed by Medicare are based on episodes of care. Under the Medicare Prospective Payment System ("PPS"), an episode of care is defined as a length of care up to 60 days with multiple continuous episodes allowed per patient. Medicare billings under PPS vary based on the severity of the patient's condition and are subject to adjustment, both positive and negative, for changes in the patient's medical condition and certain other reasons. At the inception of each episode of care a request for anticipated payment ("RAP") is submitted to Medicare for 50% to 60% of the estimated PPS reimbursement. The Company estimates the net PPS revenues to be earned during an episode of care based on the initial RAP billing, historical trends and other known factors. The net PPS revenues are initially recognized as deferred revenues and subsequently amortized as net service revenues ratably over the 60-day episodic period. At the end of each episode of care a final claim billing is submitted to Medicare and any changes between the initial RAP and final claim billings are recorded as an adjustment to net service revenues. No significant adjustments from initial estimates have been recorded as a result of the process. Other non-Medicare services are primarily provided on a per visit basis determinable and recognized as revenues at the time services are rendered.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change in the near term. The Company believes that it is in compliance in all material respects with all applicable laws and regulations.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is maintained at a level management believes is sufficient to cover potential losses based on historical trends, age of the accounts receivable and known current factors impacting the Company's payors. Allowances for doubtful accounts are established to the extent it is probable that a portion or all of a particular account will not be collected. The Company estimates its allowance for doubtful accounts primarily on receivable aging trends. These estimates rely on historical collection trends for large payors and remaining payor groups. In its evaluation of these estimates, the Company also considers delays in payment trends in individual states due to budget or funding issues, resubmission of bills with required documentation and ongoing disputes with specific payors. During the six months ended June 30, 2008 and 2009, the Company had no significant adjustments to the allowance for doubtful accounts related to prior periods.

Goodwill

The Company's carrying value of goodwill is the residual of the purchase price over the fair value of the net assets acquired from various acquisitions including the Addus HealthCare acquisition. In accordance with Statement of Financial Standards ("SFAS") No. 142, *"Goodwill and Other Intangible Assets,"* goodwill and intangible assets with indefinite useful lives, of which the Company has none, are not amortized. The Company tests goodwill for impairment at the reporting unit level on an annual basis, as of October 1, or whenever potential impairment triggers occur, such as a significant change in business climate or regulatory changes that would indicate that an impairment may have occurred. Goodwill and indefinite lived intangible assets are required to be tested for impairment at least annually using a two-step method. The first step in the evaluation of goodwill impairment involves comparing the current fair value of each reporting unit to the recorded value, including goodwill. The Company uses a discounted cash flow model ("DCF model") to determine the current fair value of each reporting unit. The DCF model was prepared using revenue and expense projections based on the Company's current operating plan. As such, a number of significant assumptions and estimates are involved in the application of the DCF model to forecast revenue growth, price changes, gross profits, operating expenses and operating cash flows. The cash flows were discounted using a weighted average cost of capital ranging from 12.5% to 17.0%, which was management's best estimate based on the capital structure of the Company and external industry data.

As part of the second step of this evaluation, if the carrying value of goodwill exceeds its fair value an impairment loss would be recognized. No impairment in the carrying value of goodwill was recognized in the six months ended June 30, 2008 or 2009.

Intangible Assets

The Company's identifiable intangible assets consist of customer and referral relationships, tradenames, trademarks and non-compete agreements. Amortization is computed using straight-line and accelerated methods based upon the estimated useful lives of the respective assets, which range from two to 25 years.

Long-Lived Assets

The Company reviews its long-lived assets (except goodwill, as described above) for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. To determine if impairment exists, the Company compares the estimated future undiscounted cash flows from the related long-lived assets to the net carrying amount of such assets. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset, generally determined by discounting the estimated future cash flows. No impairment charge was recorded in the six months ended June 30, 2008 or 2009.

Debt Issuance Costs

The Company amortizes debt issuance costs on a straight-line method over the term of its credit facility agreement.

Workers' Compensation Program

The Company's workers' compensation program has a $350 deductible component. The Company recognizes its obligations associated with this program in the period the claim is incurred. The cost of both the claims reported and claims incurred but not reported, up to the deductible, have been accrued based on historical claims

experience, industry statistics and an actuarial analysis performed by an independent third party. The future claims payments related to the workers' compensation program are secured by letters of credit. As part of the terms of the acquisition of Addus HealthCare in 2006, all 2005 and prior workers' compensation claims are the obligation of the former stockholders of Addus HealthCare.

Derivative Financial Instrument

The Company utilizes a derivative financial instrument to minimize interest rate risk. The Company's derivative instrument consists of a three-year interest rate agreement designed to reduce the variability of cash flows associated with a portion of the Company's term debt. As the hedge accounting criteria established in SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"* have not been met, the Company accounts for the instrument at its fair value and recognizes any changes in its fair value in earnings for the period.

SFAS No. 157, *"Fair Value Measurements,"* establishes a three-tier fair value hierarchy, which categorizes the inputs used in measuring fair value. These categories include, in descending order of priority: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair value of the swap is calculated using proprietary models utilizing observable inputs (Level 2) as well as future assumptions related to interest rates and other applicable variables. These calculations are performed by the financial institution which is counterparty to the applicable swap agreement. The Company uses these reported fair values to adjust the asset or liability as appropriate.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No. 109, *"Accounting for Income Taxes"* ("SFAS 109"). The objective of accounting for income taxes is to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in its financial statements or tax returns. Deferred taxes, resulting from differences between the financial and tax basis of the Company's assets and liabilities, are also adjusted for changes in tax rates and tax laws when changes are enacted. SFAS 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company has adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109"* ("FIN 48"), which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The adoption of FIN 48 did not have a material effect on the Company's financial statements.

Stock-based Compensation

The Company has a stock incentive plan that provides for stock-based employee compensation. Compensation expense is recognized on a graded method over the vesting period of the awards based on the fair value of the options. The fair value is based on management's best estimate of the stock price volatility, dividend yield and expected option lives as of the grant date and calculated using the Black-Scholes option pricing model. The discount rate used in the calculation represents the U.S. Treasury yield curve rate.

Net Income (Loss) Per Common Share

Net income (loss) per common share, calculated on the treasury stock method, is based on the weighted average number of shares outstanding during the period. The Company's outstanding securities that may potentially dilute the common stock are stock options and convertible preferred stock. For the six months ended June 30, 2008, the Company reported a net loss available to common stockholders. With a net loss any potentially dilutive securities would be antidilutive, therefore, no additional shares were considered in the calculation of diluted earnings per share.

Estimates

The financial statements are prepared by management in conformity with generally accepted accounting principles and include estimated amounts and certain disclosures based on assumptions about future events. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, payables and debt. The carrying amounts reported in the consolidated balance sheets for cash, accounts receivable, accounts payable and accrued expenses approximate fair value because of the short-term nature of these instruments. The Company's long-term debt approximates fair value based on instruments with similar terms.

Reclassifications

Certain reclassifications have been made to prior period amounts in order to conform to the current year presentation. Such reclassifications had no effect on the previously reported net income.

New Accounting Pronouncements

In January 2009, the Company adopted SFAS No. 141 (revised 2007), "*Business Combinations*" ("SFAS 141(R)"), which continues the evolution toward fair value reporting and significantly changes the accounting for acquisitions that closed beginning in 2009, both at the acquisition date and in subsequent periods. In April 2009, the FASB issued Staff Position 141R-1 "*Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies,*" which modifies the accounting and reporting of business combinations. These statements retain the fundamental principles of the purchase method of accounting for business combinations; however, they require several changes in the way the assets and liabilities are recognized in an acquisition. These statements require an acquirer to recognize all the assets acquired and liabilities assumed, excluding contingent consideration, in a transaction at the acquisition-date fair value with limited exceptions.

These statements also require acquisition related costs, including due diligence fees, to be expensed. These statements introduce new accounting concepts and valuation complexities, and many of the changes have the potential to generate greater earnings volatility after an acquisition. The effect of the adoption of these statements on the Company's results of operations and financial condition will depend on the nature and size of the acquisitions that take place after their effective date.

The Company adopted the remaining provisions of SFAS No. 157, "*Fair Value Measurements*" ("SFAS 157"), in January 2009, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of SFAS 157 did not have a material effect on the Company's results of operations and financial position.

Also in January 2009, the Company adopted SFAS No. 161, "*Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*" ("SFAS 161"). SFAS 161 requires, among other things, enhanced disclosure about the volume and nature of derivative and hedging activities and a tabular summary showing the fair value of derivative instruments included in the statement of financial position and statement of operations. SFAS 161 also requires expanded disclosure of contingencies included in derivative instruments related to credit risk. The adoption of SFAS 161 did not have a material effect on the Company's financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *"Interim Disclosures about Fair Value of Financial Instruments."* This FSP expands to interim periods the existing annual requirement to disclose the fair value of financial instruments that are not reflected on the balance sheet at fair value. The FSP will be effective and could potentially require additional disclosures in interim periods after the Company's fiscal year ending 2009. The Company is evaluating the impact the adoption of this FSP will have on its financial statements.

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not* Orderly ("FSP FAS 157-4"), which amends SFAS 157 to provide additional guidance on estimating fair value when the volume and level of transaction activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. Additionally, FSP FAS 157-4 requires additional disclosures regarding fair value in interim and annual reports. This FSP is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP FAS 157-4 did not have a material impact on the Company's financial statements.

The FASB issued SFAS No. 165, *Subsequent Events* ("SFAS 165"), on May 28, 2009. SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Although there is new terminology, the standard is based on the same principles as those that currently exist in the auditing standards. The standard, which includes a new required disclosure of the date through which an entity has evaluated subsequent events, is effective for interim or annual periods ending after June 15, 2009. The adoption of SFAS 165 has not had a material effect on the financial reports of the Company. See "Basis of Presentation" above.

In June 2009, the FASB issued SFAS No. 167, "*Amendments to FASB Interpretation No. 46(R)*" ("SFAS 167"). SFAS 167 improves financial reporting by enterprises involved with variable interest entities and to address

(1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), "*Consolidation of Variable Interest Entities*," as a result of the elimination of the qualifying special-purpose entity concept in the SFAS No. 166, "*Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140*" and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. SFAS 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 167 will have on its financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168 ("SFAS 168"), The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles. SFAS 168 replaces SFAS 162, The Hierarchy of Generally Accepted Accounting Principles and establishes the FASB Accounting Standards Codification™ (Codification) as the source of authoritative accounting principles recognized by the FASB. The Codification is to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles and it supersedes all existing non-SEC accounting and reporting standards. SFAS 168 also identifies the framework for selecting the principles used in preparation of financial statements that are presented in conformity with GAAP. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company expects that the adoption of SFAS 168 will not have a material impact on the Company's financial condition, results of operations or cash flows.

2. Acquisitions

In 2008, the Company acquired four agencies containing several locations. The purchase price of each acquisition was determined based on, among other things, comparable acquisitions and the expected EBITDA and cash flows of the business being acquired. All of the acquisitions were accounted for in accordance with purchase accounting under the provisions of SFAS No. 141, *"Business Combinations"*, and included in the Company's financial statements from the respective acquisition date. The purchase price of each acquisition typically consisted of cash and either a subordinated promissory note or contingent cash consideration if certain targets were met. Goodwill and identifiable intangible assets were recognized on each acquisition.

On April 1, 2008, the Company acquired an agency providing home & community services and home health services through thirteen locations in Idaho, Montana and Nevada for $2,000 in cash at closing, a $1,250 subordinated promissory note bearing interest at 8.0%, $350 in contingent cash consideration that was earned in 2008 and a deferred purchase price payment of $125. The contingent cash consideration was based on the acquired business' EBITDA for calendar 2008. The contingent and deferred consideration were both paid as of June 30, 2009. An additional $475 in contingent cash consideration may become payable if the acquired business meets its EBITDA target for 2009. The acquisition was financed with a $2,500 term loan advance. Goodwill of $2,042 identifiable intangible assets of $1,864 and other assets of $30 were recognized in connection with the acquisition.

In June 2008 the Company acquired in two separate transactions, two agencies providing home & community services in Nevada and four locations in North Carolina for $1,300 in cash, $289 in contingent cash consideration and a $125 deferred purchase price payment. The contingent cash consideration was based on post-acquisition client service levels of one of the acquired businesses. An additional $911 in contingent cash consideration may become payable based on client service levels of one of the acquired businesses in 2009 and 2010, of which an additional $232 in contingent consideration was earned during the first six months of 2009. A total of $115 in contingent consideration and the deferred purchase price was unpaid at June 30, 2009. The acquisition was financed with $2,700 in term loan advances. Goodwill of $1,171, identifiable intangible assets of $940, and other assets of $45 were recognized in connection with these acquisitions.

On September 25, 2008, the Company acquired a Medicare certified home health agency in Indiana for $300 in cash, a $100 subordinated promissory note and a $50 deferred purchase price payment. The deferred purchase price was unpaid as of June 30, 2009. A $500 term loan advance was used to finance this acquisition. Goodwill of $229, identifiable intangible assets of $300 and other assets of $10 were recognized in connection with the acquisition.

During the first six months of 2009, $1,473 of contingent consideration was paid by the Company from prior year acquisitions.

The following table contains unaudited pro forma consolidated income statement information for the six months ended June 30, 2008 assuming all 2008 acquisitions closed January 1, 2008:

	2008
Net service revenues	$116,709
Operating income	4,468
Net income	1,320
Preferred stock dividends, undeclared subject to payment upon conversion	(2,076)
Net loss attributable to common shareholders	(756)
Basic and diluted earnings per share	$ (8.01)

The pro forma disclosures in the table above include adjustments for interest expense, amortization of intangible assets and tax expense to reflect results that are more representative of the combined results of the transaction if they had occurred on January 1, 2008. This pro forma information is presented for illustrative purposes only and may not be indicative of the results of operation that would have actually occurred. In addition, future results may vary significantly from the results reflected in the pro forma information.

ADDUS HOMECARE CORPORATION
(F/K/A ADDUS HOLDING CORPORATION)
AND SUBSIDIARIES (SUCCESSOR)

Notes to Unaudited Condensed Consolidated Financial Statements (continued)
for the six months ended June 30, 2008 and 2009
(amounts in thousands, except share and per share data)

3. Details of Certain Balance Sheet Accounts

Prepaid expenses and other current assets consist of the following:

	December 31, 2008	June 30, 2009
Prepaid health insurance	$ 3,113	$5,555
Prepaid workers' compensation and liability insurance	1,111	2,342
Prepaid rent	290	281
Other	633	1,017
	$ 5,147	$9,195

Accrued expenses consisted of the following:

	December 31, 2008	June 30, 2009
Accrued payroll	$ 11,141	$14,346
Accrued workers' compensation insurance	5,620	6,463
Accrued payroll taxes	1,862	1,723
Accrued health insurance	1,848	4,234
Accrued interest, including mark-to-market adjustment	1,186	981
Other	1,064	1,112
	$ 22,721	$28,859

4. Long-Term Debt

Long-term debt consisted of the following:

	December 31, 2008	June 30, 2009
Credit facility		
Revolving credit loan	$ 7,694	$ 10,094
Term loan	53,369	50,044
Subordinated promissory note, due July 2010 and bearing interest at 8.0%	250	250
Subordinated promissory note, due October 2010 and bearing interest at 8.0%	500	500
Subordinated promissory note, due December 2010 and bearing interest at 8.0%	1,250	1,250
Subordinated promissory note, due December 2010 and bearing interest at 6.0%	100	100
Subordinated insurance notes payable, due May 2010 and bearing interest at 4.68%	—	2,176
Other	13	—
Total	63,176	64,414
Less current maturities	(7,101)	(10,139)
Long-term debt	$ 56,075	$ 54,275

Under the Company's amended credit facility, interest on the borrowings is at an index, as defined, or LIBOR rate. The index base rate is the higher of the prime rate or the federal funds rate plus 50 basis points. For borrowings under the revolving credit loan the interest rate includes an applicable margin of 2.75% for an index rate loan and 3.75% for a LIBOR rate loan. For borrowings under the term loan the interest rate includes an applicable margin ranging from 2.50% to 3.50% for an index rate loan and 3.50% to 4.50% for a LIBOR rate loan, depending on the Company's leverage ratio. At June 30, 2009, the Company's revolving credit loan was at an index rate of 6.0%. The term loan was comprised of $44 at an index rate of 6.25% and $50,000 at a LIBOR rate of 4.35%. At June 30, 2009, the Company had $1,156 available under its revolving credit commitment.

During the second quarter of 2009 the Company financed its general liability and workers' compensation insurance premiums with a $2,393 subordinated promissory note. The note is due May 2010, bears interest at 4.68% and requires monthly principal and interest payments.

The Company entered into an interest rate agreement to minimize significant fluctuations in cash flows caused by interest rate volatility on a portion of its term loan. The agreement has a notional value of $22,500 and provides for a LIBOR cap and floor rate, before applicable margin, of 6.0% and 3.72%, respectively. The interest rate agreement is for a period of three years and expires on March 5, 2010. This agreement was not designated as a cash flow hedge under the terms of SFAS 133. Accordingly, the change in the fair value of the interest rate swap agreements is recognized as interest expense in our condensed consolidated statements of income.

The following is a reconciliation of the activity during the period regarding the Company's interest rate agreement:

Liability balances as of December 31, 2008	$ 776
Interest expense (income)	(228)
Liability balances as of June 30, 2009	$ 548

The Company is exposed to credit losses in the event of non-performance by counterparties to the interest rate agreement, but the Company does not expect the counterparty to fail to meet its obligation. To manage credit risks, the Company selects counterparties based on credit ratings and monitors the market position of each counterparty as required by SFAS 133.

5. Preferred Stock

On September 19, 2006, Holdings issued 37,750 shares of series A preferred stock for $37,750. The series A preferred stock accumulates undeclared dividends at a rate of 10% per year, compounded annually, and participates in any dividends on the common stock based on the number of shares of common stock into which the preferred stock is convertible. All dividends are cumulative and accrue quarterly and are payable in cash, when declared. At June 30, 2009, accrued but undeclared dividends of $11,506 have been reflected as a reduction of stockholders' equity. In the absence of sufficient retained earnings or additional paid in capital, the undeclared dividends have been shown as a separate charge in the stockholders' equity section. The board of directors has not declared any dividends on the common stock.

Each share of series A preferred stock is entitled to the same number of votes and has the same voting rights as the number of shares of common stock into which such share of preferred stock is convertible. The series A preferred stock may be converted into shares of Holdings' common stock equal to the quotient obtained by dividing (i) the product of the original purchase price ($1,000 per share) and the number of shares being converted by (ii) the conversion price. The conversion price is $100 and subject to adjustment. These adjustments relate to common stock dividends, combinations or forward or reverse splits, and would result in a proportionate conversion ratio after giving effect to such adjustments.

The series A preferred stockholders may convert their shares at any time into fully paid common stock at the prevailing conversion price. Automatic, or mandatory, conversion of the series A preferred stock at the prevailing conversion price, would occur upon consummation of an initial public offering meeting predetermined qualifying thresholds. All accumulated, undeclared dividends on the series A preferred stock shall be payable in cash on the conversion date. As the preferred stockholders have the ability to convert their shares, even though no shares have been converted, all undeclared dividends have been reflected as a long-term liability. The Company's current facility restricts the declaration or payment of any dividends. In addition, the series A preferred stock has a liquidation preference equal to all accrued and unpaid dividends, plus $1,000 per share, subject to any adjustments to the conversion price.

6. Income Taxes

A reconciliation of the statutory federal tax rate of 34% to the effective income tax rate of the Company is summarized as follows:

	June 30,	
	2008	2009
Federal income tax at statutory rate	34.0%	34.0%
State and local taxes, net of federal benefit	4.3	4.3
Jobs tax credits, net	(19.0)	(8.2)
Nondeductible meals and entertainment	0.8	0.5
Other nondeductible expenses	0.9	0.3
Effective income tax rate	21.0%	30.9%

7. Net Income (loss) Per Share

The Company accounts for net income per share in accordance with FAS No. 128, "Earnings per Share" ("FAS 128"). FAS 128 requires the presentation of "basic" income per share and "diluted" income per share. Basic income per share is computed by dividing the net income by the weighted-average shares of outstanding common stock. For purposes of calculating diluted earnings per share, the denominator includes both the weighted average shares of common stock outstanding and dilutive potential common stock equivalents. Dilutive common stock equivalent shares consist of stock options and convertible preferred stock.

The components of net income (loss) available for the diluted per-share calculation and diluted weighted average common shares outstanding are as follows:

	Six Months Ended June 30,	
	2008	2009
Net income (loss) available for diluted per-share calculation:		
Net income (loss) attributable to common shareholders	$ (457)	$ 1,012
Assumed conversion of preferred stock and add-back of dividends recorded for the period	—	2,284
Net income (loss) available for diluted per-share calculation	$ (457)	$ 3,296

	Six Months Ended June 30,	
	2008	2009
Weighted average diluted shares outstanding:		
Basic weighted average common shares outstanding	94,375	94,375
Dilutive effect of stock options	—	9,903
Assumed conversion of preferred stock	—	377,500
Diluted weighted average common shares outstanding	94,375	481,778

For the six months ended June 30, 2008, the Company reported a net loss available to common stockholders. With a net loss any potentially dilutive securities would be antidilutive, therefore, no additional shares were considered for the assumed conversion of preferred stock and stock options in the calculation of diluted earnings per share.

8. Segment Data

The Company provides home & community and home health services primarily in the home of the consumer. The Company's locations are organized principally along these lines of service. The home & community and home health services lines have been identified as reportable segments applying the criteria in SFAS No. 131, "*Disclosure about Segments of an Enterprise and Related Information.*" The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies. Intersegment net service revenues are not significant. All services are provided in the United States.

The Company evaluates the performance of its segments through operating income which excludes corporate depreciation and general corporate expenses. General corporate expenses consist principally of accounting and finance, information systems, billing and collections, human resources and national sales and marketing administration.

The following is a summary of segment information for the six months ended June 30, 2008 and 2009:

	Six months ended June 30,	
	2008	2009
Net service revenue		
Home & Community	$ 87,887	$102,501
Home Health	22,981	24,304
	$110,868	$126,805
Operating income		
Home & Community	$ 8,108	$ 10,341
Home Health	2,476	3,543
General corporate expenses & corporate depreciation	(5,951)	(6,946)
	$ 4,633	$ 6,938
Depreciation and Amortization		
Home & Community	$ 1,990	$ 1,667
Home Health	459	393
Corporate	392	384
	$ 2,841	$ 2,444

9. Commitments and Contingencies

Contingent Payment

In conjunction with the 2006 acquisition of Addus HealthCare, the sellers are entitled to receive a contingent payment equal to the lesser of $10,000 plus 8% per annum compounded annually or the net value of the Company less the target amount, as defined in the agreement. The target amount represents the total of (i) $37,750 plus 10% per annum compounded annually plus (ii) the cash consideration received from the issuance of any securities that are senior to the series A preferred stock (“Senior Securities”) and any accrued and unpaid dividends with respect to such Senior Securities, if any, less (iii) the principal amount of any series A preferred stock or Senior Securities that are redeemed or otherwise repurchased and any dividends paid or other distributions made on the series A preferred stock, Senior Securities or common stock of Holdings. The contingent payment amount is due upon the earliest of a public offering with net proceeds of not less than $50,000, the sale, liquidation or dissolution of the Company which results in a net value of the Company greater than the target amount or September 19, 2011. Based on its final determination, goodwill will be adjusted for the amount of the actual payment. The Company anticipates paying this contingent payment upon the closing of an offering meeting the specified thresholds.

Legal Proceedings

Addus HealthCare and the former stockholders of Addus HealthCare have been in arbitration with an insurance carrier that provided workers' compensation insurance coverage from 1993 to 1997. The former stockholders of Addus HealthCare indemnified the Company for this obligation as part of the terms of the Addus HealthCare acquisition. The dispute pertained to certain amounts claimed to be due under the insurance program. In May 2009, the parties settled the dispute, with the execution of a definitive settlement agreement. The terms of the settlement agreement required the insurance carrier to draw down $1,782 from an outstanding letter of credit in full satisfaction of all amounts due as of September 30, 2008, and Addus HealthCare to provide a $218 letter of credit, subject to adjustment, as security for any insured losses paid by the insurance carrier after September 2008. The settlement draw and the issuance of the letter of credit were funded by escrow accounts previously set aside in conjunction with the acquisition of Addus HealthCare in 2006.

The Company is a party to other legal and/or administrative proceedings arising in the ordinary course of its business. It is the opinion of management that the outcome of such proceedings will not have a material effect on the Company's financial position and results of operations.

Employment Agreements

The Company has entered into employment agreements with certain members of senior management. The terms of these agreements are up to four years and include non-compete and nondisclosure provisions, as well as provide for defined severance payments in the event of termination.

10. Significant Payors

A substantial portion of the Company's net service revenues and accounts receivables are derived from services performed for federal, state and local governmental agencies. Medicare and one state governmental agency accounted for 12% and 31% of the Company's net service revenues for the six months ended June 30, 2008, respectively, and 12% and 33% of the Company's net service revenues for the six months ended June 30, 2009, respectively. The related receivables due from Medicare and the state agency represented 10% and 38% of the Company's accounts receivable at December 31, 2008, respectively, and 9% and 42% of the Company's accounts receivable at June 30, 2009, respectively.

INDEPENDENT AUDITORS' REPORT

To the Members
SuCasa Personal Care, LLC
Las Vegas, Nevada

We have audited the accompanying balance sheet of SuCasa Personal Care, LLC ("Company") as of July 28, 2007, and the related statements of operations, members' equity, and cash flows for the period January 1, 2007 through July 28, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SuCasa Personal Care, LLC as of July 28, 2007 and the results of is operations and its cash flows for the period January 1, 2007 through July 28, 2007, in conformity with accounting principles generally accepted in the United States of America.

Dixon Hughes PLLC

Morgantown, West Virginia
July 6, 2009

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SUCASA PERSONAL CARE, LLC
BALANCE SHEET
July 28, 2007

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 29,708
Accounts receivable	221,434
TOTAL CURRENT ASSETS	251,142
PROPERTY AND EQUIPMENT	
Equipment	7,456
Furniture and fixtures	2,326
Automobiles	22,071
	31,853
Accumulated depreciation	(27,549)
	4,304
TOTAL ASSETS	$255,446
LIABILITIES AND MEMBERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable	$ 58,740
Accrued expenses	120,110
Accrued/unremitted payroll taxes	19,370
TOTAL CURRENT LIABILITIES	198,220
MEMBERS' EQUITY	57,226
TOTAL LIABILITIES & MEMBERS' EQUITY	$255,446

See accompanying notes.

SUCASA PERSONAL CARE, LLC
STATEMENT OF OPERATIONS
For the Period January 1, 2007 through July 28, 2007

REVENUE	
Client service revenue	$ 1,696,312
EXPENSES	
Salaries and wages	1,176,646
Payroll taxes	137,962
Rent	16,800
Insurance	37,498
Professional fees	99,686
Depreciation	2,802
Other expenses	131,038
TOTAL EXPENSES	1,602,432
Income from operations	93,880
Interest expense	2,883
Medicaid reimbursement settlement (Note 5)	40,000
NET INCOME	$ 50,997

See accompanying notes.

SUCASA PERSONAL CARE, LLC
STATEMENT OF MEMBERS' EQUITY
For the Period January 1, 2007 through July 28, 2007

BALANCE, December 31, 2006	$ 220,829
Net income	50,997
Distributions	(214,600)
BALANCE, July 28, 2007	$ 57,226

See accompanying notes.

SUCASA PERSONAL CARE, LLC
STATEMENT OF CASH FLOWS
For the Period January 1, 2007 through July 28, 2007

Operating activities:	
Net income	$ 50,997
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	2,802
Employee advances and other receivables write off	32,150
(Increase) decrease in:	
Accounts receivable	(16,180)
(Decrease) increase in:	
Accounts payable	42,775
Accrued expenses	11,768
Accrued/unremitted payroll taxes	(108,587)
Net cash provided by operating activities	15,725
Investing activities:	
Loan to member	(20,000)
Employee and other receivable advances	(1,745)
Net cash used in investing activities	(21,745)
Financing activities:	
Distributions to members	(44,500)
Net cash used in financing activities	(44,500)
Net decrease in cash and cash equivalents	(50,520)
Cash and cash equivalents, beginning of period	80,228
Cash and cash equivalents, end of period	$ 29,708
Supplemental disclosure of cash flow information:	
Cash used for interest payments	$ 2,883
Member loan paid through distribution	$ 170,100

See accompanying notes.

SUCASA PERSONAL CARE, LLC
NOTES TO FINANCIAL STATEMENTS
For the Period January 1, 2007 through July 28, 2007

NOTE 1. DESCRIPTION OF COMPANY

SuCasa Personal Care, LLC ("Company") is a limited liability company that provides non-medical assistance services to elderly and adult infirm clients who qualify for Medicaid coverage in the State of Nevada. Services provided consist principally of bathing assistance, dressing and undressing, walking, grooming, meal preparation, laundry services, light housekeeping, essential shopping and other activities of daily living. The Company provides services in the greater Las Vegas, Nevada area.

On July 29, 2007, substantially all of the assets of the Company were sold. (see Note 4).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements cover the period from January 1, 2007 through July 28, 2007.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash.

Accounts Receivable

Accounts receivable consist primarily of amounts due from the Nevada State Medicaid program for services rendered. Management's determination of the need for, and adequacy of, the allowance for receivable losses is based upon evaluation of selected accounts, historical loss experience, current economic conditions and other factors. This determination is inherently subjective and requires management to estimate the probability, amount and timing of losses. As of July 28, 2007, management has determined that all accounts receivable are fully collectible and no allowance is necessary.

Property and Equipment

Property and equipment is reported at cost less accumulated depreciation. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Repairs and maintenance are charged to expense as incurred.

Provisions for furniture, equipment, and automobile depreciation are computed under accelerated methods with a useful life of 5 years. Depreciation expense for the period ending July 28, 2007 was $2,802.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

SUCASA PERSONAL CARE, LLC
NOTES TO FINANCIAL STATEMENTS—(Continued)
For the Period January 1, 2007 through July 28, 2007

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company recognizes revenues as services are provided. Client service revenue is recorded at estimated realizable amounts from the Nevada State Medicaid program for services rendered. Patient receivables are uncollateralized, and, accordingly, any unanticipated claim denials or payment modifications are reported as reductions to client service revenue in the reporting period that such are identified.

Income Taxes

The Company has elected to be taxed as a partnership under provisions of the Internal Revenue Code. No provision for income taxes is reported in the accompanying financial statements as the tax attributes of the Company are reported on the individual members' income tax returns.

Advertising Costs

All advertising costs have been expensed as incurred. The Company incurred advertising expenses of $1,580 for the period January 1, 2007 through July 28, 2007. These costs are included in other expenses on the statement of operations.

NOTE 3. RELATED PARTY TRANSACTIONS

During the period January 1, 2007 through July 28, 2007, the Company paid a forty percent (40%) member $30,000 in compensation for services related to accounting and management services. A two and a half percent (2.50%) member received salaried compensation of $24,000 for the period January 1, 2007 through July 28, 2007.

The forty percent (40%) member's relatives were paid consulting fees of $29,250 during the period January 1, 2007 through July 28, 2007.

The Company donated money to a local charity, Junior Golf of Southern Nevada, that the forty percent (40%) member's wife was the Director. The total amount donated was $6,000 during the period January 1, 2007 through July 28, 2007.

NOTE 4. SALE OF COMPANY ASSETS

On July 29, 2007, the Company and another personal care assistant ("PCA") provider known as Desert PCA of Nevada, LLC sold essentially all of their assets to Addus HealthCare (Nevada), Inc. for a combined purchase price of $3,500,000. The purchase price consisted of $1,750,000 cash, an 8% junior subordinated promissory note in the principal amount of $250,000, and up to $1,500,000 of contingent consideration pursuant to the terms and conditions of the purchase agreement.

NOTE 5. STATE OF NEVADA PLEA AGREEMENT

During 2007, the Company entered into a plea agreement with the State of Nevada regarding a Medicaid fraud case. As a result of the plea agreement, the Company paid the Attorney General of the State of Nevada $40,000 for restitution, reasonable cost of enforcement and penalties due to the Company's misrepresentations and breach of fiduciary duties.

NOTE 6. CONCENTRATION

The Nevada State Medicaid program is the only payer source and comprises 100% of the client service revenue on the statement of operations.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Dependence on Medicaid Program Reimbursements

As discussed in other notes to the financial statements, the Company is significantly dependent on Medicaid program reimbursements. The financial condition of the Medicaid programs in Nevada could cause the state to further review payment methodologies or coverage as part of any attempt to reduce Medicaid expenditures. Future changes in Medicaid payments or payment methodologies could substantially impact future operations of the Company.

Laws and regulations governing the Medicaid programs are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing other than as previously disclosed in Note 5. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future review and interpretation. The results of such governmental review could include fines, penalties and exclusion from participation in the Medicaid programs.

Professional and General Liability Claims

In recent years, healthcare providers have become subject to an increasing number of lawsuits, including allegations of medical malpractice. Many of these lawsuits involve large claims and substantial defense costs. The Company purchases malpractice insurance coverage on a claims-made basis from a commercial insurance carrier. Management has not made estimates of future losses from asserted or unasserted claims that might exceed insurance coverage amounts, although management believes coverage to be sufficient.

Nevertheless, some risks and liabilities, including claims for punitive damages or claims based on the actions of third parties, may not be covered by insurance. In addition, the Company cannot assure that existing insurance coverage is adequate to cover potential losses. While the Company has been able to obtain liability insurance, it can be expensive and may not be available in the future on terms acceptable to the Company, or at all. Moreover, claims, regardless of their merit or eventual outcome, may also adversely affect the Company’s reputation and ability to secure patient referrals, as well as divert management resources from the ongoing operations.

Sale of Company Contingencies and Representations Made By Members

As part of the sale of the Company assets described in Note 4, the Company and its members made certain representations to the buyer regarding the financial position and results of operations, ownership of the organization, title to assets, undisclosed liabilities, the absence of legal proceedings, compliance with laws, Company contracts, insurance policies, health and safety matters, intellectual property, employee matters, taxes, ethical practices and other representations. The Company, its members and affiliates also entered into noncompetition agreements. The Company and its members also agreed to indemnify and hold harmless the purchaser and its affiliates against various liabilities and other matters within certain limitations.

INDEPENDENT AUDITORS' REPORT

To the Member
Desert PCA of Nevada, LLC
Las Vegas, Nevada

We have audited the accompanying balance sheet of Desert PCA of Nevada, LLC ("Company") as of July 28, 2007, and the related statements of operations, member's equity, and cash flows for the period January 1, 2007 through July 28, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desert PCA of Nevada, LLC as of July 28, 2007 and the results of its operations and its cash flows for the period January 1, 2007 through July 28, 2007, in conformity with accounting principles generally accepted in the United States of America.

Dixon Hughes PLLC

Morgantown, West Virginia
July 6, 2009

DESERT PCA OF NEVADA, LLC
BALANCE SHEET
July 28, 2007

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 70,115
Accounts receivable	94,256
TOTAL CURRENT ASSETS	164,371
PROPERTY AND EQUIPMENT	
Equipment	6,876
Automobiles	64,688
	71,564
Accumulated depreciation	(22,794)
	48,770
TOTAL ASSETS	$213,141
LIABILITIES AND MEMBER’S EQUITY	
CURRENT LIABILITIES	
Accounts payable	7,868
Accrued expenses	59,494
Current portion long-term debt	8,122
TOTAL CURRENT LIABILITIES	75,484
LONG-TERM DEBT, LESS CURRENT PORTION	15,080
MEMBER’S EQUITY	122,577
TOTAL LIABILITIES AND MEMBER’S EQUITY	$213,141

See accompanying notes.

DESERT PCA OF NEVADA, LLC
STATEMENT OF OPERATIONS
For the Period January 1, 2007 Through July 28, 2007

REVENUE	
Client service revenue	$ 909,003
EXPENSES	
Salaries and wages	655,212
Payroll taxes	76,459
Rent	3,000
Insurance	24,916
Professional fees	3,937
Depreciation	12,165
Other expenses	36,062
TOTAL EXPENSES	811,751
Income from operations	97,252
Interest expense	1,476
NET INCOME	$ 95,776

See accompanying notes.

DESERT PCA OF NEVADA, LLC
STATEMENT OF MEMBER'S EQUITY
For the Period January 1, 2007 through July 28, 2007

BALANCE, December 31, 2006	$ 60,087
Net income	95,776
Distributions	(33,286)
BALANCE, July 28, 2007	$122,577

See accompanying notes.

DESERT PCA OF NEVADA, LLC
STATEMENT OF CASH FLOWS
For the Period January 1, 2007 Through July 28, 2007

Operating activities:	
Net Income	$ 95,776
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	12,165
Member advance write-off	(1,400)
(Increase) decrease in:	
Accounts receivable	(1,227)
(Decrease) increase in:	
Accounts payable	580
Accrued expenses	(46,684)
Net cash provided by operating activities	59,210
Investing activities:	
Purchases of property and equipment	(2,716)
Net cash used in investing activities	(2,716)
Financing activities:	
Payments on note payable	(13,848)
Distributions to member	(33,286)
Net cash used in financing activities	(47,134)
Net increase in cash and cash equivalents	9,360
Cash and cash equivalents, beginning of period	60,755
Cash and cash equivalents, end of period	$ 70,115
Supplemental disclosure of cash flow information:	
Cash used for interest payments	$ 1,476

See accompanying notes.

DESERT PCA OF NEVADA, LLC
NOTES TO FINANCIAL STATEMENTS
For the Period January 1, 2007 through July 28, 2007

NOTE 1. DESCRIPTION OF COMPANY

Desert PCA of Nevada, LLC. ("Company"), is a limited liability company that provides non-medical assistance services to elderly and adult infirm clients who qualify for Medicaid coverage in the State of Nevada. Services provided consist principally of bathing assistance, dressing and undressing, walking, grooming, meal preparation, laundry services, light housekeeping, and essential shopping and other activities of daily living. The Company provides services in the greater Las Vegas, Nevada area.

On July 29, 2007, substantially all of the assets of the Company were sold (See Note 5).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements cover the period from January 1, 2007 through July 28, 2007.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash.

Accounts Receivable

Accounts receivable consist primarily of amounts due from the Nevada State Medicaid program for services rendered. Management's determination of the need for, and adequacy of, the allowance for receivable losses is based upon evaluation of selected accounts, historical loss experience, current economic conditions and other factors. This determination is inherently subjective and requires management to estimate the probability, amount and timing of losses. As of July 28, 2007, management has determined that all accounts receivable are fully collectible and no allowance is necessary.

Property and Equipment

Property and equipment is reported at cost less accumulated depreciation. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Repairs and maintenance are charged to expense as incurred.

Provisions for equipment and automobile depreciation are computed under accelerated methods with a useful life of 5 years. Depreciation expense for the period ended July 28, 2007 was $12,165.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company recognizes revenues as services are provided. Client service revenue is recorded at estimated realizable amounts from the Nevada State Medicaid program for services rendered. Patient receivables are uncollateralized, and, accordingly, any unanticipated claim denials or payment modifications are reported as reductions to client service revenue in the reporting period that such are identified.

Income Taxes

The Company has elected to be taxed as an S Corporation under provisions of the Internal Revenue Code. No provision for income taxes is reported in the accompanying financial statements as the tax attributes of the Company are reported on the individual member's income tax return.

Advertising Costs

All advertising costs have been expensed as incurred. The Company incurred advertising expenses of $375 for the period January 1, 2007 through July 28, 2007. These costs are included in other expenses on the statement of operations.

NOTE 3. LONG-TERM DEBT

In September 2006, the Company entered into a long-term debt agreement for the purchase of a vehicle. The loan calls for monthly payments of $809 at an interest rate of approximately 8.1%. As of July 28, 2007 the remaining balance of the loan is $23,202. Following are maturities of long-term debt:

Year Ending July 28,	
2008	$ 8,122
2009	8,122
2010	6,958
	$ 23,202

NOTE 4. RELATED PARTY TRANSACTIONS

The Company has one member who provides all management and accounting functions of the Company. The member received compensation, as well as distributions from the Company. Compensation for the period January 1, 2007 through July 28, 2007 was $44,700.

NOTE 5. SALE OF COMPANY ASSETS

On July 29, 2007, the Company and another personal care assistant ("PCA") provider known as SuCasa Personal Care, LLC sold essentially all of their assets to Addus Healthcare (Nevada), Inc. for a combined purchase price of $3,500,000. The purchase price consisted of $1,750,000 cash, an 8% junior subordinated promissory note in the principal amount of $250,000, and up to $1,500,000 of contingent consideration pursuant to the terms and conditions of the purchase agreement.

NOTE 6. CONCENTRATION

The Nevada State Medicaid program is the only payer source and comprises 100% of the client service revenue on the statement of operations.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Dependence on Medicaid Program Reimbursements

As discussed in other notes to the financial statements, the Company is significantly dependent on Medicaid program reimbursements. The financial condition of the Medicaid programs in Nevada could cause the state to further review payment methodologies or coverage as part of any attempt to reduce Medicaid expenditures. Future changes in Medicaid payments or payment methodologies could substantially impact future operations of the Company.

Laws and regulations governing the Medicaid programs are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future review and interpretation. The results of such governmental review could include fines, penalties and exclusion from participation in the Medicaid programs.

Professional and General Liability Claims

In recent years, healthcare providers have become subject to an increasing number of lawsuits, including allegations of medical malpractice. Many of these lawsuits involve large claims and substantial defense costs. The Company purchases malpractice insurance coverage on a claims-made basis from a commercial insurance carrier. Management has not made estimates of future losses from asserted or unasserted claims that might exceed insurance coverage amounts, although management believes coverage to be sufficient.

Nevertheless, some risks and liabilities, including claims for punitive damages or claims based on the actions of third parties, may not be covered by insurance. In addition, the Company cannot assure that existing insurance coverage is adequate to cover potential losses. While the Company has been able to obtain liability insurance, it can be expensive and may not be available in the future on terms acceptable to the Company, or at all. Moreover, claims, regardless of their merit or eventual outcome, may also adversely affect the Company’s reputation and ability to secure patient referrals, as well as divert management resources from the ongoing operations.

Sale of Company Contingencies and Representations Made By Member

As part of the sale of the Company assets described in Note 5, the Company and its member made certain representations to the buyer regarding the financial position and results of operations, ownership of the organization, title to assets, undisclosed liabilities, the absence of legal proceedings, compliance with laws, Company contracts, insurance policies, health and safety matters, intellectual property, employee matters, taxes, ethical practices, and other representations. The Company, its member and affiliates also entered into noncompetition agreements. The Company and its member also agreed to indemnify and hold harmless the purchaser and its affiliates against various liabilities and other matters within certain limitations.

INDEPENDENT AUDITORS' REPORT

To the Member
Vegas Valley Personal Care, LLC
Las Vegas, Nevada

We have audited the accompanying balance sheet of Vegas Valley Personal Care, LLC ("Company") as of November 12, 2007, and the related statements of operations, member's equity (deficit), and cash flows for the period January 1, 2007 through November 12, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vegas Valley Personal Care, LLC as of November 12, 2007 and the results of its operations and its cash flows for the period January 1, 2007 through November 12, 2007, in conformity with accounting principles generally accepted in the United States of America.

Dixon Hughes PLLC

Morgantown, West Virginia
July 6, 2009

VEGAS VALLEY PERSONAL CARE, LLC
BALANCE SHEET
November 12, 2007

ASSETS	
CURRENT ASSETS	
Accounts receivable	$ 224,402
TOTAL CURRENT ASSETS	224,402
PROPERTY AND EQUIPMENT	
Equipment	4,000
Automobiles	167,223
	171,223
Accumulated depreciation	(55,614)
	115,609
TOTAL ASSETS	$ 340,011
LIABILITIES AND MEMBER'S EQUITY (DEFICIT)	
CURRENT LIABILITIES	
Accounts payable	$ 8,859
Cash overdraft	56,044
Current portion capital lease obligations	21,980
Accrued expenses	99,304
Medicaid reimbursement settlement liability	350,000
TOTAL CURRENT LIABILITIES	536,187
LONG-TERM LIABILITIES	
Capital lease obligations, net of current portion	107,668
	107,668
MEMBER'S EQUITY (DEFICIT)	(303,844)
TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)	$ 340,011

See accompanying notes.

VEGAS VALLEY PERSONAL CARE, LLC
STATEMENT OF OPERATIONS
For the Period January 1, 2007 through November 12, 2007

REVENUE	
Client service revenue	$2,854,951
EXPENSES	
Salaries and wages	2,016,648
Payroll taxes	212,672
Rent	11,450
Insurance	101,872
Professional fees	36,274
Taxes and licenses	15,792
Depreciation	38,991
Other expenses	87,663
TOTAL EXPENSES	2,521,362
INCOME FROM OPERATIONS	333,589
Interest expense	16,855
Medicaid reimbursement settlement (Note 6)	350,000
NET LOSS	$ (33,266)

See accompanying notes.

VEGAS VALLEY PERSONAL CARE, LLC
STATEMENT OF MEMBER'S EQUITY (DEFICIT)
For the Period January 1, 2007 through November 12, 2007

BALANCE, December 31, 2006	$ (13,966)
Net loss	(33,266)
Distributions	(256,612)
BALANCE, November 12, 2007	$(303,844)

See accompanying notes.

VEGAS VALLEY PERSONAL CARE, LLC
STATEMENT OF CASH FLOWS
For the Period January 1, 2007 through November 12, 2007

Operating activities:	
Net loss	$ (33,266)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	38,991
Employee advances write-off	21,428
(Increase) in:	
Accounts receivable	(38,191)
(Decrease) increase in:	
Accounts payable	(2,933)
Accrued expenses	(118,025)
Medicaid reimbursement liability	350,000
Net cash provided by operating activities	218,004
Investing activities:	
Advances to employees	(205)
Net cash used in investing activities	(205)
Financing activities:	
Payments on capital lease obligations	(29,880)
Distributions to member	(256,612)
Net cash used in financing activities	(286,492)
Net decrease in cash and cash equivalents	(68,693)
Cash and cash equivalents, beginning of period	12,649
Cash overdraft, end of period	$ (56,044)
Supplemental disclosure of cash flow information:	
Cash used for interest payments	$ 16,858
Supplemental disclosure of noncash transactions:	
Acquisition of property through capital lease obligation	$ 89,854

See accompanying notes.

VEGAS VALLEY PERSONAL CARE, LLC
NOTES TO FINANCIAL STATEMENTS
For the Period January 1, 2007 through November 12, 2007

NOTE 1. DESCRIPTION OF COMPANY

Vegas Valley Personal Care, LLC (“Company”), is a limited liability company that provides non-medical assistance services to elderly and adult infirm clients who qualify for Medicaid coverage in the State of Nevada. Services provided consist principally of bathing assistance, dressing and undressing, walking, grooming, meal preparation, laundry services, light housekeeping, essential shopping and other activities of daily living. The Company provides services in the greater Las Vegas, Nevada area.

On November 13, 2007, substantially all of the assets of the Company were sold. (see Note 5).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements cover the period from January 1, 2007 through November 12, 2007.

Accounts Receivable

Accounts receivable consist primarily of amounts due from the Nevada State Medicaid program for services rendered. Management’s determination of the need for, and adequacy of, the allowance for receivable losses is based upon evaluation of selected accounts, historical loss experience, current economic conditions and other factors. This determination is inherently subjective and requires management to estimate the probability, amount and timing of losses. As of November 12, 2007, management has determined that all accounts receivable are fully collectible and no allowance is necessary.

Property and Equipment

Property and equipment is reported at cost less accumulated depreciation. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Repairs and maintenance are charged to expense as incurred.

Provisions for equipment, and automobile depreciation are computed under accelerated methods with a useful life of 5 years. Depreciation expense for the period ending November 12, 2007 was $38,991.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenues as services are provided. Client service revenue is recorded at estimated realizable amounts from the Nevada State Medicaid program for services rendered. Patient receivables are uncollateralized, and, accordingly, any unanticipated claim denials or payment modifications are reported as reductions to client service revenue in the reporting period that such are identified.

VEGAS VALLEY PERSONAL CARE, LLC
NOTES TO FINANCIAL STATEMENTS—(Continued)
For the Period January 1, 2007 through November 12, 2007

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company has elected to be taxed as an S Corporation under provisions of the Internal Revenue Code. No provision for income taxes is reported in the accompanying financial statements as the tax attributes of the Company are reported on the individual member's income tax return.

NOTE 3. CAPITAL LEASE OBLIGATIONS

During 2006 and 2007, the Company entered into various capital lease agreements for vehicles. Obligations under capital leases have been recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at interest rates between 10% and 12%. The capitalized cost and related accumulated depreciation are included in property and equipment. The capital lease obligations as of November 12, 2007 were $129,648.

Future minimum lease payments required under the capital lease obligations at November 12, 2007 are as follows:

Year Ending November 12,	
2008	$ 34,838
2009	34,838
2010	34,838
2011	34,154
2012	23,873
Thereafter	4,350
Total minimum lease payments	166,891
Less amount representing interest	37,243
Present value of minimum lease payments	129,648
Less current portion	21,980
Long-term portion	$ 107,668

NOTE 4. RELATED PARTY TRANSACTIONS

The Company has one member who provides all management and accounting functions of the Company. The member received salaried compensation, as well as distributions from the Company. Total compensation paid for the period January 1, 2007 through November 12, 2007 was $81,532.

The member also employed and compensated numerous relatives. These individuals performed administrative functions for the Company and were paid $154,305 in salaries for the period January 1, 2007 through November 12, 2007.

NOTE 5. SALE OF COMPANY ASSETS

On November 13, 2007, the Company sold essentially all of its assets to Addus Healthcare (Nevada), Inc. for a price of up to $1,550,000, consisting of $600,000 cash, assumption of the $350,000 liability described in Note 6, and up to $600,000 in cash payable pursuant to the terms and conditions of an earn-out agreement.

NOTE 6. STATE OF NEVADA PLEA AGREEMENT

On November 7, 2007, the Company entered into a plea agreement with the State of Nevada regarding a Medicaid fraud case. The Company entered a guilty plea to submitting false claims to Medicaid. As a result of the plea agreement, the Company agreed to pay the Attorney General of the State of Nevada $350,000 for restitution, reasonable cost of enforcement and penalties due to the Company's misrepresentations and breach of fiduciary duties. The purchasing company, Addus Healthcare (Nevada), Inc. (as discussed in Note 5), agreed to pay the $350,000 on behalf of the Company. This payment is reported on the statement of operations as a non-operating expense of the period.

NOTE 7. CONCENTRATION

The Nevada State Medicaid program is the only payer source and comprises 100% of the client service revenue on the statement of operations.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Dependence on Medicaid Program Reimbursements

As discussed in other notes to the financial statements, the Company is significantly dependent on Medicaid program reimbursements. The financial condition of the Medicaid programs in Nevada could cause the state to further review payment methodologies or coverage as part of any attempt to reduce Medicaid expenditures. Future changes in Medicaid payments or payment methodologies could substantially impact future operations of the Company.

Laws and regulations governing the Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future review and interpretation. The results of such governmental review could include fines, penalties and exclusion from participation in the Medicaid programs.

Professional and General Liability Claims

In recent years, healthcare providers have become subject to an increasing number of lawsuits, including allegations of medical malpractice. Many of these lawsuits involve large claims and substantial defense costs. The Company purchases malpractice insurance coverage on a claims-made basis from a commercial insurance carrier. Management has not made estimates of future losses from asserted or unasserted claims that might exceed insurance coverage amounts, although management believes coverage to be sufficient.

Nevertheless, some risks and liabilities, including claims for punitive damages or claims based on the actions of third parties, may not be covered by insurance. In addition, the Company cannot assure that existing insurance coverage is adequate to cover potential losses. While the Company has been able to obtain liability insurance, it can be expensive and may not be available in the future on terms acceptable to the Company, or at all. Moreover, claims, regardless of their merit or eventual outcome, may also adversely affect the Company's reputation and ability to secure patient referrals, as well as divert management resources from the ongoing operations.

Sale of Company Contingencies and Representations Made By Member

As part of the sale of the Company assets described in Note 5, the Company and its member made certain representations to the buyer regarding the financial position and results of operations, ownership of the organization, title to assets, undisclosed liabilities, the absence of legal proceedings, compliance with laws, Company contracts, insurance policies, health and safety matters, intellectual property, employee matters, taxes, ethical practices and other representations. The Company, its member and affiliates also entered into noncompetition agreements. The Company and its member also agreed to indemnify and hold harmless the purchaser and its affiliates against various liabilities and other matters within certain limitations.

INDEPENDENT AUDITORS' REPORT

To the Members
Greater Vegas Personal Care, LLC
Las Vegas, Nevada

We have audited the accompanying balance sheet of Greater Vegas Personal Care, LLC ("Company") as of November 12, 2007, and the related statements of operations, members' equity (deficit), and cash flows for the period January 1, 2007 through November 12, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Vegas Personal Care, LLC as of November 12, 2007 and the results of its operations and its cash flows for the period January 1, 2007 through November 12, 2007, in conformity with accounting principles generally accepted in the United States of America.

Dixon Hughes PLLC

Morgantown, West Virginia
July 6, 2009

GREATER VEGAS PERSONAL CARE, LLC
BALANCE SHEET
November 12, 2007

ASSETS	
CURRENT ASSETS	
Accounts receivable	$ 220,714
TOTAL CURRENT ASSETS	220,714
PROPERTY AND EQUIPMENT	
Equipment	7,376
Accumulated depreciation	(3,883)
	3,493
TOTAL ASSETS	$ 224,207
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	
CURRENT LIABILITIES	
Accrued expenses	$ 158,190
Cash overdraft	53,837
Medicaid fraud settlement liability	350,000
TOTAL CURRENT LIABILITIES	562,027
MEMBERS' EQUITY (DEFICIT)	(337,820)
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	$ 224,207

See accompanying notes.

GREATER VEGAS PERSONAL CARE, LLC
STATEMENT OF OPERATIONS
For the Period January 1, 2007 Through November 12, 2007

REVENUE	
Client service revenue	$2,908,947
EXPENSES	
Salaries and wages	2,172,427
Payroll taxes	232,743
Rent	8,800
Insurance	79,141
Professional fees	39,161
Taxes and licenses	13,706
Depreciation	1,062
Other expenses	36,792
TOTAL EXPENSES	2,583,832
INCOME FROM OPERATIONS	325,115
Medicaid reimbursement settlement (Note 5)	350,000
NET LOSS	$ (24,885)

See accompanying notes.

GREATER VEGAS PERSONAL CARE, LLC
STATEMENT OF MEMBERS' EQUITY (DEFICIT)
For the Period January 1, 2007 Through November 12, 2007

BALANCE, December 31, 2006	$ 2,112
Net loss	(24,885)
Distributions	(315,047)
BALANCE, November 12, 2007	$(337,820)

See accompanying notes.

GREATER VEGAS PERSONAL CARE, LLC
STATEMENT OF CASH FLOWS
For the Period January 1, 2007 Through November 12, 2007

Operating activities:	
Net loss	$ (24,885)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	1,062
Employee advances write-off	3,965
(Increase) decrease in:	
Accounts receivable	(16,439)
(Decrease) increase in:	
Accounts payable	(10,048)
Accrued expenses	(84,505)
Medicaid reimbursement liability	350,000
Net cash provided by operating activities	219,150
Investing activities:	
Repayments received on employee advances	5,871
Net cash provided by investing activities	5,871
Financing activities:	
Distributions to members	(315,047)
Net cash used in financing activities	(315,047)
Net decrease in cash and cash equivalents	(90,026)
Cash and cash equivalents, beginning of period	36,189
Cash overdraft, end of period	$ (53,837)

See accompanying notes.

GREATER VEGAS PERSONAL CARE, LLC
NOTES TO FINANCIAL STATEMENTS
For the Period January 1, 2007 Through November 12, 2007

NOTE 1. DESCRIPTION OF COMPANY

Greater Vegas Personal Care, LLC ("Company"), is a limited liability company that provides non-medical assistance services to elderly and adult infirm clients who qualify for Medicaid coverage in the State of Nevada. Services provided consist principally of bathing assistance, dressing and undressing, walking, grooming, meal preparation, laundry services, light housekeeping, essential shopping and other activities of daily living. The Company provides services in the greater Las Vegas, Nevada area.

On November 13, 2007, substantially all of the assets of the Company were sold. (see Note 4).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements cover the period from January 1, 2007 through November 12, 2007.

Accounts Receivable

Accounts receivable consist primarily of amounts due from the Nevada State Medicaid program for services rendered. Management's determination of the need for, and adequacy of, the allowance for receivable losses is based upon evaluation of selected accounts, historical loss experience, current economic conditions and other factors. This determination is inherently subjective and requires management to estimate the probability, amount and timing of losses. As of November 12, 2007, management has determined that all accounts receivable are fully collectible and no allowance is necessary.

Property and Equipment

Property and equipment is reported at cost less accumulated depreciation. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Repairs and maintenance are charged to expense as incurred.

Provisions for property and equipment depreciation are computed under accelerated methods with a useful life of 5 years. Depreciation expense for the period ending November 12, 2007 was $1,062.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenues as services are provided. Client service revenue is recorded at estimated realizable amounts from the Nevada State Medicaid program for services rendered. Patient receivables are uncollateralized, and, accordingly, any unanticipated claim denials or payment modifications are reported as reductions to client service revenue in the reporting period that such are identified.

GREATER VEGAS PERSONAL CARE, LLC
NOTES TO FINANCIAL STATEMENTS—(Continued)
For the Period January 1, 2007 Through November 12, 2007

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company has elected to be taxed as an S Corporation under provisions of the Internal Revenue Code. No provision for income taxes is reported in the accompanying financial statements as the tax attributes of the Company are reported on the individual members' income tax returns.

NOTE 3. RELATED PARTY TRANSACTIONS

The Company is owned by two individuals who provide all management and accounting functions of the Company. Both members received salaried compensation, as well as distributions from the Company throughout the period. Total salaries paid to the members for the period January 1, 2007 through November 12, 2007 were $244,984.

In addition to their own salaries, the members employed and compensated numerous relatives. These individuals performed administrative functions for the Company and were paid $70,155 in salaries for the period January 1, 2007 through November 12, 2007.

NOTE 4. SALE OF COMPANY ASSETS

On November 13, 2007, the Company sold essentially all of its assets to Addus Healthcare (Nevada), Inc. for a purchase price of up to $1,550,000, consisting of $600,000 cash, assumption of the $350,000 liability described in Note 5, and up to $600,000 in cash payable pursuant to the terms and conditions of an earn-out agreement.

NOTE 5. STATE OF NEVADA PLEA AGREEMENT

On November 7, 2007, the Company entered into a plea agreement with the State of Nevada regarding a Medicaid fraud case. The Company entered a guilty plea to submitting false claims to Medicaid. As a result of the plea agreement, the Company agreed to pay the Attorney General of the State of Nevada $350,000 for restitution, reasonable cost of enforcement and penalties due to the Company's misrepresentations and breach of fiduciary duties. The purchasing company, Addus Healthcare (Nevada), Inc. (as discussed in Note 4), agreed to pay the $350,000 on behalf of the Company. This payment is reported on the statement of operations as a non-operating expense of the period.

NOTE 6. CONCENTRATION

The Nevada State Medicaid program is the only payer source and comprises 100% of the client service revenue on the statement of operations.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Dependence on Medicaid Program Reimbursements

As discussed in other notes to the financial statements, the Company is significantly dependent on Nevada State Medicaid program reimbursements. The financial condition of the Medicaid programs in Nevada could cause the state to further review payment methodologies or coverage as part of any attempt to reduce Medicaid expenditures. Future changes in Medicaid payments or payment methodologies could substantially impact future operations of the Company.

NOTE 7. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Laws and regulations governing the Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future review and interpretation. The results of such governmental review could include fines, penalties and exclusion from participation in the Medicaid programs.

Professional and General Liability Claims

In recent years, healthcare providers have become subject to an increasing number of lawsuits, including allegations of medical malpractice. Many of these lawsuits involve large claims and substantial defense costs. The Company purchases malpractice insurance coverage on a claims-made basis from a commercial insurance carrier. Management has not made estimates of future losses from asserted or unasserted claims that might exceed insurance coverage amounts, although management believes coverage to be sufficient.

Nevertheless, some risks and liabilities, including claims for punitive damages or claims based on the actions of third parties, may not be covered by insurance. In addition, the Company cannot assure that existing insurance coverage is adequate to cover potential losses. While the Company has been able to obtain liability insurance, it can be expensive and may not be available in the future on terms acceptable to the Company, or at all. Moreover, claims, regardless of their merit or eventual outcome, may also adversely affect the Company’s reputation and ability to secure patient referrals, as well as divert management resources from the ongoing operations.

Sale of Company Contingencies and Representations Made By Members

As part of the sale of the Company assets described in Note 4, the Company and its members made certain representations to the buyer regarding the financial position and results of operations, ownership of the organization, title to assets, undisclosed liabilities, the absence of legal proceedings, compliance with laws, Company contracts, insurance policies, health and safety matters, intellectual property, employee matters, taxes, ethical practices and other representations. The Company, its members and affiliates also entered into noncompetition agreements. The Company and its members also agreed to indemnify and hold harmless the purchaser and its affiliates against various liabilities and other matters within certain limitations.

Addus HomeCare

Common Stock

Prospectus

Jefferies & Company

Robert W. Baird & Co.

Oppenheimer & Co.

, 2009

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. *Other Expenses of Issuance and Distribution*

The following table sets forth the various expenses, all of which will be borne by the registrant, in connection with the sale and distribution of the securities being registered, other than the underwriting discounts and commissions. All amounts shown are estimates except for the SEC registration fee, the FINRA filing fee and The Nasdaq Global Market initial listing fee.

SEC registration fee	$3,850
FINRA filing fee	7,400
Nasdaq Global Market initial listing fee	5,000
Transfer agent and registrar fees	*
Accounting fees and expenses	*
Legal fees and expenses	*
Printing and engraving expenses	*
Directors’ and officers’ insurance	*
Blue sky qualification fees and expenses	*
Miscellaneous	*
Total	$ *

* To be provided by amendment.

Item 14. *Indemnification of Officers and Directors*

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation’s board of directors to grant, indemnity to officers, directors and other corporate agents in terms sufficiently broad to permit such indemnification under certain circumstances and subject to certain limitations.

As permitted by Section 145 of the Delaware General Corporation Law, the registrant’s amended and restated certificate of incorporation includes a provision that eliminates the personal liability of its directors for monetary damages for breach of their fiduciary duty as directors.

In addition, as permitted by Section 145 of the Delaware General Corporation Law, the amended and restated bylaws of the registrant, which will be in effect prior to the completion of any offering pursuant to this registration statement, provide that:

- the registrant shall indemnify its directors and officers for serving the registrant in those capacities or for serving other business enterprises at the registrant’s request, to the fullest extent permitted by Delaware law, if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the registrant, and, with respect to any criminal proceeding, had no reasonable cause to believe such person’s conduct was unlawful;
- the registrant may, in its discretion, indemnify employees and agents in those circumstances where indemnification is not required by law;
- the registrant is required to advance expenses, as incurred, to its directors and officers in connection with defending a proceeding, except that such director or officer shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification;

- the registrant will not be obligated pursuant to the bylaws to indemnify a person with respect to proceedings initiated by that person, except with respect to proceedings authorized by the registrant's board of directors or brought to enforce a right to indemnification;
- the rights conferred in the bylaws are not exclusive, and the registrant is authorized to enter into indemnification agreements with its directors, officers, employees and agents and to obtain insurance to indemnify such persons; and
- the registrant may not retroactively amend the bylaw provisions to reduce its indemnification obligations to directors, officers, employees and agents.

The registrant is party to indemnification agreements with each of Brian D. Young, Mark L. First, Simon A. Bachleda, Mark S. Heaney and W. Andrew Wright, III in their capacities as officers and directors (each, an indemnitee). Pursuant to these agreements, the registrant has 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. The registrant is 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 the registrant is jointly liable with an indemnitee, the registrant will pay the entire amount of any judgment or settlement without requiring the indemnitee to contribute. The registrant 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 the registrant's certificate of incorporation, 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, the registrant has 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, the registrant will be the indemnitor of first resort, the registrant will be required to advance the full amount of expenses incurred by the indemnitee and the registrant has waived and released the Eos Funds and their affiliates from any and all claims for contribution, subrogation or any other recovery of any kind. The registrant anticipates that it will enter into similar indemnification agreements with any new member elected to our board of directors. The registrant also maintains directors and officers insurance to insure its directors and officers against certain liabilities.

Item 15. *Recent Sales of Unregistered Securities*

During the three years preceding the filing of this registration statement, the registrant sold the following securities, which were not registered under the Securities Act. The information below does not reflect the conversion of our series A preferred stock.

The registrant granted options under its stock option plan to purchase 74, 265 shares of common stock (net of expirations and cancellations) to employees, directors and consultants, having exercise prices ranging from $100.00 to $110.00 per share. None of these options to purchase shares of common stock have been exercised. The offers, sales and issuances of the securities described above were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 in that the transactions were under compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of such securities were the registrant's employees, directors or bona fide consultants and received the securities under our stock option plan.

On September 19, 2006, the registrant issued: (a) 28,940 shares of its series A preferred stock to Eos Capital Partners III, L.P. in exchange for aggregate consideration of $28,940,000; (b) 8,310 shares of its series A preferred stock to Eos Partners SBIC III, L.P. in exchange for aggregate consideration of $8,310,000; and (c) 500 shares of its series A preferred stock to Freeport Loan Fund, LLC in exchange for aggregate consideration of $500,000, the proceeds of which were used to fund a portion of the purchase price paid in connection with the registrant's acquisition of Addus HealthCare, Inc. The registrant issued these securities to these accredited investors in reliance upon Section 4(2) of the Securities Act of 1933 as a transaction by an issuer not involving a public offering. Each entity had adequate access to information about the registrant through its relationship with the registrant or through information provided to them.

On September 19, 2006, in connection with the registrant's acquisition of Addus HealthCare, Inc., the registrant issued the following shares of common stock to the following persons, former stockholders of Addus HealthCare, Inc., in exchange for their contribution of shares of Addus HealthCare, Inc. common stock, as follows:

Stockholder	Addus HealthCare, Inc. Common Stock Contributed	Addus HomeCare Corporation Common Stock Issued
W. Andrew Wright	72	71,536
Mark S. Heaney	5	5,285
James A. Wright	1	944
Courtney E. Panzer	1	944
Addus Term Trust	4	3,114
W. Andrew Wright Grantor Retained Annuity Trust	13	12,552

The foregoing shares of common stock described in the table above were issued in reliance upon Section 4(2) of the Securities Act of 1933 as a transaction by an issuer not involving a public offering. Each holder had adequate access to information about the registrant through his relationship with the registrant or through information provided to him.

The registrant did not, nor does it plan to, pay or give, directly or indirectly, any commission or other remuneration, including underwriting discounts or commissions, in connection with any of the issuances of securities listed above. In addition, each of the certificates issued representing the securities in the transactions listed above bears a restrictive legend permitting the transfer thereof only in compliance with applicable securities laws. The recipients of securities in each of the transactions listed above represented to the registrant their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof. All recipients had or have adequate access, through their employment or other relationship with the registrant or through other access to information provided by our company, to information about our company.

Item 16. *Exhibits and Financial Statement Schedules.*

(a) Exhibits.

Exhibit Number	Description of Document
1.1	Form of Underwriting Agreement*
3.1	Restated Certificate of Incorporation of the Registrant**
3.2	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant**
3.3	Form of Amended and Restated Certificate of Incorporation of the Registrant, to be effective prior to the closing of the offering*
3.4	Bylaws of the Registrant**
3.5	Form of Amended and Restated Bylaws of the Registrant, to be effective prior to the closing of the offering*
3.6	Certificate of Amendment to Restate Certificate of Incorporation of the Registrant*
4.1	Form of Common Stock Certificate*
4.2	Stockholders' Agreement, dated September 19, 2006, by and among the Registrant, Eos Capital Partners III, L.P., Eos Partners SBIC III, L.P., Freeport Loan Fund LLC, W. Andrew Wright, III, Addus Term Trust, W. Andrew Wright Grantor Retained Annuity Trust, Mark S. Heaney, James A. Wright and Courtney E. Panzer**

Exhibit Number	Description of Document
4.3	Registration Rights Agreement, dated September 19, 2006, by and among the Registrant, Eos Capital Partners III, L.P., Eos Partners SBIC III, L.P., Freeport Loan Fund LLC, W. Andrew Wright, III, Addus Term Trust, W. Andrew Wright Grantor Retained Annuity Trust, Mark S. Heaney, James A. Wright and Courtney E. Panzer**
4.4	Form of 10% Junior Subordinated Note*
5.1	Opinion of Nixon Peabody LLP*
10.1	Employment and Non-Competition Agreement, dated September 19, 2006, between Addus HealthCare, Inc. and W. Andrew Wright, III**
10.1(a)	Amendment to Employment and Non-Competition Agreement, dated May 6, 2008, between Addus HealthCare, Inc. and W. Andrew Wright, III**
10.2	Amended and Restated Employment and Non-Competition Agreement, dated May 6, 2008, between Addus HealthCare, Inc. and Mark S. Heaney**
10.3	Employment and Non-Competition Agreement, dated July 31, 2008, between Addus HealthCare, Inc. and Francis J. Leonard**
10.4	Amended and Restated Employment and Non-Competition Agreement, dated August 27, 2007, between Addus HealthCare, Inc. and Darby Anderson**
10.5	Employment and Non-Competition Agreement, dated April 10, 2008, between Addus HealthCare, Inc. and Sharon Rudden**
10.6	Amended and Restated Employment and Non-Competition Agreement, dated October 8, 2008, between Addus HealthCare, Inc. and David W. Stasiewicz**
10.6(a)	Amendment No. 1 to Amended and Restated Employment and Non-Competition Agreement between Addus HealthCare, Inc. and David W. Stasiewicz*
10.7	Employment and Non-Competition Agreement, dated March 23, 2007, between Addus HealthCare, Inc. and Paul Diamond**
10.8	Credit Agreement, dated as of September 19, 2006, between Addus Acquisition Corporation, as borrower, Addus HealthCare, Inc., the Registrant, Addus Management Corporation, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as lender, Residential Funding Corporation and Fifth Third Bank (Chicago), as lenders
10.8(a)	Consent and First Amendment to Credit Agreement, dated as of July 29, 2007, between Addus HealthCare, Inc., as borrower, the Registrant, Addus Management Corporation, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, Residential Funding Corporation and Fifth Third Bank (Chicago), as lenders
10.8(b)	Consent and Second Amendment to Credit Agreement, dated as of October 15, 2007, between Addus HealthCare, Inc., as borrower, the Registrant, Addus Management Corporation, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, CF Blackburn LLC and Fifth Third Bank (Chicago), as lenders

Exhibit Number	Description of Document
10.8(c)	Consent and Third Amendment to Credit Agreement, dated as of November 13, 2007, between Addus HealthCare, Inc., as borrower, the Registrant, Addus Management Corporation, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, CF Blackburn LLC and Fifth Third Bank (Chicago), as lenders
10.8(d)	Consent and Fourth Amendment to Credit Agreement, dated as of April 1, 2008, between Addus HealthCare, Inc., as borrower, the Registrant, Addus Management Corporation, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, CF Blackburn LLC and Fifth Third Bank (Chicago), as lenders
10.8(e)	Consent and Fifth Amendment to Credit Agreement, dated as of June 9, 2008, between Addus HealthCare, Inc., as borrower, the Registrant, Addus Management Corporation, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, CF Blackburn LLC and Fifth Third Bank (Chicago), as lenders
10.8(f)	Consent and Sixth Amendment to Credit Agreement, dated as of September 25, 2008, between Addus HealthCare, Inc., as borrower, the Registrant, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, CF Blackburn LLC and Fifth Third Bank (Chicago), as lenders
10.8(g)	Consent and Seventh Amendment to Credit Agreement, dated as of October 21, 2008, between Addus HealthCare, Inc., as borrower, the Registrant, Addus Management Corporation, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, CF Blackburn LLC and Fifth Third Bank (Chicago), as lenders
10.9	Management Consulting Agreement, dated September 19, 2006, between Addus HealthCare, Inc. and Eos Management, Inc.**
10.9(a)	Amendment No. 1 to Management Consulting Agreement, dated July 2008, between Addus HealthCare, Inc. and Eos Management, Inc.**
10.9(b)	Termination Agreement between Addus HealthCare, Inc. and Eos Management, Inc.*
10.10	Addus HealthCare, Inc. Home Health and Home Care Division Vice President and Regional Director Bonus Plan**
10.11	Addus HealthCare, Inc. Support Center Vice President and Department Director Bonus Plan**
10.12	Addus Holding Corporation 2006 Stock Incentive Plan**
10.13	Director Form of Option Award Agreement under the 2006 Plan**
10.14	Executive Form of Option Award Agreement under the 2006 Plan**

Exhibit Number	Description of Document
10.15	Contingent Payment Agreement, dated September 19, 2006, among the Registrant, Addus Acquisition Corporation, Addus Management Corporation, Addus HealthCare, Inc., W. Andrew Wright, III, Addus Term Trust, W. Andrew Wright Grantor Retained Annuity Trust, Mark S. Heaney, James A. Wright and Courtney E. Panzer**
10.16	Form of Indemnification Agreement**
10.17	License Agreement, dated March 24, 2006, between McKesson Information Solutions, LLC and Addus HealthCare, Inc.
10.17(a)	Contract Supplement to the License Agreement, dated March 24, 2006
10.17(b)	Contract Supplement to the License Agreement, dated March 28, 2006
10.17(c)	Amendment to License Agreement, dated March 28, 2006, between McKesson Information Solutions, LLC and Addus HealthCare, Inc.
10.18	Lease, dated April 1, 1999, between W. Andrew Wright, III and Addus HealthCare, Inc.**
10.18(a)	First Amendment to Lease, dated as of April 1, 2002, between W. Andrew Wright, III and Addus HealthCare, Inc.**
10.18(b)	Second Amendment to Lease, dated as of September 19, 2006, between W. Andrew Wright, III and Addus HealthCare, Inc.**
10.18(c)	Third Amendment to Lease, dated as of September 1, 2008, between W. Andrew Wright, III and Addus HealthCare, Inc.**
10.19	Consent Fee Agreement among the Registrant, Eos Capital Partners III, L.P. and Eos Partners SBIC III, L.P.*
10.20	Addus HomeCare Corporation 2009 Stock Incentive Plan*
10.20(a)	Form of Incentive Stock Option Award Agreement*
10.20(b)	Form of Restricted Stock Award Agreement*
21.1	Subsidiaries of the Registrant**
23.1	Consent of BDO Seidman, LLP, Independent Registered Public Accounting Firm
23.2	Consent of Dixon Hughes PLLC, Independent Public Accounting Firm
23.3	Consent of Nixon Peabody LLP (included in Exhibit 5.1)*
24.1	Power of Attorney**

* To be filed by amendment.
** Previously filed.

(b) Financial Statement Schedules.

All other schedules have been omitted because they are either inapplicable or the required information has been given in the consolidated financial statements or the notes thereto.

Item 17. *Undertakings*

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Palatine, State of Illinois, on the 25th day of August, 2009.

ADDUS HOMECARE CORPORATION

By: /S/ MARK S. HEANEY
Mark S. Heaney
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities indicated on August 25, 2009.

Signature	Title
/S/ MARK S. HEANEY Mark S. Heaney	President, Chief Executive Officer and Chairman of the board (principal executive officer)
/S/ FRANCIS J. LEONARD Francis J. Leonard	Chief Financial Officer, Vice President and Secretary (principal financial officer and principal accounting officer)
* Brian D. Young	Director
* Mark L. First	Director
* Simon A. Bachleda	Director
* W. Andrew Wright, III	Director

*By: /S/ MARK S. HEANEY
Mark S. Heaney
Attorney-in-Fact

EXHIBIT INDEX

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3.3	Form of Amended and Restated Certificate of Incorporation of the Registrant, to be effective prior to the closing of the offering*
3.4	Bylaws of the Registrant**
3.5	Form of Amended and Restated Bylaws of the Registrant, to be effective prior to the closing of the offering*
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Exhibit Number	Description of Document
10.8(a)	Consent and First Amendment to Credit Agreement, dated as of July 29, 2007, between Addus HealthCare, Inc., as borrower, the Registrant, Addus Management Corporation, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, Residential Funding Corporation and Fifth Third Bank (Chicago), as lenders
10.8(b)	Consent and Second Amendment to Credit Agreement, dated as of October 15, 2007, between Addus HealthCare, Inc., as borrower, the Registrant, Addus Management Corporation, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, CF Blackburn LLC and Fifth Third Bank (Chicago), as lenders
10.8(c)	Consent and Third Amendment to Credit Agreement, dated as of November 13, 2007, between Addus HealthCare, Inc., as borrower, the Registrant, Addus Management Corporation, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, CF Blackburn LLC and Fifth Third Bank (Chicago), as lenders
10.8(d)	Consent and Fourth Amendment to Credit Agreement, dated as of April 1, 2008, between Addus HealthCare, Inc., as borrower, the Registrant, Addus Management Corporation, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, CF Blackburn LLC and Fifth Third Bank (Chicago), as lenders
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10.8(f)	Consent and Sixth Amendment to Credit Agreement, dated as of September 25, 2008, between Addus HealthCare, Inc., as borrower, the Registrant, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, CF Blackburn LLC and Fifth Third Bank (Chicago), as lenders
10.8(g)	Consent and Seventh Amendment to Credit Agreement, dated as of October 21, 2008, between Addus HealthCare, Inc., as borrower, the Registrant, Addus Management Corporation, Lowell Home Health Agency, Inc., Little Rock Home Health Agency, Inc., Fort Smith Home Health Agency, Inc., Benefits Assurance Co., Inc., PHC Acquisition Corporation, Professional Reliable Nursing Service, Inc., Freeport Financial LLC, as agent, Freeport Loan Fund LLC, as a lender, Freeport Offshore Loan Fund LLC, as a lender, Freeport Loan Trust 2006-1, as a lender, CF Blackburn LLC and Fifth Third Bank (Chicago), as lenders

Exhibit Number	Description of Document
10.9	Management Consulting Agreement, dated September 19, 2006, between Addus HealthCare, Inc. and Eos Management, Inc.**
10.9(a)	Amendment No. 1 to Management Consulting Agreement, dated July 2008, between Addus HealthCare, Inc. and Eos Management, Inc.**
10.9(b)	Termination Agreement between Addus HealthCare, Inc. and Eos Management, Inc.*
10.10	Addus HealthCare, Inc. Home Health and Home Care Division Vice President and Regional Director Bonus Plan**
10.11	Addus HealthCare, Inc. Support Center Vice President and Department Director Bonus Plan**
10.12	Addus Holding Corporation 2006 Stock Incentive Plan**
10.13	Director Form of Option Award Agreement under the 2006 Plan**
10.14	Executive Form of Option Award Agreement under the 2006 Plan**
10.15	Contingent Payment Agreement, dated September 19, 2006, among the Registrant, Addus Acquisition Corporation, Addus Management Corporation, Addus HealthCare, Inc., W. Andrew Wright, III, Addus Term Trust, W. Andrew Wright Grantor Retained Annuity Trust, Mark S. Heaney, James A. Wright and Courtney E. Panzer**
10.16	Form of Indemnification Agreement**
10.17	License Agreement, dated March 24, 2006, between McKesson Information Solutions, LLC and Addus HealthCare, Inc.
10.17(a)	Contract Supplement to the License Agreement, dated March 24, 2006
10.17(b)	Contract Supplement to the License Agreement, dated March 28, 2006
10.17(c)	Amendment to License Agreement, dated March 28, 2006, between McKesson Information Solutions, LLC and Addus HealthCare, Inc.
10.18	Lease, dated April 1, 1999, between W. Andrew Wright, III and Addus HealthCare, Inc.**
10.18(a)	First Amendment to Lease, dated as of April 1, 2002, between W. Andrew Wright, III and Addus HealthCare, Inc.**
10.18(b)	Second Amendment to Lease, dated as of September 19, 2006, between W. Andrew Wright, III and Addus HealthCare, Inc.**
10.18(c)	Third Amendment to Lease, dated as of September 1, 2008, between W. Andrew Wright, III and Addus HealthCare, Inc.**
10.19	Consent Fee Agreement among the Registrant, Eos Capital Partners III, L.P. and Eos Partners SBIC III, L.P.*
10.20	Addus HomeCare Corporation 2009 Stock Incentive Plan*
10.20(a)	Form of Incentive Stock Option Award Agreement*
10.20(b)	Form of Restricted Stock Award Agreement*
21.1	Subsidiaries of the Registrant**
23.1	Consent of BDO Seidman, LLP, Independent Registered Public Accounting Firm
23.2	Consent of Dixon Hughes PLLC, Independent Public Accounting Firm
23.3	Consent of Nixon Peabody LLP (included in Exhibit 5.1)*
24.1	Power of Attorney**

* To be filed by amendment.

** Previously filed.

Exhibit 10.8

Execution Copy

CREDIT AGREEMENT

DATED AS OF SEPTEMBER 19, 2006

by and among

ADDUS ACQUISITION CORPORATION
(to be merged as of the Closing Date into Addus HealthCare, Inc.)
as Borrower

and

THE OTHER PERSONS PARTY HERETO THAT
ARE DESIGNATED AS LOAN PARTIES

and

FREEPORT FINANCIAL LLC
as Agent and Lead Arranger

FREEPORT LOAN FUND LLC, as a Lender

and

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO
as Lenders

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CREDIT AGREEMENT

This CREDIT AGREEMENT is dated as of September 19, 2006 and entered into by and among Addus Acquisition Corporation, a Delaware corporation ("Merger Sub", which will immediately following the consummation of the Addus Acquisition (as defined below) and the advance of the Loans (as defined below), merge (the "Merger") with and into Addus HealthCare, Inc., an Illinois corporation (the "Company"; prior to consummation of the Merger, Merger Sub, and from and after consummation of the Merger, the Company, being referred to in this Agreement as the "Borrower"), the other persons designated as "Loan Parties", the financial institutions who are or hereafter become parties to this Agreement as Lenders, FREEPORT FINANCIAL, LLC, a Delaware limited liability company (in its individual capacity "Freeport"), as Agent and FREEPORT LOAN FUND LLC, a Delaware limited liability company, as a Lender (in its individual capacity, "Freeport Loan").

RECITALS:

WHEREAS, Borrower desires that Lenders extend a term credit facility and a revolving credit facility to Borrower to fund the repayment of certain indebtedness of Borrower, to finance fees and expenses incurred by Holdings in connection with the Addus Acquisition, to finance future acquisitions by Borrower and its Subsidiaries, to provide working capital financing for Borrower and its Subsidiaries and to provide funds for other general corporate purposes of Borrower and its Subsidiaries; and

WHEREAS, Borrower desires to secure all of its Obligations (as hereinafter defined) under the Loan Documents (as hereinafter defined) by granting to Agent, for the benefit of Agent and Lenders, a security interest in and lien upon substantially all of its personal and owned real property; and

WHEREAS, Addus Management Corporation, a Delaware corporation ("Intermediate Holdings") that upon consummation of the Addus Acquisition will own 80% of the Stock of Borrower, which is a wholly-owned subsidiary of Addus Holding Corporation, a Delaware corporation ("Holdings") that upon consummation of the Addus Acquisition will own 20% of the Stock of Borrower, and Holdings and Intermediate Holdings are willing to guaranty all of the Obligations and to pledge to Agent, for the benefit of Agent and Lenders, all of the Stock of Borrower and their Subsidiaries and substantially all of its other personal and owned real property to secure the Obligations; and

WHEREAS, all capitalized terms herein shall have the meanings ascribed thereto in Section 1 hereof.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, Borrower, Loan Parties, Lenders and Agent agree as follows:

SECTION 1.
DEFINITIONS

1.1 Definitions. Capitalized terms used in the Loan Documents shall have the following respective meanings:

Acceptable Standby Letter of Credit means a standby letter of credit, issued by a bank or financial institution acceptable to Agent in its sole discretion, in form and substance satisfactory to Agent in its sole discretion, in an amount equal to 105% of the aggregate outstanding Letter of Credit Obligations to be available to Agent to reimburse payments of drafts drawn under outstanding Letters of Credit and to pay any Fees and expenses related thereto.

Account Debtor means any Person who may become obligated to any Loan Party under, with respect to, or on account of, an Account, Chattel Paper or General Intangibles (including a payment intangible).

Accounting Changes means: (a) changes in accounting principles required by GAAP and implemented by Holdings or any of its Subsidiaries; (b) changes in accounting principles recommended by the Company's certified public accountants and implemented by the Company; and (c) changes in carrying value of the Company's or any of its Subsidiaries' assets, liabilities or equity accounts resulting from (i) the application of purchase accounting principles (A.P.B. 16 and/or 17, FASB 141 and EITF 88-16 and FASB 109) to the Related Transactions or (ii) as the result of any other adjustments that, in each case, were applicable to, but not included in, the Pro Forma.

Accounts means all "accounts," as such term is defined in the Code, now owned or hereafter acquired by any Loan Party.

Acquisition means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person or of all or substantially all of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interest or equity of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is already a Subsidiary).

Acquisition Note means that certain Limited Recourse Acquisition Note in the principal amount of $35,666,880 issued on the Closing Date by Merger Sub in favor of the Sellers in form acceptable to the Agent.

Addus Acquisition means the acquisition by Merger Sub and Holdings of the Stock of the Company pursuant to the terms of the Purchase Agreement.

Advance has the meaning ascribed to it in Section 3.2.

Advance Multiple shall mean at any time, a multiple equal to the applicable maximum Leverage Ratio permitted by Section 7.1(d) for the last day of the then current Fiscal Quarter; provided that for the period from the Closing Date through September 30, 2006, the Advance Multiple shall be deemed to be 4.25:1.00.

Affected Lender has the meaning ascribed to it in Section 10.19(a).

Affiliate means, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, 10% or more of the Stock having ordinary voting power in the election of directors of such Person, (b) each Person that controls, is controlled by or is under common control with such Person and (c) each of such Person's officers, directors, joint venturers and partners. For the purposes of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise; provided, however, that the term "Affiliate" shall specifically exclude Agent and each Lender and each unrelated portfolio company of Sponsor and its Affiliates that is not Holdings or a Subsidiary of Holdings.

Agent means Freeport in its capacity as Agent for itself and Lenders or a successor agent.

Agent Indemnitee means all Affiliates, officers, directors, employees, agents, and attorneys of Agent.

Agreement means this Credit Agreement (including all schedules, subschedules, annexes and exhibits hereto), as the same may be amended, supplemented, restated or otherwise modified from time to time.

Anti-Terrorism Laws has the meaning ascribed to it in Section 4.9.

Applicable Margins means collectively the Applicable Revolver Index Margin, the Applicable Term Loan Index Margin, the Applicable Revolver LIBOR Margin and the Applicable Term Loan LIBOR Margin.

Applicable Revolver Index Margin means the per annum interest rate margin from time to time in effect and payable in addition to the Index Rate applicable to the Revolving Loan, as determined by reference to Section 2.2(a).

Applicable Revolver LIBOR Margin means the per annum interest rate from time to time in effect and payable in addition to the LIBOR Rate applicable to the Revolving Loan, as determined by reference to Section 2.2(a).

Applicable Term Loan Index Margin means the per annum interest rate from time to time in effect and payable in addition to the Index Rate applicable to the Term Loan, as determined by reference to Section 2.2(a).

Applicable Term Loan LIBOR Margin means the per annum interest rate from time to time in effect and payable in addition to the LIBOR Rate applicable to the Term Loan, as determined by reference to Section 2.2(a).

Asset Disposition means the disposition, whether by sale, lease, transfer, loss, damage, destruction, casualty, condemnation or otherwise, of any of the following: (a) any of the Stock or other equity or ownership interest of any of Borrower's Subsidiaries or (b) any or all of the assets of Borrower or any of its Subsidiaries other than (1) sales and dispositions described in Section 6.7(a), (2) sales of Cash Equivalents, (3) licenses of Intellectual Property in the ordinary course of business, (4) any lease, sublease, license or sublicense of property not constituting Indebtedness and not entered into as part of a sale and leaseback transaction, (5) any disposition, by Borrower or any Guarantor to a Guarantor or to Borrower, (6) any sale or issuance by Borrower or any Subsidiary thereof of its own Stock to its direct parent, (7) the abandonment or termination of intellectual property of leaseholds in the ordinary course of business, (8) sales, discounts and forgiveness of accounts receivable in connection with the compromise thereof in the ordinary course of business, and (9) dispositions permitted under Section 6.6.

Assignment Agreement has the meaning ascribed to it in Section 9.1(a).

Average Daily Balance means, for any period, the quotient of (a) the sum of the daily closing balances of the Revolving Credit Advances for each day during such period divided by (b) the number of days in such period. For the purpose of calculating the Average Daily Balance for any period that includes days prior to the Closing Date, the daily closing balance of the Revolving Credit Advances for each day prior to the Closing Date shall be deemed to have been $0.

Bankruptcy Code means the provisions of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. or other applicable bankruptcy, insolvency or similar laws.

Borrower has the meaning ascribed to it in the preamble to the Agreement.

Borrower Assignment and Assumption Agreement means an agreement substantially in the form of Annex F.

Borrower Pledge Agreement means the Pledge Agreement of even date herewith executed by Borrower in favor of Agent, on behalf of itself and Lenders, pledging all Stock of certain of its Domestic Subsidiaries and 65% of the voting Stock of its first tier Foreign Subsidiaries**.**

Borrower Security Agreement means the Borrower Security Agreement of even date herewith entered into between Agent, on behalf of itself and Lenders, and Borrower.

Borrowing Availability means as of any date of determination the lesser of (i) the Maximum Amount less the outstanding Revolving Loans and (ii) the excess, if any, of (a) the product of (I) the Advance Multiple then in effect multiplied by (II) EBITDA for the most recent period of twelve months for which financial statements have been delivered pursuant to Section 7.2(a), over (b) the aggregate amount of Funded Debt (including, without duplication, the outstanding balance of Loans and Letter of Credit Obligations then outstanding, but excluding any Loan requested and not yet made) of Holdings and its Subsidiaries on a consolidated basis at such time.

Borrowing Availability Certificate has the meaning ascribed to it in Section 7.2(e).

Business Day means any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the States of Illinois or Wisconsin and in reference to LIBOR Loans shall mean any such day that is also a LIBOR Business Day.

Capex Limit has the meaning ascribed to it in Section 7.1.

Capital Expenditures means (i) all expenditures (by the expenditure of cash or (without duplication) the incurrence of Indebtedness) during any measuring period for any fixed asset or improvements or replacements, substitutions, or additions thereto that have a useful life of more than one year and are required to be capitalized under GAAP, plus (ii) (without duplication of (i)) deposits made during such measuring period for Capital Expenditures less (iii) such deposits during a prior measuring period and reflected in the amount calculated in clause (i) above, less (iv) Net Proceeds of Asset Dispositions which Borrower has reinvested under Section 2.5(c) that are reflected in the amount calculated in clause (i) above and less (v) all such expenditures in respect of which such Person is entitled to reimbursement in full in cash from a third party (including landlords) and has been so reimbursed in full in cash.

Capital Lease means, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

Capital Lease Obligation means, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease.

Carry Over Amount has the meaning ascribed to it Section 7.1(a).

Cash Equivalents means: (i) marketable securities (A) issued or directly and unconditionally guaranteed as to interest and principal by the United States government or (B) issued by any agency of the United States government the obligations of which are backed by the full faith and credit of the United States, in each case maturing within one (1) year after acquisition thereof; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof, in each case maturing within one year after acquisition thereof and having, at the time of acquisition, a rating of at least A-1 from S&P or at least P-1 from Moody's; (iii) commercial paper maturing no more than one year from the date of acquisition and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's; (iv) certificates of deposit or bankers' acceptances issued or accepted by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia that is at least (A) "adequately capitalized" (as defined in the regulations of its primary Federal banking regulator) and (B) has Tier 1 capital (as defined in such regulations) of not less than $250,000,000, in each case maturing within one year after issuance or acceptance thereof; and (v) shares of any money market mutual or similar funds that (A) has substantially all of its assets invested continuously in the types of investments referred to in clauses (i) through (iv) above, (B) has net assets of not less than $500,000,000 and (C) has the highest rating obtainable from either S&P or Moody's.

Certificate of Exemption has the meaning ascribed to it in Section 2.9(c).

CHAMPVA means, collectively, the Civilian Health and Medical Program of the Department of Veteran Affairs, a program of medical benefits covering retirees and dependents of former members of the armed services administered by the United States Department of Veteran Affairs, and all laws, rules, regulations, manuals, orders, guidelines or requirements pertaining to such program, including, without limitation, (i) all federal statutes (whether set forth in 38 U.S.C. §§ 1701 *et seq*. or elsewhere) affecting such program or, to the extent applicable to TRICARE, and (ii) all rules, regulations (including 38 C.F.R. § 1701 *et seq*.), manuals, orders and administrative, reimbursement and other guidelines of all Governmental Authorities promulgated in connection with such program (whether or not having the force of law), in each case as the same may be amended, supplemented or otherwise modified from time to time.

Change of Control means any event, transaction or occurrence as a result of which (a) the Sponsor ceases to own and control all of the economic and voting rights associated with ownership of at least fifty-five percent (55%) of all of the outstanding Voting Stock of Holdings on a fully diluted basis, (b) Holdings ceases to own and control all of the economic and voting rights associated with all of the outstanding Stock of Intermediate Holdings, (c) Intermediate Holdings and Holdings, together, cease to own and control all of the economic and voting rights associated with all of the outstanding Stock of Borrower, or (d) except as a result of transactions permitted under this Agreement, Borrower ceases to own and control all of the economic and voting rights associated with all of the outstanding Stock of any of its Subsidiaries.

Charges means all federal, state, county, city, municipal, local, foreign or other governmental premiums and other amounts (including premiums and other amounts owed to the PBGC at the time due and payable), levies, assessments, charges, liens, claims or encumbrances upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of any Loan Party, (d) any Loan Party's ownership or use of any properties or other assets, or (e) any other aspect of any Loan Party's business.

Chattel Paper means any "chattel paper," as such term is defined in the Code, including electronic chattel paper, now owned or hereafter acquired by any Loan Party, wherever located.

Closing Checklist means the schedule, including all appendices, exhibits or schedules thereto, listing certain documents and information to be delivered in connection with the Agreement, the other Loan Documents and the transactions contemplated thereunder, substantially in the form attached hereto as Annex B.

Closing Date means September 19, 2006.

CMS means the Department of Health and Human Services Centers for Medicare & Medicaid Services or any successor thereto.

Code means the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of New York; provided, that to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Agent's or any Lender's Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

Coding and Billing Review has the meaning ascribed to it in Section 5.3(b).

Collateral means the property covered by the Security Agreements and the other Collateral Documents and any other property, real or personal, tangible or intangible, now existing or hereafter acquired, that may at any time be or become subject to a security interest or Lien in favor of Agent, on behalf of itself and Lenders, to secure the Obligations or any portion thereof.

Collateral Documents means the Security Agreements, the Pledge Agreements, the Guaranties, the Patent Security Agreements, the Trademark Security Agreements, the Copyright Security Agreements and all similar agreements entered into guaranteeing payment of, or granting a Lien upon property as security for payment of, the Obligations or any portion thereof.

Commitment Termination Date means the earliest of (a) as to the Revolving Loan and Term Loan, September 19, 2011, (b) the date of termination of Lenders' obligations to make Advances and to incur Letter of Credit Obligations or permit existing Loans to remain outstanding pursuant to Section 8.3, and (c) the date of (i) indefeasible prepayment in full by Borrower of the Loans, (ii) the cancellation and return (or stand-by guarantee) of all Letters of Credit or the cash collateralization or, with the consent of Agent in each instance, the backing with standby letters of credit acceptable to Agent, of all Letter of Credit Obligations pursuant to and in the amount required by Section 2.5(f), and (iii) the permanent reduction of the Commitments to zero dollars ($0).

Commitments means (a) as to any Lender, the aggregate of such Lender's Revolving Loan Commitment and Term Loan Commitment as set forth on Annex A to the Agreement or in the most recent Assignment Agreement executed by such Lender and (b) as to all Lenders, the aggregate of all Lenders' Revolving Loan Commitments and Term Loan Commitments, which aggregate commitment shall be Fifty Seven Million Five Hundred Thousand Dollars ($57,500,000) on the Closing Date, as such Commitments may be reduced, amortized or adjusted from time to time in accordance with this Agreement.

Communication means any notice, information or other communication required or permitted to be given or made under this Agreement, but excluding any Loan Document requested by Agent to be delivered solely in a signed writing, including without limitation, any Note, power of attorney, or Patent, Trademark or Copyright Security Agreement.

Compliance, Pricing, and Excess Cash Flow Certificate has the meaning ascribed to it in Section 7.2(n).

Consolidated Net Income means net income during the measuring period on a consolidated basis excluding: (i) the income (or deficit) of any Person accrued prior to the date it became a Subsidiary of, or was merged or consolidated into, Holdings, Borrower or any of Holdings' or Borrower's Subsidiaries, (ii) the income (or deficit) of any Person (other than a Subsidiary) in which Holdings has an ownership interest, except to the extent any such income has actually been received by Borrower or any of its Subsidiaries in the form of cash dividends or distributions, (iii) the undistributed earnings of any Subsidiary of Holdings to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation or requirement of law applicable to such Subsidiary, (iv) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period, (v) any net gain attributable to the write-up of any asset, (vi) any loss attributable to the write-down of any asset (other than Accounts and Inventory), (vii) any net gain from the collection of the proceeds of life insurance policies, (viii) any net gain arising from the acquisition of any securities, or the extinguishment of any Indebtedness, of Holdings or any of its Subsidiaries, (ix) any deferred credit representing the excess of equity in any Subsidiary of Holdings or Borrower at the date of acquisition of such Subsidiary over the cost to Holdings or Borrower of the investment in such Subsidiary.

Contingent Obligation means, as applied to any Person, any direct or indirect liability of that Person: (i) with respect to Guaranteed Indebtedness and with respect to any Indebtedness, lease, dividend or other obligation of another Person if the purpose or intent of the Person incurring such liability, or the effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto; (ii) with respect to any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings; (iii) under any foreign exchange contract, currency swap agreement, interest rate swap agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, (iv) any agreement, contract or transaction involving commodity options or future contracts, (v) to make take-or-pay or similar payments if required regardless of nonperformance by any other party or parties to an agreement, or (vi) pursuant to any agreement to purchase, repurchase or otherwise acquire any obligation or any property constituting security therefor, to provide funds for the payment or discharge of such obligation or to maintain the solvency, financial condition or any balance sheet item or level of income of another. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guaranteed or otherwise supported or, if not a fixed and determined amount, the maximum amount so guaranteed.

Contingent Payment Agreement means that certain Contingent Payment Agreement dated as of September 19, 2006 by and among Holdings, Intermediate Holdings, Merger Sub, the Company, W. Andrew Wright, III, as Sellers' Representative and each of the individuals and entities identified as "Contingent Payment Recipients" on Exhibit A thereto.

Contingent Payments means the amounts payable under section 1.2 of the Contingent Payment Agreement as such amounts are calculated under the Contingent Payment Agreement as originally in effect or as amended with the prior written consent of the Agent and the Required Lenders.

Contractual Obligations means, as applied to any Person, any indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject including the Related Transactions Documents.

Control Agreement means a tri-party deposit account, securities account or commodities account control agreements by and among the applicable Loan Party, Agent and the depository, securities intermediary or commodities intermediary, and each in form and substance reasonably satisfactory in all respects to Agent and in any event providing to Agent "control" of such deposit account, securities or commodities account within the meaning of Articles 8 and 9 of the Code.

Copyright License means any and all rights now owned or hereafter acquired by any Loan Party under any written agreement granting any right to such Loan Party to use any Copyright or Copyright registration owned by a third party.

Copyright Security Agreements means the Copyright Security Agreements made in favor of Agent, on behalf of itself and Lenders, by each applicable Loan Party.

Copyrights means all of the following now owned or hereafter adopted or acquired by any Loan Party: (a) all copyrights (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; and (b) all reissues, extensions or renewals thereof.

Current Assets means, with respect to any Person, all current assets of such Person as of any date of determination calculated in accordance with GAAP, but excluding cash, cash equivalents and debts due from Affiliates.

Current Liabilities means, with respect to any Person, all liabilities that should, in accordance with GAAP, be classified as current liabilities, and in any event shall include all Indebtedness payable on demand or within one year from any date of determination without any option on the part of the obligor to extend or renew beyond such year, all accruals for federal or other taxes based on or measured by income and payable within such year, but excluding the current portion of long-term debt required to be paid within one year and the aggregate outstanding principal balances of the Revolving Loan.

Default means any event that, with the passage of time or notice or both, would, unless cured or waived, become an Event of Default.

Default Rate has the meaning ascribed to it in Section 2.2(d).

Disbursement Account has the meaning ascribed to it in Section 2.1(d).

Disclosure Schedules means the Schedules prepared by Borrower and denominated as Schedules 4.1(a) through 6.9 in the index to the Agreement.

Documents means any “document,” as such term is defined in the Code, including electronic documents, now owned or hereafter acquired by any Loan Party, wherever located.

Dollars or $ means lawful currency of the United States of America.

Domestic Loan Parties means any Loan Party organized under the laws of a jurisdiction in the United States of America.

Domestic Subsidiaries means any Subsidiary organized under the laws of a jurisdiction in the United States of America.

EBITDA means Consolidated Net Income less: (in each case to the extent included in the calculation of Consolidated Net Income, but without duplication): (a) income tax credits, (b) interest income, (c) gain from extraordinary items, (d) the aggregate net gain arising from the sale, exchange or other disposition of assets out of the ordinary course of business, other than Accounts and Inventory, (e) any other non-cash gains, (f) expenditures related to the Related Transactions and not reflected on the Pro Forma or the footnotes thereto, and (g) non-recurring gains; plus: (in each case to the extent deducted in the calculation of Consolidated Net Income, but without duplication): (i) any provision for income taxes or franchise taxes, (ii) Interest Expense, (iii) depreciation, depletion and amortization expense (including goodwill impairment charges), (iv) amortized debt discount (but in the case of amortization and expenses of Related Transactions, only to the extent included in the Pro Forma), (v) any deduction as the result of any grant to any members of the management of Holdings or Borrower or any of its Subsidiaries of any Stock, (vi) loss from extraordinary items (vii) any loss arising from the sale, exchange or other disposition of assets out of the ordinary course of business, other than Accounts and Inventory, (viii) any other non-cash losses (other than non-cash losses relating to write-offs, write-downs or reserves with respect to Accounts and Inventory), (ix) expenses of the Related Transactions (including, without limitation or duplication, bonuses paid to employees on or prior to the Closing Date), provided that such expenses were included in the Pro Forma, or disclosed in any notes thereto, (x) non-cash purchase accounting adjustments in connection with the Addus Acquisition and write-off of amortization related to write-up of assets due to purchase accounting in connection with the Addus Acquisition, (xi) management fees paid pursuant to the Management Consulting Agreement not to exceed $100,000 in the aggregate in any Fiscal Quarter, (xii) any charges which have been reimbursed in cash through proceeds from the Escrow Account, (xiii) the McKesson Add-Back and (xiv) other expenses and items consistent with those expenses and items otherwise considered in computing add-backs hereunder incurred during the period commencing July 1, 2006 through and including the Closing Date in an amount not to exceed $1,050,000; provided, that, notwithstanding anything to the contrary contained herein, for each of the Fiscal Quarters listed below, EBITDA shall be deemed to be the amount set forth below opposite such corresponding period:

Period	EBITDA
March 31, 2006	$2,914,037
June 30, 2006	$3,781,124

Environmental Laws means all applicable federal, state, local and foreign laws, statutes, ordinances, codes, rules, standards and regulations, now or hereafter in effect, and any legally binding applicable judicial or administrative interpretation thereof, including any applicable judicial or administrative order, consent decree, order or judgment, imposing liability or standards of conduct for or relating to the regulation and protection of human health, safety, and the environment (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata). Environmental Laws include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§

9601 et seq.) ("CERCLA"); the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); the Toxic Substances Control Act (15 U.S.C. §§ 2601 et seq.); the Clean Air Act (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.); the Occupational Safety and Health Act, to the extent it regulates Hazardous Materials (29 U.S.C. §§ 651 et seq.); the Safe Drinking Water Act (42 U.S.C. §§ 300(f) et seq.), laws applicable to medical waste, and any and all regulations promulgated thereunder, and all analogous state, local and foreign counterparts or equivalents and any transfer of ownership notification or approval statutes that relate to environmental contamination or Hazardous Materials.

Environmental Liabilities means, with respect to any Person, all liabilities, obligations, responsibilities, response, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs, losses, damages, punitive damages, property damages, natural resource damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts and consultants), fines, penalties, sanctions and interest incurred as a result of or related to any claim, suit, action, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law, including any arising under or related to any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Material whether on, at, in, under, from or about or in the vicinity of any real or personal property or to any real property to which Hazardous Materials originating from or generated by the Loan Parties or their Subsidiaries come to be located.

Environmental Permits means all permits, licenses, authorizations, certificates, approvals or registrations required by any Governmental Authority under any Environmental Laws.

Equipment means all "equipment," as such term is defined in the Code, now owned or hereafter acquired by any Loan Party, wherever located.

ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

ERISA Affiliate means, with respect to any Loan Party, any trade or business (whether or not incorporated) that, together with such Loan Party, are treated as a single employer within the meaning of Sections 414(b) or (c) (and Sections 414(m) and (o) of the IRC for purposes of provisions relating to Section 412 of the IRC).

ERISA Event means, with respect to any Loan Party or any ERISA Affiliate, (a) any event described in Section 4043(c) of ERISA with respect to a Title IV Plan (other than an event for which the 30-day notice period is waived); (b) the withdrawal of any Loan Party or ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (c) the complete or partial withdrawal of any Loan Party or any ERISA Affiliate from any Multiemployer Plan; (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC; (f) the failure by any Loan Party or ERISA Affiliate to make when due required contributions to a Multiemployer Plan or Title IV Plan unless such failure is cured within 30 days; (g) any other event or condition that would reasonably be expected to constitute grounds for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan under Section 4042 of ERISA or for the imposition of liability under Section 4069 or 4212(c) of ERISA; (h) the termination of a Multiemployer Plan under

Section 4041A of ERISA or the reorganization or insolvency of a Multiemployer Plan under Section 4241 or 4245 of ERISA; or (i) the loss of a Qualified Plan's qualification or tax exempt status; or (j) the termination of a Plan described in Section 4064 of ERISA.

Escrow Account means the account established on the Closing Date pursuant to the terms of the Purchase Agreement.

Escrow Agreement means that certain Escrow Agreement dated as of September 19, 2006, by and among Fifth Third Bank, as Escrow Agent, Holdings, Intermediate Holdings, Merger Sub, and W. Andrew Wright, III, as Sellers' Representative.

Event of Default has the meaning ascribed to it in Section 8.1.

Excess Cash Flow has the meaning ascribed to it in Schedule 2 to Annex E.

Excluded Tax has the meaning ascribed to it in Section 2.9(a).

Fair Labor Standards Act means the Fair Labor Standards Act, 29 U.S.C. §201 et seq.

Federal Funds Rate means, for any day, a floating rate equal to the weighted average of the rates on overnight federal funds transactions among members of the Federal Reserve System, as determined by Agent in its sole discretion, which determination shall be final, binding and conclusive (absent manifest error).

Federal Reserve Board means the Board of Governors of the Federal Reserve System.

Fees means any and all fees payable to Agent or any Lender pursuant to the Agreement or any of the other Loan Documents.

Field Review has the meaning ascribed to it in Section 5.3(a).

Fifth Third Bank means Fifth Third Bank (Chicago).

Financial Statements means the consolidated and consolidating income statements, statements of cash flows and balance sheets of Holdings and its Subsidiaries delivered in accordance with Section 7.2.

Fiscal Month means any of the monthly accounting periods of Holdings and its Subsidiaries of each Fiscal Year.

Fiscal Quarter means any of the quarterly accounting periods of Holdings and its Subsidiaries, ending on March 31, June 30, September 30 and December 31 of each year.

Fiscal Year means any of the annual accounting periods of Holdings and its Subsidiaries ending on December 31 of each year.

Fixed Charges means for any measuring period (i) Interest Expense plus (ii) scheduled payments of principal of Funded Debt plus (iii) management fees paid pursuant to the Management Consulting Agreement.

Fixed Charge Coverage Ratio means for any measuring period the ratio of (x) (i) EBITDA less (ii) Capital Expenditures, other than the portion thereof funded by third party financing and less the sum of all federal, state and local income taxes and franchise taxes (excluding provisions for taxes in respect of gains on the sale of assets, and extraordinary and non-recurring gains) paid in cash (net of any credit for such taxes), to (y) Fixed Charges.

Fixtures means all "fixtures" as such term is defined in the Code, now owned or hereafter acquired by any Loan Party.

Freeport has the meaning ascribed to it in the Preamble.

Freeport Fee Letter has the meaning ascribed to it in Section 2.3(a).

Foreign Lender has the meaning ascribed to it in Section 2.9(c).

Foreign Subsidiary means any direct or indirect Subsidiary of Holdings organized under the laws of a jurisdiction outside of the United States.

Funded Debt means, with respect to any Person, without duplication, all Indebtedness for borrowed money evidenced by notes, bonds, debentures, or similar evidences of Indebtedness and that by its terms matures more than one year from, or is directly or indirectly renewable or extendible at such Person's option under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of more than one year from the date of creation thereof, and specifically including Capital Lease Obligations and current portions thereof, current maturities of long-term debt, revolving credit and short-term debt extendible beyond one year at the option of the debtor, and also including, in the case of Borrower, the Loans and Letter of Credit Obligations and, without duplication, Guaranteed Indebtedness consisting of guaranties of Funded Debt of other Persons; provided, however that Indebtedness arising under the Commercial Insurance Premium Finance and Security Agreement, dated June 8, 2006, by and between the Borrower and Cananwill, Inc. ("Cananwill") wherein the Borrower assigned to Cananwill as security for the total amount payable any gross unearned premiums, shall not be deemed Funded Debt. Notwithstanding the foregoing, the obligation of Intermediate Holdings or any other Loan Party to pay the Contingent Payments shall not constitute Funded Debt to the extent no payment obligations have matured or otherwise become due and payable with respect thereto.

Funding Date has the meaning ascribed to it in Section 3.2.

GAAP means generally accepted accounting principles in the United States of America, consistently applied.

General Intangibles means "general intangibles," as such term is defined in the Code, now owned or hereafter acquired by any Loan Party.

Goods means any "goods," as such term is defined in the Code, now owned or hereafter acquired by any Loan Party, wherever located, including embedded software to the extent included in "goods" as defined in the Code.

Governmental Authority means any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

Guaranteed Indebtedness means, as to any Person, any obligation of such Person guaranteeing, providing comfort for or otherwise supporting any Indebtedness, lease, dividend, or other obligation (“primary obligation”) of any other Person (the “primary obligor”) in any manner, including any obligation or arrangement of such Person to (a) purchase or repurchase any such primary obligation, (b) advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, (d) protect the beneficiary of such arrangement from loss (other than product warranties given in the ordinary course of business) or (e) indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be an amount equal to the lesser at such time of (x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is incurred and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness, or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

Guaranties means, collectively, the Holdings Guaranty, each Subsidiary Guaranty and any other guaranty executed by any Guarantor in favor of Agent and Lenders in respect of the Obligations.

Guarantors means Holdings, Intermediate Holdings, each Domestic Subsidiary of Borrower and each other Person, if any, that executes a guaranty or other similar agreement in favor of Agent, for itself and the ratable benefit of Lenders, in connection with the transactions contemplated by the Agreement and the other Loan Documents.

Hazardous Material means any substance, material or waste that is regulated by, or forms the basis of liability now or hereafter under, any Environmental Laws, including any material or substance that is (a) defined as a “hazardous waste,” “hazardous material,” “hazardous substance,” “dangerous goods,” “extremely hazardous waste,” “restricted hazardous waste,” “pollutant,” “contaminant,” “hazardous constituent,” “special waste,” “toxic substance,” “medical waste,” “biohazardous” or other similar term or phrase under any Environmental Laws, or (b) petroleum or any fraction or by-product thereof, asbestos, polychlorinated biphenyls (PCB’s), or any radioactive substance.

Health Care Laws means (i) all federal and state fraud and abuse laws, including, but not limited to, the Federal Anti-Kickback Statute (42 U.S.C. §1320a-7(b)), the Stark Law (42 U.S.C. §1395nn), the False Claims Act (31 U.S.C. §3729 et seq.), Sections 1320a-7 and 1320a-7a of Title 42 of the United States Code, and the regulations promulgated pursuant to such statutes; (ii) HIPAA; (iii) Medicare and the Medicare Regulations; (iv) Medicaid and the Medicaid Regulations; (v) TRICARE and the TRICARE regulations; (vi) CHAMPVA and the CHAMPVA regulations; (vii) the Clinical Laboratory Improvement Amendments of 1999 (42 U.S.C. §263a et seq.); (viii) quality, safety and accreditation standards and requirements of all applicable federal and state laws or regulatory bodies; (ix) licensure, registration and approval laws and regulations; (x) all laws and regulations governing billing for health care items and services; (xi) any and all other applicable health care laws, regulations, manual provisions, policies and administrative guidance; and (xii) each of (i) through (xi) as may be amended from time to time.

HHS means the United States Department of Health and Human Services or any successor thereto.

HIPAA means the privacy transactions and security provisions of the Health Insurance Portability and Accountability Act of 1996 (Pub. L. No. 104-191) and the regulations promulgated thereunder, as amended from time to time.

Holdings has the meaning ascribed thereto in the recitals to the Agreement.

Holdings Guaranty means the guaranty of even date herewith executed by each of Holdings and Intermediate Holdings in favor of Agent, on behalf of itself and Lenders.

Holdings Pledge Agreement means the Pledge Agreement of even date herewith executed by Holdings and Intermediate Holdings in favor of Agent, on behalf of itself and Lenders, pledging (i) all Stock of their Domestic Subsidiaries and 65% of the voting Stock of their first tier Foreign Subsidiaries, (ii) all stock of Intermediate Holdings and (iii) all stock of Borrower**.**

Holdings Security Agreement means the Holdings Security Agreement of even date herewith entered into by and among Agent, on behalf of itself and Lenders, Holdings and Intermediate Holdings.

Holdings Stockholder Agreement means that certain Stockholders' Agreement dated as of September 19, 2006 by and among Holdings, the investors signatory thereto and the management stockholders signatory thereto.

Indebtedness means, with respect to any Person, without duplication (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property payment for which is deferred six (6) months or more, but excluding obligations to trade creditors incurred in the ordinary course of business that are unsecured and not overdue by more than six (6) months unless being contested in good faith, (b) all reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations and the present value (discounted at the Index Rate as in effect on the date of determination) of future rental payments under all synthetic leases, (f) all obligations in respect of payments that would be required to be made upon termination of any hedging arrangements, (g) all net payment obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap (including Interest Rate Agreements), cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured and any and all Rate Management Obligations, (h) all Indebtedness referred to above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and general intangibles) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, (i) ”earnouts” (to the extent treated as Indebtedness under GAAP) and similar payment obligations excluding bonus, phantom stock or other similar compensation payments owed to employees, or officers and incurred in the ordinary course of business, and (j) the Obligations. Notwithstanding any of the foregoing, non-recourse Indebtedness of such Person shall only constitute "Indebtedness" in an amount which shall be the lesser of (x) the amount of such Person's liability for such Indebtedness and (y) the fair market value of such property securing such Indebtedness. In no event shall any obligations in respect of preferred stock issued on the Closing Date constitute Indebtedness except to the extent of any mandatory obligation to redeem such preferred stock on a date that is earlier than the date six months following the fifth anniversary of the Closing Date. In no event shall the Acquisition Note constitute Indebtedness so long as it is paid in full on or prior to its maturity date; provided that if such Acquisition Note is not paid in full as of its maturity date, such Acquisition Note shall constitute Indebtedness for all purposes hereunder (except for purposes of calculating Excess Cash Flow).

Indemnitees has the meaning ascribed to it in Section 10.1.

Index Rate means, for any day, a floating rate equal to the higher of (i) the rate publicly quoted from time to time by The Wall Street Journal and (ii) the Federal Funds Rate plus 50 basis points per annum.

Index Rate Loan means a Loan or portion thereof bearing interest by reference to the Index Rate.

Instruments means all "instruments," as such term is defined in the Code, now owned or hereafter acquired by any Loan Party, wherever located, and, in any event, including all promissory notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

Intellectual Property means any and all Licenses, Patents, Copyrights, Trademarks, and the goodwill associated with such Trademarks.

Intercompany Debt has the meaning ascribed to it in Section 10.21.

Intercompany Notes means a promissory note contemplated by Section 6.1(c).

Interest Expense means for any measuring period interest expense (whether cash or non-cash) determined in accordance with GAAP and deducted in the calculation of Consolidated Net Income, including capitalized interest expense, less the sum of (i) amortization of capitalized fees and expenses with respect to Related Transactions for such period, (ii) amortization of any original issue discount attributable to Funded Debt or warrants for such period, and (iii) interest paid in-kind during such period.

Interest Payment Date means (a) as to any Index Rate Loan, the first Business Day of each calendar month to occur while such Loan is outstanding, and (b) as to any LIBOR Loan, the last day of the applicable LIBOR Period; provided, that in the case of any LIBOR Period greater than three months in duration, the last day of each three month interval within such LIBOR Period and the last day of such LIBOR Period shall be an Interest Payment Date; and provided further that, in addition to the foregoing, each of (x) the date upon which all of the Commitments have been terminated and the Loans have been paid in full and (y) the Commitment Termination Date shall be deemed to be an "Interest Payment Date" with respect to any interest that has then accrued under the Agreement.

Interest Rate Agreement means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or similar agreement or arrangement designed to protect Borrower against fluctuations in interest rates entered into between Borrower and any Lender to the extent required by Section 5.10.

Intermediate Holdings has the meaning ascribed thereto in the recitals to the Agreement.

Inventory means any "inventory," as such term is defined in the Code, now owned or hereafter acquired by any Loan Party, wherever located.

Investment means (i) any direct or indirect purchase or other acquisition by Borrower or any of its Subsidiaries of any Stock, or other ownership interest in, any other Person, and (ii) any direct or indirect loan, advance or capital contribution by Borrower or any of its Subsidiaries to any other Person excluding Accounts and deposits arising in the ordinary course of business. For purposes of covenant compliance, the amount of any Investment shall be the aggregate cash Investment less all cash returns and cash distributions received by such Person.

Investment Property means all “investment property,” as such term is defined in the Code, now owned or hereafter acquired by any Loan Party, wherever located.

IRC means the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder.

IRS means the United States Internal Revenue Service.

L/C Issuer means Fifth Third Bank or a Subsidiary thereof or a bank or other legally authorized Person selected by or acceptable to Agent and Borrower, in such Person’s capacity as an issuer of Letters of Credit hereunder.

L/C Sublimit has the meaning ascribed to it in Section 2.1(c).

Lenders means Freeport, the other lenders named on the signature pages of the Agreement (and, if any such Person shall decide to assign all or any portion of the Obligations, such term shall include any assignee of such Person); provided, that for the purposes of (i) the definitions of “Interest Rate Agreement” and “Obligations”, (ii) Sections 9.2(a), (b), (c), (d) and (f) of this Agreement and (iii) the granting and perfection of Liens pursuant to one or more Loan Documents, each Qualified Counterparty shall be deemed to be a Lender (it being agreed that no such Qualified Counterparty shall have the right to vote on or consent to any matter requiring a vote or consent of one or more Lenders).

Letters of Credit means documentary or standby letters of credit issued for the account of Borrower by L/C Issuer, and bankers’ acceptances issued by Borrower, for which Agent and Lenders have incurred Letter of Credit Obligations.

Letter of Credit Fee has the meaning ascribed to it in Section 2.3(c).

Letter of Credit Obligations means all outstanding obligations incurred by Agent and Lenders at the request of Borrower, whether direct or indirect, contingent or otherwise, due or not due, in connection with the issuance of Letters of Credit by L/C Issuers or the purchase of a participation or issuance of a guaranty as set forth in Section 2.1(d) with respect to any Letter of Credit. The amount of such Letter of Credit Obligations shall equal the maximum amount that may be payable by Agent and Lenders thereupon or pursuant thereto.

Leverage Ratio means for any measuring period the ratio of (x)(i) Funded Debt (including Letter of Credit Obligations, but otherwise excluding the Revolving Loan balance) as of the last day of such measuring period plus (ii) the Average Daily Balance for the 60 days prior to such date to (y) EBITDA.

Liberty Letter of Credit means the letter of credit, dated February 24, 2006, in the maximum amount of $2,300,000, number ILS201407, issued by Fifth Third Bank for the benefit of Liberty Mutual Insurance Company in respect of workers compensation claims from and after January 1, 2006.

LIBOR Breakage Costs means an amount equal to the amount of any losses, expenses, liabilities (including, without limitation, any net loss or expense incurred by reason of the liquidation or redeployment of deposits or other funds acquired by a Lender to fund or maintain any LIBOR Loan) sustained by a Lender as a result of (i) any default by Borrower in making any borrowing of, conversion into or continuation of any LIBOR Loan following Borrower’s delivery to Agent of any LIBOR Loan request in respect thereof or (ii) any payment of a LIBOR Loan on any day that is not the last day of the LIBOR Period applicable thereto (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise). For purposes of calculating amounts payable to a Lender under Section 2.3(d), each Lender shall be deemed to have actually funded its relevant LIBOR Loan through the purchase of a deposit bearing interest at the LIBOR Rate in an amount equal to the amount of that LIBOR Loan and having a maturity and repricing characteristics comparable to the relevant LIBOR Period; provided, however, that each Lender may fund each of its LIBOR Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under Section 2.3(d).

LIBOR Business Day means a Business Day on which banks in the City of London are generally open for interbank or foreign exchange transactions.

LIBOR Loans means a Loan or any portion thereof bearing interest by reference to the LIBOR Rate.

LIBOR Period means, with respect to any LIBOR Loan, each period commencing on a LIBOR Business Day selected by Borrower pursuant to this Agreement and ending one, two, three or six months thereafter, as selected by Borrower’s irrevocable notice to Agent as set forth in Section 2.2(e); provided, that the foregoing provision relating to LIBOR Periods is subject to the following:

(a) if any LIBOR Period would otherwise end on a day that is not a LIBOR Business Day, such LIBOR Period shall be extended to the next succeeding LIBOR Business Day unless the result of such extension would be to carry such LIBOR Period into another calendar month in which event such LIBOR Period shall end on the immediately preceding LIBOR Business Day;

(b) any LIBOR Period that would otherwise extend beyond the date set forth in clause (a) of the definition of “Commitment Termination Date” shall end on such date;

(c) any LIBOR Period that begins on the last LIBOR Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such LIBOR Period) shall end on the last LIBOR Business Day of a calendar month; and

(d) Borrower shall select LIBOR Periods so that there shall be no more than five (5) separate LIBOR Periods in existence at any one time.

LIBOR Rate means for each LIBOR Period, a rate of interest determined by Agent equal to:

(a) the offered rate for deposits in United States Dollars for the applicable LIBOR Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time), on the second full LIBOR Business Day next preceding the first day of such LIBOR Period (unless such date is not a Business Day, in which event the next succeeding Business Day will be used); divided by

(b) a number equal to 1.0 minus the aggregate (but without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on the day that is two (2) LIBOR Business Days prior to the beginning of such LIBOR Period (including basic, supplemental, marginal and emergency reserves under any regulations of the Federal Reserve Board or other Governmental Authority having jurisdiction with respect thereto, as now and from time to time in effect) for Eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of the Federal Reserve Board that are required to be maintained by a member bank of the Federal Reserve System.

If such interest rates shall cease to be available from Telerate News Service, the LIBOR Rate shall be determined from such internationally recognized financial reporting service or other information as shall be available to Agent.

License means any Copyright License, Patent License, Trademark License or other license of rights or interests now held or hereafter acquired by any Loan Party.

Lien means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction).

Litigation has the meaning ascribed to it in Section 7.2(k).

Loan Account has the meaning ascribed to it in Section 2.7.

Loan Documents means the Agreement, the Notes, the Collateral Documents, the Freeport Fee Letter, the Subordination Agreement, the Interest Rate Agreements, and all other agreements, instruments, documents and certificates identified in the Closing Checklist executed and delivered to, or in favor of, Agent or any Lenders and including all other pledges, powers of attorney, consents, assignments, contracts, notices, and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Loan Party, or any employee of any Loan Party, and delivered to Agent or any Lender in connection with the Agreement or the transactions contemplated thereby. Any reference in the Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to the Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

Loan Parties means Holdings, Intermediate Holdings, Merger Sub, the Company, Borrower and each other Person (i) that executes this Agreement as a "Loan Party," (ii) that executes a Guaranty, (iii) that grants a Lien on all or substantially all of its assets to secure payment of the Obligations and (iv) all of the Stock of which is pledged to Agent for the benefit of itself and Lenders.

Loans means the Revolving Loan and the Term Loan.

Management Consulting Agreement means that certain Management Consulting Agreement between Borrower and Sponsor as in effect on the Closing Date.

Material Adverse Effect means a material adverse effect on (a) the business, assets, operations, industry, properties, prospects or financial or other condition of the Loan Parties considered as a whole, (b) Borrower's ability to pay any of the Loans or any of the other Obligations in accordance with the terms of the Agreement, (c) the Collateral or Agent's Liens, on behalf of itself and Lenders, on the Collateral or the priority of such Liens, or (d) Agent's or any Lender's rights and remedies under the Agreement and the other Loan Documents.

Maximum Amount means, as of any date of determination, an amount equal to the Revolving Loan Commitment of all Lenders as of that date.

Maximum Lawful Rate has the meaning ascribed to it in Section 2.2(f).

McKesson Add-Back means an amount equal to the expenses booked by Borrower and its Subsidiaries with respect to McKesson system implementation services in an amount not to exceed $600,000 in the aggregate.

Medicaid means, collectively, the certain program of medical assistance, funded jointly by the federal government and states, for impoverished individuals who are aged, blind and/or disabled, and for members of families with dependent children, which program is more fully described in Title XIX of the Social Security Act (42 U.S.C. §§ 1396 *et seq*.), and the Medicaid Regulations.

Medicaid Regulations means, collectively, (i) all federal statutes (whether set forth in Title XIX of the Social Security Act or elsewhere) affecting Medicaid, (ii) all applicable provisions of all federal rules, regulations, manuals and orders of all Governmental Authorities promulgated pursuant to or in connection with the statutes described in clause (i) above and all federal administrative, reimbursement and other guidelines of all Governmental Authorities having the force of law promulgated pursuant to or in connection with the statutes described in clause (i) above, (iii) all state statutes and plans for medical assistance enacted in connection with the statutes and provisions described in clauses (i) and (ii) above and (iv) all applicable provisions of all rules, regulations, manuals and orders of all Governmental Authorities promulgated pursuant to or in connection with the authorities promulgated pursuant to or in connection with the statutes described in clause (iii) above and all state administrative, reimbursement and other guidelines of all Governmental Authorities having the force of law promulgated pursuant to or in connection with the statutes described in clause (iii) above, in each case as may be amended, supplemented or otherwise modified from time to time.

Medicare means, collectively, the certain federal program providing health insurance for eligible elderly and other individuals, under which physicians, hospitals, skilled nursing homes, home health care and other providers are reimbursed for certain covered services they provide to the beneficiaries of such program, which program is more fully described in Title XVIII of the Social Security Act (42 U.S.C. §§ 1395 *et seq*.), and the Medicare Regulations.

Medicare Regulations means, collectively, all federal statutes (whether set forth in Title XVIII of the Social Security Act or elsewhere) affecting Medicare and any successor statute(s), together with all applicable provisions of all rules, regulations, manuals and orders and administrative, reimbursement and other guidelines of all Governmental Authorities (including, without limitation, HHS, CMS, the Office of the Inspector General for HHS, or any other Person succeeding to the functions of any of the foregoing) promulgated pursuant to or in connection with any of the foregoing having the force of law, in each case as may be amended, supplemented or otherwise modified from time to time.

Merger has the meaning ascribed to such term in the Preamble.

Merger Agreement means that certain Agreement and Plan of Merger dated as of the Closing Date among Merger Sub and the Company as in effect on the date hereof and as modified in accordance with the terms of this Agreement.

Merger Documents means the Merger Agreement and all documents, instruments and agreements delivered in connection with the Merger Agreement.

Merger Sub has the meaning ascribed to such term in the Preamble.

Minimum EBITDA means, for any period of determination, EBITDA for the 12 Fiscal-Month period then ended.

Moody's means Moody's Investors Services, Inc.

Multiemployer Plan means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA, and to which any Loan Party or ERISA Affiliate is making or is obligated to make contributions on behalf of participants who are or were employed by any of them or withdrawal liability payments.

Net Proceeds means (i) cash proceeds received by Holdings or any of its Subsidiaries from any Asset Disposition (including insurance proceeds, awards of condemnation, and payments under notes or other debt securities received in connection with any Asset Disposition), net of (a) the costs of such Asset Disposition (including taxes attributable to such sale, lease or transfer) and any commissions and other customary transaction fees, costs and expenses), other than any costs payable to any Affiliate of a Loan Party (b) amounts applied to repayment of Indebtedness (other than the Obligations) secured by a Lien permitted under the Agreement on the asset or property disposed, (c) any amounts required to be held in escrow until such time as such amounts are released from escrow whereupon such amounts shall be considered Net Proceeds and (d) amounts reasonably and in good faith provided as a reserve in accordance with GAAP, against (x) any liabilities under any indemnification obligations associated with such Asset Disposition or (y) any other liabilities retained by such Loan Party associated with the properties disposed of in such Asset Disposition (provided that, to the extent and at the time any such amounts are released from such reserve, such amounts shall constitute Net Proceeds), and (ii) cash proceeds attributable to any working capital, earnings, balance sheet or similar adjustment under the Acquisition Agreement.

Non-Consenting Lender has the meaning ascribed to it in Section 10.19(c).

Non-Excluded Taxes has the meaning ascribed to it in Section 2.9(a).

Non-Funding Lender has the meaning ascribed to it in Section 9.5(a).

Notes means, collectively, the Revolving Notes and the Term Notes.

Notice of Conversion/Continuation has the meaning ascribed to it in Section 2.2(e).

Notice of Revolving Credit Advance has the meaning ascribed to it in Section 2.1(b).

Obligations means all loans, advances, debts, liabilities and obligations, for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable), including obligations pursuant to Interest Rate Agreements, Rate Management Agreements and Letter of Credit Obligations, owing by any Loan Party to Agent or any Lender, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, arising under the Agreement or any of the other Loan Documents. This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against any Loan Party in bankruptcy, whether or not allowed in such case or proceeding), Fees, Charges, expenses, attorneys' fees and any other sum chargeable to any Loan Party under the Agreement or any of the other Loan Documents.

Operating Cash Flow has the meaning ascribed to it in Section 7.1(e) of Schedule 1 to Annex E.

Other Lender has the meaning ascribed to it in Section 9.5(d).

Other Taxes has the meaning ascribed to it in Section 2.9(a).

Overadvance has the meaning ascribed to it in Section 2.1(b).

Participation Agreements means all participation and provider agreements with health maintenance organizations, insurance programs, Third Party Payors and preferred provider organizations with respect to the business of the Loan Parties.

Patent License means rights under any written agreement now owned or hereafter acquired by any Loan Party granting any right to such Loan Party with respect to a Patent owned by a third party.

Patent Security Agreements means the Patent Security Agreements made in favor of Agent, on behalf of itself and Lenders, by each applicable Loan Party.

Patents means all of the following in which any Loan Party now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all issuances and recordings thereof, and all applications for letters patent of the United States or of any other country, including issued patents, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States or any other country, and (b) all reissues, continuations, continuations-in-part or extensions thereof.

PBGC means the Pension Benefit Guaranty Corporation.

Pension Plan means a Plan described in Section 3(2) of ERISA.

Permitted Encumbrances means the following encumbrances: (a) Liens for taxes, assessments or governmental charges or levies not yet due and payable or Liens for taxes, assessments or governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, excluding federal income tax Liens and Liens in favor of the PBGC under ERISA; (b) Liens in respect of property or assets of the Borrower or any of its Subsidiaries imposed by law which were incurred in the ordinary course of business and which have not arisen to secure Indebtedness for borrowed money, such as carriers', materialmen's, warehousemen's and mechanics' Liens, statutory and common law landlord's Liens, and other similar Liens arising in the ordinary course of business, and which either (1) do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Borrower or any of its Subsidiaries or (2) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or asset subject to such Lien; (c) Liens created by or pursuant to this Agreement, the Collateral Documents or the other Loan Documents; (d) Liens in existence on the Closing Date which are listed, and the property subject thereto described, on Schedule 6.2, without giving effect to any extensions or renewals thereof; (e) Liens arising from judgments, decrees, awards or attachments in circumstances not constituting an Event of Default, provided that the amount of cash and property (determined on a fair market value basis) deposited or delivered to secure the respective judgment or decree or subject to attachment shall not exceed the limit for a separate judgment in Section 8.1(h); (f) Liens (other than any Lien imposed by ERISA) (1) incurred or deposits made in the ordinary course of business in connection with general insurance maintained by the Borrower and its Subsidiaries, (2) incurred or deposits made in the ordinary course of business of the

Borrower and its Subsidiaries in connection with workers' compensation, unemployment insurance and other types of social security, (3) to secure the performance by the Borrower and its Subsidiaries of tenders, statutory obligations (other than excise taxes), surety, stay, customs and appeal bonds, statutory bonds, bids, leases, government contracts, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money) to the extent incurred in the ordinary course of business, (4) to secure the performance by the Borrower and its Subsidiaries of leases of real property, to the extent incurred or made in the ordinary course of business consistent with past practices, and (5) other deposits made solely in the ordinary course of the Loan Parties' business; (g) licenses, sublicenses, leases or subleases granted to third Persons in the ordinary course of business not interfering in any material respect with the business of the Borrower or any of its Subsidiaries; (h) easements, rights-of-way, restrictions, minor defects or irregularities in title, encroachments and other similar charges or encumbrances, in each case not securing Indebtedness and not interfering in any material respect with the ordinary conduct of the business of the Borrower or any of its Subsidiaries; (i) Liens arising from precautionary UCC financing statements regarding operating leases; (j) Liens created pursuant to or in connection with leases or Capital Leases permitted pursuant to this Agreement, provided that (1) such Liens only serve to secure the payment of rent or Indebtedness arising under such leases or Capital Leases and (2) the Liens encumbering the assets leased or purported to be leased under such leases or Capital Leases do not encumber any other assets of the Borrower or any of its Subsidiaries (other than letters of credit, payment undertaking agreements, guaranteed investment contracts, deposits of cash or Cash Equivalents and other credit support arrangements, in each case having an aggregate value not exceeding the fair market value of the assets leased or purported to be leased under such leases or Capital Leases (each of such values determined at the time when the lease agreement relating to the relevant lease or Capital Lease is signed and delivered)); (k) (1) those liens, encumbrances, hypothecs and other matters affecting title to any real property and found reasonably acceptable by the Agent or insured against by title insurance, (2) as to any particular real property at any time, such easements, encroachments, covenants, rights of way, minor defects, irregularities or encumbrances on title which would not reasonably be expected to materially impair such real property for the purpose for which it is held by the mortgagor or grantor thereof, or the lien or hypothec held by the Agent, (3) zoning and other municipal ordinances which are not violated in any material respect by the existing improvements and the present use made by the mortgagor or grantor thereof of the premises, (4) general real estate taxes and assessments not yet delinquent, (5) any Lien that would be disclosed on a true, correct and complete survey of the real property that does not materially affect the use or enjoyment of the real property as it is currently being used, and (6) such other similar items as the Agent may consent to (such consent not to be unreasonably withheld); (l) Liens arising pursuant to purchase money mortgages or security interests securing Indebtedness representing the purchase price (or financing of the purchase price within 90 days after the respective purchase) of fixed assets acquired after the Closing Date, provided that (1) any such Liens attach only to the assets so purchased, upgrades thereon and, if the asset so purchased is an upgrade, the original asset itself (and such other assets financed by the same financing source), (2) the Indebtedness (other than Indebtedness incurred from the same financing source to purchase other assets and excluding Indebtedness representing obligations to pay installation and delivery charges for the property so purchased) secured by any such Lien does not exceed 100% of the lesser of the fair market value or the purchase price of the property being purchased at the time of the incurrence of such Indebtedness and (3) the Indebtedness secured thereby is permitted to be incurred pursuant to this Agreement; (m) Liens arising out of consignment or similar arrangements for the sale of goods entered into by the Borrower or any of its Subsidiaries in the ordinary course of business; (n) rights of setoff upon deposits of cash in favor of banks or other depository institutions as permitted by any Control Agreement or, with respect to deposits of cash not subject to a Control Agreement, customary rights of setoff in favor of such banks or depository institutions; (o) Liens on insurance premiums in favor of insurers and pledged to finance the payment thereof; and (p) Liens securing Indebtedness or leases that refinance, refund, extend, renew and/or replace Indebtedness or leases secured by Liens described in clauses (a) through (o) above, as long as such Indebtedness is permitted hereunder.

Person means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

Plan means, at any time, an "employee benefit plan," as defined in Section 3(3) of ERISA, that any Loan Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any Loan Party.

Pledge Agreements means the Borrower Pledge Agreement, the Holdings Pledge Agreement and any other pledge agreement entered into after the Closing Date by any Loan Party.

Prior Lender means Fifth Third Bank (Chicago).

Prior Lender Obligations means that certain Loan and Security Agreement dated as of November 22, 2005 by and among Borrower, the other borrowers party thereto and the Prior Lender.

Pro Forma means the unaudited consolidated and consolidating balance sheets of Holdings and its Subsidiaries prepared in accordance with GAAP as of the Closing Date after giving effect to the Related Transactions. The Pro Forma is annexed hereto as Annex C.

Pro Rata Share means with respect to all matters relating to any Lender (a) with respect to the Revolving Loan, the percentage obtained by dividing (i) the Revolving Loan Commitment of that Lender by (ii) the aggregate Revolving Loan Commitments of all Lenders, (b) with respect to the Term Loan, the percentage obtained by dividing (i) the Term Loan Commitment of that Lender by (ii) the aggregate Term Loan Commitments of all Lenders, (c) with respect to all Loans, the percentage obtained by dividing (i) the aggregate Commitments of that Lender by (ii) the aggregate Commitments of all Lenders, and (d) with respect to all Loans on and after the Commitment Termination Date, the percentage obtained by dividing (i) the aggregate outstanding principal balance of the Loans held by that Lender, by (ii) the outstanding principal balance of the Loans held by all Lenders, as any such percentages may be adjusted by assignments pursuant to Section 9.1.

Proceeding means a proceeding under the United States Bankruptcy Code, Insolvency Laws or any similar law in any jurisdiction, in which any Loan Party or any Subsidiary thereof is a debtor.

Projections means Borrower's and its Subsidiaries' forecasted consolidated and consolidating: (a) balance sheets; (b) profit and loss statements; (c) cash flow statements; and (d) capitalization statements, all prepared on a Subsidiary by Subsidiary or division-by-division basis, if applicable, and otherwise consistent with the historical Financial Statements of Borrower and its Subsidiaries, together with appropriate supporting details and a statement of underlying assumptions.

Proposed Change has the meaning ascribed to it in Section 10.19(c).

Purchase Agreement means that certain Stock Purchase Agreement dated as of September 19, 2006, by and among Holdings, Intermediate Holdings, Merger Sub, the Company, W. Andrew Wright, III, as sellers' representative and the other parties identified as sellers therein (collectively, the "Sellers").

Qualified Assignee means (a) any Lender, any Affiliate of any Lender and, with respect to any Lender, any investment fund that invests in commercial loans and that is managed or advised by such Lender, an Affiliate of such Lender or the same investment advisor as such Lender or by an Affiliate of such investment advisor (an "Approved Fund"), and (b) any commercial bank, savings and loan association or savings bank or any other entity which is an "accredited investor" (as defined in Regulation D under the Securities Act of 1933) which extends credit or buys loans as one of its businesses, including insurance companies, mutual funds, lease financing companies and commercial finance companies, which has a rating of BBB or higher from S&P and a rating of Baa2 or higher from Moody's at the date that it becomes a Lender and, in either case, which, through its applicable lending office, is capable of lending to Borrower without the imposition of any withholding or similar taxes.

Qualified Counterparty means a Person that is a party to an Interest Rate Agreement for the benefit of a Loan Party which (i) is an Affiliate of a Lender and (ii) has entered into an agreement, in form and substance to the Agent, pursuant to which such Person has, among other things, appointed the Agent as its agent and agreed to be bound by certain provisions of the Loan Documents.

Qualified Plan means a Pension Plan that is intended to be tax-qualified under Section 401(a) of the IRC.

Rate Management Agreement means any agreement, device or arrangement providing for payments which are related to fluctuations of interest rates, exchange rates, forward rates, or equity prices, including, but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts and warrants, and any agreement pertaining to equity derivative transactions (e.g., equity or equity index swaps, options, caps, floors, collars and forwards), including without limitation any ISDA Master Agreement between Borrower and Fifth Third Bank or any affiliate of Fifth Third Bank, and any schedules, confirmations and documents and other confirming evidence between the parties confirming transactions thereunder, all whether now existing or hereafter arising, and in each case as amended, modified or supplemented from time to time.

Rate Management Obligations means any and all obligations of Borrower to Fifth Third Bank or any affiliate of Fifth Third Bank, whether absolute, contingent or otherwise and howsoever and whensoever (whether now or hereafter) created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefore), under or in connection with (i) any and all Rate Management Agreements, and (ii) any and all cancellations, buy-backs, reversals, terminations or assignments of any Rate Management Agreement.

Real Estate has the meaning ascribed to it in Section 4.14.

Refinancing means the payment in full by Borrower of the Prior Lender Obligations on the Closing Date.

Related Transactions means the Addus Acquisition, the Merger, the initial borrowing under the Revolving Loan and the Term Loan on the Closing Date, the Refinancing, the payment of all Fees, costs and expenses associated with all of the foregoing and the execution and delivery of all of the Related Transactions Documents, including, without limitation (i) the creation of five escrow accounts under the Escrow Agreement and the deposit of cash in each such escrow account in the amount contemplated by the Escrow Agreement as in effect on the date hereof and (ii) the release by Fifth Third Bank of all of its liens and security interests in all property of the Loan Parties, other than the security interest that Fifth Third Bank may have or acquire in the Restricted Cash Escrow Funds (as such term is defined in the

Escrow Agreement as in effect on the date hereof) and the release by Fifth Third Bank of the Company (except to the extent of its interest in such Restricted Cash Escrow Funds) and its Subsidiaries for their respective liability in respect of all letters of credit (other than the Liberty Letter of Credit) issued by Fifth Third Bank and constituting Prior Lender Obligations.

Related Transactions Documents means the Loan Documents, the Merger Documents, the Escrow Agreement, the Contingent Payment Agreement, the Purchase Agreement, the Acquisition Note, the Holdings Stockholder Agreement, the Securities Purchase Agreement, the Restated Certificate and all other agreements or instruments executed in connection with the Related Transactions.

Release means any release, threatened release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material in the indoor or outdoor environment, including the movement of Hazardous Material through or in the air, soil, surface water, ground water or property.

Replacement Lender has the meaning ascribed to it in Section 10.19(a).

Requisite Lenders means Lenders having (a) more than 50% of the Commitments of all Lenders, or (b) if the Commitments have been terminated, more than 50% of the aggregate outstanding amount of the Loans.

Requisite Revolving Lenders means Lenders having (a) more than 50% of the Revolving Loan Commitments of all Lenders, or (b) if the Revolving Loan Commitments have been terminated, more than 50% of the aggregate outstanding amount of the Revolving Loan.

Responsible Officer means, with respect to any Loan Party, any officer appointed by the Board of Directors.

Restated Certificate means the amended and restated certificate of incorporation of Holdings.

Restricted Payment means, with respect to any Loan Party (a) the declaration or payment of any dividend or the incurrence of any liability to make any other payment or distribution of cash or other property or assets in respect of Stock; (b) any payment on account of the purchase, redemption, defeasance, sinking fund or other retirement of such Loan Party's Stock or any other payment or distribution made in respect thereof, either directly or indirectly; (c) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire Stock of such Loan Party now or hereafter outstanding; (d) any payment of a claim for the rescission of the purchase or sale of, or for material damages arising from the purchase or sale of, any shares of such Loan Party's Stock or of a claim for reimbursement, indemnification or contribution arising out of or related to any such claim for damages or rescission; and (e) any payment of a Contingent Payment.

Revolving Credit Advance has the meaning ascribed to it in Section 2.1(b).

Revolving Lenders means those Lenders having a Revolving Loan Commitment, or, following the termination of the Revolving Loan Commitment, those Lenders holding any portion of the Revolving Loan.

Revolving Loan(s) means, at any time, the sum of (i) the aggregate amount of Revolving Credit Advances outstanding to Borrower plus (ii) the aggregate Letter of Credit Obligations incurred on behalf of Borrower. Unless the context otherwise requires, references to the outstanding principal balance of the Revolving Loan shall include the outstanding balance of Letter of Credit Obligations.

Revolving Loan Commitment means (a) as to any Lender, the commitment of such Lender to make its Pro Rata Share of Revolving Credit Advances or incur its Pro Rata Share of Letter of Credit Obligations as set forth on Annex A or in the most recent Assignment Agreement, if any, executed by such Lender and (b) as to all Lenders, the aggregate commitment of all Lenders to make the Revolving Credit Advances or incur Letter of Credit Obligations, which aggregate commitment shall be Twelve Million Five Hundred Dollars ($12,500,000) on the Closing Date, as such amount may be adjusted, if at all, from time to time in accordance with the Agreement.

Revolving Notes has the meaning ascribed to it in Section 2.1(b).

S&P means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc.

Scheduled Installments has the meaning ascribed to it in Section 2.1(a).

Securities Purchase Agreement means that certain Securities Purchase Agreement to be entered into on September 19, 2006 by and among Holdings, Eos Capital Partners III, L.P., Eos Partners SBIC III, L.P. and Freeport Financial Loan Fund LLC.

Security Agreement means each of the Borrower Security Agreement, the Holdings Security Agreement and the Subsidiary Security Agreement.

Settlement Date has the meaning ascribed to it in Section 9.5(a)(ii).

Software means all "software" as such term is defined in the Code, now owned or hereafter acquired by any Loan Party, other than software embedded in any category of Goods, including all computer programs and all supporting information provided in connection with a transaction related to any program.

Solvent means, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including subordinated and contingent liabilities, of such Person; (b) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts and liabilities, including subordinated and contingent liabilities as they become absolute and matured; (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (d) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities (such as Litigation, guaranties and pension plan liabilities) at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, represents the amount that would reasonably be expected to become an actual or matured liability.

Sponsor means, collectively, Eos Partners SBIC III, L.P., a Delaware limited partnership, EOS Capital Partners III, L.P., a Delaware limited partnership and EOS Capital Partners, L.P., a Delaware limited partnership.

Statement has the meaning ascribed to it in Section 7.2(c).

Stock means all shares, options, warrants, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934).

Stockholder means, with respect to any Person, each holder of Stock of such Person.

Subordination Agreement means the Subordination and Intercreditor Agreement, dated as of September 19, 2006 by and among the Company, Holdings, Merger Sub, Intermediate Holdings, the Agent, W. Andrew Wright, III, Addus Term Trust, W. Andrew Wright Grantor Retained Annuity Trust, Mark S. Heaney, James A. Wright and Courtney E. Panzer.

Subsidiary means, with respect to any Person, (a) any corporation of which an aggregate of more than 50% of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of more than 50% of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any partnership or limited liability company in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than 50% or of which any such Person is a general partner or may exercise the powers of a general partner. Unless the context otherwise requires, each reference to a Subsidiary shall be a reference to a Subsidiary of the Borrower.

Subsidiary Guaranty means the Subsidiary Guaranty of even date herewith executed by one or more Subsidiaries of Borrower in favor of Agent, on behalf of itself and Lenders.

Subsidiary Security Agreement means the Subsidiary Security Agreement of even date herewith entered into by and among Agent, on behalf of itself and Lenders, and one or more Subsidiaries of Borrower.

Supermajority Revolving Lenders means Lenders having (a) 80% or more of the Revolving Loan Commitments of all Lenders, or (b) if the Revolving Loan Commitments have been terminated, 80% or more of the aggregate outstanding amount of the Revolving Loan.

Tax Returns means all reports, returns, information returns, claims for refund, elections, estimated Tax filings or payments, requests for extension, documents, statements, declarations and certifications and other information required to be filed with respect to Taxes, including attachments thereto and amendments thereof.

Taxes has the meaning ascribed to it in Section 2.9(a).

Termination Date means the date on which (a) the Loans have been indefeasibly repaid in full, (b) all other Obligations under the Agreement and the other Loan Documents have been completely discharged (other than contingent indemnification obligations as to which no unsatisfied claim has been asserted), (c) all Letter of Credit Obligations have been cash collateralized in the amount set forth in Section 2.5(f), cancelled or, with the consent of Agent in each instance, backed by standby letters of credit acceptable to Agent, (d) all Commitments have been terminated and (e) Agent and Lenders have been released by Loan Parties of all claims against Agent and Lenders.

Term Lenders means those Lenders having Term Loan Commitments.

Term Loans has the meaning ascribed to it in Section 2.1 (a).

Term Notes has the meaning ascribed to it in Section 2.1 (a).

Term Loan Commitment means (a) as to any Lender, the commitment of such Lender to make its Pro Rata Share of the Term Loans (as set forth on Annex A) in the maximum aggregate amount set forth in Section 2.1(a) or in the most recent Assignment Agreement, if any, executed by such Lender and (b) as to all Lenders, the aggregate commitment of all Lenders to make the Term Loans. The Term Loan Commitment shall reduce automatically by the amount prepaid or repaid in respect of the Term Loan (but solely by the amount of such prepayment or repayment allocable to a Lender, for purposes of clause (a) of this definition). Immediately prior to the making of the Term Loan, the Term Loan Commitments of the Lenders aggregate $45,000,000.

Third Party Payor means Medicare, Medicaid, TRICARE, CHAMPVA, Blue Cross and/or Blue Shield, state government insurers, and private insurers and any other Person which presently or in the future maintains Third Party Payor Programs.

Third Party Payor Programs means all third party payor programs in which any Loan Party participates (including, without limitation, Medicare, Medicaid, TRICARE, CHAMPVA, or any other federal or state health care programs, as well as Blue Cross and/or Blue Shield, managed care plans, and any other private insurance programs).

Title IV Plan means a “pension plan” as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), that is covered by Title IV of ERISA or Section 412 of the IRC, and that any Loan Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

Trademark Security Agreements means the Trademark Security Agreements made in favor of Agent, on behalf of itself and Lenders, by each applicable Loan Party.

Trademark License means rights under any written agreement now owned or hereafter acquired by any Loan Party granting any right to such Loan Party to use any Trademark owned by a third party.

Trademarks means all of the following now owned or hereafter adopted or acquired by any Loan Party: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, internet domain names, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear and designs (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues, extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

TRICARE means the program of medical benefits covering former and active members of the uniformed services and certain of their dependents, formally known as CHAMPUS, financed and administered by the United States Departments of Defense, Health and Human Services and Transportation, and all laws, rules, regulations, manuals, orders, guidelines or requirements pertaining to such program, including, without limitation, (i) all federal statutes (whether set forth in 10 U.S.C. §§ 1071 - 1106 or elsewhere) affecting such program and (ii) all rules, regulations (including 32 C.F.R. § 199), manuals, orders and administrative, reimbursement and other guidelines of all Governmental Authorities promulgated in connection with such program (whether or not having the force of law), in each case as the same may be amended, supplemented or otherwise modified from time to time.

Voting Stock means Stock having ordinary voting power to elect the board of directors (or similar body) of such Person.

1.2 Rules of Construction. Rules of construction with respect to accounting terms used in the Agreement or the other Loan Documents shall be as set forth or referred to in this Section 1.2. All other undefined terms contained in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein; in the event that any term is defined differently in different Articles or Divisions of the Code, the definition contained in Article or Division 9 shall control. Unless otherwise specified, references in the Agreement or any of the Appendices to a Section, subsection or clause refer to such Section, subsection or clause as contained in the Agreement. The words "herein," "hereof" and "hereunder" and other words of similar import refer to the Agreement as a whole, including all Annexes, Exhibits and Schedules, as the same may from time to time be amended, restated, modified or supplemented, and not to any particular section, subsection or clause contained in the Agreement or any such Annex, Exhibit or Schedule.

Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; the word "or" is not exclusive; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Loan Documents) or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations. Whenever any provision in any Loan Document refers to the knowledge (or an analogous phrase) of any Loan Party, such words are intended to signify that such Loan Party has actual knowledge or awareness of a particular fact or circumstance or, as applicable, actual knowledge of the existence of any Default, Event of Default or other event that has had a Material Adverse Effect. Definitions of agreements and instruments in Section 1 shall mean and refer to such agreements and instruments as amended, modified, supplemented, restated, substituted or replaced from time to time in accordance with their respective terms and the terms of this Agreement and the other Loan Documents.

SECTION 2.
AMOUNTS AND TERMS OF LOANS

2.1 Loans. Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of Borrower and the other Loan Parties contained herein:

(a) Term Loans. Each Term Lender agrees, severally and not jointly, to lend to Borrower in one draw, on the Closing Date, its Pro Rata Share of $45,000,000 (the "Term Loans").

Borrower shall repay the Term Loans through periodic payments on the dates and in the amounts indicated below ("Scheduled Installments"), and in any event the entire remaining principal balance shall be repaid on the Commitment Termination Date.

Term Loan

Date	Scheduled Installment
December 31, 2006	$ 700,000
March 31, 2007	$ 700,000
June 30, 2007	$ 700,000
September 30, 2007	$ 700,000
December 31, 2007	$ 1,050,000
March 31, 2008	$ 1,050,000
June 30, 2008	$ 1,050,000
September 30, 2008	$ 1,050,000
December 31, 2008	$ 1,400,000
March 31, 2009	$ 1,400,000
June 30, 2009	$ 1,400,000
September 30, 2009	$ 1,400,000
December 31, 2009	$ 1,750,000
March 31, 2010	$ 1,750,000
June 30, 2010	$ 1,750,000
September 30, 2010	$ 1,750,000
December 31, 2010	$ 2,100,000
March 31, 2011	$ 2,100,000
June 30, 2011	$ 2,100,000
September 19, 2011	$19,100,000

The final installment shall in all events equal the entire remaining principal balance of the Term Loan. Amounts borrowed under this Section 2.1(a) and repaid may not be reborrowed.

At the request of the applicable Lender, the Term Loans shall be evidenced by promissory notes substantially in the form of Exhibit 2.1(a) (as amended, modified, extended, substituted or replaced from time to time, each a "Term Note" and, collectively, the "Term Notes"), and Borrower shall execute and deliver a Term Note to each such Term Lender. Each Term Note shall represent the obligation of Borrower to pay the amount of the applicable Term Lender's Term Loan Commitment, together with interest thereon.

(b) Revolving Loans.

(i) Each Revolving Lender agrees, severally and not jointly, to make available to Borrower from time to time until the Commitment Termination Date its Pro Rata Share of advances (each a "Revolving Credit Advance") requested by Borrower hereunder. The Pro Rata Share of the Revolving Loan of any Revolving Lender shall not at any time exceed its separate Revolving Loan Commitment. Revolving Credit Advances may be repaid and reborrowed; provided, that the amount of any Revolving Credit Advance to be made at any time shall not exceed Borrowing Availability. The Revolving Loans shall be repaid in full on the Commitment Termination Date. If requested by a Revolving Lender, Borrower shall execute and deliver to such Revolving Lender a note to evidence the Revolving Loan Commitment of that Revolving Lender. Each such note shall be in the maximum principal amount of the Revolving Loan Commitment of the applicable Revolving Lender, dated the Closing Date and substantially in the form of Exhibit 2.1(b)(i) (as amended, modified, extended, substituted or replaced from time to time, each a "Revolving Note" and, collectively, the "Revolving Notes"). Other than pursuant to Section 2.1(b)(ii), if at any time the aggregate outstanding Revolving Loan exceeds Borrowing Availability (without giving effect to any deduction therefrom for the outstanding Revolving Loans and Funded Debt, to the extent consisting of Revolving Loans) (any such excess Revolving Loan is herein referred to as an "Overadvance"), Lenders shall not be obligated to make Revolving Credit Advances, no additional Letters of Credit shall be issued and, except as provided in Section 2.1(b)(ii) below, the Revolving Loan must be repaid immediately and Letters of Credit cash collateralized in an amount sufficient to eliminate any Overadvance. All Overadvances shall constitute Index Rate Loans and at the written request of Agent or the Requisite Lenders shall bear interest at the Index Rate plus the Applicable Revolver Index Margin and shall bear interest at the Default Rate only if not repaid within three (3) Business Days. For funding requests for Revolving Credit Advances to be funded as Index Rate Loans of $5,000,000 or less, written notice must be provided by noon (Chicago time) on the Business Day on which the Revolving Credit Advance is to be made; for funding requests for Revolving Credit Advances to be funded as Index Rate Loans of more than $5,000,000, written notice must be provided by noon (Chicago time) on the Business Day before which the Revolving Credit Advance is to be made. All Revolving Credit Advances to be funded as LIBOR Loans require three (3) Business Days' prior written notice. Written notices for all funding requests shall be in the form attached as Exhibit 2.1(b)(ii) ("Notice of Revolving Credit Advance").

(ii) If Borrower requests that Revolving Lenders make, or permit to remain outstanding an Overadvance, Agent may, in its sole discretion, elect to make, or permit to remain outstanding such Overadvances; provided, however, that Agent may not cause Revolving Lenders to make, or permit to remain outstanding, (a) a Revolving Loan balance in excess of the Maximum Amount or (b) an Overadvance in an aggregate amount in excess of $500,000. If an Overadvance is made, or permitted to remain outstanding, pursuant to the preceding sentence, then all Revolving Lenders shall be bound to make, or permit to remain outstanding such Overadvance based upon their Pro Rata Shares of the Revolving Loan Commitment in accordance with the terms of this Agreement. If an Overadvance remains outstanding for more than ninety (90) days during any one hundred eighty (180) day period, the Revolving Loans must be repaid immediately in an amount sufficient to eliminate all of such Overadvances. Furthermore, holders of a majority of the Revolving Loan Commitment may prospectively revoke Agent's ability to make or permit Overadvances by written notice to Agent.

(c) Letters of Credit. The Revolving Loan Commitment may, in addition to advances under the Revolving Loan, be utilized (subject to the limitations imposed by Section 2.1(b)), upon the request of Borrower, for the issuance of Letters of Credit. Immediately upon the issuance by an L/C Issuer of a Letter of Credit, and without further action on the part of Agent or any of the Lenders, each Revolving Lender shall be deemed to have purchased from such L/C Issuer a participation in such Letter of Credit (or in its obligation under a risk participation agreement with respect thereto) equal to such Revolving Lender's Pro Rata Share of the aggregate amount available to be drawn under such Letter of Credit. For purposes of clarification, the Liberty Letter of Credit shall be deemed to be a Letter of Credit for all purposes hereunder.

(i) Maximum Amount. The aggregate amount of Letter of Credit Obligations with respect to all Letters of Credit outstanding or unreimbursed at any time shall not exceed $8,000,000 ("L/C Sublimit").

(ii) Reimbursement. Borrower shall be irrevocably and unconditionally obligated forthwith without presentment, demand, protest or other formalities of any kind, to reimburse any L/C Issuer on demand in immediately available funds for any amounts paid by such L/C Issuer with respect to a Letter of Credit, including all reimbursement payments, Fees, Charges, costs and expenses paid by such L/C Issuer, without duplication of fees otherwise paid by Borrower. Borrower hereby authorizes and directs Agent, at Agent's option, to debit Borrower's account (by increasing the outstanding principal balance of the Revolving Credit Advances made to Borrower) in the amount of any payment made by an L/C Issuer with respect to any Letter of Credit, and a notice of Revolving Credit Advance requesting an Index Rate Loan in such amount shall be deemed to have been timely given on such date. All amounts paid by an L/C Issuer with respect to any Letter of Credit that are not immediately repaid by Borrower with the proceeds of a Revolving Credit Advance or otherwise shall bear interest payable on demand at the interest rate applicable to Revolving Credit Advances which are Index Rate Loans plus, at the election of Agent or Requisite Revolving Lenders, an additional two percent (2.00%) per annum. Each Revolving Lender agrees to fund its Pro Rata Share of any Revolving Loan made pursuant to this Section 2.1(c)(ii). In the event Agent elects not to debit Borrower's account and Borrower fails to reimburse the L/C Issuer in full on the date of any payment in respect of a Letter of Credit, Agent shall promptly notify each Revolving Lender of the amount of such unreimbursed payment and the accrued interest thereon and each Revolving Lender, on the next Business Day prior to 2:00 p.m. (Chicago time), shall deliver to Agent an amount equal to its Pro Rata Share thereof in same day funds. Each Revolving Lender hereby absolutely and unconditionally agrees to pay to the L/C Issuer upon demand by the L/C Issuer such Revolving Lender's Pro Rata Share of each payment made by the L/C Issuer in respect of a Letter of Credit and reimbursed within one (1) Business Day by Borrower or satisfied through a debit of Borrower's account. Each Revolving Lender acknowledges and agrees that its obligations pursuant to this subsection in respect of Letters of Credit are absolute and unconditional and shall not be affected by any circumstance whatsoever, including setoff, counterclaim, the occurrence and continuance of a Default or an Event of Default or any failure by Borrower to satisfy any of the conditions set forth in Section 3.2. If any Revolving Lender fails to make available to the L/C Issuer the amount of such Revolving Lender's Pro Rata Share of any payments made by the L/C Issuer in respect of a Letter of Credit as provided in this Section 2.1(c)(ii), the L/C Issuer shall be entitled to recover such amount on demand from such Revolving Lender together with interest at the Index Rate.

(iii) Request for Letters of Credit. Borrower shall give Agent at least three (3) Business Days' prior written notice specifying the date a Letter of Credit is requested to be issued, the amount and the name and address of the beneficiary and a description of the transactions proposed to be supported thereby, and the expiry date (or extended expiry date or the increased amount) of the Letter of Credit. Each request by Borrower for the issuance, extension or increase (each, an "issuance") of a Letter of Credit shall be in the form of Exhibit 2.1(c). If Agent informs Borrower that the L/C Issuer cannot issue the requested Letter of Credit directly, Borrower may request that L/C Issuer arrange for the issuance of the requested Letter of Credit under a guaranty or risk participation agreement with another financial institution reasonably acceptable to Agent, L/C Issuer and Borrower. The issuance of any Letter of Credit under this Agreement shall be subject to satisfaction of the conditions set forth in Section 3.2 and the conditions that the Letter of Credit (i) supports a transaction benefiting Borrower or its wholly-owned Subsidiaries and (ii) is in a form, is for an amount and contains such terms and conditions as are reasonably satisfactory to the L/C Issuer and, in the case of standby letters of credit, Agent. The initial notice requesting the issuance of a Letter of Credit shall be accompanied by the form of the Letter of Credit and the Master Standby Agreement or Master Documentary Agreement, as applicable, and an application for a Letter of Credit, if any, then required by the L/C Issuer completed in a manner reasonably satisfactory to such L/C Issuer. If any provision of any application or reimbursement agreement is inconsistent with the terms of this Agreement, then the provisions of this Agreement, to the extent of such inconsistency, shall control.

(iv) Expiration Dates of Letters of Credit. The expiration date of each Letter of Credit shall be on a date which is not later than the earlier of (a) one year from its date of issuance or (b) the date set forth in clause (a) of the definition of the term Commitment Termination Date. Notwithstanding the foregoing, a Letter of Credit may provide for automatic extensions of its expiration date for one (1) or more successive one (1) year periods provided that upon not less than 60 days' written notice to Borrower, the L/C Issuer has the right to terminate such Letter of Credit on each such annual expiration date and no renewal term may extend the term of the Letter of Credit to a date that is later than the date set forth in clause (a) of the definition of the term Commitment Termination Date. The L/C Issuer may elect not to renew any such Letter of Credit and, upon direction by Agent or Requisite Revolving Lenders, shall not renew any such Letter of Credit at any time during the continuance of an Event of Default, provided that, in the case of a direction by Agent or Requisite Revolving Lenders, the L/C Issuer receives such directions prior to the date notice of non-renewal is required to be given by the L/C Issuer and the L/C Issuer has had a reasonable period of time to act on such notice.

(v) Obligations Absolute. The obligation of Borrower to reimburse the L/C Issuer, Agent and Lenders for payments made in respect of Letters of Credit issued by the L/C Issuer shall be unconditional and irrevocable and shall be paid under all circumstances strictly in accordance with the terms of this Agreement, including the following circumstances: (a) any lack of validity or enforceability of any Letter of Credit; (b) any amendment or waiver of or any consent or departure from all or any of the provisions of any Letter of Credit or any Loan Document; (c) the existence of any claim, set-off, defense or other right which Borrower, any of its Subsidiaries or Affiliates or any other Person may at any time have against any beneficiary of any Letter of Credit, Agent, any L/C Issuer, any Lender or any other Person, whether in connection with this Agreement, any other Loan Document or any other related or unrelated agreements or transactions; (d) any draft or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; (e) payment under any Letter of Credit against presentation of a draft or other document that does not substantially comply with the terms of such Letter of Credit; or (f) any other act or omission to act or delay of any kind of any L/C Issuer, Agent, any Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this Section 2.1(c)(v), constitute a legal or equitable discharge of Borrower's obligations hereunder, in each case, other than gross negligence or willful misconduct on the part of the L/C Issuer and other than the payment by the L/C Issuer of a draft drawn under a Letter of Credit that on its face does not substantially comply with the terms of the Letter of Credit. Without limiting the generality of the foregoing, it is expressly understood and agreed by Borrower that the absolute and unconditional obligation of Borrower to Agent and Lenders hereunder to reimburse payments made under a Letter of Credit will not be excused by the gross negligence or willful misconduct of the L/C Issuer. However, the foregoing shall not be construed to excuse an L/C Issuer from claims which Borrower may assert against the L/C Issuer subject to the terms of the Master Standby Agreement or the Master Documentary Agreement.

(vi) Obligations of L/C Issuers. Each L/C Issuer (other than Freeport) hereby agrees that it will not issue a Letter of Credit hereunder until it has provided Agent with written notice specifying the amount and intended issuance date of such Letter of Credit and Agent has returned a written acknowledgment of such notice to L/C Issuer (such notices and acknowledgments to be given promptly). Each L/C Issuer (other than Freeport) further agrees to provide to Agent: (a) a copy of each Letter of Credit issued by such L/C Issuer promptly after its issuance; (b) a monthly report summarizing available amounts under Letters of Credit issued by such L/C Issuer, the dates and amounts of any draws under such Letters of Credit, the effective date of any increase or decrease in the face amount of any Letters of Credit during such week and the amount of any unreimbursed draws under such Letters of Credit; and (c) such additional information reasonably requested by Agent from time to time with respect to the Letters of Credit issued by such L/C Issuer.

(d) Funding Authorization. The proceeds of all Loans made pursuant to this Agreement subsequent to the Closing Date are to be funded by Agent by wire transfer to the account designated by Borrower below[1] (the “Disbursement Account”):

Bank:	Fifth Third Bank
ABA No.:	042-000-314
Account No.:	072-312-606-34
Reference:	Addus Transaction

Borrower shall provide Agent with written notice of any change in the foregoing instructions at least three (3) Business Days before the desired effective date of such change.

2.2 Interest and Applicable Margins.

(a) Borrower shall pay interest to Agent, for the ratable benefit of Lenders with respect to the various Loans made by each Lender, in arrears on each applicable Interest Payment Date, at the following rates: (i) with respect to the Revolving Loans which are designated as Index Rate Loans (and for all other Obligations not otherwise set forth below), the Index Rate plus the Applicable Revolver Index Margin per annum or, with respect to Revolving Loans which are designated as LIBOR Loans, at the election of Borrower, the applicable LIBOR Rate plus the Applicable Revolver LIBOR Margin per annum; and (ii) with respect to such portion of the Term Loans designated as an Index Rate Loan, the Index Rate plus the Applicable Term Loan Index Margin per annum or, with respect to such portion of the Term Loans designated as a LIBOR Loan, the applicable LIBOR Rate plus the Applicable Term Loan LIBOR Margin per annum.

The Applicable Margins shall be as follows:

Applicable Revolver Index Margin	2.75%
Applicable Revolver LIBOR Margin	3.75%
Applicable Term Loan Index Margin	2.75%
Applicable Term Loan LIBOR Margin	3.75%

[1] Borrower to supply account information.

provided; however, the Applicable Margins, with respect to the Term Loan, shall be adjusted (up or down) prospectively on a quarterly basis as determined by Holdings' and its Subsidiaries' consolidated financial performance. Adjustments in Applicable Margins will be determined by reference to the following grids:

Level of Applicable Margin	Leverage Ratio	Applicable Term Loan Index Margin	Applicable Term Loan LIBOR Margin
Level I	³ 4.00 to 1.00	3.25%	4.25%
Level II	³ 2.50 to 1.00, and < 4.00 to 1.00	2.75%	3.75%
Level III	< 2.50 to 1.00	2.25%	3.25%

All adjustments in the Applicable Margins shall be implemented quarterly on a prospective basis, five (5) Business Days after the date of delivery to Lenders of the quarterly unaudited Financial Statements evidencing the need for an adjustment. Concurrently with the delivery of those Financial Statements, Borrower shall deliver to Agent and Lenders a certificate, signed by its chief financial officer, setting forth in reasonable detail the basis for the continuance of, or any change in, the Applicable Margins. If any Default or an Event of Default has occurred and is continuing at the time any reduction in the Applicable Margins is to be implemented, that reduction shall be deferred until the first day of the first calendar month following the date on which all Defaults or Events of Default are waived or cured.

(b) If any payment on any Loan becomes due and payable on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day (except as set forth in the definition of LIBOR Period) and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of Fees calculated on a per annum basis and interest shall be made by Agent on the basis of a 360-day year, in each case for the actual number of days occurring in the period for which such Fees and interest are payable. The Index Rate is a floating rate determined for each day. Each determination by Agent of an interest rate and Fees hereunder shall be presumptive evidence of the correctness of such rates and Fees.

(d) So long as an Event of Default has occurred and is continuing under Section 8.1(a), (f) or (g) and without notice of any kind, or so long as any other Event of Default has occurred and is continuing and at the election of Agent (or upon the written request of Requisite Lenders) confirmed by written notice from Agent to Borrower, the interest rates applicable to the Loans and the Letter of Credit Fee shall be increased by two percentage points (2%) per annum above the rates of interest or the rate of such Fee otherwise applicable hereunder ("Default Rate"), and the outstanding principal balance of the

Loans shall bear interest at the Default Rate applicable to such Obligations. Interest and Letter of Credit Fees at the Default Rate shall accrue from the initial date of such Event of Default until that Event of Default is cured or waived and shall be payable upon demand, but in any event, shall be payable on the next regularly scheduled payment date set forth herein for such Obligation.

(e) After the earlier of sixty days following the Closing Date and the completion of the primary syndication of the credit facility, Borrower shall have the option to (i) request that any Revolving Credit Advance be made as a LIBOR Loan, (ii) convert at any time all or any part of outstanding Loans from Index Rate Loans to LIBOR Loans, (iii) convert any LIBOR Loan to an Index Rate Loan, subject to payment of the LIBOR Breakage Costs in accordance with Section 2.3(d) if such conversion is made prior to the expiration of the LIBOR Period applicable thereto, or (iv) continue all or any portion of any Loan as a LIBOR Loan upon the expiration of the applicable LIBOR Period and the succeeding LIBOR Period of that continued Loan shall commence on the first day after the last day of the LIBOR Period of the Loan to be continued. Any Loan or group of Loans having the same proposed LIBOR Period to be made or continued as, or converted into, a LIBOR Loan must be in a minimum amount of $1,000,000 and integral multiples of $500,000 in excess of such amount. Any such election must be made by noon (Chicago time) on the 3rd Business Day prior to (1) the date of any proposed Revolving Credit Advance which is to bear interest at the LIBOR Rate, (2) the end of each LIBOR Period with respect to any LIBOR Loans to be continued as such, or (3) the date on which Borrower wishes to convert any Index Rate Loan to a LIBOR Loan for a LIBOR Period designated by Borrower in such election. If no election is received with respect to a LIBOR Loan by noon (Chicago time) on the 3rd Business Day prior to the end of the LIBOR Period with respect thereto, that LIBOR Loan shall be converted to an Index Rate Loan at the end of its LIBOR Period. Borrower must make such election by notice to Agent in writing, by fax or overnight courier (or by telephone, to be promptly confirmed in writing). In the case of any conversion or continuation, such election must be made pursuant to a written notice (a “Notice of Conversion/Continuation”) in the form of Exhibit 2.2(e). No Loan shall be made, converted into or continued as a LIBOR Loan, if an Event of Default has occurred and is continuing and Agent or Requisite Lenders have determined not to make or continue any Loan as a LIBOR Loan as a result thereof.

(f) Notwithstanding anything to the contrary set forth in this Section 2.2, if a court of competent jurisdiction determines in a final order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the “Maximum Lawful Rate”), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; provided, however, that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrower shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by Agent, on behalf of Lenders, is equal to the total interest that would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Closing Date as otherwise provided in this Agreement. Thereafter, interest hereunder shall be paid at the rate(s) of interest and in the manner provided in Sections 2.2(a) through (e), unless and until the rate of interest again exceeds the Maximum Lawful Rate, and at that time this paragraph shall again apply. In no event shall the total interest received by any Lender pursuant to the terms hereof exceed the amount that such Lender could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate. If the Maximum Lawful Rate is calculated pursuant to this paragraph, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made. If, notwithstanding the provisions of this Section 2.2(f), a court of competent jurisdiction shall determine by a final, non-appealable order that a Lender has received interest hereunder in excess of the Maximum Lawful Rate, Agent shall, to the extent permitted by applicable law, promptly apply such excess as specified in Section 2.5(e) and thereafter shall refund any excess to Borrower or as such court of competent jurisdiction may otherwise order.

2.3 Fees.

(a) Fee Letter. Borrower shall pay to Freeport, individually, the Fees specified in that certain fee letter dated as of July 27, 2006 between Sponsor and Freeport (the "Freeport Fee Letter"), at the times specified for payment therein. Borrower hereby expressly assumes the obligations of Sponsor under the Freeport Fee Letter and Sponsor is hereby released from all obligations under the Freeport Fee Letter.

(b) Unused Line Fee. As additional compensation for the Revolving Lenders, Borrower shall pay to Agent, for the ratable benefit of such Lenders, in arrears, on the first Business Day of each month prior to the Commitment Termination Date and on the Commitment Termination Date, a fee for each such month or other period for Borrower's non-use of available funds in an amount equal to one-half percent (0.50%) per annum multiplied by the difference between (x) the Maximum Amount (as it may be reduced from time to time) and (y) the sum of (A) the Average Daily Balance for such month or other period plus (B) the average daily amount of undrawn and unreimbursed Letter of Credit Obligations during such month or other period.

(c) Letter of Credit Fee. Borrower agrees to pay to Agent for the benefit of Revolving Lenders, as compensation to such Revolving Lenders for Letter of Credit Obligations incurred hereunder, (i) without duplication of costs and expenses otherwise payable to Agent or Lenders hereunder, all reasonable costs and expenses, without duplication of fees otherwise paid by Borrower, incurred by Agent or any Lender on account of such Letter of Credit Obligations, and (ii) for each month during which any Letter of Credit Obligation shall remain outstanding, a fee (the "Letter of Credit Fee") in an amount equal to the product of the average daily undrawn face amount of all Letters of Credit issued, guaranteed or supported by risk participation agreements multiplied by a per annum rate equal to the Applicable Revolver LIBOR Margin. Such fee shall be paid to Agent for the benefit of the Revolving Lenders in arrears, on the first Business Day of each month and on the Commitment Termination Date. In addition, Borrower shall pay to any L/C Issuer, on demand, such reasonable fees, without duplication of fees otherwise payable hereunder (including all per annum fees), charges and expenses of such L/C Issuer in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of such Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued.

(d) LIBOR Breakage Costs. Upon (i) any default by Borrower in making any borrowing of, conversion into or continuation of any LIBOR Loan following Borrower's delivery to Agent of any LIBOR Loan request in respect thereof or (ii) any payment of a LIBOR Loan on any day that is not the last day of the LIBOR Period applicable thereto (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise), Borrower shall pay Agent, for the benefit of all Lenders that funded or were prepared to fund any such LIBOR Loan, LIBOR Breakage Costs, if applicable.

(e) Expenses and Attorneys' Fees. Borrower agrees to pay all reasonable and documented, out-of-pocket fees, charges, costs and expenses (including reasonable attorneys' fees and expenses) incurred by Agent in connection with any matters contemplated by or arising out of the Loan Documents, in connection with the examination, review, due diligence investigation, documentation, negotiation, closing and syndication of the transactions contemplated herein and in connection with the continued administration of the Loan Documents including any amendments, modifications, consents and waivers. Borrower agrees to promptly pay all reasonable and documented, out-of-pocket fees, charges, costs and expenses (including reasonable fees, charges, costs and expenses of attorneys, auditors, appraisers, consultants and advisors) incurred by Agent in connection with any Field Review (provided that except for any Field Review conducted while an Event of Default is continuing, Borrower shall be obligated to pay for only one Field Review per Fiscal Year), amendment, waiver or consent with respect to the Loan Documents, any Event of Default, work-out or action to enforce any Loan Document or to collect any payments due from Borrower or any other Loan Party. In addition, in connection with any work-out or action to enforce any Loan Document or to collect any payments due and owing from Borrower or any other Loan Party, Borrower agrees to promptly pay all reasonable and documented, out-of-pocket fees, charges, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Lenders, provided that all Lenders, other than Agent, shall be entitled to reimbursement hereunder for only one outside counsel. All fees, charges, costs and expenses for which Borrower is responsible under this Section 2.3(e) shall be deemed part of the Obligations when incurred, payable in accordance with the final sentence of Section 2.4 and secured by the Collateral.

2.4 Payments. All payments by Borrower of the Obligations shall be without deduction, defense, setoff or counterclaim (except as otherwise provided in Section 2.9) and shall be made in same day funds and delivered to Agent, for the benefit of Agent and Lenders, as applicable, by wire transfer to the account identified below or such other place as Agent may from time to time designate in writing.

Freeport Financial LLC

Bank:	US Bank
ABA:	075-000-022
Account #:	182380366340
Account Name:	Freeport Financial LLC
Reference:	Addus HealthCare, Inc.

Borrower shall receive credit on the day of receipt for funds received by Agent by 1:00 p.m. (Chicago time). In the absence of timely receipt, such funds shall be deemed to have been paid on the next Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, the payment may be made on the next succeeding Business Day and such extension of time shall be included in the computation of the amount of interest and Fees due hereunder.

Borrower hereby authorizes Lenders to make Revolving Credit Advances for the payment of Scheduled Installments, interest, Fees and reasonable and documented expenses, Letter of Credit reimbursement obligations and any amounts required to be deposited with respect to outstanding Letter of Credit Obligations pursuant to Sections 2.5(f) or 8.3; provided, that so long as no Event of Default has occurred and is continuing, expense reimbursements pursuant to Section 2.3(e) shall be payable 30 days after notice thereof to Borrower (and otherwise such expense reimbursements shall be payable upon demand).

2.5 Prepayments.

(a) Voluntary Prepayments of Loans. At any time, Borrower may prepay the Loans, in whole or in part, without premium or penalty subject to the payment of LIBOR Breakage Costs, if applicable. Prepayments of Term Loans shall be applied in accordance with Section 2.5(e).

(b) Prepayments from Excess Cash Flow. Within one hundred (100) days after the end of each Fiscal Year commencing with the Fiscal Year ended December 31, 2007, Borrower shall prepay the Loans in an amount equal to (i) seventy-five percent (75%) of the Excess Cash Flow for such

Fiscal Year if the Leverage Ratio for such Fiscal Year was greater than or equal to 2.50 to 1.00, or (ii) fifty percent (50%) of the Excess Cash Flow for such Fiscal Year if the Leverage Ratio for such Fiscal Year was less than 2.50 to 1.00. The calculation shall be based on the audited Financial Statements for Holdings and its Subsidiaries. Any prepayments from Excess Cash Flow paid pursuant to this Section 2.5(b) shall be applied in accordance with Section 2.5(e).

(c) Prepayments from Asset Dispositions. Immediately upon receipt of any Net Proceeds in excess of $100,000 in the aggregate during any Fiscal Year, Borrower shall prepay the Loans in an amount equal to such Net Proceeds, except that Borrower or its Subsidiaries may reinvest all Net Proceeds of any such Asset Disposition, within one hundred eighty (180) days or irrevocably commit to a third party in writing to reinvest such Net Proceeds within 180 days, in assets usable in the business of the Borrower and its Subsidiaries. If Borrower does not intend to so reinvest such Net Proceeds or if the period set forth in the immediately preceding sentence expires without Borrower having reinvested or irrevocably committed to a third party in writing to reinvest the Net Proceeds of any such Asset Disposition or if such Net Proceeds are attributable to a working capital, earnings, balance sheet or similar adjustment under the Acquisition Agreement, Borrower shall prepay the Loans in an amount equal to such remaining Net Proceeds in accordance with Section 2.5(e).

(d) Prepayments from Issuance of Securities. Immediately upon the receipt by Holdings, Borrower or any of their Subsidiaries of the cash proceeds of the issuance of Stock or payments under notes or other securities received in connection with the issuance of Stock, Borrower shall prepay the Loans in an amount equal to such cash proceeds or note payments, net of underwriting discounts and commissions and other reasonable out-of-pocket costs associated therewith. The payments shall be applied in accordance with Section 2.5(e). Notwithstanding the foregoing, the following proceeds of Stock issuance shall be excluded from any mandatory prepayment: (i) proceeds of issuances of Stock by Holdings to management of Holdings or its Subsidiaries and (ii) proceeds of issuances of Stock by Holdings, Intermediate Holdings, Merger Sub, the Company or any Subsidiary of the Company on or prior to the Closing Date.

(e) Application of Proceeds. With respect to any prepayments made by Borrower pursuant to Sections 2.5(b), 2.5(c) and Section 2.5(d) and any payments of the Term Loan pursuant to Section 2.5(a), such prepayments shall be applied as follows: first, in payment of the Term Loan to the next Scheduled Installment and thereafter pro rata against all remaining Scheduled Installments until such Term Loan shall have been prepaid in full; and second, to the Revolving Credit Advances outstanding to Borrower until the same have been repaid in full but not as a permanent reduction of the Revolving Loan Commitment and thereafter to all other Obligations then due and owing. Considering each type of Loan being prepaid separately, any such prepayment shall be applied first to Index Rate Loans of the type required to be prepaid before application to LIBOR Loans of the type required to be prepaid, in each case in a manner which minimizes any resulting LIBOR Breakage Costs.

(f) Letter of Credit Obligations. In the event any Letters of Credit are outstanding at the time that the Revolving Loan Commitment is terminated, Borrower shall deposit with Agent for the benefit of all Revolving Lenders cash in an amount equal to 105% of the aggregate outstanding Letter of Credit Obligations or an Acceptable Standby Letter of Credit to be available to Agent to reimburse payments of drafts drawn under such Letters of Credit and pay any Fees and expenses related thereto.

2.6 Maturity. All of the Obligations shall become due and payable as otherwise set forth herein, but in any event all of the remaining Obligations (other than contingent indemnification obligations as to which no claim has been asserted) shall become due and payable upon the Commitment Termination Date or pursuant to Section 8.3. Until the Termination Date, Agent shall be entitled to retain the Liens on the

Collateral granted under the Collateral Documents and the ability to exercise all rights and remedies available to it under the Loan Documents and applicable laws. Notwithstanding anything contained in this Agreement to the contrary, upon any termination of the Revolving Loan Commitment, all of the Obligations (other than contingent indemnification obligations as to which no claim has been asserted) shall be due and payable.

2.7 Loan Accounts. Agent shall maintain a loan account (the "Loan Account") on its books to record: the name and federal employer identification number of each Lender, all Advances and the Term Loans, all payments made by Borrower, and all other debits and credits as provided in this Agreement with respect to the Loans or any other Obligations. All entries in the Loan Account shall be made in accordance with Agent's customary accounting practices as in effect from time to time. The balance in the Loan Account, as recorded on Agent's most recent printout or other written statement, shall, absent manifest error, be presumptive evidence of the amounts due and owing to Agent and Lenders by Borrower; provided that any failure to so record or any error in so recording shall not limit or otherwise affect (other than to the extent of such error) Borrower's duty to pay the Obligations. Agent shall render to Borrower a monthly accounting of transactions with respect to the Loans setting forth the balance of the Loan Account for the immediately preceding month. Unless Borrower notifies Agent in writing of any objection to any such accounting (specifically describing the basis for such objection), within forty-five (45) days after the date thereof, each and every such accounting shall, absent manifest error, be deemed presumptive evidence of all matters reflected therein. Only those items expressly objected to in such notice shall be deemed to be disputed by Borrower. Notwithstanding any provision herein contained to the contrary, any Lender may elect (which election may be revoked) to dispense with the issuance of Notes to that Lender and may rely on the Loan Account as evidence of the amount of Obligations from time to time owing to it.

2.8 Yield Protection.

(a) Capital Adequacy and Other Adjustments. In the event that any Lender shall have determined that the adoption after the date hereof of any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by any Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) from any central bank or governmental agency or body having jurisdiction does or shall have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Lender or any corporation controlling such Lender and thereby reducing the rate of return on such Lender's or such corporation's capital as a consequence of its Commitments or Letter of Credit Obligations hereunder, then Borrower shall from time to time within fifteen (15) days after notice and demand from such Lender (together with the certificate referred to in the next sentence and with a copy to Agent) pay to Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for such reduction; provided that the respective Lender shall not be entitled to receive additional payments pursuant to this Section 2.8(a) for periods occurring prior to the 180th day before the receipt of such notice and demand (provided that this limitation shall not apply to reductions arising out of the retroactive application of any law, treaty, rule, regulation, guideline or order which arises during such 180 day period); and provided further, that such Lender shall not be entitled to any such additional amounts, unless such Lender is imposing similar types of assessments on other similarly situated borrowers. A certificate as to the amount of such cost and showing the basis of the computation of such cost submitted by such Lender to Borrower and Agent shall be presumptive evidence of the matters set forth therein. Each Lender agrees that, as promptly as practicable after it becomes aware of any circumstances referred to above which would result in any such cost or reduction, the affected Lender shall, to the extent not inconsistent with such Lender's internal policies of general application, use reasonable commercial efforts to minimize the redirect rate of return, costs and expenses incurred by it and payable to it by Borrower pursuant to this Section 2.8(a).

(b) Increased LIBOR Funding Costs; Illegality. Notwithstanding anything to the contrary contained herein, if the introduction of or any change in any law, rule, regulation, treaty or directive (or any change in the interpretation thereof) after the date hereof shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Lender to agree to make or to make or to continue to fund or maintain any LIBOR Loan, then, unless that Lender is able to make or to continue to fund or to maintain such LIBOR Loan at another branch or office of that Lender without, in that Lender's opinion, adversely affecting it or its Loans or the income obtained therefrom, on notice thereof and demand therefor by such Lender to Borrower through Agent, (i) the obligation of such Lender to agree to make or to make or to continue to fund or maintain LIBOR Loans shall terminate and (ii) Borrower shall, at the end of each respective LIBOR Period, repay each outstanding LIBOR Loan of such Lender or convert such LIBOR Loans into Index Rate Loans; provided that if the continued existence of any such LIBOR Loan through the end of its respective LIBOR Period is illegal, then Borrower shall forthwith prepay in full each such outstanding LIBOR Loan (without payment of any LIBOR Breakage Costs) owing by Borrower to such Lender, together with interest accrued thereon, unless Borrower, on behalf of Lender, within five (5) Business Days after the delivery of such notice and demand, converts all LIBOR Loans into Index Rate Loans. If the introduction of, change in or interpretation (in each case made after the date hereof) of any law, rule, regulation, treaty or directive would impose or increase reserve requirements (other than as taken into account in the definition of LIBOR) or otherwise increase the cost to any such Lender of making or maintaining a LIBOR Loan, then Borrower shall from time to time within fifteen (15) days after notice and demand from Agent to Borrower (together with the certificate referred to in the next sentence) pay to Agent, for the account of all such affected Lenders, additional amounts sufficient to compensate such Lenders for such increased cost; provided that Borrower shall not be liable to pay for any such amounts incurred or accrued more than one hundred eighty (180) days prior to the date on which notice of the event giving rise to the obligation to make such payment is given to Borrower (provided that this limitation shall not apply to increased costs arising out of the retroactive application of any law, treaty, rule, regulation or directive (or any change in interpretation thereof) which arises during such 180 day period), provided further, that such Lender shall not be entitled to any such additional amounts unless such Lender is imposing similar types of assessments on other similarly situated borrowers, and provided, further, however, that any such additional amounts shall be without duplication of amounts to which such Lender may be entitled under Section 2.9 and shall exclude Excluded Taxes. A certificate as to the amount of such cost and showing the basis of the computation of such cost submitted by Agent on behalf of all such affected Lenders to Borrower shall be presumptive evidence of the matters set forth therein. Each Lender agrees that, as promptly as is practicable after it becomes aware of any circumstances referred to above which would result in any such increased cost, the affected Lender shall, to the extent not inconsistent with such Lender's internal policies of general application, use reasonable commercial efforts to minimize costs and expenses incurred by it and payable to it by Borrower pursuant to this Section 2.8(b).

(c) Increased Costs. In the event that, after the date hereof (or in the case of a Qualified Assignee or participant, the date of the relevant assignment or sale of a participation), (1) any changes in any existing law, regulation, treaty or directive or in the administration, interpretation or application thereof, (2) any new law, regulation, treaty or directive enacted or any administration, interpretation or application thereof, or (3) compliance with any request, guideline or directive (whether or not having the force of law) from any Governmental Authority does or shall impose on Agent or any Lender any other condition, cost or expense in connection with any LIBOR Loan or Letter of Credit hereunder; and the result of any of the foregoing is to increase the cost to Agent or any such Lender of issuing or maintaining any Letter of Credit or making or continuing any LIBOR Loan hereunder, as the case may be, or to reduce any amount receivable hereunder or under any other Loan Document, then, in any such case, Borrower shall promptly pay to Agent or such Lender, upon its demand with reasonable documentation thereof, any additional amounts necessary to compensate Agent or such Lender for such additional cost or reduced amount receivable, as reasonably determined by Agent or such Lender; provided that Agent or such Lender shall not be entitled to any such amounts to the extent that the event giving rise to such additional cost or reduced amount receivable occurred more than six (6) months prior to the date such notice and demand is given to the Borrower; provided, however, that if the event giving rise to such additional cost or reduced amount receivable has a retroactive effect, then such 6-month period shall be extended to include the period of such retroactive effect; and provided further, however, that any such additional amounts payable under this Section 2.8(c) shall be without duplication of amounts to which such Lender may be entitled under Section 2.9 and shall exclude Excluded Taxes. If Agent or such Lender becomes aware that it is entitled to claim any additional amounts pursuant to this Section 2.9(b), it shall promptly notify Borrower of the event by reason of which Agent or such Lender has become so entitled. A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by Agent or such Lender to Borrower (with a copy to Agent if applicable) shall be presumptive evidence of the amount due. Borrower shall pay Agent or such Lender, as the case may be, the amount shown as due on any such certificate within ten (10) days after the receipt thereof.

2.9 Taxes.

(a) No Deductions; Other Taxes. Except as required by law or as otherwise provided in this Section 2.9, any and all payments or reimbursements made hereunder or under any other Loan Documents shall be made free and clear of and without deduction for any and all charges, present or future, taxes, levies, imposts, deductions or withholdings, and all liabilities with respect thereto (including any interest, additions to tax or penalties applicable thereto) of any nature whatsoever imposed by any Governmental Authority ("Taxes"), excluding (a) such Taxes to the extent imposed on or measured by Agent's or a Lender's net income (and franchise taxes, branch profits taxes, taxes on doing business or other taxes imposed in lieu thereof) as a result of a connection between such Agent or Lender and the jurisdiction of the Governmental Authority imposing such Tax or any political subdivision or taxing authority thereof or therein (other than any such connection resulting from such Agent or Lender having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document) and (b) any United States federal withholding tax that is (i) imposed on amounts payable to a Foreign Lender at the time such Foreign Lender becomes a party to this Agreement, except to the extent of any additional amounts to which such Foreign Lender's assignor (if any) was entitled, at the time of assignment, to receive from the Borrower with respect to such withholding tax pursuant to this Section 2.9(a) or (ii) is attributable to such Foreign Lender's failure (other than as a result of a change in law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority) to comply with Section 2.9(c) (collectively, "Excluded Taxes," and all such non-Excluded Taxes being referred to herein as "Non-Excluded Taxes"). If Borrower shall be required by law to deduct any Taxes or Other Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Lender or Agent, then, to the extent of any Non-Excluded Taxes or Other Taxes, the sum payable hereunder shall be increased as may be necessary so that, after making all required deductions (including deductions applicable to additional sums payable pursuant to this Section 2.9), such Lender or Agent receives an amount equal to the sum it would have received had no such deductions been made. All required deductions shall be withheld and timely paid over to the relevant Governmental Authority in accordance with applicable law. In addition, Borrower agrees to timely pay to the relevant Governmental Authority in accordance with applicable law any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any other Loan Document or from the execution, delivery, enforcement or registration of, or otherwise with respect to, this Agreement or any other Loan Document ("Other Taxes").

(b) Intentionally Omitted.

(c) Tax Forms.

(i) Prior to becoming a Lender under this Agreement, after the occurrence of any event requiring a change in the most recent form of certificate previously delivered or within fifteen (15) days after a reasonable written request of Borrower or Agent from time to time, each such Person or Lender that is not in each case a "United States person" (as such term is defined in IRC Section 7701(a)(30)) for U.S. federal income tax purposes (a "Foreign Lender") shall provide to Borrower and Agent, if it is legally entitled to, a properly completed and executed IRS Form W-8BEN or Form W-8ECI or other applicable form, certificate or document prescribed by the IRS (including all required attachments), certifying as to such Foreign Lender's entitlement to an exemption from, or reduction in, United States withholding tax with respect to interest payments to be made to such Foreign Lender under this Agreement and under the Notes (a "Certificate of Exemption"). Any Foreign Lender that is claiming an exemption from U.S. withholding tax under Section 871(h) or 881(c) of the IRC shall provide in addition to the IRS Form W-8BEN a properly executed certificate representing that such Foreign Lender is not a "bank" for purposes of 881(c) of the IRC, is not a ten percent (10%) stockholder of the Borrower within the meaning of Section 871(h)(3)(B) of the IRC, and is not a controlled foreign corporation related to the Borrower within the meaning of Section 864(d)(4) of the IRC. No Foreign Lender shall be entitled to additional payments under Section 2.9(a) or indemnification under Section 2.9(d) for any Non-Excluded Taxes to the extent such Non-Excluded Taxes would have not been imposed had the Foreign Lender complied with this Section 2.9(c).

(ii) Prior to becoming a Lender, after the occurrence of any event requiring a change in the most recent form or certificate previously delivered, or within 15 days after a reasonable written request of the Borrower or Agent from time to time, each such Lender or Person that is a "United States person" (as such term is defined in IRC Section 7701(a)(30) for U.S. tax purposes, other than any such Lender that is an "exempt recipient" under IRC Section 1.6049-4(c)(1) shall provide to Borrower and Agent, if it is legally entitled to, a properly completed and executed IRS form W-9 (or any successor form), certifying as to such Lender's entitlement to an exemption from U.S. backup withholding tax.

(d) Indemnification. Borrower will indemnify each Lender and Agent for the full amount of Non-Excluded Taxes and Other Taxes (including any Non-Excluded Taxes and Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.9) paid by such Lender or Agent, as the case may be, and any liability (including penalties, interest and expenses including reasonable attorney's fees and expenses) arising therefrom or with respect thereto, whether or not such Non-Excluded Taxes or Other Taxes were correctly or legally asserted by the relevant Governmental Authority. A certificate as to the amount of such payments or liabilities submitted by Lender or Agent to Borrower (with a copy to Agent if applicable) shall be presumptive evidence of the amount due. Borrower shall pay Agent or such Lender, as the case may be, the amount shown as due on any such certificate within ten (10) day s after the receipt thereof.

(e) Evidence of Payments. As soon as practicable after any payment of Non-Excluded Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Agent.

(f) Change in Lending Office. Any Lender claiming any additional amounts payable pursuant to this Section 2.9 shall use its reasonable efforts (consistent with its internal policies and applicable law) to change the jurisdiction of its lending office if such a change would reduce any such additional amounts (or any similar amount that may thereafter accrue) and would not, in the good faith determination of such Lender, be otherwise materially disadvantageous to such Lender; provided, however that if the Borrower requests such Lender to change its lending office, the Borrower shall pay the reasonable costs and expenses of the Lender in making such change in lending office.

(g) Refunds. If the Agent or any Lender becomes aware that it is entitled to claim a refund from a Governmental Authority or other taxation authority in respect of Non-Excluded Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.9 it shall promptly notify the Borrower of the availability of such refund claim and shall, within 30 days after receipt of a request by the Borrower, make a claim to such Governmental Authority or taxation authority for such refund at the Borrower's expense. If the Agent or any Lender receives a refund (including pursuant to a claim made pursuant to the preceding sentence) in respect of any Non-Excluded Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.9, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.9 with respect to the Non-Excluded Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority or taxation authority with respect to such refund); provided, that the Borrower, upon the request of the Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority or taxation authority) to Agent or such Lender in the event the Agent or such Lender is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

SECTION 3.
CONDITIONS TO LOANS

The obligations of Lenders and L/C Issuers to make Loans and to issue or cause to be issued Letters of Credit are subject to satisfaction of all of the applicable conditions set forth below.

3.1 Conditions to Initial Loans. The obligations of Lenders and L/C Issuers to make the initial Loans and to issue or cause to be issued Letters of Credit on the Closing Date are, in addition to the conditions precedent specified in Section 3.2, subject to

(a) Holdings and Merger Sub having received equity contributions from Sponsor, management or other investors in an amount not less than $47,750,000, of which $37,750,000 will be in cash (with Sponsor being the controlling shareholder on a fully-diluted basis), and the proceeds of all such equity contributions shall have been contributed to the capital of the Borrower; provided that up to $10,000,000 of the investment by management shall consist of obligations to make Contingent Payments;

(b) Funded Debt shall not exceed $48,000,000 on the Closing Date after giving effect to the Related Transactions, and the Leverage Ratio calculated using Funded Debt at the Closing Date and EBITDA for the twelve month period ending on June 30, 2006 shall not exceed 3.5 to 1.0;

(c) no more than $3,000,000 of Revolving Loans shall be advanced on the Closing Date (including issued Letters of Credit), and after giving effect to the Loans and the Related Transactions and the payment of all fees and expenses in connection therewith, Borrowing Availability shall be at least $9,500,000;

(d) the Related Transactions shall have been consummated in accordance with their respective terms, except as may have been consented to in writing by Agent;

(e) Borrower shall have entered into employment, confidentiality, stock purchase and non-compete documents with stockholders of Holdings reasonably satisfactory to Agent;

(f) Agent shall have completed background and reference checks with results satisfactory to Agent on: (i) Borrower and any of its Affiliates, and (ii) the CEO, CFO, COO, shareholders, officers, and directors of each of Holdings, Borrower, their Subsidiaries and each of their respective Affiliates, in each case as determined by Agent in its sole discretion;

(g) no material adverse change in the business, financial condition, collateral, operations, industry, properties or prospects of the Borrower or any of its Subsidiaries shall have occurred and be continuing and no litigation shall have commenced which could reasonably be expected to have a Material Adverse Effect on any of the foregoing;

(h) no material disruption of, or material adverse change in, the financial, banking or capital markets shall have resulted that could, in Agent's judgment, reasonably be expected to materially impair Agent's ability to complete the primary syndication (as described in the Freeport Fee Letter) of the credit facility;

(i) the purchase price of the Addus Acquisition (inclusive of aggregate fees and closing costs, including those payable to Agent and Lenders, and inclusive of $10,000,000 of obligations to make Contingent Payments) will not exceed $92,750,000, and Agent and Lenders shall have had the opportunity to review and shall be reasonably satisfied with the terms of the documentation for the Addus Acquisition, including, without limitation, all disclosure schedules and exhibits, and Agent shall have received a collateral assignment of Borrower's rights under such documents;

(j) Company and Merger Sub shall have delivered the Borrower Assignment and Assumption Agreement on the Closing Date upon the consummation of the Merger;

(k) Borrower shall have delivered financial projections, which shall be reasonably satisfactory in form and substance to Agent and Lenders;

(l) Agent and Lenders shall be satisfied, based on financial statements (actual and pro forma), projections and other evidence provided by Borrower, or requested by Agent, that Borrower after incurring the Indebtedness contemplated hereunder, will be Solvent;

(m) Borrower shall have delivered any material third-party and regulatory approvals and consents necessary to consummate the Addus Acquisition which shall be final and non-appealable;

(n) Borrower shall have delivered, no later than ten (10) Business Days prior to Closing, all environmental audit reports required by Agent which shall have been prepared by a nationally recognized environmental engineering firm acceptable to Agent, and Agent and its environmental consultants shall have approved the scope and content of all such environmental audit reports with respect to real property owned or leased by Borrower or any of its Subsidiaries and shall be satisfied that there are no existing or potential Environmental Liabilities which could have an adverse impact on the financial condition of Borrower;

(o) Borrower shall have delivered all policies or binders for property and casualty, liability, business interruption and other insurance satisfying the requirements of Section 5.2;

(p) Borrower shall have delivered executed copies of the legal opinion of King & Spalding, LLP, special counsel to the Loan Parties, in addition to such local counsel opinions reasonably requested by Agent, all dated as of the date hereof and in form and substance reasonably satisfactory to Agent;

(q) Borrower shall have delivered (i) copies of the organizational documents of each of the Loan Parties, certified by the Secretary of State of its jurisdiction of organization or, if such document is of a type that may not be so certified, certified by the secretary or similar officer of each such Loan Party, together with a good standing certificate from the Secretary of State of its jurisdiction of organization dated a recent date prior to the date hereof, (ii) resolutions of the governing body of each Loan Party approving and authorizing the execution, delivery and performance of the Loan Documents to which it is a party, certified as of the date hereof by the secretary or similar officer of Borrower as being in full force and effect without modification or amendment and (iii) signature and incumbency certificates of the officers of Holdings, Borrower or such Subsidiary executing the Loan Documents; and

(r) Borrower shall deliver all documents listed on, take all actions set forth on and satisfy all other conditions precedent listed in the Closing Checklist attached hereto as Annex B, all in form and substance, or in a manner, satisfactory to Agent and Lenders.

3.2 Conditions to All Loans. Except as otherwise expressly provided herein, no Lender or L/C Issuer shall be obligated to fund any Revolving Credit Advance or Term Loan (each, an "Advance") or incur any Letter of Credit Obligation, if, as of the date thereof (the "Funding Date"):

(a) any representation or warranty by any Loan Party contained herein or in any other Loan Document is untrue or incorrect in any material respect (without duplication of any materiality qualifier contained therein) as of such date, except to the extent that such representation or warranty expressly relates to an earlier date and Agent or Requisite Revolving Lenders have determined not to make such Advance or incur such Letter of Credit Obligation as a result thereof;

(b) any Default or Event of Default has occurred and is continuing or would result after giving effect to any Advance (or the incurrence of any Letter of Credit Obligation) and Agent or Requisite Revolving Lenders have determined not to make such Advance or incur such Letter of Credit Obligation as a result thereof; or

(c) after giving effect to any Advance (or the incurrence of any Letter of Credit Obligations), the outstanding amount of the Revolving Loan would exceed Borrowing Availability (without deducting therefrom the outstanding Revolving Loans) (except as provided in Section 2.1(b)(ii)).

The request and acceptance by Borrower of the proceeds of any Advance or the incurrence of any Letter of Credit Obligations shall be deemed to constitute, as of the date thereof, (i) a representation and warranty by Borrower that the conditions in this Section 3.2 have been satisfied and (ii) a reaffirmation by Borrower of the granting and continuance of Agent's Liens, on behalf of itself and Lenders, pursuant to the Collateral Documents.

SECTION 4.
REPRESENTATIONS AND WARRANTIES

To induce Agent and Lenders to enter into the Loan Documents, to make Loans and to issue or cause to be issued Letters of Credit, Borrower and the other Loan Parties executing this Agreement, jointly and severally, represent, warrant and covenant to Agent and each Lender that the following statements, after giving effect to the consummation of the Related Transactions, are true, correct and complete.

4.1 Organization, Powers, Capitalization and Good Standing.

(a) Organization and Powers. Each of the Loan Parties is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and qualified to do business in all states where such qualification is required except where failure to be so qualified or be in good standing would not reasonably be expected to have a Material Adverse Effect. The jurisdiction of organization and all jurisdictions in which each Loan Party is qualified to do business as of the Closing Date are set forth on Schedule 4.1(a). Each of the Loan Parties has all requisite organizational power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted, to enter into each Loan Document and Related Transactions Document to which it is a party and to incur the Obligations, grant liens and security interests in the Collateral and carry out the Related Transactions.

(b) Capitalization. As of the Closing Date: (i) the authorized Stock of each of the Loan Parties and each of their Subsidiaries is as set forth on Schedule 4.1(b); (ii) all issued and outstanding Stock of each of the Loan Parties and each of their Subsidiaries is duly authorized and validly issued, fully paid, nonassessable (as applicable), free and clear of all Liens other than those in favor of Agent for the benefit of Agent and Lenders, and such Stock was issued in compliance with all applicable state, federal and foreign laws concerning the issuance of securities; (iii) the identity of the holders of the Stock of each of the Loan Parties and the percentage of their fully-diluted ownership of the Stock of each of the Loan Parties is set forth on Schedule 4.1(b); and (iv) no Stock of any Loan Party or any of their Subsidiaries, other than those described above, are issued and outstanding. Except as provided in Schedule 4.1(b), as of the Closing Date, there are no preemptive or other outstanding rights, options, warrants, conversion rights or similar agreements or understandings for the purchase or acquisition from any Loan Party or any of their Subsidiaries of any Stock of any such entity.

(c) Binding Obligation. This Agreement is, and the other Loan Documents and Related Transactions Documents when executed and delivered will be, the legally valid and binding obligations of the Loan Parties, each enforceable against each Loan Party, as applicable, in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting, creditors' rights generally and the effects of general principles of equity.

4.2 Disclosure. No representation or warranty of any Loan Party contained in this Agreement, the Financial Statements referred to in Section 4.5, the other Related Transactions (other than Projections, as to which the only representation and warranty made is as set forth in Section 4.5 hereof), the other Loan Documents or any other document, certificate or written statement furnished to Agent or any Lender by or on behalf of any such Person for use in connection with the Loan Documents or the Related Transactions

Documents contains any untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading in any material respect in light of the circumstances in which the same were made.

4.3 No Material Adverse Effect. Since December 31, 2005 there have been no events or changes in facts or circumstances affecting any Loan Party or any of its Subsidiaries which individually or in the aggregate have had or would reasonably be expected to have a Material Adverse Effect.

4.4 No Conflict. The consummation of the Related Transactions does not and will not violate or conflict with any laws, rules, regulations or orders of any Governmental Authority or violate, conflict with, result in a breach of, or constitute a default (with due notice or lapse of time or both) under any Contractual Obligation or organizational documents of any Loan Party or any of its Subsidiaries, except if such violations, conflicts, breaches or defaults have not had and would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

4.5 Financial Statements and Projections. Except as disclosed on Schedule 4.5, all Financial Statements concerning Holdings and its Subsidiaries which have been or will hereafter be furnished to Agent pursuant to this Agreement, including those listed below, have been or will be prepared in accordance with GAAP consistently applied (except as disclosed therein) and do or will present fairly in all material respects the financial condition of the entities covered thereby as at the dates thereof and the results of their operations for the periods then ended, subject to, in the case of unaudited Financial Statements, the absence of footnotes and normal year-end adjustments.

(a) The consolidated balance sheets at December 31, 2005 and the related statement of income of the Company and its Subsidiaries, for the Fiscal Year then ended, audited by BDO Seidman, LLP.

(b) The consolidated balance sheet at June 30, 2006 and the related statement of income of the Company and its Subsidiaries for the six (6) months then ended.

The Projections delivered on or prior to the Closing Date were prepared on the basis of the assumptions stated therein and such assumptions were believed by the Loan Parties to be reasonable at the time prepared. It is understood by all parties hereto that uncertainty is inherent in any forecasts or projections and that no assurance can be given that the results set forth in the Projections will actually be obtained.

4.6 Solvency. Each of the Loan Parties is Solvent.

4.7 Use of Proceeds; Margin Regulations.

(a) No part of the proceeds of any Loan will be used for “buying” or “carrying” “margin stock” within the respective meanings of such terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect or for any other purpose that violates the provisions of the regulations of the Board of Governors of the Federal Reserve System. If requested by Agent, each Loan Party will furnish to Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1, as applicable, referred to in Regulation U.

(b) Borrower shall utilize the proceeds of the Loans solely for the Refinancing (and to pay any related transaction expenses), to finance fees and expenses incurred by Holdings in connection with the Addus Acquisition, to finance future acquisitions by the Borrower or any of its Subsidiaries and for the financing of Borrower's ordinary working capital and general corporate needs. Schedule 4.7 contains a description of Borrower's sources and uses of funds as of the Closing Date, including Loans and Letter of Credit Obligations to be made or incurred on that date, and a funds flow memorandum detailing how funds from each source are to be transferred for particular uses.

(c) None of Holdings, Borrower or any of its Subsidiaries is subject to regulation as an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

4.8 Brokers. No broker or finder acting on behalf of any Loan Party or Affiliate thereof brought about the obtaining, making or closing of the Loans or the Related Transactions, and no Loan Party or Affiliate thereof has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

4.9 Compliance with Laws. Each Loan Party represents and warrants that it (i) is in compliance and each of its Subsidiaries is in compliance with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority (including, without limitation, the regulations administered by the Office of Foreign Assets Control, 31 C.F.R. Chapter V, and all underlying executive and administrative orders, and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56) and the obligations, covenants and conditions contained in all Contractual Obligations other than those laws, rules, regulations, orders and provisions of such Contractual Obligations the noncompliance with which would not be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, and (ii) maintains and each of its Subsidiaries maintains all licenses, qualifications and permits referred to above other than any failure to maintain which would not reasonably be expected to have a Material Adverse Effect.

4.10 Intellectual Property. As of the Closing Date, each of the Loan Parties and its Subsidiaries owns, is licensed to use or otherwise has the right to use, all material Intellectual Property used in or necessary for the conduct of its business as currently conducted that is material to the financial condition, business or operations of such Loan Party and its Subsidiaries and all such Intellectual Property that is federally registered as of the Closing Date is identified on Schedule 4.10 and duly and properly registered, filed or issued in the applicable office and jurisdictions for such registrations, filings or issuances. As of the Closing Date, except as disclosed in Schedule 4.10, to the knowledge of each of the Loan Parties and its Subsidiaries, the use of such Intellectual Property by the Loan Parties and their Subsidiaries and the conduct of their businesses does not and has not been alleged in writing by any Person to infringe on the rights of any Person.

4.11 Investigations, Audits, Etc. As of the Closing Date, except as set forth on Schedule 4.11, no Loan Party or any of their Subsidiaries is the subject of an audit by the IRS or, to each Loan Party's knowledge, any review by the IRS or any governmental investigation concerning the violation or possible violation of any law.

4.12 Employee Matters. Except as set forth on Schedule 4.12, (a) as of the Closing Date, no Loan Party or Subsidiary of a Loan Party nor any of their respective employees is subject to any collective bargaining agreement, (b) as of the Closing Date, no petition for certification or union election is pending with respect to the employees of any Loan Party or any of their Subsidiaries and no union or collective bargaining unit has sought such certification or recognition with respect to the employees of any Loan Party or any of their Subsidiaries, (c) there are no strikes, slowdowns, work stoppages or controversies pending between any Loan Party or any of their Subsidiaries and its respective employees, other than employee grievances arising in the ordinary course of business which would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect and (d) as of the Closing Date, hours worked by and payment made to employees of each Loan Party and each of their Subsidiaries comply in all material respects with the Fair Labor Standards Act and each other federal, state, provincial, local or foreign law applicable to such matters. As of the Closing Date, except as set forth on Schedule 4.12, neither Borrower nor any of its Subsidiaries is party to an employment contract.

4.13 Litigation; Adverse Facts. Except as set forth on Schedule 4.13, there are no judgments outstanding against any Loan Party or any of its Subsidiaries or affecting any property of any Loan Party or any of its Subsidiaries as of the Closing Date, nor is there any Litigation pending, or to the best knowledge of any Loan Party threatened, against any Loan Party or any of its Subsidiaries, in each case which would reasonably be expected to result in a Material Adverse Effect.

4.14 Ownership of Property; Liens. As of the Closing Date, the real estate ("Real Estate") listed in Schedule 4.14 constitutes all of the real property owned, leased, subleased, or used by any Loan Party or any of its Subsidiaries. As of the Closing Date, each of the Loan Parties and each of its Subsidiaries owns good and marketable fee simple title to all of its owned Real Estate, and valid and marketable leasehold interests in all of its leased Real Estate, all as described on Schedule 4.14 and in each case subject to Permitted Encumbrances, and copies of all such leases owned or partially owned by an Affiliate or a summary of terms thereof reasonably satisfactory to Agent have been delivered to Agent. Schedule 4.14 further describes any Real Estate with respect to which any Loan Party or any of its Subsidiaries is a lessor, sublessor or assignor as of the Closing Date. As of the Closing Date, each of the Loan Parties and each of its Subsidiaries also has good and marketable title to, or valid leasehold interests in, all of its personal property and assets subject to applicable Permitted Encumbrances. As of the Closing Date, none of the properties and assets of any Loan Party or any of its Subsidiaries are subject to any Liens other than Permitted Encumbrances, and there are no facts, circumstances or conditions known to Borrower that are reasonably likely to result in any Liens (including Liens arising under Environmental Laws) other than Permitted Encumbrances against the properties or assets of any Loan Party or any of its Subsidiaries. As of the Closing Date, Schedule 4.14 also describes any purchase options, rights of first refusal or other similar contractual rights pertaining to any Real Estate. As of the Closing Date, all material permits required to have been issued or appropriate to enable the Real Estate to be lawfully occupied and used for all of the purposes for which it is currently occupied and used have been lawfully issued and are in full force and effect including, without limitation, the use, management, storage, generation, treatment, transportation or disposal of Hazardous Materials.

4.15 Environmental Matters. Except as set forth in Schedule 4.15, as of the Closing Date: (i) the Loan Parties and their Subsidiaries are and have been in compliance with all Environmental Laws, except for such noncompliance that would not reasonably be expected to result in Environmental Liabilities of the Loan Parties or their Subsidiaries in excess of $1,000,000 in the aggregate; (ii) the Loan Parties and their Subsidiaries have obtained, and are in compliance with, all Environmental Permits required by Environmental Laws for the operations of their respective businesses as presently conducted or as proposed to be conducted, except where the failure to so obtain or comply with such Environmental Permits could not reasonably be expected to result in Environmental Liabilities of the Loan Parties or their Subsidiaries in excess of $1,000,000 in the aggregate, and all such Environmental Permits are valid, uncontested and in good standing;
(iii) no Loan Party and no Subsidiary of a Loan Party is involved in operations under Environmental Laws or knows of any facts, circumstances or conditions under

Environmental Laws, including any Releases of Hazardous Materials, that are likely to result in any Environmental Liabilities of such Loan Party or Subsidiary which could reasonably be expected to be in excess of $1,000,000 in the aggregate, and no Loan Party or Subsidiary of a Loan Party has permitted any current or former tenant or occupant of the Real Estate to engage in any such operations; (iv) there is no Litigation arising under or related to any Environmental Laws, Environmental Permits or Hazardous Material that seeks damages, penalties, fines, costs or expenses in excess of $1,000,000 in the aggregate or injunctive relief against, or that alleges criminal misconduct by any Loan Party or any Subsidiary of a Loan Party; and (v) no notice has been received by any Loan Party or any Subsidiary of a Loan Party identifying any of them as a "potentially responsible party" or requesting information under CERCLA or analogous state statutes, and to the knowledge of the Loan Parties, there are no facts, circumstances or conditions that would reasonably be expected to result in any of the Loan Parties or their Subsidiaries being identified as a "potentially responsible party" under CERCLA or analogous state statutes.

4.16 ERISA.

(a) Except with respect to Multiemployer Plans or as set forth on Schedule 4.16, each on-going Qualified Plan received a favorable determination or opinion letter from the IRS or is within the applicable remedial amendment period. Except as would not reasonably be expected to have a Material Adverse Effect, each Plan is in compliance with the applicable provisions of ERISA and the IRC. Except as would not reasonably be expected to have a Material Adverse Effect, neither any Loan Party nor ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Title IV Plan. No Loan Party has engaged in a "prohibited transaction," as defined in Section 406 of ERISA and Section 4975 of the IRC, in connection with any Plan, that would subject any Loan Party to a material tax on prohibited transactions imposed by Section 502(i) of ERISA or Section 4975 of the IRC in an amount that would reasonably be expected to have a Material Adverse Effect.

(b) As of the Closing Date, except as set forth in Schedule 4.16: (i) except as would not reasonably be expected to have a Material Adverse Effect, no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred; (ii) except as would not reasonably be expected to have a Material Adverse Effect, no Loan Party or ERISA Affiliate has incurred any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; and (iii) except as would not reasonably be expected to have a Material Adverse Effect, within the last five years no Title IV Plan of any Loan Party or ERISA Affiliate has been terminated, whether or not in a "standard termination" as that term is used in Section 4041(b)(1) of ERISA.

4.17 Deposit and Disbursement Accounts. Schedule 4.17 lists all banks and other financial institutions at which any Loan Party maintains deposit or other accounts as of the Closing Date, including any Disbursement Accounts, and such Schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

4.18 Agreements and Other Documents.

As of the Closing Date, each Loan Party has provided to Agent or its counsel, on behalf of Lenders, accurate and complete copies (or summaries) of all of the following agreements or documents to which it is subject and each of which is listed in Schedule 4.18: licenses and permits held by the Loan Parties, the absence of which would reasonably be expected to have a Material Adverse Effect; instruments and documents evidencing any Indebtedness or Guaranteed Indebtedness of such Loan Party and any Lien granted by such Loan Party with respect thereto; and instruments and agreements evidencing the issuance of any equity securities, warrants, rights or options to purchase equity securities of such Loan Party; and agreements with referral sources or referral recipients (including physicians, hospitals, hospice providers, and therapy providers).

4.19 Insurance.

Each Loan Party represents and warrants that it and each of its Subsidiaries currently maintains in good repair, working order and condition (normal wear and tear excepted) all material properties as set forth in Section 5.2 and maintains all insurance described in such Section. Schedule 4.19 lists all insurance policies of any nature maintained, as of the Closing Date, for current occurrences by each Loan Party, as well as a summary of the key business terms of each such policy such as deductibles, coverage limits and term of policy.

4.20 Taxes and Tax Returns.

As of the Closing Date, (i) all Tax Returns required to be filed by the Loan Parties have been timely and properly filed and (ii) all taxes that are due (other than taxes being contested in good faith by appropriate proceedings and for which adequate reserves have been provided for in accordance with GAAP) have been paid, in each case except where the failure to file Tax Returns or pay Taxes would not reasonably be expected to have a Material Adverse Effect. No Governmental Authority has asserted any claim for taxes, or to any Loan Party's knowledge, has threatened to assert any claim for taxes that would, if not paid by a Loan Party, have a Material Adverse Effect. All taxes required by law to be withheld or collected and remitted (including, without limitation, income tax, unemployment insurance and workmen's compensation premiums) with respect to the Loan Parties have been withheld or collected and paid to the appropriate Governmental Authorities (or are properly being held for such payment), except for amounts the nonpayment of which would not be reasonably likely to have a Material Adverse Effect.

(a) None of the Loan Parties has been notified that either the IRS, or any other Governmental Authority, has raised or intends to raise, any adjustments with respect to Taxes of the Loan Parties, which adjustments would be reasonably expected to have a Material Adverse Effect.

4.21 No Earn-outs.

Other than Contingent Payments, no "earn-outs" or any similar payment obligations are payable by any Loan Party or any of their respective Subsidiaries in connection with the Addus Acquisition or any transaction occurring in connection therewith.

4.22 Compliance With Health Care Laws.

Without limiting the generality of any other representation or warranty set forth in this Agreement:

(a) Except as set forth on Schedule 4.22(a), each Loan Party and each Subsidiary of a Loan Party (i) is in material compliance with all Health Care Laws and all Third Party Payor Programs and (ii) is not in material violation of any order of CMS, the HHS, or any other Governmental Authority or other board or tribunal regulating, enforcing or overseeing compliance with Health Care Laws. Since September 30, 2001, except as set forth on Schedule 4.22(a), no Loan Party or Subsidiary of a Loan Party has received any written notice that it is not in material compliance in any respect with any of the requirements of any of the foregoing. Without limiting the generality of the foregoing, no Loan Party or Subsidiary of a Loan Party has received a subpoena or other notice that it is or will be subject to any investigation by any Governmental Authority with respect to any Health Care Law, nor, to the knowledge of any Loan Party, is any investigation threatened or are there circumstances which, if known to a Governmental Authority, would lead the Governmental Authority to investigate such Loan Party or Subsidiary of a Loan Party. Each Loan Party and each Subsidiary of a Loan Party has received and maintains accreditation in good standing and without limitation or impairment by all applicable accrediting organizations, to the extent required by applicable law (including all Health Care Laws), all Third Party Payor Programs and all Participation Agreements, except where the failure to receive and/or maintain such accreditation would not reasonably be expected to have or result in, either individually or in the aggregate, a Material Adverse Effect.

(b) Each Loan Party and each Subsidiary of a Loan Party has the requisite provider numbers or other authorizations to bill the Medicare program (to the extent such entity participates in the Medicare program), the respective Medicaid program in the state or states in which such entity operates, and all other Third Party Payor Programs that such Loan Party or such Subsidiary of a Loan Party currently bills or in the past has billed except where the failure to have such authorization could not reasonably be expected to be, have or result in, either individually or in the aggregate, a Material Adverse Effect. To the knowledge of the Borrower, there is no investigation, audit, claim review or other action pending or threatened which could result in a revocation, suspension, termination, probation, restriction, limitation, or non-renewal of any Third Party Payor, Participation Agreement, provider number or authorization or result in the exclusion of any Loan Party or a Subsidiary of a Loan Party from any Third Party Payor Program, which revocation, suspension, termination, probation, restriction, limitation, non-renewal or exclusion would reasonably be expected to be, have or result in, either individually or in the aggregate, a Material Adverse Effect. The Borrower has no knowledge that any condition exists or event has occurred which, in itself or with the giving of notice or lapse of time or both, reasonably would be expected to result in the suspension, revocation, forfeiture, non-renewal of any governmental consent applicable to any Loan Party or any Subsidiary of a Loan Party or any health care facility operated by any Loan Party or any Subsidiary of a Loan Party or such facility’s participation in any Third Party Payor Program, or of any Participation Agreements, which suspension, revocation, forfeiture or non-renewal would reasonably be expected to be, have or result in, either individually or in the aggregate, a Material Adverse Effect.

(c) Each Loan Party and each Subsidiary of a Loan Party has filed with all applicable federal, state and local Governmental Authorities for and received approval of all registrations, applications, licenses, certificates or determinations of need, requests for exemptions, permits and other regulatory authorizations necessary to conduct the businesses of such Loan Party or such Subsidiary of a Loan Party as currently conducted, the absence of which would not reasonably be expected to be, have or result in, either individually or in the aggregate, a Material Adverse Effect. Each Loan Party and each Subsidiary of a Loan Party is, and at all relevant times has been, in compliance in all respects with all such registrations, applications, licenses, requests for exemptions, permits and other regulatory authorizations, except to the extent that the failure to be in compliance would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

(d) All billing practices of the Loan Parties and Subsidiary of the Loan Parties to all Third Party Payors have been true, fair and correct in all material respects, and in material compliance with all applicable requirements of Law (including all Health Care Laws), and no Loan Party or Subsidiary of a Loan Party has knowingly and willfully billed for or received any payment or reimbursement in excess of amounts allowed by law, except for such payments or reimbursements as such Loan Party or Subsidiary of a Loan Party may be disputing or contesting in good faith, except to the extent that the failure to be in compliance would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

(e) Each Loan Party and each Subsidiary of a Loan Party has established or will establish a compliance plan, the purpose of which is to assure that each such Person is in compliance with Health Care Laws.

(f) Except as set forth on Schedule 4.22(f), no Loan Party and no Subsidiary of a Loan Party and none of their respective employees and independent contractors is, or to the knowledge of such Loan Party or Subsidiary has been, excluded from participation from any federal or state health care program.

SECTION 5.
AFFIRMATIVE COVENANTS

Each Loan Party executing this Agreement jointly and severally agrees as to all Loan Parties that from and after the date hereof and until the Termination Date:

5.1 Compliance With Laws and Contractual Obligations.

Each Loan Party will (a) comply with and shall cause each of its Subsidiaries to comply with (i) the requirements of all applicable material laws, rules, regulations and orders of any Governmental Authority (including, without limitation, laws, rules, regulations and orders relating to taxes, employer and employee contributions, securities, employee retirement and welfare benefits, environmental protection matters and employee health and safety) as now in effect and which may be imposed in the future in all jurisdictions in which any Loan Party or any of its Subsidiaries is now doing business or may hereafter be doing business, other than the noncompliance with which would not be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, and (ii) the obligations, covenants and conditions contained in all Contractual Obligations of such Loan Party or any of its Subsidiaries other than the noncompliance with which would not be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, and (b) maintain or obtain and shall cause each of its Subsidiaries to maintain or obtain all licenses, certifications, qualifications and permits now held or hereafter required to be held by such Loan Party or any of its Subsidiaries, for which the loss, suspension, revocation or failure to obtain or renew, would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. This Section 5.1 shall not preclude any Loan Party or its Subsidiaries from contesting any taxes or other payments, if they are being diligently contested in good faith in a manner which stays enforcement thereof and if appropriate expense provisions have been recorded in conformity with GAAP and, subject to Section 6.2, no Lien (other than a Permitted Encumbrance) in respect thereof has been created.

5.2 Insurance.

(a) Each Loan Party will maintain or cause to be maintained, with insurers reasonably acceptable to Agent, public liability, malpractice and property damage insurance with respect to its business and properties and the business and properties of its Subsidiaries against loss or damage of the kinds customarily carried or maintained by corporations of established reputation engaged in substantially similar businesses and in amounts reasonably acceptable to Agent and will deliver evidence thereof to Agent. Agent confirms that the insurance in effect on the Closing Date is reasonably acceptable to it. The Loan Parties shall maintain business interruption insurance providing coverage for a period of at least six (6) months and in an amount not less than $1,000,000. Each Loan Party shall, pursuant to endorsements and/or assignments in form and substance reasonably satisfactory to Agent, (i) cause Agent to be named as lender’s loss payee in the case of casualty insurance and assignee in the case of all business interruption insurance, in each case for the benefit of Agent and Lenders and (ii) cause

Agent and each Lender to be named as additional insureds in the case of all liability insurance. So long as no Event of Default has occurred and is continuing, proceeds of business interruption insurance will be released to the Loan Parties. In the event any Loan Party fails to provide Agent with evidence of the insurance coverage required by this Agreement, Agent may purchase insurance at such Loan Party's expense to protect Agent's interests in the Collateral. This insurance may, but need not, protect such Loan Party's interests. The coverage purchased by Agent may not pay any claim made by such Loan Party or any claim that is made against such Loan Party in connection with the Collateral. If Agent purchases insurance for the Collateral, such Loan Party will be responsible for the costs of that insurance (which may exceed the cost of insurance that such Loan Party could obtain on its own), including interest and other Charges imposed by Agent in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to the Obligations.

5.3 Inspection; Coding and Billing Review; Lender Meeting.

(a) Inspection. Upon three (3) days' prior written notice to the Loan Parties and the Lenders, each Loan Party shall permit any authorized representatives of Agent to visit, audit and inspect any of the properties of such Loan Party and its Subsidiaries, including its and their financial and accounting records, and to make copies and take extracts therefrom, and to discuss its and their affairs, finances and business with its and their officers and certified public accountants, at such reasonable times during normal business hours and as often as may be reasonably requested (collectively a "Field Review"); provided, that, upon the occurrence and continuance of an Event of Default, Agent shall not be required to provide any notice to the Loan Parties prior to the performance of a Field Review; provided further, that, so long as no Event of Default has occurred and is continuing, Agent shall only be reimbursed by Borrower for one (1) Field Review during any Fiscal Year. Representatives of each Lender will be permitted to accompany representatives of Agent during each Field Review at such Lender's expense.

(b) Coding and Billing Review. Each Loan Party shall permit an independent third party selected by Agent in its sole discretion to conduct a review of the clinical coding and billing procedures of such Loan Party and its Subsidiaries (a "Coding and Billing Review"); provided that so long as no Event of Default has occurred and is continuing, (a) Agent shall only be reimbursed by Borrower for four (4) Coding and Billing Reviews during any Fiscal Year and (b) the Borrower's reimbursement obligations for each such Coding and Billing Review shall not exceed $15,000.

(c) Lender Meeting. Each Loan Party will participate and will cause key management personnel of each Loan Party and its Subsidiaries to participate in a meeting with Agent and Lenders at least once during each Fiscal Year, which meeting shall be held at such time and such place as may be reasonably requested by Agent and reasonably convenient to Borrower.

5.4 Organizational Existence.

Except as otherwise permitted by Section 6.6, each Loan Party will at all times preserve and keep in full force and effect its organizational existence and all rights and franchises material to its business.

5.5 Environmental Matters.

Each Loan Party shall and shall cause each Person within its control to: (a) conduct its operations and keep and maintain its Real Estate in compliance with all Environmental Laws and Environmental Permits other than noncompliance that would not reasonably be expected to have a Material Adverse

Effect; (b) notify Agent promptly after such Loan Party or any Person within its control becomes aware of any violation of Environmental Laws or Environmental Permits or any Release on, at, in, under, above, to, from or about any Real Estate that is reasonably likely to result in Environmental Liabilities to a Loan Party or its Subsidiaries in excess of $1,000,000; and (c) promptly forward to Agent a copy of any order, notice of actual or alleged violation or liability, request for information or any communication or report received by such Loan Party or any Person within its control that relates to any Environmental Laws or Environmental Permits and that could reasonably be expected to result in Environmental Liabilities in excess of $1,000,000.

5.6 Landlords' Agreements, Mortgagee Agreements, Bailee Letters and Real Estate Purchases .

Each Loan Party shall use reasonable efforts to obtain a landlord's agreement, mortgagee agreement or bailee letter, as applicable, from the lessor of each leased property, mortgagee of owned property or bailee with respect to any warehouse, processor or converter facility or other location where Collateral with a book value greater than $100,000 is stored or located, which agreement or letter shall contain a waiver or subordination of all Liens or claims that the landlord, mortgagee or bailee may assert against the Collateral at that location, and shall otherwise be reasonably satisfactory in form and substance to Agent.

5.7 Further Assurances.

(a) Each Loan Party shall, from time to time, execute such guaranties, financing statements, documents, security agreements and reports as Agent or Requisite Lenders at any time may reasonably request to evidence, perfect or otherwise implement the guaranties and security for repayment of the Obligations contemplated by the Loan Documents, provided, that subsequent guaranties and security agreements shall be substantially in the same form as those delivered as of the Closing Date.

(b) In the event any Loan Party acquires a fee ownership interest in real property after the Closing Date having a fair market value or purchase price in excess of $100,000, such Loan Party shall deliver to Agent a fully executed mortgage or deed of trust over such real property in form and substance satisfactory to Agent, together with such title insurance policies, surveys, appraisals, evidence of insurance, legal opinions, environmental assessments and other documents and certificates as shall be reasonably required by Agent.

(c) Each Loan Party shall (i) cause each Person, upon its becoming a Domestic Subsidiary of such Loan Party (provided that this shall not be construed to constitute consent by any of the Lenders to any transaction not expressly permitted by the terms of this Agreement), promptly to guaranty the Obligations and to grant to Agent, for the benefit of Agent and Lenders, a security interest in the real (to the extent owned in fee), personal and mixed property of such Domestic Subsidiary to secure the Obligations and (ii) pledge, or cause to be pledged, to Agent, for the benefit of Agent and Lenders, all of the Stock of such Domestic Subsidiary to secure the Obligations. Each Loan Party shall pledge, or cause to be pledged, to Agent, for the benefit of Agent and Lenders, 65% of the outstanding Voting Stock and 100% of the outstanding nonvoting Stock of any person upon its becoming a first tier Foreign Subsidiary of any Loan Party. The documentation for such guaranty, security and pledge shall be substantially similar to the Loan Documents executed concurrently herewith with such modifications as are reasonably requested by Agent in order to accommodate changes to or differences in applicable law.

5.8 Payment of Taxes.

Each Loan Party shall timely pay and discharge (or cause to be paid and discharged) all material taxes, assessments and governmental and other charges or levies imposed upon it or upon its income or profits, or upon property belonging to it; provided that such Loan Party shall not be required to pay any such tax, assessment, charge or levy that is being contested in good faith by appropriate proceedings and for which the affected Loan Party shall have set aside on its books adequate reserves with respect thereto in conformance with GAAP and for which a Lien has not been imposed on the assets of any Loan Party.

5.9 Cash Management Systems.

Borrower shall, and shall cause each other Loan Party to, enter into Control Agreements with respect to each deposit account maintained by Borrower or any Subsidiary of Borrower (other than any zero balance account) as of or after the Closing Date. Each such deposit account control agreement shall be in form and substance satisfactory to Agent. In the event that Borrower or another Loan Party establishes a new deposit account after the Closing Date (other than a zero balance account), such Loan Party shall enter into such a Control Agreement within thirty (30) days following the establishment thereof. No such Control Agreement shall, in the absence of a continuing Event of Default, entitle Agent or any Lender to direct the applicable depository bank to transfer any funds in the applicable deposit account to Agent or any other Person.

5.10 Interest Rate Agreements.

Within one hundred and twenty (120) days after the Closing Date, Borrower shall enter into, and shall thereafter maintain, Interest Rate Agreements providing for interest rate protection for an aggregate amount of $22,500,000 of the principal amount of the outstanding Term Loans for a period of three years on terms and conditions reasonably satisfactory to Agent.

5.11 Employee Benefit Plans.

Each Loan Party shall (i) maintain each Pension Plan in substantial compliance with all applicable requirements of law and regulations and (ii) make, on a timely basis, all required contributions to any Multiemployer Plan. No Loan Party shall (i) seek a waiver of the minimum funding standards of ERISA, (ii) terminate or withdraw from any Pension Plan or Multiemployer Plan or (iii) take any other action with respect to any Pension Plan that would reasonably be expected to entitle the PBGC to terminate, impose liability in respect of, or cause a trustee to be appointed to administer, any Pension Plan, unless the actions or events described in clauses (i), (ii) and (iii) individually or in the aggregate would not have a Material Adverse Effect.

5.12 Health Care Law Matters.

(a) Each Loan Party shall and shall cause each Person within its control to: (a) conduct its operations in material compliance with all Health Care Laws; (b) to the extent permitted by applicable law and so long as no privilege is compromised, notify Agent promptly after such Loan Party or any Person within its control becomes aware of any violation of any material violation of the Anti-Kickback Statute, Stark Law or False Claims Act, or any violation of other Health Care Law that could reasonably likely result in a claim, fine or settlement in excess of $250,000; and (c) to the extent permitted by applicable law, promptly forward to Agent any subpoena or other request or other investigation by a Governmental Authority with respect to a possible material violation of any Health Care Laws.

(b) As soon as practicable but in no event later than 180 days following the Closing Date, each Loan Party shall, and shall cause each Person within its control to establish, deliver and enforce policies and procedures in its compliance plan the purpose of which is to assure that each Loan Party and each Person within the control of each Loan Party are in compliance in all material respects with all requirements of applicable Healthcare Laws.

5.13 HIPAA.

Each Loan Party and each Subsidiary of a Loan Party that is a "covered entity" as defined under HIPAA shall enter into a Business Associate Agreement (as defined under HIPAA) with Agent, substantially in the form of Exhibit 5.12, and shall maintain such Business Associate Agreement in full force and effect during the term of this Agreement. In the event that Agent or any of its authorized representatives shall make any inspection pursuant to Section 5.3 or otherwise, or shall take possession of any Collateral that would involve such Person having access to "protected health information" as defined under HIPAA, each Loan Party or Subsidiary of a Loan Party that is a "covered entity" shall permit disclosure of the protected health information pursuant to the Business Associate Agreement to the extent permitted by HIPAA.

SECTION 6.
NEGATIVE COVENANTS

Each Loan Party executing this Agreement jointly and severally agrees as to all Loan Parties that from and after the date hereof until the Termination Date:

6.1 Indebtedness.

The Loan Parties shall not and shall not cause or permit their Subsidiaries directly or indirectly to create, incur, assume, or otherwise become or remain directly or indirectly liable with respect to any Indebtedness (other than pursuant to a Contingent Obligation permitted under Section 6.4) except:

(a) Indebtedness described on Schedule 6.1;

(b) the Obligations;

(c) intercompany Indebtedness arising from loans made by any Loan Party to any other Loan Party other than Holdings; provided, however, that upon the request of Agent at any time, such intercompany Indebtedness shall be evidenced by promissory notes having terms reasonably satisfactory to Agent, the sole originally executed counterparts of which shall be pledged and delivered to Agent, for the benefit of Agent and Lenders, as security for the Obligations;

(d) Indebtedness, not exceeding $250,000 in aggregate principal amount outstanding at any time, secured by Liens described in and permitted by clause (l) of the definition of "Permitted Encumbrances";

(e) Indebtedness, not exceeding $1,750,000 in aggregate notional principal amount outstanding at any time, secured by Liens described in and permitted by clause (j) of the definition of "Permitted Encumbrances";

(f) refinancings of Indebtedness permitted under clauses (a) and (e) that do not accelerate the scheduled dates for payment thereof, increase the principal amounts thereof, materially increase any interest rate or fees applicable thereto, add additional obligors therefor, or enhance the collateral therefor or the priority thereof;

(g) Indebtedness under (i) Interest Rate Agreements and Rate Management Agreements entered into to protect Borrower or Subsidiary thereof against fluctuations in interest rates in respect of Indebtedness otherwise permitted under this Agreement or (ii) other hedging agreements providing protection against fluctuations in currency values or commodity prices in connection with Borrower's or any of its Subsidiaries' operations, so long as the purpose of any such agreement is a bona fide hedging activity (and is not for speculative purposes);

(h) Indebtedness under the Acquisition Note;

(i) Indebtedness consisting of the obligation of any Loan Party to reimburse an insurer for any payment made by such insurer in respect of a worker's compensation claim with respect to an employee of the Borrower or its Subsidiaries; and

(j) Indebtedness in respect of the Contingent Payments.

6.2 Liens and Related Matters.

(a) No Liens. The Loan Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly create, incur, assume or permit to exist any Lien on or with respect to any property or asset of such Loan Party or any such Subsidiary, whether now owned or hereafter acquired, or any income or profits therefrom, except Permitted Encumbrances (including, without limitation, those Liens constituting Permitted Encumbrances existing on the date hereof and renewals and extensions thereof, as set forth on Schedule 6.2).

(b) No Negative Pledges. The Loan Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly enter into or assume any agreement (other than the Loan Documents) prohibiting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired and other than (i) provisions restricting subletting or assignment under any lease governing a leasehold interest or lease of personal property;
(ii) restrictions with respect to a Subsidiary imposed pursuant to any agreement which has been entered into for the sale of disposition of all or substantially all of the equity interests or assets of such Subsidiary, so long as such sale or disposition of all or substantially all of the equity interests or assets of such Subsidiary is permitted under this Agreement; (iii) restrictions on assignments or sublicensing of licensed Intellectual Property and (iv) restrictions in agreements or Capital Leases governing or creating any Indebtedness referred to in paragraphs (d) or (e) of Section 6.1, so long as such restrictions apply only to the assets financed or leased pursuant to such agreement or Capital Lease.

(c) No Restrictions on Subsidiary Distributions to Borrower. Except as provided herein, the Loan Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any such Subsidiary to: (1) pay dividends or make any other distribution on any of such Subsidiary's Stock owned by Borrower or any other Subsidiary; (2) pay any Indebtedness owed to Borrower or any other Subsidiary; (3) make loans or advances to Borrower or any other Subsidiary; or (4) transfer any of its property or assets to Borrower or any other Subsidiary, other than restrictions contained in this Agreement and restrictions contained in any agreement existing on the Closing Date, or any agreement entered into as permitted by paragraph (f) of Section 6.1 (in respect of the refinancing of an agreement that contained such a encumbrance or restriction as of the Closing Date) or in the Contingent Payment Agreement as in effect on the Closing Date, so long as such restriction is no less favorable to the Loan Parties than those contained in this Agreement as of the Closing Date.

6.3 Investments.

The Loan Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly make or own any Investment in any Person except:

(a) Borrower and its Subsidiaries may make and own Investments in Cash Equivalents subject to (except as otherwise provided in Section 5.9) Control Agreements in favor of Agent; provided that such Cash Equivalents (except as consented to by Agent, such consent not to be unreasonably withheld) are not subject to setoff rights;

(b) any Loan Party may make intercompany loans to any other Loan Party other than Holdings to the extent permitted under Section 6.1;

(c) Borrower and its Subsidiaries which are Loan Parties may make loans and advances to employees of the Borrower and its Subsidiaries which are Loan Parties for moving, entertainment, travel and other similar expenses in the ordinary course of business not to exceed $100,000 in the aggregate at any time outstanding;

(d) Loan Parties and their Subsidiaries may make (i) capital contributions to their wholly-owned Subsidiaries that are Loan Parties and (ii) capital contributions to their wholly-owned Subsidiaries that are not Loan Parties in an amount (under this clause (ii)) not to exceed $100,000 in the aggregate reduced by the amount of Investments made pursuant to Section 6.3(b) in the form of intercompany loans made by a Loan Party to a Subsidiary that is not a Loan Party;

(e) non-cash consideration received in accordance with Section 6.7;

(f) Investments existing on the Closing Date, as set forth on Schedule 6.3 and any renewals, amendments and replacements thereof that do not increase the amount thereof;

(g) each Loan Party may hold investments comprised of notes payable, or stock or other securities issued by financially troubled Account Debtors (excluding Affiliates) to such Loan Party pursuant to agreements with respect to settlement of such Account Debtor’s Accounts with such Loan Party negotiated in the ordinary course of business;

(h) Investments consisting of loans by Borrower to employees of Borrower which are used solely by such employees to simultaneously purchase the Stock of Holdings, provided that Holdings contemporaneously contributes the proceeds of such Stock to the capital of Borrower;

(i) Interest Rate Agreements and other hedging agreements subject to Section 6.1;

(j) Borrower and its Subsidiaries may make advances in the form of a prepayment of expenses, so long as such expenses were incurred in the ordinary course of business and are being paid in accordance with customary trade terms of Borrower or such Subsidiary; and

(k) other Investments not exceeding $100,000 at any time outstanding.

6.4 Contingent Obligations. The Loan Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly create or become or be liable with respect to any Contingent Obligation except:

(a) Letter of Credit Obligations;

(b) Contingent Obligations as set forth on Schedule 6.4 arising under the Loan Documents and the Purchase Agreement and other documents related to the Addus Acquisition;

(c) those arising under Interest Rate Agreements or other hedging agreements entered into in compliance with Section 6.1;

(d) those resulting from endorsement of negotiable instruments for collection in the ordinary course of business;

(e) those existing on the Closing Date and described in Schedule 6.4;

(f) those arising with respect to customary indemnification obligations incurred in connection with Asset Dispositions permitted hereunder or in connection with obtaining title insurance; and

(g) those incurred with respect to Indebtedness permitted by Section 6.1 provided that (i) any such Contingent Obligation is subordinated to the Obligations to the same extent as the Indebtedness to which it relates is subordinated to the Obligations and (ii) no Loan Party may incur Contingent Obligations in respect of Indebtedness incurred by any Person that is not a Loan Party under this clause (g).

6.5 Restricted Payments. The Loan Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly declare, order, pay, make or set apart any sum for any Restricted Payment, except that:

(a) Each Loan Party other than Holdings may make payments and distributions to Holdings (whether directly or through sequential upstream Restricted Payments) that are used by Holdings to pay federal, state and local income taxes then due and owing, estimated taxes then due and owing, franchise taxes and other similar licensing expenses incurred in the ordinary course of business; provided that each Loan Party's aggregate contribution to taxes as a result of the filing of a consolidated, unitary or combined return with Holdings or another party shall not be greater than they would have been had such Loan Party not filed a consolidated, unitary or combined return with Holdings;

(b) The Loan Parties may make Restricted Payments contemplated to be made on the Closing Date under the Purchase Agreement and Merger Agreement;

(c) Direct or indirect wholly-owned Subsidiaries of Borrower may make Restricted Payments to the entity which is the direct owner of the equity of such wholly-owned Subsidiary; and

(d) Borrower may pay dividends to Holdings, and Borrower may pay dividends to Intermediate Holdings and Intermediate Holdings may pay dividends to Holdings, in each case, to permit

Holdings to repurchase Stock owned by employees of Borrower whose employment with Borrower and its Subsidiaries has been terminated, provided that such Restricted Payments shall not exceed $500,000 in any Fiscal Year or $1,000,000 during the term of this Agreement in the aggregate and provided that no Event of Default exists at the time of such Restricted Payment or would occur as a result thereof.

6.6 Restriction on Fundamental Changes. The Loan Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly: (a) amend, modify or waive any term or provision of its organizational documents in a manner adverse to the Lenders, including its articles of incorporation, certificates of designations pertaining to preferred stock, by-laws, partnership agreement or operating agreement in any manner adverse to the Agent or Lenders unless required by law; (b) enter into any transaction of merger or consolidation except, upon not less than five (5) Business Days' prior written notice to Agent, any wholly-owned Subsidiary of Borrower may be merged with or into Borrower (provided that Borrower is the surviving entity) or any other wholly-owned Subsidiary of Borrower (provided that, in the case of any such merger of any Domestic Subsidiary with or into a Foreign Subsidiary, the Domestic Subsidiary is the surviving entity); (c) liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution); or (d) acquire by purchase or otherwise all or any part of the Stock, business or assets of any other Person.

6.7 Disposal of Assets or Subsidiary Stock. The Loan Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly convey, sell, lease, sublease, transfer or otherwise dispose of, or grant any Person an option to acquire, in one transaction or a series of related transactions, any of its property, business or assets, whether now owned or hereafter acquired, except for (a) sales of inventory to customers in the ordinary course of business and dispositions of obsolete equipment not used or useful in the business; (b) any condemnation or taking of such assets by eminent domain proceedings; (c) Asset Dispositions by Borrower and its Subsidiaries (excluding sales of Accounts and Stock of any of Holdings' Subsidiaries) if all of the following conditions are met: (i) the aggregate fair market value of assets sold or otherwise disposed of in any Fiscal Year does not exceed $250,000; (ii) the consideration received is at least equal to the fair market value of such assets (as determined by the board of directors of the applicable Loan Party in good faith); (iii) at least 85% of the consideration received is cash; (iv) the Net Proceeds of such Asset Disposition are applied as required by Section 2.5(c); and (v) no Event of Default has occurred and is continuing or would result from such Asset Disposition and (d) other sales, leases, subleases, transfers or dispositions that are not Asset Dispositions by virtue of clauses (2) through (9) of the definition of Asset Disposition.

6.8 Transactions with Affiliates. The Loan Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any management, consulting, investment banking, advisory or other similar services) with any Affiliate or with any director, officer or employee of any Loan Party, except (a) as set forth on Schedule 6.8, (b) transactions in the ordinary course of and pursuant to the reasonable requirements of the business of any such Loan Party or any of its Subsidiaries and upon fair and reasonable terms which are (x) to the extent exceeding $1,000,000, fully disclosed to Agent and (y) are no less favorable to any such Loan Party or any of its Subsidiaries than would be obtained in a comparable arm's length transaction with a Person that is not an Affiliate, (c) payment of reasonable compensation to officers and employees for services actually rendered to any such Loan Party or any of its Subsidiaries; (d) payment of director's fees not to exceed $50,000 in the aggregate for any Fiscal Year of Borrower plus reasonable and documented expenses of the directors; (e) loans to employees permitted in Section 6.3, (f) reimbursement of employee travel, lodging and other costs incurred in the ordinary course of business, (g) the guaranty of the Obligations by Loan Parties, (h) employment agreements, equity incentive agreements and other employee and management arrangements in the ordinary course of business and (i) Borrower may pay (x) quarterly management fees to Eos

Management, Inc. or an Affiliate thereof pursuant to the Management Consulting Agreement not to exceed $100,000 in the aggregate for any Fiscal Quarter and (y) indemnities pursuant to the terms of the Management Consulting Agreement; provided that no Event of Default has occurred and is continuing at the time that any such management fee or indemnities are paid or would result after giving effect thereto; provided further that it is expressly agreed that any such management fees and indemnities not permitted to be so paid shall be accrued and paid when such Event of Default has been cured or waived, and Borrower may reimburse the Sponsor for reasonable, out-of-pocket expenses pursuant to the terms of the Management Consulting Agreement.

6.9 Conduct of Business. Holdings and Intermediate Holdings shall not engage in any business activity other than its ownership of the Stock of its Subsidiaries and its performance of the Related Transaction Documents; provided, however that Intermediate Holdings may be a party to and perform its obligations under any employment agreement entered into in connection with the Related Transactions. The Loan Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly engage in any business other than businesses of the type described on Schedule 6.9 and businesses substantially similar thereto.

6.10 Fiscal Year. The Loan Parties shall not and shall not cause or permit their Subsidiaries to change their Fiscal Year.

6.11 Press Release; Public Offering Materials. No Loan Party shall cause or permit the issuance of any press releases or other similar public disclosure, using the name of Freeport or its affiliates or referring to this Agreement, without giving Freeport a reasonable opportunity to review and comment thereon prior to issuance.

6.12 Subsidiaries. The Loan Parties shall not and shall not cause or permit their Subsidiaries to directly or indirectly establish, create or acquire any new Subsidiary unless such Subsidiary complies with the requirement of Section 5.7(c) with respect to such Subsidiary.

6.13 Deposit Accounts. The Loan Parties shall not and shall not cause or permit their Subsidiaries to establish any new deposit accounts (other than any zero balance account) without prior written notice to Agent and unless Agent and the bank at which the account is to be opened enter into a Control Agreement as required by Section 5.9.

6.14 ERISA. The Loan Parties shall not and shall not cause or permit any ERISA Affiliate to, cause or permit to occur an ERISA Event to the extent such ERISA Event would reasonably be expected to have a Material Adverse Effect.

6.15 Sale-Leasebacks. The Loan Parties shall not and shall not cause or permit their Subsidiaries to engage in any sale-leaseback, synthetic lease or similar transaction.

6.16 Changes to Material Agreements.

None of the Loan Parties shall change or amend the terms of the Acquisition Note if such changes or amendment would be adverse in any material respect to the rights or interests of the Loan Parties, the Agent or the Lenders.

SECTION 7.
FINANCIAL COVENANTS/REPORTING

Borrower covenants and agrees that from and after the date hereof until the Termination Date, Borrower shall perform and comply with, and shall cause each of the other Loan Parties to perform and comply with, all covenants in this Section 7 applicable to such Person.

7.1 Financial Covenants.

(a) Capital Expenditure Limits. Holdings and its Subsidiaries on a consolidated basis shall not make Capital Expenditures during the following periods that exceed in the aggregate the amounts set forth opposite each of such periods (the "Capex Limit"):

Period	Maximum Capital Expenditures per Period
Closing Date through Fiscal Year ending December 31, 2006	$ 1,000,000
Each Fiscal Year ending thereafter	$ 1,250,000

;provided, however, that commencing with Fiscal Year 2007, the Capex Limit referenced above will be increased in any period by the positive amount equal to the lesser of (i) 50% of the Capex Limit for the immediately prior period, and (ii) the amount (if any), equal to the difference obtained by taking the Capex Limit minus the actual amount of any Capital Expenditures expended during such prior period (the "Carry Over Amount"), and for purposes of measuring compliance herewith, the Carry Over Amount shall be deemed to be the last amount spent on Capital Expenditures in that succeeding period.

(b) Minimum EBITDA. Holdings and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, Minimum EBITDA for the 12-Fiscal Month period then ended calculated of not less than the following:

Period	Minimum EBITDA
December 31, 2006	$ 12,750,000
March 31, 2007	$ 12,500,000
June 30, 2007	$ 12,500,000
September 30, 2007	$ 12,500,000
December 31, 2007	$ 12,500,000
March 31, 2008	$ 12,750,000
June 30, 2008	$ 12,750,000
September 30, 2008	$ 13,000,000
December 31, 2008	$ 13,250,000
March 31, 2009	$ 13,500,000
June 30, 2009	$ 13,500,000
September 30, 2009	$ 13,750,000
December 31, 2009	$ 14,000,000
March 31, 2010	$ 14,000,000
June 30, 2010	$ 14,000,000
September 30, 2010	$ 14,250,000
December 31, 2010	$ 14,250,000
March 31, 2011 and each Fiscal Quarter ending thereafter	$ 14,500,000

(c) Minimum Fixed Charge Coverage Ratio. Holdings and its Subsidiaries shall have on a consolidated basis at the end of each Fiscal Quarter set forth below, a Fixed Charge Coverage Ratio for the 12-Fiscal Month period then ended, of not less than the following:

1.20:1.00 for the Fiscal Quarter ending December 31, 2006;
1.20:1.00 for the Fiscal Quarter ending March 31, 2007;
1.20:1.00 for the Fiscal Quarter ending June 30, 2007;
1.20:1.00 for the Fiscal Quarter ending September 30, 2007;
1.20:1.00 for the Fiscal Quarter ending December 31, 2007;
1.15:1.00 for the Fiscal Quarter ending March 31, 2008;
1.15:1.00 for the Fiscal Quarter ending June 30, 2008;
1.15:1.00 for the Fiscal Quarter ending September 30, 2008;
1.15:1.00 for the Fiscal Quarter ending December 31, 2008;
1.15:1.00 for the Fiscal Quarter ending March 31, 2009;
1.15:1.00 for the Fiscal Quarter ending June 30, 2009; and
1.10 for each Fiscal Quarter ending thereafter.

(d) Maximum Leverage Ratio. Holdings and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, a Leverage Ratio as of the last day of such Fiscal Quarter and for the 12-Fiscal Month period then ended, of not more than the following:

4.25:1.00 for the Fiscal Quarter ending December 31, 2006;
4.25:1.00 for the Fiscal Quarter ending March 31, 2007;
4.25:1.00 for the Fiscal Quarter ending June 30, 2007;
4.25:1.00 for the Fiscal Quarter ending September 30, 2007;
4.25:1.00 for the Fiscal Quarter ending December 31, 2007;
4.00:1.00 for the Fiscal Quarter ending March 31, 2008;

4.00:1.00 for the Fiscal Quarter ending June 30, 2008;
3.75:1.00 for the Fiscal Quarter ending September 30, 2008;
3.75:1.00 for the Fiscal Quarter ending December 31, 2008;
3.50:1.00 for the Fiscal Quarter ending March 31, 2009;
3.50:1.00 for the Fiscal Quarter ending June 30, 2009;
3.25:1.00 for the Fiscal Quarter ending September 30, 2009;
3.25:1.00 for the Fiscal Quarter ending December 31, 2009;
3.00:1.00 for the Fiscal Quarter ending March 31, 2010;
3.00:1.00 for the Fiscal Quarter ending June 30, 2010;
2.75:1.00 for the Fiscal Quarter ending September 30, 2010;
2.75:1.00 for the Fiscal Quarter ending December 31, 2010; and
2.50 for each Fiscal Quarter ending thereafter.

7.2 Financial Statements and Other Reports. Holdings will maintain, and cause each of its Subsidiaries to maintain, a system of accounting established and administered in accordance with sound business practices to permit preparation of Financial Statements in conformity with GAAP (it being understood that monthly Financial Statements are not required to have footnote disclosures). Borrower will deliver each of the Financial Statements and other reports described below to Agent and, upon receipt, Agent shall deliver such Financial Statements and other reports to each Lender.

(a) Monthly Financials. As soon as available and in any event within thirty (30) days (provided that for the Fiscal Months ending September 30, 2006 and October 31, 2006, Borrower shall have forty-five (45) days to deliver such financial statements) after the end of each Fiscal Month (including the last Fiscal Month of Borrower's Fiscal Year), Borrower will deliver (1) the consolidated and consolidating balance sheets of Holdings and its Subsidiaries, as at the end of such month, and the related consolidated and consolidating statements of income, stockholders' equity and cash flow for such Fiscal Month and for the period from the beginning of the then current Fiscal Year of Holdings to the end of such Fiscal Month, (2) a report setting forth in comparative form the corresponding figures for the corresponding periods of the previous Fiscal Year and the corresponding figures from the most recent Projections for the current Fiscal Year delivered pursuant to Section 7.2(h), and (3) a schedule of the outstanding Indebtedness for borrowed money of Holdings and its Subsidiaries describing in reasonable detail each such debt issue or loan outstanding and the principal amount and amount of accrued and unpaid interest with respect to each such debt issue or loan.

(b) Quarterly Financials. As soon as available and in any event within forty-five (45) days after the end of each Fiscal Quarter (including the last Fiscal Quarter of Borrower's Fiscal Year), Borrower will deliver (1) the consolidated and consolidating balance sheets of Holdings and its Subsidiaries, as at the end of such quarter, and the related consolidated and consolidating statements of income (including separate statements of income by location consistent with past practices), stockholders' equity and cash flow for such Fiscal Quarter, (2) a report setting forth in comparative form the corresponding figures for the corresponding periods of the previous Fiscal Year and the corresponding figures from the most recent Projections for the current Fiscal Year delivered pursuant to Section 7.2(h), and (3) a schedule of the outstanding Indebtedness for borrowed money of Holdings and its Subsidiaries describing in reasonable detail each such debt issue or loan outstanding and the principal amount and amount of accrued and unpaid interest with respect to each such debt issue or loan.

(c) Year-End Financials. As soon as available and in any event within one hundred and twenty (120) days after the end of each Fiscal Year of Holdings, Borrower will deliver (1) the consolidated and consolidating balance sheets of Holdings and its Subsidiaries, as at the end of such year, and the related consolidated and consolidating statements of income (including separate statements of income by location consistent with past practices), stockholders' equity and cash flow for such Fiscal Year, (2) a report with respect to the consolidated Financial Statements from a firm of Certified Public Accountants selected by Borrower and reasonably acceptable to Agent, which report shall be prepared in accordance with Statement of Auditing Standards No. 58 (the "Statement") "Reports on Audited Financial Statements" and such report shall be "Unqualified" (as such term is defined in such Statement).

(d) Accountants' Reports. Promptly upon receipt thereof, Borrower will deliver copies of all significant reports submitted by Borrower's firm of certified public accountants in connection with each annual, interim or special audit or review of any type of the Financial Statements or related internal control systems of Holdings or its Subsidiaries made by such accountants, including any comment letter submitted by such accountants to management in connection with their services.

(e) Borrowing Availability Certificate. Together with each delivery of Financial Statements of Holdings pursuant to Sections 7.2(a), (b) and (c), Borrower will deliver a Borrowing Availability Certificate (in substantially the same form as Exhibit 7.2(e), the "Borrowing Availability Certificate") as at the last day of such period.

(f) Management Report. Together with each delivery of Financial Statements of Holdings pursuant to Sections 7.2(b) and (c), Borrower will deliver a management report (1) describing the operations and financial condition of Holdings and its Subsidiaries for the Fiscal Quarter then ended and the portion of the current Fiscal Year then elapsed (or for the Fiscal Year then ended in the case of year-end financials) and (2) discussing the reasons for any significant variations. The information above shall be presented in reasonable detail and shall be certified by the chief financial officer of Holdings or Borrower to the effect that such information fairly presents the results of operations and financial condition of Holdings and its Subsidiaries as at the dates and for the periods indicated.

(g) Appraisals. From time to time, if Agent or any Lender determines that obtaining appraisals is necessary in order for Agent or such Lender to comply with applicable laws or regulations, Agent will, at Borrower's expense, obtain appraisal reports in form and substance and from appraisers reasonably satisfactory to Agent stating the then current fair market values of all or any portion of the Real Estate owned by Loan Parties.

(h) Projections. As soon as available and in any event no later than the day thirty (30) days after the last day of each of Holdings' Fiscal Years, Borrower will deliver Projections of Holdings and its Subsidiaries for the forthcoming Fiscal Year month by month.

(i) SEC Filings and Press Releases. Promptly upon their becoming available, Borrower will deliver copies of (1) all Financial Statements, reports, notices and proxy statements, material reports and material notices sent or made available by Holdings or any of its Subsidiaries to its Stockholders, (2) all regular and periodic reports and all registration statements and prospectuses, if any, filed by Holdings or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission, any Governmental Authority or any private regulatory authority, and (3) all press releases and other statements made available by Holdings or any of its Subsidiaries to the public concerning developments in the business of any such Person.

(j) Events of Default, Etc. Promptly upon any Responsible Officer of any Loan Party obtaining knowledge of any of the following events or conditions, Borrower shall deliver copies of all notices given or received by Borrower or Holdings or any of their Subsidiaries with respect to any such event or condition and a certificate of Borrower’s chief executive officer specifying the nature and period of existence of such event or condition and what action Holdings, Borrower or any of their Subsidiaries has taken, is taking and proposes to take with respect thereto: (1) any condition or event that constitutes, or which would reasonably be expected to result in the occurrence of, an Event of Default or Default; (2) any notice that any Person has given to Borrower or any of its Subsidiaries or any other action taken with respect to a claimed default or event or condition of the type referred to in Section 8.1(b); or (3) any event or condition that would reasonably be expected to result in any Material Adverse Effect.

(k) Litigation. Promptly upon any officer of any Loan Party obtaining knowledge of (1) the institution of any action, charge, claim, demand, suit, proceeding, petition, governmental investigation, tax audit or arbitration now pending or, to the best knowledge of such Loan Party after due inquiry, threatened against or affecting any Loan Party or any of its Subsidiaries or any property of any Loan Party or any of its Subsidiaries (“Litigation”) not previously disclosed by Borrower to Agent or (2) any material development in any action, suit, proceeding, governmental investigation or arbitration at any time pending against or affecting any Loan Party or any property of any Loan Party which, in each case, would reasonably be expected to have a Material Adverse Effect, Borrower will promptly give notice thereof to Agent and provide such other information as may be reasonably available to them to enable Agent and its counsel to evaluate such matter.

(l) Notice of Corporate and other Changes. Borrower shall provide prompt written notice of (1) any change after the Closing Date in the authorized and issued Stock of any Loan Party or any amendment to their articles or certificate of incorporation, by-laws, partnership agreement or other organizational documents, (2) any Subsidiary created or acquired by any Loan Party or any of its Subsidiaries after the Closing Date, such notice, in each case, to identify the applicable jurisdictions, capital structures or Subsidiaries, as applicable, and (3) any other event that occurs after the Closing Date which would cause any of the representations and warranties in Section 4 of this Agreement or in any other Loan Document to be untrue or misleading in any material respect. The foregoing notice requirement shall not be construed to constitute consent by any of the Lenders to any transaction referred to above which is not expressly permitted by the terms of this Agreement.

(m) Other Information. With reasonable promptness, Borrower will deliver such other information and data with respect to any Loan Party or any Subsidiary of any Loan Party as from time to time may be reasonably requested by Agent.

(n) Compliance, Pricing and Excess Cash Flow Certificate. Together with each delivery of Financial Statements pursuant to Sections 7.2(b) and (c), Borrower will deliver a fully and properly completed Compliance, Pricing and Excess Cash Flow Certificate (in substantially the same form as Annex F (the “Compliance, Pricing and Excess Cash Flow Certificate”) signed by Borrower’s chief executive officer or chief financial officer; provided that the Excess Cash Flow portion of such certificate is only required to be delivered annually; provided further that Schedule 2 of the Compliance, Pricing and Excess Cash Flow Certificate shall be delivered only in connection with the Financial Statements of Borrower and its Subsidiaries delivered pursuant to Section 7.2(c).

(o) Taxes. Borrower shall provide prompt written notice of (i) the execution or filing with the IRS or any other Governmental Authority of any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any Charges by any Loan Party or any of its Subsidiaries and (ii) any agreement by any Loan Party or any of its Subsidiaries or request directed to any Loan Party or any of its Subsidiaries to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, which would reasonably be expected to have a Material Adverse Effect.

(p) New Contracts. Borrower shall provide prompt written notice, together with copies thereof, of any material new national labor contracts to which it or any other Loan Party becomes a party or any material amendment to any material national labor contract to which it or any other Loan Party is a party.

7.3 Accounting Terms; Utilization of GAAP for Purposes of Calculations Under Agreement. For purposes of this Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to such terms in conformity with GAAP. Financial statements and other information furnished to Agent pursuant to Section 7.2 or any other section (unless specifically indicated otherwise) shall be prepared in accordance with GAAP as in effect at the time of such preparation; provided that no Accounting Change shall affect financial covenants, standards or terms in this Agreement; provided further that Borrower shall prepare footnotes to the Financial Statements required to be delivered hereunder that show the differences between the Financial Statements delivered (which reflect such Accounting Changes) and the basis for calculating financial covenant compliance (without reflecting such Accounting Changes). All such adjustments described in clause (c) of the definition of the term Accounting Changes resulting from expenditures made subsequent to the Closing Date (including capitalization of costs and expenses or payment of pre-Closing Date liabilities) shall be treated as expenses in the period the expenditures are made. Notwithstanding the foregoing, in the event that any Accounting Change shall occur and such change results in a change in the method of calculation of the financial covenants, standards or terms in this Agreement, then Borrower and Agent agree to negotiate in good faith in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of the Loan Parties shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by Borrower, Agent and the Requisite Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred.

SECTION 8.
DEFAULT, RIGHTS AND REMEDIES

8.1 Event of Default. "Event of Default" shall mean the occurrence or existence of any one or more of the following:

(a) Payment. (1) Failure to pay any installment or other payment of principal of any Loan when due, or to timely repay Revolving Loans to reduce their balance to the maximum amount of Revolving Loans then permitted to be outstanding in accordance with Section 2.1(b)(i) or to reimburse any L/C Issuer for any payment made by such L/C Issuer under or in respect of any Letter of Credit when due or (2) failure to pay, within three (3) days after the due date, any interest or Fees on any Loan or within ten (10) days after request for payment thereof, any other amount due under this Agreement or any of the other Loan Documents; or

(b) Default in Other Agreements. (1) Any Loan Party or any of its Subsidiaries fails to pay when due or within any applicable grace period any principal or interest on Indebtedness (other than the Loans) or any Contingent Obligations having an individual principal amount in excess of $50,000 or having an aggregate principal amount in excess of $50,000 or (2) breach or default of any Loan Party or any of its Subsidiaries, or the occurrence of any condition or event, with respect to any Indebtedness or any Contingent Obligations, if the effect of such breach, default or occurrence is to cause or to permit the holder or holders then to cause, Indebtedness and/or Contingent Obligations having an individual principal amount in excess of $50,000 or having an aggregate principal amount in excess of $50,000 to become or be declared due prior to their stated maturity; or

(c) Breach of Certain Provisions. Failure of any Loan Party to perform or comply with any term or condition contained in (1) the Freeport Fee Letter, (2) Section 7.2 which failure continues for more than five (5) Business Days after the date specified for performance or compliance with such term or condition, (3) that portion of Section 5.2 relating to the Loan Parties' obligation to maintain insurance, or (4) Section 5.3, Section 5.4, Section 5.12, Section 6 or Section 7.1; or

(d) Breach of Warranty. Any representation, warranty, certification or other statement made by any Loan Party in any Loan Document or in any statement or certificate at any time given by such Person in writing pursuant or in connection with any Loan Document is false in any material respect (without duplication of materiality qualifiers contained therein) on the date made; or

(e) Other Defaults Under Loan Documents. Any Loan Party defaults in the performance of or compliance with any term contained in this Agreement or the other Loan Documents (other than occurrences described in other provisions of this Section 8.1 for which a different grace or cure period is specified, or for which no cure period is specified and which constitute immediate Events of Default) and such default is not remedied or waived within thirty (30) days after the earlier of (1) receipt by Borrower of notice from Agent or Requisite Lenders of such default or (2) actual knowledge of an officer of Borrower or any other Loan Party of such default; or

(f) Involuntary Bankruptcy; Appointment of Receiver, Etc. (1) A court enters a decree or order for relief with respect to any Loan Party in an involuntary case under the Bankruptcy Code, which decree or order is not stayed or other similar relief is not granted under any applicable federal or state law; or (2) the continuance of any of the following events for sixty (60) days unless dismissed, bonded or discharged: (a) an involuntary case is commenced against any Loan Party, under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or (b) a decree or order of a court for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over any Loan Party, or over all or a substantial part of its property, is entered; or (c) a receiver, trustee or other custodian is appointed without the consent of a Loan Party, for all or a substantial part of the property of the Loan Party; or

(g) Voluntary Bankruptcy; Appointment of Receiver, Etc. (1) any Loan Party commences a voluntary case under the Bankruptcy Code, or consents to the entry of an order for relief in an involuntary case or to the conversion of an involuntary case to a voluntary case under any such law or consents to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; or (2) any Loan Party makes any assignment for the benefit of creditors; or (3) the Board of Directors of any Loan Party adopts any resolution or otherwise authorizes action to approve any of the actions referred to in this Section 8.1(g); or

(h) Judgment and Attachments. Any money judgment, writ or warrant of attachment, settlement, or similar process (other than those described elsewhere in this Section 8.1) involving (1) an amount in any individual case in excess of $250,000 or (2) an amount in the aggregate at any time in excess of $250,000 (in either case to the extent not covered by insurance) is entered or filed against one or more of the Loan Parties or any of their respective assets and remains undischarged, unvacated, unbonded or unstayed for a period of thirty (30) days or in any event later than five (5) Business Days prior to the date of any proposed sale thereunder; or

(i) Dissolution. Any order, judgment or decree is entered against any Loan Party decreeing the dissolution or split up of such Loan Party and such order remains undischarged or unstayed for a period in excess of sixty (60) days; or

(j) Solvency. Any Loan Party ceases to be Solvent, fails to pay its debts as they become due or admits in writing its present or prospective inability to pay its debts as they become due; or

(k) Invalidity of Loan Documents. Any of the Loan Documents for any reason, other than a partial or full release in accordance with the terms thereof, ceases to be in full force and effect or is declared to be null and void, or any Loan Party denies that it has any further liability under any Loan Documents to which it is party, or gives notice to such effect;

(l) Change of Control. A Change of Control occurs;

(m) Healthcare Defaults. (1) Any Loan Party or any Person within its control is required to pay a fine, penalty, settlement amount or other payment (whether imposed by judicial order or settlement) which, individually or in the aggregate, is in excess of $5,000,000 for any violation or alleged violation of any Healthcare Law, including violation of the Federal Anti-Kickback Statute, Stark Law or False Claims Act, (2) any Loan Party or any Person within its control is required to pay a fine, penalty, settlement amount or other payment (whether imposed by judicial order or settlement) for any violation or alleged violation of any Healthcare Law, including violation of the Anti-kickback Statute, Stark Law or False Claims Act which, individually or in the aggregate, would result in, upon payment of such amount, the Borrower having Borrowing Availability of less than $3,000,000, (3) any Loan Party or other Subsidiary of a Loan Party receives notice of the revocation of its Medicare or Medicaid certification and the loss of such certification which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect, or (4) one or more Loan Parties or Subsidiaries of a Loan Party receives notice that such Person(s) will be excluded from participation in Medicare, Medicaid or other federal or state healthcare program and such exclusion would reasonably be expected to have a Material Adverse Effect;

(n) Termination of Contracts. Any contract or contracts directly or indirectly between a Loan Party and the Illinois Department on Aging or any related entity, agency or sub-agency thereof are terminated, amended or modified, the result of which termination, amendment or modification would reasonably be expected to have a Material Adverse Effect; or

(o) Rate Management Agreement. Nonpayment by Borrower of any Rate Management Obligation (i) consisting of a termination or equivalent payment, when due, (ii) consisting of a payment of interest or equivalent payment within three (3) days of the date on which such payment is due, or the breach by Borrower of any term, provision or condition contained in any Rate Management Agreement and the continuation of such breach for thirty (30) days.

8.2 Suspension or Termination of Commitments. Upon the occurrence of any Default or Event of Default, Agent may, and at the request of Requisite Revolving Lenders Agent shall, without notice or demand, immediately suspend or terminate all or any portion of Lenders' obligations to make additional Advances or issue or cause to be issued Letters of Credit under the Revolving Loan Commitment; provided that, in the case of a Default, if the subject condition or event is waived by Requisite Revolving Lenders or cured within any applicable grace or cure period, the Revolving Loan Commitment shall be reinstated.

8.3 Acceleration and other Remedies. Upon the occurrence of any Event of Default described in Sections 8.1(f) or 8.1(g), the Commitments shall be immediately terminated and all of the Obligations, including the Revolving Loans, shall automatically become immediately due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other requirements of any kind, all of which are hereby expressly waived by Borrower, and the Commitments shall thereupon terminate. Upon the occurrence and during the continuance of any other Event of Default, Agent may, and at the request of the Requisite Lenders, Agent shall, by written notice to Borrower (a) reduce the aggregate amount of the Commitments from time to time, (b) declare all or any portion of the Loans and all or any portion of the other Obligations to be, and the same shall forthwith become, immediately due and payable together with accrued interest thereon, (c) terminate all or any portion of the obligations of Agent, L/C Issuers and Lenders to make Revolving Credit Advances and issue Letters of Credit, (d) demand that Borrower immediately deliver to Agent either (i) cash for the benefit of L/C Issuers (and Borrower shall then immediately so deliver) in an amount equal to 105% of the aggregate outstanding Letter of Credit Obligations or (ii) an Acceptable Standby Letter of Credit for the benefit of the L/C Issuers (and Borrower shall then immediately so deliver), and (e) exercise any other remedies which may be available under the Loan Documents or applicable law. Borrower hereby grants to Agent, for the benefit of L/C Issuers and each Lender with a participation in any Letters of Credit then outstanding, a security interest in such cash collateral or Acceptable Standby Letter of Credit to secure all of the Letter of Credit Obligations. Any such cash collateral or Acceptable Standby Letter of Credit shall be made available by Agent to L/C Issuers to reimburse L/C Issuers for payments of drafts drawn under such Letters of Credit and any Fees, Charges and expenses of L/C Issuers with respect to such Letters of Credit and the unused portion thereof, after all such Letters of Credit shall have expired or been fully drawn upon, shall be applied to pay any other Obligations. After all such Letters of Credit shall have expired or been fully drawn upon and the Termination Date shall have occurred, the balance, if any, of such cash collateral or Acceptable Standby Letter of Credit shall be (subject to any rights of third parties and except as otherwise directed by a court of competent jurisdiction) returned to Borrower. Borrower shall from time to time execute and deliver to Agent such further documents and instruments as Agent may reasonably request with respect to such cash collateral.

8.4 Performance by Agent. If any Loan Party shall fail to perform any covenant, duty or agreement contained in any of the Loan Documents which failure constitutes an Event of Default, Agent may perform or attempt to perform such covenant, duty or agreement on behalf of such Loan Party after the expiration of any cure or grace periods set forth herein. In such event, such Loan Party shall, at the request of Agent, promptly pay any amount reasonably expended by Agent in such performance or attempted performance to Agent, together with interest thereon at the highest rate of interest in effect upon the occurrence of an Event of Default as specified in Section 2.2(d) from the date of such expenditure until paid. Notwithstanding the foregoing, it is expressly agreed that Agent shall not have any liability or responsibility for the performance of any obligation of any Loan Party under this Agreement or any other Loan Document.

8.5 Application of Proceeds. Notwithstanding anything to the contrary contained in this Agreement, upon the occurrence and during the continuance of an Event of Default, Borrower irrevocably waives the right to direct the application of any and all payments at any time or times thereafter received by Agent from or on behalf of Borrower, and Agent shall have the continuing and exclusive right to apply and to reapply any and all payments received at any time or times after the occurrence and during the continuance of an Event of Default. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Section 2.1 and Section 2.5 hereof), all payments (including the proceeds of any Asset Disposition or other sale of, or other realization upon, all or any part of the Collateral) received after acceleration of the Obligations shall be applied as follows: first, to all costs and expenses incurred by or owing to Agent and any Lender with respect to this Agreement, the other Loan Documents or the Collateral; second, to accrued and unpaid interest and Fees with respect to the Obligations (including any interest which but for the provisions of the Bankruptcy Code, would have accrued on such amounts); third, to the principal amount of the Obligations outstanding (other than Obligations owed to any Lender under an Interest Rate Agreement) and to cash collateralize outstanding Letters of Credit (pro rata among all such Obligations (based upon the principal amount thereof or the outstanding face amount of such Letters of Credit, as applicable) (and with respect to amounts applied to Term Loans, pro rata among all remaining Scheduled Installments thereof); and fourth to any other obligations of Borrower owing to Agent or any Lender under the Loan Documents or any Interest Rate Agreement. Any balance remaining shall be delivered to Borrower or to whomever may be lawfully entitled to receive such balance or as a court of competent jurisdiction may direct.

SECTION 9.
ASSIGNMENT AND PARTICIPATION

9.1 Assignment and Participations.

(a) Subject to the terms of this Section 9.1, any Lender may make an assignment to a Qualified Assignee of, or sale of participations in, at any time or times, the Loan Documents, Loans, Letter of Credit Obligations and any Commitment or any portion thereof or interest therein, including any Lender’s rights, title, interests, remedies, powers or duties thereunder. Any assignment by a Lender shall: (i) require the consent of Agent (which consent shall not be unreasonably withheld or delayed with respect to a Qualified Assignee and which consent is not required by an assignment between Lenders or from a Lender to an Affiliate of a Lender or an Approved Fund) and the execution of an assignment agreement (an “Assignment Agreement” substantially in the form attached hereto as Exhibit 9.1 and otherwise in form and substance reasonably satisfactory to, and acknowledged by, Agent); (ii) be conditioned on such assignee Lender representing to the assigning Lender and Agent and the Borrower that it is purchasing the applicable Loans to be assigned to it for its own account, for investment purposes and not with a view to the distribution thereof; (iii) except with respect to any assignment by a Lender to an Affiliate or an Approved Fund of such Lender, after giving effect to any such partial assignment, the assignee Lender shall have Commitments in an amount at least equal to $5,000,000 and the assigning Lender shall have retained Commitments in an amount at least equal to $2,500,000; (iv) require a payment to Agent of an assignment fee of $3,500 and (v) so long as no Event of Default has occurred and is continuing, require the consent of Borrower (which consent is not required for an assignment between Lenders or from a Lender to an Affiliate or an Approved Fund of a Lender), which shall not be unreasonably withheld or delayed. Notwithstanding the above, Agent may in its sole and absolute discretion permit any assignment by a Lender to a Person or Persons that are not Qualified Assignees, subject to Borrower’s consent rights as set forth above. In the case of an assignment by a Lender that has become effective under this Section 9.1, (i) the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as all other Lenders hereunder and (ii) the assigning Lender shall be relieved of its obligations hereunder with respect to its Commitments or assigned portion thereof and the Loans, Letter of Credit Obligations and other interests assigned by it from and after the effective date of such assignment. Borrower hereby acknowledges and agrees that any assignment shall give rise to a direct obligation of Borrower to the assignee and that the assignee shall be considered to be a "Lender." In all instances, each Lender's liability to make Loans hereunder shall be several and not joint and shall be limited to such Lender's Pro Rata Share of the applicable Commitment. In the event Agent or any Lender assigns or otherwise transfers all or any part of the Obligations, Agent or any such Lender shall so notify Borrower and Borrower shall, upon the request of Agent or such Lender, execute new Notes in exchange for the Notes, if any, being assigned. Notwithstanding the foregoing provisions of this Section 9.1(a), (a) any Lender may at any time pledge the Obligations held by it and such Lender's rights under this Agreement and the other Loan Documents to a Federal Reserve Bank, (b) any Lender that is an investment fund may assign the Obligations held by it and such Lender's rights under this Agreement and the other Loan Documents to another investment fund managed by the same investment advisor or pledge such Obligations and rights to a trustee for the benefit of its investors and (c) any Lender may assign the Obligations to an Affiliate of such Lender or to a Person that is a Lender prior to the date of such assignment. Notwithstanding any other provision of this Agreement to the contrary, neither the Lenders nor any of their successors or assigns shall assign or transfer any interest herein without obtaining a representation from such successor or assign that any such assignment or transfer would not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the IRC with respect to the Plans.

(b) Any participation by a Lender of all or any part of its Commitments shall be made with the understanding that all amounts payable by Borrower hereunder shall be determined as if that Lender had not sold such participation, and that the holder of any such participation shall not be entitled to require such Lender to take or omit to take any action hereunder except actions directly affecting (i) any reduction in the principal amount of, or interest rate or Fees payable with respect to, any Loan in which such holder participates, (ii) any extension of the scheduled amortization of the principal amount of any Loan in which such holder participates or the final maturity date thereof, and (iii) any release of all or substantially all of the Collateral (other than in accordance with the terms of this Agreement, the Collateral Documents or the other Loan Documents). Solely for purposes of Sections 2.8, 2.9, 9.3 and 10.1, Borrower acknowledges and agrees that a participation shall give rise to a direct obligation of Borrower to the participant and the participant shall be considered to be a "Lender"; provided, (i) that any such participant shall not be entitled to receive any greater payment under Section 2.8 or Section 2.9 than the Lender granting such participation would have been entitled to receive with respect to the portion of its Commitment and Loans so participated; and (ii) with respect to Section 2.9, only to the extent such participant delivers the tax forms such Lender is required to collect under Section 2.9. Except as set forth in the preceding sentence no Borrower or any other Loan Party shall have any obligation or duty to any participant. Neither Agent nor any Lender (other than the Lender selling a participation) shall have any duty to any participant and may continue to deal solely with the Lender selling a participation as if no such sale had occurred.

(c) Except as expressly provided in this Section 9.1, no Lender shall, as between Borrower and that Lender, or Agent and that Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment, transfer or negotiation of, or granting of participation in, all or any part of the Loans, the Notes or other Obligations owed to such Lender.

(d) Each Loan Party shall assist each Lender permitted to sell assignments or participations under this Section 9.1 as required to enable the assigning or selling Lender to effect any such assignment or participation, including the execution and delivery of any and all agreements, notes and other documents and instruments on substantially the same terms as and consistent with this

Agreement and the other Loan Documents as shall be requested and, prior to completion of the primary syndication (as described in the Freeport Fee Letter), the prompt preparation of informational materials for, and the participation of management in meetings with, potential assignees or participants, all on a timetable reasonably established by Agent in its sole discretion. Each Loan Party executing this Agreement shall certify the correctness, completeness and accuracy of all descriptions of the Loan Parties and their respective affairs contained in any selling materials provided by it and all other information provided by it and included in such materials, except that any Projections delivered by Borrower shall only be certified by Borrower as having been prepared by Borrower in compliance with the representations contained in Section 4.5. Agent shall maintain, on behalf of Borrower, in its offices located in Chicago, Illinois a "register" for recording the name, address, commitment and Loans owing to each Lender. The entries in such register shall be conclusive evidence of the amounts due and owing to each Lender in the absence of manifest error. Borrower, Agent and each Lender may treat each Person whose name is recorded in such register pursuant to the terms hereof as a Lender for all purposes of this Agreement. The register described herein shall be available for inspection by Borrower and any Lender, at any reasonable time upon reasonable prior notice. Notwithstanding any other provision of this Agreement to the contrary, neither the Lenders nor any of their successors or assigns shall assign or transfer any interest herein without obtaining a representation from such successor or assign that any such assignment or transfer would not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the IRC with respect to the Plans.

(e) A Lender may furnish any information concerning Loan Parties in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants); provided that such Lender shall obtain from assignees or participants (and prospective assignees and prospective participants) confidentiality covenants substantially equivalent to those contained in Section 10.13.

9.2 Agent.

(a) Appointment. Each Lender hereby designates and appoints Freeport as its Agent under this Agreement and the other Loan Documents, and each Lender hereby irrevocably authorizes Agent to execute and deliver the Collateral Documents and to take such action or to refrain from taking such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers as are set forth herein or therein, together with such other powers as are reasonably incidental thereto. Agent is authorized and empowered to amend, modify, or waive any provisions of this Agreement or the other Loan Documents on behalf of Lenders subject to the requirement that certain of Lenders' consent be obtained in certain instances as provided in this Section 9.2 and Section 10.2. The provisions of this Section 9.2 are solely for the benefit of Agent and Lenders and neither Borrower nor any other Loan Party shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement, Agent shall act solely as agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for Borrower or any other Loan Party. Agent may perform any of its duties hereunder, or under the Loan Documents, by or through its agents or employees.

(b) Nature of Duties. The duties of Agent shall be mechanical and administrative in nature. Agent shall not have by reason of this Agreement a fiduciary relationship in respect of any Lender. Nothing in this Agreement or any of the Loan Documents, express or implied, is intended to or shall be construed to impose upon Agent any obligations in respect of this Agreement or any of the Loan Documents except as expressly set forth herein or therein. Each Lender shall make its own independent investigation of the financial condition and affairs of each Loan Party in connection with the extension of credit hereunder and shall make its own appraisal of the creditworthiness of each Loan Party, and Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto (other than as expressly required herein). If Agent seeks the consent or approval of any Lenders to the taking or refraining from taking any action hereunder, then Agent shall send notice thereof to each Lender. Agent shall promptly notify each Lender any time that the Requisite Lenders, Requisite Revolving Lenders or Supermajority Revolving Lenders have instructed Agent to act or refrain from acting pursuant hereto.

(c) Rights, Exculpation, Etc. Neither Agent nor any of its officers, directors, employees or agents shall be liable to any Lender for any action taken or omitted by them hereunder or under any of the Loan Documents, or in connection herewith or therewith, except that Agent shall be liable to the extent of its own gross negligence or willful misconduct as determined by a final non-appealable order by a court of competent jurisdiction. Agent shall not be liable for any apportionment or distribution of payments made by it in good faith and if any such apportionment or distribution is subsequently determined to have been made in error the sole recourse of any Lender to whom payment was due but not made, shall be to recover from other Lenders any payment in excess of the amount to which they are determined to be entitled (and such other Lenders hereby agree to return to such Lender any such erroneous payments received by them). In no event shall Agent be liable for punitive, special, consequential, incidental, exemplary or other similar damages. In performing its functions and duties hereunder, Agent shall exercise the same care which it would in dealing with loans for its own account, but neither Agent nor any of its agents or representatives shall be responsible to any Lender for any recitals, statements, representations or warranties herein or for the execution, effectiveness, genuineness, validity, enforceability, collectibility, or sufficiency of this Agreement or any of the Loan Documents or the transactions contemplated thereby, or for the financial condition of any Loan Party. Agent shall not be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any of the Loan Documents or the financial condition of any Loan Party, or the existence or possible existence of any Default or Event of Default. Agent may at any time request instructions from Requisite Lenders, Requisite Revolving Lenders, Supermajority Revolving Lenders or all affected Lenders with respect to any actions or approvals which by the terms of this Agreement or of any of the Loan Documents Agent is permitted or required to take or to grant. If such instructions are promptly requested, Agent shall be absolutely entitled to refrain from taking any action or to withhold any approval and shall not be under any liability whatsoever to any Person for refraining from any action or withholding any approval under any of the Loan Documents until it shall have received such instructions from the Requisite Lenders, Requisite Revolving Lenders, Supermajority Revolving Lenders or such other portion of the Lenders as shall be prescribed by this Agreement. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting under this Agreement or any of the other Loan Documents in accordance with the instructions of Requisite Lenders, Requisite Revolving Lenders, Supermajority Revolving Lenders or all affected Lenders, as applicable; and, notwithstanding the instructions of Requisite Lenders, Requisite Revolving Lenders, Supermajority Revolving Lenders or all affected Lenders, as applicable, Agent shall have no obligation to take any action if it believes, in good faith, that such action is deemed to be illegal by Agent or exposes Agent to any liability for which it has not received satisfactory indemnification in accordance with Section 9.2(e).

(d) Reliance. Agent shall be entitled to rely, and shall be fully protected in relying, upon any written or oral notices, statements, certificates, orders or other documents or any telephone message or other communication (including any writing, telex, fax or telegram) believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person, and with respect to all matters pertaining to this Agreement or any of the Loan Documents and its duties hereunder or thereunder. Agent shall be entitled to rely upon the advice of legal counsel, independent accountants, and other experts selected by Agent in its sole discretion.

(e) Indemnification. Lenders will reimburse and indemnify Agent for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, attorneys' fees and expenses), advances or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Agent in its capacity as such in any way relating to or arising out of this Agreement or any of the Loan Documents or any action taken or omitted by Agent in its capacity as such under this Agreement or any of the Loan Documents, in proportion to each Lender's Pro Rata Share, but only to the extent that any of the foregoing is not reimbursed by Borrower; provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, advances or disbursements to the extent resulting from Agent's gross negligence or willful misconduct as determined by a final non-appealable order by a court of competent jurisdiction. If any indemnity furnished to Agent for any purpose shall, in the opinion of Agent, be insufficient or become impaired, Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against even if so directed by the Requisite Lenders, Requisite Revolving Lenders, Supermajority Revolving Lenders or such other portion of the Lenders as shall be prescribed by this Agreement until such additional indemnity is furnished. The obligations of Lenders under this Section 9.2(e) shall survive the payment in full of the Obligations and the termination of this Agreement.

(f) Freeport (or any successor Agent) Individually. With respect to its Commitments hereunder, Freeport (or any successor Agent) shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Lender. The terms "Lenders," "Requisite Lenders," "Requisite Revolving Lenders," "Supermajority Revolving Lenders" or any similar terms shall, unless the context clearly otherwise indicates, include Freeport (or any successor Agent) in its individual capacity as a Lender or one of the Requisite Lenders, Requisite Revolving Lenders or Supermajority Revolving Lenders. Freeport (or any successor Agent), either directly or through strategic affiliations, may lend money to, acquire equity or other ownership interests in, provide advisory services to and generally engage in any kind of banking, trust or other business with any Loan Party as if it were not acting as Agent pursuant hereto and without any duty to account therefor to Lenders. Freeport (or any successor Agent), either directly or through strategic affiliations, may accept fees and other consideration from any Loan Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

(g) Successor Agent.

(i) Resignation. Agent may resign from the performance of all its agency functions and duties hereunder at any time by giving at least thirty (30) Business Days' prior written notice to Borrower and Lenders. Such resignation shall take effect upon the acceptance by a successor Agent of appointment pursuant to clause (ii) below or as otherwise provided in clause (ii) below.

(ii) Appointment of Successor. Upon any such notice of resignation pursuant to clause (i) above, Requisite Lenders shall appoint a successor Agent which, unless an Event of Default has occurred and is continuing, shall be subject to Borrower's approval (which shall not be unreasonably withheld or delayed). If a successor Agent shall not have been so appointed within the thirty (30) Business Day period referred to in clause (i) above, the retiring Agent, upon notice to Borrower, shall then appoint a successor Agent which, unless an Event of Default has occurred and is continuing shall be reasonably acceptable to Borrower (such consent not to be unreasonably withheld) who shall serve as Agent until such time, if any, as Requisite Lenders appoint a successor Agent as provided above.

(iii) Successor Agent. Upon the acceptance of any appointment as Agent under the Loan Documents by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Agent's resignation as Agent, the provisions of this Section 9.2 shall continue to inure to its benefit as to any actions taken or omitted to be taken by it in its capacity as Agent.

(h) Collateral Matters.

(i) Release of Collateral. Lenders hereby irrevocably authorize Agent, at its option and in its discretion, to release any Lien granted to or held by Agent upon any Collateral (x) on the Termination Date, (y) constituting property being sold or disposed of if Borrower certifies to Agent that the sale or disposition is made in compliance with the provisions of this Agreement (and Agent may rely in good faith conclusively on any such certificate, without further inquiry) or (z) in accordance with the provisions of the next sentence. In addition, with the consent of Requisite Lenders, during any Fiscal Year Agent may release any Lien granted to or held by Agent upon any Collateral having a book value not greater than ten percent (10%) of the total book value of all Collateral as of the first day of such Fiscal Year.

(ii) Confirmation of Authority; Execution of Releases. Without in any manner limiting Agent's authority to act without any specific or further authorization or consent by Lenders (as set forth in Section 9.2(h)(i)), each Lender agrees to confirm in writing, upon request by Agent or Borrower, the authority to release any Collateral conferred upon Agent under clauses (x) and (y) of Section 9.2(h)(i). Upon not less than five (5) Business Days' prior written request by Borrower, Agent shall (and is hereby irrevocably authorized by Lenders to) execute such documents as may be necessary to evidence the release of the Liens granted to Agent upon such Collateral; provided, however, that (x) Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (y) such release shall not in any manner discharge, affect or impair the Obligations or any Liens upon (or obligations of any Loan Party, in respect of), all interests retained by any Loan Party, including the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(iii) Absence of Duty. Agent shall have no obligation whatsoever to any Lender or any other Person to assure that the property covered by the Collateral Documents exists or is owned by Borrower or any other Loan Party or is cared for, protected or insured or has been encumbered or that the Liens granted to Agent have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent in this Section 9.2(h) or in any of the Loan Documents, it being understood and agreed that in respect of the property covered by the Collateral Documents or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its discretion, given Agent's own interest in property covered by the Collateral Documents as one of the Lenders and that Agent shall have no duty or liability whatsoever to any of the other Lenders, provided that Agent shall exercise the same care which it would in dealing with loans for its own account.

(i) Agency for Perfection. Agent and each Lender hereby appoint each other Lender as agent for the purpose of perfecting Agent's security interest in assets which, in accordance with the

Code in any applicable jurisdiction, can be perfected by possession or control. Should any Lender (other than Agent) obtain possession or control of any such assets, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor, shall deliver such assets to Agent or in accordance with Agent's instructions or transfer control to Agent in accordance with Agent's instructions. Each Lender agrees that it will not have any right individually to enforce or seek to enforce any Collateral Document or to realize upon any collateral security for the Loans unless instructed to do so by Agent in writing, it being understood and agreed that such rights and remedies may be exercised only by Agent.

(j) Notice of Default. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default except with respect to defaults in the payment of principal, interest and Fees required to be paid to Agent for the account of Lenders, unless Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". Agent will use reasonable efforts to notify each Lender of its receipt of any such notice, unless such notice is with respect to defaults in the payment of principal, interest and fees, in which case Agent will notify each Lender of its receipt of such notice. Agent shall take such action with respect to such Default or Event of Default as may be requested by Requisite Lenders in accordance with Section 8. Unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interests of Lenders.

(k) Lender Actions Against Collateral. Each Lender agrees that it will not take any enforcement action, nor institute any actions or proceedings, with respect to the Loans, against Borrower or any Loan Party hereunder or under the other Loan Documents or against any Collateral (including the exercise of any right of set-off) without the consent of the Agent or Requisite Lenders. All such enforcement actions and proceedings shall be (i) taken in concert and (ii) at the direction of or with the consent of Agent or Requisite Lenders. With respect to any action by Agent to enforce the rights and remedies of Agent and the Lenders under this Agreement and the other Loan Documents, each Lender hereby consents to the jurisdiction of the court in which such action is maintained, and agrees to deliver its Notes to Agent to the extent necessary to enforce the rights and remedies of Agent for the benefit of the Lenders under the Collateral Documents in accordance with the provisions hereof.

(l) Agent Reports. Each Lender may from time to time receive one or more reports or other information (each, a "Report") prepared by or on behalf of Agent (or one or more of Agent's Affiliates). With respect to each Report, each Lender hereby agrees that:

(i) Agent (and Agent's Affiliates) shall have no duties or obligations in connection with or as a result of a Lender receiving a copy of a Report, which will be provided solely as a courtesy, without consideration. Each Lender will perform its own diligence and will make its own independent investigation of the operations, financial conditions and affairs of the Loan Parties and will not rely on any Report or make any claim that it has done so. In addition, each Lender releases, and agrees that it will not assert, any claim against Agent (or one or more of Agent's Affiliates) that in any way relates to any Report or arises out of a Lender having access to any Report or any discussion of its contents, and each Lender agrees to indemnify and hold harmless Agent (and Agent's Affiliates) and their respective officers, directors, employees, agents and attorneys from all claims, liabilities and expenses relating to a breach by a Lender or any of its personnel of this Section or otherwise arising out of a Lender's access to any Report or any discussion of its contents;

(ii) Each Report may not be complete and certain information and findings obtained by Agent (or one or more of Agent's Affiliates) regarding the operations and condition of the

Loan Parties may not be reflected in each Report. Agent (and Agent's Affiliates) makes no representations or warranties of any kind with respect to (i) any existing or proposed financing; (ii) the accuracy or completeness of the information contained in any Report or in any other related documentation; (iii) the scope or adequacy of Agent's (and Agent's Affiliates') due diligence, or the presence or absence of any errors or omissions contained in any Report or in any other related documentation; and (iv) any work performed by Agent (or one or more of Agent's Affiliates) in connection with or using any Report or any related documentation; and

(iii) Each Lender agrees to safeguard each Report and any related documentation with the same care which it uses with respect to information of its own which it does not desire to disseminate or publish, and agrees not to reproduce or distribute or provide copies of or disclose any Report or any other related documentation or any related discussions to anyone.

9.3 Set Off and Sharing of Payments. Subject to Section 9.2(k), in addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, during the continuance of any Event of Default, each Lender is hereby authorized by Borrower at any time or from time to time, with reasonably prompt subsequent notice to Borrower (any prior or contemporaneous notice being hereby expressly waived) to the extent permitted by law to set off and to appropriate and to apply any and all (A) balances held by such Lender at any of its offices for the account of Borrower or any of its Subsidiaries (regardless of whether such balances are then due to Borrower or its Subsidiaries), and (B) other property at any time held or owing by such Lender to or for the credit or for the account of Borrower or any of its Subsidiaries, against and on account of any of the Obligations; except that no Lender shall exercise any such right without the prior written consent of Agent. Notwithstanding anything herein to the contrary, the failure to give notice of any set off and application made by such Lender to Borrower shall not affect the validity of such set off and application. Any Lender exercising a right to set off shall purchase for cash (and the other Lenders shall sell) interests in each of such other Lender's Pro Rata Share of the Obligations as would be necessary to cause all Lenders to share the amount so set off with each other Lender entitled to share in the amount so set off in accordance with their respective Pro Rata Shares. Borrower agrees, to the fullest extent permitted by law, that any Lender may exercise its right to set off with respect to amounts in excess of its Pro Rata Share of the Obligations and upon doing so shall deliver such amount so set off to the Agent for the benefit of all Lenders entitled to share in the amount so set off in accordance with their Pro Rata Shares.

9.4 Disbursement of Funds. Agent may, on behalf of Lenders, disburse funds to Borrower for Loans requested. Each Lender shall reimburse Agent on demand for all funds disbursed on its behalf by Agent, or if Agent so requests, each Lender will remit to Agent its Pro Rata Share of any Loan before Agent disburses same to Borrower. If Agent elects to require that each Lender make funds available to Agent prior to a disbursement by Agent to Borrower, Agent shall advise each Lender by telephone or fax of the amount of such Lender's Pro Rata Share of the Loan requested by Borrower no later than noon (Chicago time) on the Funding Date applicable thereto, and each such Lender shall pay Agent such Lender's Pro Rata Share of such requested Loan, in same day funds, by wire transfer to Agent's account on such Funding Date. If any Lender fails to pay the amount of its Pro Rata Share within one (1) Business Day after Agent's demand, Agent shall promptly notify Borrower, and to the extent that Agent has funded the Pro Rata Share of such Lender, Borrower shall immediately repay such amount to Agent. Any repayment required pursuant to this Section 9.4 shall be without premium or penalty and without payment of any LIBOR Breakage Costs. Nothing in this Section 9.4 or elsewhere in this Agreement or the other Loan Documents, including the provisions of Section 9.5, shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights that Agent or Borrower may have against any Lender as a result of any default by such Lender hereunder.

9.5 Disbursements of Advances; Payment.

(a) Advances; Payments.

(i) Each Revolving Lender shall make the amount of such Lender's Pro Rata Share of such Revolving Credit Advance available to Agent in same day funds by wire transfer to Agent's account as set forth in Section 2.1(e) not later than 2:00 p.m. (Chicago time) on the requested Funding Date in the case of an Index Rate Loans and not later than 10:00 a.m. (Chicago time) on the requested Funding Date in the case of a LIBOR Loan. After receipt of such wire transfers (or, in the Agent's sole discretion, before receipt of such wire transfers), subject to the terms hereof, Agent shall make the requested Revolving Credit Advance to Borrower as designated by Borrower in the Notice of Revolving Credit Advance. All payments by each Revolving Lender shall be made without setoff, counterclaim or deduction of any kind.

(ii) At least once each calendar week or more frequently at Agent's election (each, a "Settlement Date"), Agent shall advise each Lender by telephone or fax of the amount of such Lender's Pro Rata Share of principal, interest and Fees paid for the benefit of Lenders with respect to each applicable Loan. Provided that each Lender has funded all payments and Advances required to be made by it and funded all purchases of participations required to be funded by it under this Agreement and the other Loan Documents as of such Settlement Date, Agent shall pay to each Lender such Lender's Pro Rata Share of principal, interest and Fees paid by Borrower since the previous Settlement Date for the benefit of such Lender on the Loans held by it. Such payments shall be made by wire transfer to such Lender's account (as specified by such Lender in Annex D or the applicable Assignment Agreement) not later than 1:00 p.m. (Chicago time) on the next Business Day following each Settlement Date. To the extent that any Lender (a "Non-Funding Lender") has failed to fund all such payments and Advances or failed to fund the purchase of all such participations required to be funded by such Lender pursuant to this Agreement, Agent shall be entitled to set off the funding shortfall against that Non-Funding Lender's Pro Rata Share of all payments received from Borrower.

(b) Availability of Lender's Pro Rata Share. Agent may assume that each Revolving Lender will make its Pro Rata Share of each Revolving Credit Advance available to Agent on each Funding Date. If such Pro Rata Share is not, in fact, paid to Agent by such Revolving Lender when due, Agent will be entitled to recover such amount on demand from such Revolving Lender without setoff, counterclaim or deduction of any kind. If any Revolving Lender fails to pay the amount of its Pro Rata Share forthwith upon Agent's demand, Agent shall promptly notify Borrower and to the extent that Agent advanced such funds on behalf of such Lender to the Borrower, the Borrower shall immediately repay such amount to Agent without premium or penalty and without payment of LIBOR Breakage Costs. Nothing in this Section 9.5(b) or elsewhere in this Agreement or the other Loan Documents shall be deemed to require Agent to advance funds on behalf of any Revolving Lender or to relieve any Revolving Lender from its obligation to fulfill its Commitments hereunder or to prejudice any rights that Borrower may have against any Revolving Lender as a result of any default by such Revolving Lender hereunder. To the extent that Agent advances funds to Borrower on behalf of any Revolving Lender and is not reimbursed therefor on the same Business Day as such Advance is made, Agent shall be entitled to retain for its account all interest accrued on such Advance until reimbursed by the applicable Revolving Lender.

(c) Return of Payments.

(i) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from Borrower and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind.

(ii) If Agent determines at any time that any amount received by Agent under this Agreement must be returned to Loan Party or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to Borrower or such other Person, without setoff, counterclaim or deduction of any kind.

(d) Non-Funding Lenders. The failure of any Non-Funding Lender to make any Revolving Credit Advance or any payment required by it hereunder, shall not relieve any other Lender (each such other Revolving Lender, an "Other Lender") of its obligations to make such Advance or fund the purchase of any such participation on such date, but neither any Other Lender nor Agent shall be responsible for the failure of any Non-Funding Lender to make an Advance, fund the purchase of a participation or make any other payment required hereunder. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Loan Document or constitute a "Lender" or a "Revolving Lender" (or be included in the calculation of "Requisite Lenders", "Requisite Revolving Lenders" or "Supermajority Revolving Lenders" hereunder) for any voting or consent rights under or with respect to any Loan Document.

SECTION 10.
MISCELLANEOUS

10.1 Indemnities. Borrower agrees to indemnify, pay, and hold Agent, each Lender, each L/C Issuer and their respective Affiliates, officers, directors, employees, agents, and attorneys (the "Indemnitees") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs and expenses (including all reasonable fees and expenses of counsel to such Indemnitees) of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Indemnitee as a result of such Indemnitees being a party to this Agreement or the transactions consummated pursuant to this Agreement or otherwise relating to any of the Loan Documents or Related Transactions; provided, that Borrower shall have no obligation to an Indemnitee hereunder (w) with respect to any costs and expenses which are specifically excluded in Section 2.3(e), (x) with respect to liabilities to the extent resulting from the gross negligence or willful misconduct of that Indemnitee as determined by a court of competent jurisdiction or (y) other than any Agent Indemnitee in its capacity as such, from any investigation or proceeding solely among Lenders or participants or potential Lenders or participants relating to assignments of the Loans and/or Commitments or other intra-lender issues by any one or more Lenders, participants or potential Lenders or participants. If and to the extent that the foregoing undertaking may be unenforceable for any reason, Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

10.2 Amendments and Waivers.

(a) Except for actions expressly permitted to be taken by Agent, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or any consent to any departure by any Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Borrower, and by Requisite Lenders, Requisite Revolving Lenders, Supermajority Revolving Lenders or all affected Lenders, as applicable. Except as set forth in clauses (b) and (c) below, all such amendments, modifications, terminations or waivers requiring the consent of any Lenders shall require the written consent of Requisite Lenders.

(b) No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement that amends the definition of Advance Multiple in a manner which results in an increase in the amount of Revolving Loans which may be made available to Borrower shall be effective unless the same shall be in writing and signed by Agent, Supermajority Revolving Lenders and Borrower. No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement that waives compliance with the conditions precedent set forth in Section 3.2 to the making of any Loan or the incurrence of any Letter of Credit Obligations shall be effective unless the same shall be in writing and signed by Agent, Requisite Revolving Lenders and Borrower.

Notwithstanding anything contained in this Agreement to the contrary, no waiver or consent with respect to any Default or any Event of Default shall be effective for purposes of the conditions precedent to the making of Loans or the incurrence of Letter of Credit Obligations set forth in Section 3.2 unless the same shall be in writing and signed by Agent, Requisite Revolving Lenders and Borrower.

(c) No amendment, modification, termination or waiver shall, unless in writing and signed by Agent and each Lender directly affected thereby: (i) increase the principal amount, or postpone or extend the scheduled date of expiration, of any Lender's Commitment (which action shall be deemed only to affect those Lenders whose Commitments are increased or the scheduled date of expiration of whose Commitments are postponed or extended and may be approved by Requisite Lenders, including those Lenders whose Commitments are increased or the scheduled date of expiration of whose Commitments are postponed or extended); (ii) reduce the principal of, rate of interest on (other than any determination or waiver to charge or not charge interest at the Default Rate) or Fees payable with respect to any Loan or Letter of Credit Obligations of any affected Lender; (iii) extend any scheduled payment date or final maturity date of the principal amount of any Loan of any affected Lender or postpone or extend the scheduled date of expiration of any Letter of Credit beyond the date set forth in clause (b) of the initial sentence of Section 2.1(c)(iv); (iv) waive, forgive, defer, extend or postpone any payment of interest or Fees as to any affected Lender (which action shall be deemed only to affect those Lenders to whom such payments are made); (v) release any Guaranty or, except as otherwise permitted in Section 6.7 or Section 9.2(h), release Collateral (which action shall be deemed to directly affect all Lenders); (vi) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans that shall be required for Lenders or any of them to take any action hereunder (which action shall be deemed to directly affect all Lenders); and (vii) amend or waive this Section 10.2 or the definitions of the terms “Requisite Lenders”, “Requisite Revolving Lenders” or “Supermajority Revolving Lenders” insofar as such definitions affect the substance of this Section 10.2 or the term “Pro Rata Share” (which action shall be deemed to directly affect all Lenders). Furthermore, no amendment, modification, termination or waiver affecting the rights or duties of Agent or L/C Issuers under this Agreement or any other Loan Document shall be effective unless in writing and signed by Agent or L/C Issuers, as the case may be, in addition to Lenders required hereinabove to take such action. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification, termination or waiver shall be required for Agent to take additional Collateral pursuant to any Loan Document. No amendment, modification, termination or waiver of any provision of any Note (other than by virtue of the incorporation therein of any term from this Agreement that can be amended with less than all affected Lenders) shall be effective without the written concurrence of the holder of that Note. No notice to or demand on any Loan Party in any case shall entitle such Loan Party or any other Loan Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 10.2 shall be binding upon each holder of the Notes at the time outstanding and each future holder of the Notes.

10.3 Notices. Any notice or other communication required shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied, sent by overnight courier service or U.S. mail and shall be deemed to have been given: (a) if delivered in person, when delivered; (b) if delivered by fax, on the date of transmission if transmitted on a Business Day before 4:00 p.m. Chicago time; (c) if delivered by overnight courier, one (1) Business Day after delivery to the courier properly addressed; or (d) if delivered by U.S. mail, four (4) Business Days after deposit with postage prepaid and properly addressed.

Notices shall be addressed as follows:

If to Borrower:
Addus HealthCare, Inc.
2401 South Plum Grove Road
Palatine, Illinois 60067
ATTN: Edward Busy, Esq.
Fax: (847) 303-5376

With a copy to:
King & Spalding LLP
1185 Avenue of the Americas
New York, New York 10036
ATTN: Robert S. Finley
Fax: (212) 556-2222

If to Agent:
FREEPORT FINANCIAL LLC
500 West Madison Street, Suite 1710
Chicago, Illinois 60661
ATTN: Addus HealthCare, Inc. Account Officer
Fax: (312) 281-4646

With a copy to:
Winston & Strawn LLP
35 West Wacker Drive
Chicago, Illinois 60601
ATTN: Patrick Hardiman
Fax: (312) 558-5700

If to a Lender:
To the address set forth on the signature page hereto or in the applicable Assignment Agreement

10.4 Failure or Indulgence Not Waiver; Remedies Cumulative. No failure or delay on the part of Agent or any Lender to exercise, nor any partial exercise of, any power, right or privilege hereunder or under any other Loan Documents shall impair such power, right, or privilege or be construed to be a waiver of any Default or Event of Default. All rights and remedies existing hereunder or under any other Loan Document are cumulative to and not exclusive of any rights or remedies otherwise available.

10.5 Marshaling; Payments Set Aside. Neither Agent nor any Lender shall be under any obligation to marshal any assets in payment of any or all of the Obligations. To the extent that Borrower makes payment(s) or Agent enforces its Liens or Agent or any Lender exercises its right of set-off, and such payment(s) or the proceeds of such enforcement or set-off is subsequently invalidated, declared to be fraudulent or preferential, set aside, or required to be repaid by anyone (whether as a result of any demand, litigation, settlement or otherwise), then to the extent of such recovery, the Obligations or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or set-off had not occurred.

10.6 Severability. The invalidity, illegality, or unenforceability in any jurisdiction of any provision under the Loan Documents shall not affect or impair the remaining provisions in the Loan Documents.

10.7 Lenders' Obligations Several; Independent Nature of Lenders' Rights. The obligation of each Lender hereunder is several and not joint and no Lender shall be responsible for the obligation or commitment of any other Lender hereunder. In the event that any Lender at any time should fail to make a Loan as herein provided, the Lenders, or any of them, at their sole option, may make the Loan that was to have been made by the Lender so failing to make such Loan. Nothing contained in any Loan Document and no action taken by Agent or any Lender pursuant hereto or thereto shall be deemed to constitute Lenders to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt.

10.8 Headings. Section and subsection headings are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purposes or be given substantive effect.

10.9 Applicable Law. THIS AGREEMENT AND EACH OF THE OTHER LOAN DOCUMENTS WHICH DOES NOT EXPRESSLY SET FORTH APPLICABLE LAW SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

10.10 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns except that Borrower may not assign its rights or obligations hereunder without the written consent of all Lenders and any such purported assignment without such written consent shall be void.

10.11 No Fiduciary Relationship; Limited Liability. No provision in the Loan Documents and no course of dealing between the parties shall be deemed to create any fiduciary duty owing to any Loan Party by Agent or any Lender. Borrower and each other Loan Party agree that neither Agent nor any Lender shall have liability to Borrower or any other Loan Party (whether sounding in tort, contract or otherwise) for losses suffered by Borrower or any other Loan Party in connection with, arising out of, or in any way related to the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless and to the extent that it is determined that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought as determined by a final non-appealable order by a court of competent jurisdiction. Neither Agent nor any Lender shall have any liability with respect to, and Borrower and each other Loan Party hereby waive, release and agree not to sue for, any special, indirect or consequential damages suffered by Borrower and any other Loan Party in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

10.12 Construction. Agent, each Lender, Borrower and each other Loan Party acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review the Loan Documents with its legal counsel and that the Loan Documents shall be construed as if jointly drafted by Agent, each Lender, Borrower and each other Loan Party.

10.13 Confidentiality. Until the Termination Date, Agent and each Lender agree to exercise their best efforts to keep confidential any non-public information delivered pursuant to the Loan Documents and identified as such by Borrower and not to disclose such information to Persons other than (so long as any such Person shall have agreed to be bound by the terms of this Section 10.13 in a writing acceptable to the Borrower) to potential assignees or participants or to any Affiliate of, or Persons employed by or engaged, by Agent, a Lender or any of their respective Affiliates or a Lender’s assignees or participants including attorneys, auditors, professional consultants, rating agencies, insurance industry associations and portfolio management services or to a Person that is a trustee, investment advisor, collateral manager, servicer, noteholder or secured party in a Securitization (as hereinafter defined) in connection with the administration, servicing and reporting on the assets serving as collateral for such Securitization. For the purposes of this section, “Securitization” shall mean a public or private offering by a Lender or any of its

Affiliates or their respective successors and assigns, of securities which represent an interest in, or which are collateralized, in whole or in part, by the Loans. The confidentiality provisions contained in this Section 10.13 shall not apply to disclosures (i) required to be made by Agent or any Lender to any regulatory or governmental agency or pursuant to law, rule, regulations or legal process or (ii) consisting of general portfolio information that does not specifically identify Borrower. Each Loan Party agrees that Agent or any Lender may, subject to the Loan Parties' consent (with such consent not to be unreasonably withheld), publish a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement. Agent or such Lender shall provide a draft of any such tombstone or similar advertising material to each Loan Party for review and comment prior to the publication thereof. Agent may provide to industry trade organizations information with respect to the credit facility that is necessary and customary for inclusion in league table measurements. The obligations of Agent and Lenders under this Section 10.13 shall supersede and replace the obligations of Agent and Lenders under any confidentiality agreement in respect of this financing executed and delivered by Agent or any Lender prior to the date hereof.

10.14 CONSENT TO JURISDICTION. AGENT, LENDERS, BORROWER AND LOAN PARTIES HEREBY CONSENT TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN COOK COUNTY, STATE OF ILLINOIS AND IRREVOCABLY AGREE THAT, SUBJECT TO AGENT'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS SHALL BE LITIGATED IN SUCH COURTS. AGENT, LENDERS, BORROWER AND LOAN PARTIES EXPRESSLY SUBMIT AND CONSENT TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVE ANY DEFENSE OF FORUM NON CONVENIENS. BORROWER AND LOAN PARTIES HEREBY WAIVE PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON BORROWER AND LOAN PARTIES BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO BORROWER, AT THE ADDRESS SET FORTH IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED.

10.15 WAIVER OF JURY TRIAL. BORROWER, LOAN PARTIES, AGENT AND EACH LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. BORROWER, LOAN PARTIES, AGENT AND EACH LENDER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. BORROWER, LOAN PARTIES, AGENT AND EACH LENDER WARRANT AND REPRESENT THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

10.16 Survival of Warranties and Certain Agreements. All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the making of the Loans, issuances of Letters of Credit and the execution and delivery of the Notes. Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of Borrower set forth in Sections 2.8, 2.9 and 10.1 shall survive the repayment of the Obligations and the termination of this Agreement.

10.17 Entire Agreement. This Agreement, the Notes and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior commitments, agreements, representations, and understandings, whether oral or written, relating to the subject matter hereof (other than the Freeport

Fee Letter), and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto. All Exhibits, Schedules and Annexes referred to herein are incorporated in this Agreement by reference and constitute a part of this Agreement.

10.18 Counterparts; Effectiveness. This Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one in the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto.

10.19 Replacement of Lenders.

(a) Within fifteen (15) days after receipt by Borrower of written notice and demand from any Lender for payment pursuant to Section 2.8 or 2.9 or, as provided in Section 10.19(c), in the case of certain refusals by any Lender to consent to certain proposed amendments, modifications, terminations or waivers with respect to this Agreement that have been approved by Requisite Lenders, Requisite Revolving Lenders, Supermajority Revolving Lenders or all affected Lenders, as applicable (any such Lender demanding such payment or refusing to so consent being referred to herein as an “Affected Lender”), Borrower may, at its option, notify Agent and such Affected Lender of its intention to do one of the following:

(i) Borrower may obtain, at Borrower’s expense, a replacement Lender (“Replacement Lender”) for such Affected Lender, which Replacement Lender shall be reasonably satisfactory to Agent. In the event Borrower obtains a Replacement Lender that will purchase all outstanding Obligations owed to such Affected Lender and assume its Commitments hereunder within ninety (90) days following notice of Borrower’s intention to do so, the Affected Lender shall sell and assign all of its rights and delegate all of its obligations under this Agreement to such Replacement Lender in accordance with the provisions of Section 9.1, provided that Borrower has reimbursed such Affected Lender for any administrative fee payable pursuant to Section 9.1 and, in any case where such replacement occurs as the result of a demand for payment pursuant to Section 2.8 or 2.9, paid all amounts required to be paid to such Affected Lender pursuant to Section 2.8 or 2.9 through the date of such sale and assignment; or

(ii) Borrower may, with Agent’s consent, give written notice of its intention to prepay in full all outstanding Obligations owed to such Affected Lender and terminate such Affected Lender’s Pro Rata Share of the Revolving Loan Commitment and Pro Rata Share of the Term Loan Commitment, in which case, upon the effectiveness of such termination, the Revolving Loan Commitment and Term Loan Commitment will be reduced by the amount of such Pro Rata Share. Borrower shall, within ninety (90) days following notice of its intention to do so, prepay in full all outstanding Obligations owed to such Affected Lender (including, in any case where such prepayment occurs as the result of a demand for payment for increased costs, such Affected Lender’s increased costs for which it is entitled to reimbursement under this Agreement through the date of such prepayment), and terminate such Affected Lender’s obligations under the Revolving Loan Commitment and Term Loan Commitment.

(b) In the case of a Non-Funding Lender pursuant to Section 9.5(a), at Borrower’s request, Agent or a Person acceptable to Agent shall have the right with Agent’s consent and in Agent’s sole discretion (but shall have no obligation) to purchase from any Non-Funding Lender, and each Non-Funding Lender agrees that it shall, at Agent’s request, sell and assign to Agent or such Person, all of the Loans and Commitments of that Non-Funding Lender for an amount equal to the principal balance of all

Loans held by such Non-Funding Lender and all accrued interest and Fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

(c) If, in connection with any proposed amendment, modification, waiver or termination pursuant to Section 10.2 (a "Proposed Change"):

(i) requiring the consent of all affected Lenders, the consent of Requisite Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in this clause (i) and in clause (ii) below being referred to as a "Non-Consenting Lender"), or

(ii) requiring the consent of Supermajority Revolving Lenders, the consent of Requisite Revolving Lenders is obtained, but the consent of Supermajority Revolving Lenders is not obtained,

then, so long as Agent is not a Non-Consenting Lender, at Borrower's request Agent, or a Person reasonably acceptable to Agent, shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from such Non-Consenting Lenders, and such Non-Consenting Lenders agree that they shall, upon Agent's request, sell and assign to Agent or such Person, all of the Loans and Commitments of such Non-Consenting Lenders for an amount equal to the principal balance of all Loans held by the Non-Consenting Lenders and all accrued interest and Fees and other Obligations owing with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

10.20 Delivery of Termination Statements and Mortgage Releases. On the Termination Date, and so long as no suits, actions, proceedings, or claims are pending or asserted against any Indemnitee asserting any damages, losses or liabilities that are indemnified liabilities hereunder, Agent shall deliver to Borrower termination statements, mortgage releases and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations.

10.21 Subordination of Intercompany Debt.

(a) Each Loan Party hereby agrees that any intercompany Indebtedness or other intercompany payables or receivables, or intercompany advances directly or indirectly made by or owed to such Loan Party by any other Loan Party (collectively, "Intercompany Debt"), of whatever nature at any time outstanding shall be subordinate and subject in right of payment to the prior payment in full in cash of the Obligations. Each Loan Party hereby agrees that it will not, while any Event of Default is continuing, accept any payment, including by offset, on any Intercompany Debt until the Termination Date, in each case, except with the prior written consent of Agent.

(b) In the event that any payment on any Intercompany Debt shall be received by a Loan Party other than as permitted by this Section 10.21 before the Termination Date, such Loan Party shall receive such payments and hold the same in trust for, segregate the same from its own assets and shall immediately pay over to, the Agent for the benefit of the Agent and Lenders all such sums to the extent necessary so that Agent and the Lenders shall have been paid in full, in cash, all Obligations owed or which may become owing.

(c) Upon any payment or distribution of any assets of any Loan Party of any kind or character, whether in cash, property or securities by set-off, recoupment or otherwise, to creditors in any liquidation or other winding-up of such Loan Party or in the event of any Proceeding, Agent and Lenders shall first be entitled to receive payment in full in cash, in accordance with the terms of the Obligations and of this Agreement, of all amounts payable under or in respect of such Obligations, before any payment or distribution is made on, or in respect of, any Intercompany Debt, in any such Proceeding, any distribution or payment, to which Agent or any Lender would be entitled except for the provisions hereof shall be paid by such Loan Party, or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution directly to Agent (for the benefit of Agent and the Lenders) to the extent necessary to pay all such Obligations in full in cash, after giving effect to any concurrent payment or distribution to Agent and Lenders (or to Agent for the benefit of Agent and Lenders).

[Signature Pages Follow]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

ADDUS HEALTHCARE, INC.

By: /s/ Ed Budy
Name: Ed Budy
Title: Assistant Secretary

ADDUS ACQUISITION CORPORATION

By: /s/ Simon Bachleda
Name: Simon Bachleda
Title: Secretary

ADDUS HOLDING CORPORATION

By: /s/ Simon Bachleda
Name: Simon Bachleda
Title: Secretary

ADDUS MANAGEMENT CORPORATION

By: /s/ Simon Bachleda
Name: Simon Bachleda
Title: Secretary

LOWELL HOME HEALTH AGENCY, INC.

By: /s/ Ed Budy
Name: Ed Budy
Title: Secretary

LITTLE ROCK HOME HEALTH AGENCY, INC.

By: /s/ Ed Budy
Name: Ed Budy
Title: Secretary

FORT SMITH HOME HEALTH AGENCY, INC.

By: /s/ Ed Budy
Name: Ed Budy
Title: Secretary

BENEFITS ASSURANCE CO., INC.

By: /s/ Ed Budy
Name: Ed Budy
Title: Secretary

PHC ACQUISITION CORPORATION

By: /s/ Ed Budy
Name: Ed Budy
Title: Secretary

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

By: /s/ Ed Budy
Name: Ed Budy
Title: Secretary

The undersigned hereby assumes and agrees to perform all obligations, liabilities indebtedness, covenants and agreements of Addus Acquisition Corporation as Borrower under the foregoing Credit Agreement

ADDUS HEALTHCARE, INC.

By: /s/ Ed Budy
Name: Ed Budy
Title: Assistant Secretary

FREEPORT FINANCIAL LLC, as Agent

By: /s/ Chad Blakeman
Title: Duly Authorized Signatory

FREEPORT LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Duly Authorized Signatory

FIFTH THIRD BANK, CHICAGO

By:	/s/ Michael E. May
Name:	Michael E. May
Title:	Vice President

Address: 222 South Riverside Plaza
33rd Floor, MD GRVR3I
Chicago, IL 60606
Attn: Gregory H. Bork
Fax: (312) 704-4374

ABA No.: 042000314
Account No.: 89922553
Bank: Fifth Third Bank
Bank Address: 222 South Riverside Plaza
33rd Floor, MD GRVR3I
Chicago, IL 60606

RESIDENTIAL FUNDING CORPORATION

By: /s/ Dennis M. Hansen
Name: Dennis M. Hansen
Title: SVP

Address: 2711 N. Haskell Ave., Ste. 900
Dallas, TX 75204
Attn: Dennis Hansen
Fax: (214) 874-2075

ABA No.:
Account No.:
Bank:
Bank Address:

With a copy to:

Residential Funding Corporation
c/o GMAC-RFC Health Capital
8400 Normandale Lake Blvd.
Suite 250
Minneapolis, MN 55437
Attn: Laura Mollet
Fax: (952) 857-6949

ANNEX F
FORM OF BORROWER ASSIGNMENT AND ASSUMPTION AGREEMENT

Please refer to the Credit Agreement, dated as of September 19, 2006 as amended or otherwise modified from time to time, the "Credit Agreement"), among the undersigned ("Borrower"), the financial institutions party thereto from time to time, as Lenders, and Madison Capital Funding LLC, as Agent. This notice is given pursuant to Section 3.1(j) of the Credit Agreement. Capitalized terms used herein but not otherwise defined shall have the meanings ascribed thereto in the Credit Agreement.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound,

(a) Merger Sub hereby assigns, transfers, conveys and delivers to Company, and Company hereby accepts delivery of, all of Merger Sub's benefits, privileges, rights, title and interest in and to the foregoing Credit Agreement, the other Loan Documents (including the Notes and Collateral Documents) and all other agreements to which Merger Sub is a party in connection therewith (as each of the foregoing may be amended, restated, supplemented or otherwise modified from time to time, collectively, the "Assumed Documents"); and

(b) Company hereby fully and completely succeeds to, assumes and agrees to pay, perform and discharge, in accordance with its terms, the Obligations under the Assumed Documents (including the granting of security interests in the properties of Company in connection therewith), and Company hereby fully makes the representations and warranties contained in the Assumed Documents, all as if Company were an original party thereto.

This Borrower Assignment and Assumption Agreement is hereby attached to and made a part of said Credit Agreement. Capitalized terms used but not defined herein are used as defined in said Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Borrower Assignment and Assumption Agreement to be duly executed and delivered by their duly authorized officers as of __________, 2006.

Merger Sub

ADDUS ACQUISITION CORPORATION

By: ______________________________
Title: ______________________________

Company

ADDUS HEALTHCARE, INC.

By: ______________________________
Title: ______________________________

EXHIBIT 2.1(a)
to
CREDIT AGREEMENT

FORM OF TERM NOTE

Chicago, Illinois

$___,___,___ ________ __, ____

FOR VALUE RECEIVED, the undersigned, ADDUS ACQUISITION CORPORATION, a Delaware corporation (to be merged as of the Closing Date into Addus HealthCare, Inc.) ("Borrower"), HEREBY PROMISES TO PAY to the order of _______________ ("Lender") at the offices of FREEPORT FINANCIAL LLC, a Delaware limited liability company, as Agent for Lenders ("Agent"), at its address at 500 West Madison Street, Suite 1710, Chicago, Illinois 60661, or at such other place as Agent may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of _______________ DOLLARS AND ______ CENTS ($____,____,____). All capitalized terms used but not otherwise defined herein have the meanings given to them in the "Credit Agreement" (as hereinafter defined).

This Term Note is one of the Term Notes issued pursuant to that certain Credit Agreement dated as of September 19, 2006 by and among Borrower, the other Persons named therein as Loan Parties, Agent, Lender and the other Persons signatory thereto from time to time as Lenders (including all annexes, exhibits and schedules thereto and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"), and is entitled to the benefit and security of the Credit Agreement, the Security Agreement and all of the other Loan Documents referred to therein. Reference is hereby made to the Credit Agreement for a statement of all of the terms and conditions under which the Loans evidenced hereby are made and are to be repaid. The principal balance of the Term Loan, the rates of interest applicable thereto and the date and amount of each payment made on account of the principal thereof, shall be recorded by Agent on its books; provided that the failure of Agent to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Credit Agreement or this Term Note.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Credit Agreement. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Credit Agreement. The terms of the Credit Agreement are hereby incorporated herein by reference.

If any payment on this Term Note becomes due and payable on a day other than a Business Day, the payment thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Event of Default, this Term Note may, as provided in the Credit Agreement, and without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other legal requirement of any kind (all of which are hereby expressly waived by Borrower), be declared, and immediately shall become, due and payable.

Time is of the essence of this Term Note.

Except as provided in the Credit Agreement, this Term Note may not be assigned by Lender to any Person.

THIS TERM NOTE SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

ADDUS ACQUISITION CORPORATION

By: ______________________________
Name: ______________________________
Title: ______________________________

The undersigned hereby assumes and agrees to perform all obligations, liabilities indebtedness, covenants and agreements of Addus Acquisition Corporation as Borrower under the foregoing Term Note

ADDUS HEALTHCARE, INC.

By: ______________________________
Name:
Title:

EXHIBIT 2.1(b)(i)
to
CREDIT AGREEMENT

FORM OF REVOLVING NOTE

Chicago, Illinois

$___,___,___ ________ __, ____

FOR VALUE RECEIVED, the undersigned, ADDUS ACQUISITION CORPORATION, a Delaware corporation (to be merged as of the Closing Date into Addus HealthCare, Inc.) ("Borrower"), HEREBY PROMISES TO PAY to the order of ________________ ("Lender"), at the offices of FREEPORT FINANCIAL LLC, a Delaware limited liability company, as Agent for Lenders ("Agent"), at its address at 500 West Madison Street, Suite 1710, Chicago, Illinois 60661, or at such other place as Agent may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of ____________________ DOLLARS AND ______ CENTS ($____,____,____) or, if less, the aggregate unpaid amount of all Revolving Credit Advances made to the undersigned under the "Credit Agreement" (as hereinafter defined). All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement.

This Revolving Note is one of the Revolving Notes issued pursuant to that certain Credit Agreement dated as of September 19, 2006 by and among Borrower, the other Persons named therein as Loan Parties, Agent, Lender and the other Persons signatory thereto from time to time as Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"), and is entitled to the benefit and security of the Credit Agreement, the Security Agreement and all of the other Loan Documents referred to therein. Reference is hereby made to the Credit Agreement for a statement of all of the terms and conditions under which the Loans evidenced hereby are made and are to be repaid. The date and amount of each Revolving Credit Advance made by Lenders to Borrower, the rates of interest applicable thereto and each payment made on account of the principal thereof, shall be recorded by Agent on its books; provided that the failure of Agent to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Credit Agreement or this Revolving Note in respect of the Revolving Credit Advances made by Lender to Borrower.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Credit Agreement, the terms of which are hereby incorporated herein by reference. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Credit Agreement. The terms of the Credit Agreement are hereby incorporated herein by reference.

If any payment on this Revolving Note becomes due and payable on a day other than a Business Day, the payment thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Event of Default, this Revolving Note may, as provided in the Credit Agreement, and without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other legal requirement of any kind (all of which are hereby expressly waived by Borrower), be declared, and immediately shall become, due and payable.

Time is of the essence of this Revolving Note.

Except as provided in the Credit Agreement, this Revolving Note may not be assigned by Lender to any Person.

THIS REVOLVING NOTE SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

ADDUS ACQUISITION CORPORATION

By: __________________________________
Name: ________________________________
Title: _________________________________

The undersigned hereby assumes and agrees to perform all obligations, liabilities indebtedness, covenants and agreements of Addus Acquisition Corporation as Borrower under the foregoing Revolving Note

ADDUS HEALTHCARE, INC.

By: __________________________________
Name:
Title:

EXHIBIT 2.1(b)(ii)
to
CREDIT AGREEMENT

FORM OF NOTICE OF REVOLVING CREDIT ADVANCE

__________, ____

Freeport Financial LLC,
500 West Madison Street, Suite 1710
Chicago, Illinois 60661

Attention: Addus HealthCare, Inc.
Account Manager

Ladies and Gentlemen:

The undersigned, Addus HealthCare, Inc., an Illinois corporation ("Borrower") refers to the Credit Agreement, dated as of September 19, 2006 (the "Credit Agreement," the terms defined therein being used herein as therein defined), by and among Borrower, the other Loan Parties signatory thereto, Freeport Financial LLC, for itself, as Lender, and as Agent for Lenders, and Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.1(b)(i) of the Credit Agreement, that the undersigned hereby requests a Revolving Credit Advance under the Credit Agreement, and in that connection sets forth below the information relating to such Revolving Credit Advance as required by Section 2.1(b)(i) of the Credit Agreement:

(i) The date of the requested Revolving Credit Advance is ______, ______.

(ii) The aggregate amount of the requested Revolving Credit Advance is $______.

(iii) The requested Revolving Credit Advance is **[an Index Rate Loan] [a LIBOR Loan with a LIBOR Period of ______]**.

(iv) The requested Revolving Credit Advance is to be sent to:

[Name of Bank]
[City of Bank]
Beneficiary:
Account No.: **[number]**
ABA No.: **[number]**
Attn: **[name]**

The undersigned hereby certifies that all of the conditions contained in Section 3.2 of the Credit Agreement have been satisfied.

ADDUS HEALTHCARE, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

EXHIBIT 2.1(c)
to
CREDIT AGREEMENT

REQUEST FOR ISSUANCE OF LETTER OF CREDIT

__________, ______

Freeport Financial LLC
500 West Madison Street, Suite 1710
Chicago, Illinois 60661

Attention: Addus HealthCare, Inc.
Account Manager

Ladies and Gentlemen:

The undersigned, Addus HealthCare, Inc., an Illinois corporation ("Borrower") refers to the Credit Agreement, dated as of September 19, 2006 (the "Credit Agreement," the terms defined therein being used herein as therein defined), by and among the undersigned, Borrower, the other Loan Parties signatory thereto, Freeport Financial LLC, for itself, as Lender, and as Agent for Lenders, and Lenders, and hereby requests, pursuant to Section 2.1(c) of the Credit Agreement, that the undersigned hereby requests the issuance of a Letter of Credit under the Credit Agreement, and in that connection sets forth below the information relating to such Letter of Credit as required by Section 2.1(c) of the Credit Agreement:

(i) The date of issuance [or effective date of increase or extension] of the requested Letter of Credit is __________, ______.

(ii) The amount [or the amount of increase] of the Letter of Credit is $______

(iii) The name of the beneficiary of the Letter of Credit is: __________.

(iv) The transaction for which such Letter of Credit is to be issued is described as follows: __________].

(vi) The expiry [or extended expiry] date of such Letter of Credit is: ______.

The undersigned hereby certifies that all of the statements contained in Section 3.2 of the Credit Agreement are true and correct on the date hereof, and will be true on the date of the requested Letter of Credit, before and after giving effect thereto and to the issuance thereof.

ADDUS HEALTHCARE, INC.

By: ____
Name: ____
Title: ____

EXHIBIT 2.2(e)
to
CREDIT AGREEMENT

FORM OF NOTICE OF CONVERSION/CONTINUATION

Reference is made to that certain Credit Agreement dated as of September 19, 2006 by and among the undersigned ("Borrower"), the other Persons named therein as Loan Parties, Freeport Financial LLC ("Agent") and the Lenders from time to time signatory thereto (including all annexes, exhibits or schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"). Capitalized terms used herein without definition are so used as defined in the Credit Agreement.

Borrower hereby gives irrevocable notice, pursuant to Section 2.2(e) of the Credit Agreement, of its request to:

(a) on [date] convert $[______] of the aggregate outstanding principal amount of the [______] Loan, bearing interest at the [______] Rate, into a(n) [______] Loan [and, in the case of a LIBOR Loan, having a LIBOR Period of [______] month(s)];

[(b) on [date] continue $[______] of the aggregate outstanding principal amount of the [______] Loan, bearing interest at the LIBOR Rate, as a LIBOR Loan having a LIBOR Period of [______] month(s)].

Borrower certifies that the conversion and/or continuation of the Loans requested above is for the separate account of the Borrower in the following amount: [$______].

Borrower hereby (i) certifies that all of the statements contained in Section 3.2 of the Credit Agreement are true and correct in all material respects on the date hereof, and will be true in all material respects on the date of the requested conversion/continuation, before and after giving effect thereto and (ii) reaffirms the guaranty and continuance of Agent's Liens, on behalf of itself and Lenders, pursuant to the Collateral Documents.

ADDUS HEALTHCARE, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

Exhibit 5.12
to
CREDIT AGREEMENT

BUSINESS ASSOCIATE AGREEMENT

ADDUS HEALTHCARE, INC.,
AND SUBSIDIARIES
AND
FREEPORT FINANCIAL, LLC, AS AGENT

This Business Associate Agreement ("B.A. Agreement"), effective as of September 19, 2006 ("Effective Date"), is entered into by and among FREEPORT FINANCIAL LLC, as agent and lead arranger on behalf of the lenders party to the Credit Agreement described below ("Agent"), ADDUS HEALTHCARE, INC., a Illinois corporation ("Borrower") and each of Borrower's subsidiaries signatory hereto from time to time (Borrower and such subsidiaries that meet the Privacy Rule definition of "covered entity" are collectively referred to as "Covered Entities" and each individually is a "Covered Entity") (Agent and each of the Covered Entities are each individually a "Party" and collectively the "Parties").

1. BACKGROUND AND PURPOSE. Agent, Borrower, Addus Acquisition Corporation, Freeport Loan Fund LLC and certain financial institutions party thereto as lenders ("Lenders") are parties to that certain Credit Agreement dated as of September 19, 2006 (as amended, restated, modified or supplemented from time to time, the "Credit Agreement"). In connection with the Credit Agreement and transactions contemplated thereby, the Parties have entered into one or more additional contracts or agreements (collectively with the Credit Agreement, all such contracts or agreements, as they may from time to time be amended, restated, modified or supplemented, are referred to as the "Underlying Contracts"). Performance and/or enforcement of the Underlying Contracts may involve the access, use and/or disclosure by Agent of Protected Health Information (as defined in 45 C.F.R. §160.103 and limited for purposes of this B.A. Agreement solely to the information (a) received by Agent from any Covered Entity or (b) created or received by Agent on behalf of any Covered Entity, in each case with respect to the Underlying Contracts, in accordance with the terms of this B.A. Agreement) (the "PHI") that is subject to the federal privacy regulations issued pursuant to the Health Insurance Portability and Accountability Act ("HIPAA") and codified at 45 C.F.R. parts 160 and 164 (the "Privacy Rule"). The PHI may include Electronic Protected Health Information (as defined in 45 C.F.R. §160.103) ("Electronic PHI") that is subject to the federal security regulations issued pursuant to HIPAA and codified at 45 C.F.R. parts 160 and 164 ("Security Rule"). The purpose of this B.A. Agreement is to allow for each Covered Entity's compliance with the Privacy Rule and Security Rule with respect to Agent's access to PHI related to the performance of and Agent's rights under the Underlying Contracts and the use and/or disclosure of PHI by Agent.

2. DEFINITIONS. Unless otherwise defined in this B.A. Agreement, all capitalized terms used in this B.A. Agreement shall have the meanings ascribed in HIPAA, the Privacy Rule, and/or the Security Rule, as applicable.

3. OBLIGATIONS OF THE PARTIES WITH RESPECT TO PHI.

3.1 Uses and Disclosures of PHI by Agent. Except as otherwise specified in this B.A. Agreement, Agent may make any and all uses and disclosures of PHI necessary to perform and enforce the Underlying Contracts. Notwithstanding anything to the contrary herein, nothing in this B.A. Agreement shall authorize Agent to use or further disclose PHI in a manner that would violate the Privacy Rule or the Security Rule if done by the applicable Covered Entity, except that, unless otherwise limited in this B.A. Agreement, Agent may (a) use the PHI in its possession for its proper management and administration and to carry out the legal responsibilities of Agent, (b) disclose the PHI in its possession to a third party for the purpose of Agent's proper management and administration or to carry out the legal responsibilities of Agent, provided, that such disclosure is required by law or Agent obtains reasonable assurances from the third party regarding the confidential handling of such PHI as required under the Privacy Rule and requires the third party to which it provides Electronic PHI to agree to implement reasonable and appropriate safeguards to protect that Electronic PHI, (c) provide Data Aggregation services relating to the health care operations of the Covered Entities, (d) de-identify any and all PHI obtained by Agent under this B.A. Agreement, and use such de-identified data, all in accordance with the de-identification requirements of the Privacy Rule, and (e) use and disclose the PHI in its possession to report violations of law to appropriate Federal and State authorities, consistent with HIPAA.

3.2 Obligations of Agent. With regard to its access, use and/or disclosure of the PHI, Agent agrees to:

a. not use or further disclose the PHI other than as permitted or required by this B.A. Agreement or as permitted by law;

b. use appropriate safeguards to prevent use or disclosure of the PHI other than as permitted in Section 3.2(a);

c. implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic PHI that it creates, receives, maintains, or transmits on behalf of a Covered Entity; and makes its policies, procedures, and documentation, to the extent required by the Security Rule to be maintained relating to such safeguards, available to the Secretary of the Department of Health and Human Services ("HHS") for purposes of determining the Covered Entity's compliance with the Security Rule;

d. report to the applicable Covered Entity in writing any use or disclosure of the PHI not permitted in Section 3.2(a) of which Agent's management becomes aware;

e. report to the applicable Covered Entity any Security Incident of which Agent management becomes aware, provided that for purposes of this B.A. Agreement, the Parties agree that any attempted or threatened incident that does not result in a security breach, including but not limited to "pings" and other request-response utilities, does not constitute a Security Incident;

f. ensure that any agents and subcontractors to which Agent provides the PHI agree to the same restrictions and conditions that apply to Agent with respect to such PHI;

g. make available the PHI necessary for a Covered Entity to respond to individuals’ requests for access to the PHI about them in the event that the PHI in Agent’s possession constitutes a Designated Record Set;

h. make available the PHI for amendment and incorporate any amendments to the PHI in accordance with the Privacy Rule in the event that the PHI in Agent’s possession constitutes a Designated Record Set;

i. if applicable, make available the information as would be required to allow a Covered Entity to respond to a request by an individual for an accounting of disclosures in accordance with the Privacy Rule;

j. make its internal practices, books and records relating to the use and disclosure of PHI available to the Secretary of HHS for purposes of determining a Covered Entity’s compliance with the Privacy Rule; and

k. return to the applicable Covered Entity or destroy, within ninety (90) days of the termination of this B.A. Agreement, the PHI in its possession and retain no copies, if it is feasible to do so. If Agent in its discretion determines that return or destruction is infeasible, Agent shall provide to Covered Entities notification of the conditions that make the return or destruction infeasible, and Agent agrees to extend all protections contained in this B.A. Agreement to Agent’s use and/or disclosure of any retained PHI, and to limit any further uses and/or disclosures to the purposes that make the return or destruction of the PHI infeasible for so long as Agent maintains such PHI.

3.3 Obligations of Covered Entities. Each Covered Entity agrees that it shall not agree with an individual to any restrictions, or use a notice of privacy practices, that would limit Agent’s access, use and disclosure of PHI in order to perform and/or enforce the Underlying Contracts.

3.4 Effect of Changes to the Privacy Rule. To the extent that any relevant provision of the Privacy Rule and or Security Rule is materially amended in a manner that changes the obligations of Business Associates or Covered Entities that are embodied in the terms of this B.A. Agreement, the Parties agree to negotiate in good faith appropriate amendment(s) to this B.A. Agreement to give effect to these revised obligations.

4. TERM AND TERMINATION BY COVERED ENTITIES.

4.1 The Term of this Agreement shall be effective as of the Effective Date and, unless otherwise terminated in accordance with this Section 4, shall continue in effect until 90 days after the termination of the Underlying Contracts.

4.2 Upon any Covered Entity’s knowledge of a material breach of the terms of this B.A. Agreement by Agent, such Covered Entity shall provide Agent written notice of that breach in sufficient detail to enable Agent to understand the specific nature of that breach and afford Agent an opportunity to cure the breach. If Agent fails to cure the breach within a reasonable time specified by such Covered Entity (but in any event not less than thirty (30) days), such Covered Entity may terminate this B.A. Agreement but in the sole discretion of Agent such termination shall result in termination of the Underlying Contracts.

5. MISCELLANEOUS.

5.1 Underlying Contracts. The terms of this B.A. Agreement shall prevail in the case of any conflict with the terms of any Underlying Contract to the extent and only to the extent necessary to allow Covered Entities to comply with the Privacy Rule.

5.2 Survival. In the event that Agent determines that return of PHI is infeasible, Sections 1, 2, 3.2, 3.3, 4 and 5 of this B.A. Agreement shall survive termination of this B.A. Agreement and continue in effect solely with respect to PHI Agent retains in accordance with Section 3.2.i until such PHI is destroyed or returned.

5.3 No Third Party Beneficiaries. Nothing in this B.A. Agreement shall confer upon any person other than the Parties and their respective successors or permitted assigns any rights, remedies, obligations, or liabilities whatsoever.

5.4 Joinder to B.A. Agreement. Additional subsidiaries of Borrower may from time to time agree to become Parties hereto and be bound by the terms hereof by executing and delivering to Agent a Joinder to B.A. Agreement (each a "Joinder") substantially in the form of Exhibit A attached hereto. Any such Joinder shall become effective and any such subsidiary executing the same shall be considered a Party hereto for all purposes hereof when Agent shall have received, and executed an acknowledgment of, a counterpart of such Joinder duly executed by such subsidiary. Neither Borrower nor any other Party need receive any notice of such Joinder nor shall the consent or approval of any Party hereto, other than the consent of Agent, be required for any such Joinder to be effective.

5.5 Counterparts. This B.A. Agreement may be executed in counterparts, each of which shall constitute an original, but all of which taken together, along with any Joinder executed in accordance with Section 5.4, shall constitute a single contract.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, each of the undersigned has caused this B.A. Agreement to be duly executed in its name and on its behalf.

BORROWER:

ADDUS HEALTHCARE, INC.

By: ______________________________
Name: Ed Budy
Title: Assistant Secretary

AGENT:

FREEPORT FINANCIAL LLC

By: ______________________________
Name: ______________________________
Title: ______________________________

SUBSIDIARIES OF BORROWER and OTHER LOAN PARTIES:

ADDUS ACQUISITION CORPORATION

By: ______________________________
Name: Simon Bachleda
Title: Secretary

LOWELL HOME HEALTH AGENCY, INC.

By: ______________________________
Name: Ed Budy
Title: Secretary

LITTLE ROCK HOME HEALTH AGENCY, INC.

By: ______________________________
Name: Ed Budy
Title: Secretary

FORT SMITH HOME HEALTH AGENCY, INC.

By: ______________________________
Name: Ed Budy
Title: Secretary

BENEFITS ASSURANCE CO., INC.

By: ______________________________
Name: Ed Budy
Title: Secretary

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

By: ______________________________
Name: Ed Budy
Title: Secretary

PHC ACQUISITION CORPORATION

By: ______________________________
Name: Ed Budy
Title: Secretary

[Signature page to Business Associate Agreement]

EXHIBIT 7.2(e)
to
CREDIT AGREEMENT

BORROWING AVAILABILITY CERTIFICATE

ADDUS HEALTHCARE, INC.

Date: ________, ______

This Certificate is given by Addus HealthCare, Inc., an Illinois corporation ("Borrower") pursuant to Section 7.2(e) of that certain Credit Agreement dated as of September 19, 2006 among Borrower, the other Loan Parties party thereto, the Lenders from time to time party thereto and Freeport Financial LLC, as agent for the Lenders (as such agreement may have been amended, restated, supplemented or otherwise modified from time to time the "Credit Agreement"). Capitalized terms used herein without definition shall have the meanings set forth in the Credit Agreement.

The undersigned is duly authorized to execute and deliver this Certificate on behalf of Borrower. By executing this Certificate such officer hereby certifies to Agent and Lenders that:

(a) Attached hereto as Schedule 1 is a calculation of the Borrowing Availability for Borrower as of the above date;

(b) Based on such schedule, the Borrowing Availability as of the above date is:

$__________.

IN WITNESS WHEREOF, Borrower has caused this Certificate to be executed by its __________ this ________ day of ________, ____.

ADDUS HEALTHCARE, INC.

By: ______________________________
Its: ______________________________

SCHEDULE 1

BORROWING AVAILABILITY

1. Advance Multiple in effect ____________
2. EBITDA of Holdings and its Subsidiaries $____________
3. 1 multiplied by 2 $____________
4. Aggregate amount of Funded Debt (including, without limitation, the outstanding principal amount of Loans and the face amount of Letter of Credit Obligations then outstanding) of Holdings and its Subsidiaries on a consolidated basis $____________
5. 3 minus 4 $____________
6. Maximum Amount less the outstanding Revolving Loans $____________
7. Lesser of 5 and 6 $____________
8. Borrowing Availability $____________

Exhibit 9.1
to
CREDIT AGREEMENT

ASSIGNMENT AGREEMENT

This Assignment Agreement (this “Agreement”) is made as of ________ __, __ by and between __________ (“Assignor Lender”) and ______________ (“Assignee Lender”). All capitalized terms used in this Agreement and not otherwise defined herein will have the respective meanings set forth in the Credit Agreement as hereinafter defined.

RECITALS:

WHEREAS, Addus HealthCare, Inc., an Illinois corporation, (“Borrower”), Agent, Assignor Lender and other Persons signatory thereto as Lenders have entered into that certain Credit Agreement dated as of September 19, 2006 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”) pursuant to which Assignor Lender has agreed to make certain Loans to, and incur certain Letter of Credit Obligations for, Borrower;

WHEREAS, Assignor Lender desires to assign to Assignee Lender **[all/a portion]** of its interest in the Loans (as described below), the Letter of Credit Obligations and the Collateral and to delegate to Assignee Lender **[all/a portion]** of its Commitments and other duties with respect to such Loans, Letter of Credit Obligations and Collateral;

WHEREAS, Assignee Lender desires to continue as a Lender under the Credit Agreement and to accept such assignment and delegation from Assignor Lender; and

NOW, THEREFORE, in consideration of the premises and the agreements, provisions, and covenants herein contained, Assignor Lender and Assignee Lender agree as follows:

1. ASSIGNMENT, DELEGATION, AND ACCEPTANCE

1.1 Assignment. Assignor Lender hereby transfers and assigns to Assignee Lender, without recourse and without representations or warranties of any kind (except as set forth in Section 3.2), **[all/such percentage]** of Assignor Lender’s right, title, and interest in **the Revolving Loan], [the Term Loan], [the Loans], [Letter of Credit Obligations]**, Loan Documents and the Collateral as will result in Assignee Lender having as of the Effective Date (as hereinafter defined) a Pro Rata Share thereof, as follows:

Assignee Lender’s Loans	**Commitment Amount**	**Pro Rata Share**
Revolving Loan	$ ________	________%
Term Loan	$ ________	________%

1.2 Delegation. Assignor Lender hereby irrevocably assigns and delegates to Assignee Lender **[all/a portion]** of its Commitments and its other duties and obligations as a Lender under the Loan Documents equivalent to the Pro Rata Share set forth above.

1.3 Acceptance by Assignee Lender. By its execution of this Agreement, Assignee Lender irrevocably purchases, assumes and accepts such assignment and delegation and agrees to be a Lender with respect to the delegated interest under the Loan Documents and to be bound by the terms and conditions thereof. By its execution of this Agreement, Assignor Lender agrees, to the extent provided herein, to relinquish its rights and be released from its obligations and duties under the Credit Agreement.

1.4 Effective Date. Such assignment and delegation by Assignor Lender and acceptance by Assignee Lender will be effective and Assignee Lender will become a Lender under the Loan Documents as of [the date of this Agreement] [________ __, ____] ("Effective Date") and upon payment of the Assigned Amount and the Assignment Fee (as each term is defined below). Interest and Fees accrued prior to the Effective Date are for the account of Assignor Lender, and Interest and Fees accrued from and after the Effective Date are for the account of Assignee Lender.

2. INITIAL PAYMENT AND DELIVERY OF NOTES

2.1 Payment of the Assigned Amount. Assignee Lender will pay to Assignor Lender, in immediately available funds, not later than 11:00 a.m. (Chicago time) on the Effective Date, an amount equal to its Pro Rata Share of the then outstanding principal amount of the Loans as set forth above in Section 1.1 (the "Assigned Amount").

2.2 Payment of Assignment Fee. [Assignor Lender and/or Assignee Lender] will pay to Agent, for its own account in immediately available funds, not later than 11:00 a.m. (Chicago time) on the Effective Date, the assignment fee in the amount of $3,500 (the "Assignment Fee") as required pursuant to Section 9.1(a) of the Credit Agreement.

2.3 Execution and Delivery of Notes. Following payment of the Assigned Amount and the Assignment Fee, Assignor Lender will deliver to Agent the Notes previously delivered to Assignor Lender for redelivery to Borrower and, if requested by Assignee Lender, Agent will obtain from Borrower for delivery to **[Assignor Lender and]** Assignee Lender, new executed Notes evidencing Assignee Lender's **[and Assignor Lender's respective]** Pro Rata Share[s] in the Loans after giving effect to the assignment described in Section 1. Each new Note will be issued in the aggregate maximum principal amount of the **[applicable]** Commitment **[of the Lender to whom such Note is issued]** ***OR*** **[the Assignee Lender]**.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS

3.1 Assignee Lender's Representations, Warranties and Covenants. Assignee Lender hereby represents, warrants, and covenants the following to Assignor Lender and Agent:

(a) This Agreement is a legal, valid, and binding agreement of Assignee Lender, enforceable according to its terms;

(b) The execution and performance by Assignee Lender of its duties and obligations under this Agreement and the Loan Documents will not require any registration with, notice to, or consent or approval by any Governmental Authority;

(c) Assignee Lender is familiar with transactions of the kind and scope reflected in the Loan Documents and in this Agreement;

(d) Assignee Lender has made its own independent investigation and appraisal of the financial condition and affairs of each Loan Party, has conducted its own evaluation of the Loans and Letter of Credit Obligations, the Loan Documents and each Loan Party's creditworthiness, has made its decision to become a Lender to Borrower under the Credit Agreement independently and without reliance upon Assignor Lender or Agent, and will continue to do so;

(e) Assignee Lender is entering into this Agreement in the ordinary course of its business, and is acquiring its interest in the Loans and Letter of Credit Obligations for its own account and not with a view to or for sale in connection with any subsequent distribution; provided, however, that at all times the distribution of Assignee Lender's property shall, subject to the terms of the Credit Agreement, be and remain within its control;

(f) No future assignment or participation granted by Assignee Lender pursuant to Section 9.1 of the Credit Agreement will require Assignor Lender, Agent, or Borrower to file any registration statement with the Securities and Exchange Commission or to apply to qualify under the blue sky laws of any state;

(g) Assignee Lender has no loans to, written or oral agreements with, or equity or other ownership interest in any Loan Party;

(h) Assignee Lender will not enter into any written or oral agreement with, or acquire any equity or other ownership interest in, any Loan Party without the prior written consent of Agent; and

(i) As of the Effective Date, Assignee Lender (i) is entitled to receive payments of principal and interest in respect of the Obligations without deduction for or on account of any taxes imposed by the United States of America or any political subdivision thereof, (ii) is not subject to capital adequacy or similar requirements under Section 2.8(a) of the Credit Agreement, (iii) does not require the payment of any increased costs under Section 2.8(b) of the Credit Agreement, and (iv) is not unable to fund LIBOR Loans under Section 2.8(b) of the Credit Agreement, and Assignee Lender will indemnify Agent from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, or expenses that result from Assignee Lender's failure to fulfill its obligations under the terms of Section 2.9(c) of the Credit Agreement or from any other inaccuracy in the foregoing.

3.2 Assignor Lender’s Representations, Warranties and Covenants. Assignor Lender hereby represents, warrants and covenants the following to Assignee Lender:

(a) Assignor Lender is the legal and beneficial owner of the Assigned Amount;

(b) This Agreement is a legal, valid and binding agreement of Assignor Lender, enforceable according to its terms;

(c) The execution and performance by Assignor Lender of its duties and obligations under this Agreement and the Loan Documents will not require any registration with, notice to or consent or approval by any Governmental Authority;

(d) Assignor Lender has full power and authority, and has taken all action necessary to execute and deliver this Agreement and to fulfill the obligations hereunder and to consummate the transactions contemplated hereby;

(e) Assignor Lender is the legal and beneficial owner of the interests being assigned hereby, free and clear of any adverse claim, lien, encumbrance, security interest, restriction on transfer, purchase option, call or similar right of a third party; and

(f) This Assignment by Assignor Lender to Assignee Lender complies, in all material respects, with the terms of the Loan Documents.

4. LIMITATIONS OF LIABILITY

Neither Assignor Lender (except as provided in Section 3.2) nor Agent makes any representations or warranties of any kind, nor assumes any responsibility or liability whatsoever, with regard to (a) the Loan Documents or any other document or instrument furnished pursuant thereto or the Loans, Letter of Credit Obligations or other Obligations, (b) the creation, validity, genuineness, enforceability, sufficiency, value or collectibility of any of them, (c) the amount, value or existence of the Collateral, (d) the perfection or priority of any Lien upon the Collateral, or (e) the financial condition of any Loan Party or other obligor or the performance or observance by any Loan Party of its obligations under any of the Loan Documents. Neither Assignor Lender nor Agent has or will have any duty, either initially or on a continuing basis, to make any investigation, evaluation, appraisal of, or any responsibility or liability with respect to the accuracy or completeness of, any information provided to Assignee Lender which has been provided to Assignor Lender or Agent by any Loan Party. Nothing in this Agreement or in the Loan Documents shall impose upon the Assignor Lender or Agent any fiduciary relationship in respect of the Assignee Lender.

5. FAILURE TO ENFORCE

No failure or delay on the part of Agent or Assignor Lender in the exercise of any power, right, or privilege hereunder or under any Loan Document will impair such power, right, or privilege or be construed to be a waiver of any default or acquiescence therein. No single or partial exercise of any such power, right, or privilege will preclude further exercise thereof or of any other right, power, or privilege. All rights and remedies existing under this Agreement are cumulative with, and not exclusive of, any rights or remedies otherwise available.

6. NOTICES

Unless otherwise specifically provided herein, any notice or other communication required or permitted to be given will be in writing and addressed to the respective party as set forth below its signature hereunder, or to such other address as the party may designate in writing to the other.

7. AMENDMENTS AND WAIVERS

No amendment, modification, termination, or waiver of any provision of this Agreement will be effective without the written concurrence of Assignor Lender, Agent and Assignee Lender.

8. SEVERABILITY

Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. In the event any provision of this Agreement is or is held to be invalid, illegal, or unenforceable under applicable law, such provision will be ineffective only to the extent of such invalidity, illegality, or unenforceability, without invalidating the remainder of such provision or the remaining provisions of the Agreement. In addition, in the event any provision of or obligation under this Agreement is or is held to be invalid, illegal, or unenforceable in any jurisdiction, the validity, legality, and enforceability of the remaining provisions or obligations in any other jurisdictions will not in any way be affected or impaired thereby.

9. SECTION TITLES

Section and Subsection titles in this Agreement are included for convenience of reference only, do not constitute a part of this Agreement for any other purpose, and have no substantive effect.

10. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

11. APPLICABLE LAW

THIS AGREEMENT WILL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

12. COUNTERPARTS

This Agreement and any amendments, waivers, consents, or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed and delivered, will be deemed an original and all of which shall together constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

ASSIGNEE LENDER:

____

By: ______________________________
Title: ______________________________

Notice Address:

____
____
____

ASSIGNOR LENDER:

____

By: ______________________________
Title: ______________________________

Notice Address:

____
____
____

ACKNOWLEDGED AND CONSENTED TO:
FREEPORT FINANCIAL LLC

By: ______________________________
Title: ______________________________

Exhibit 10.8(a)

EXECUTION COPY

CONSENT AND FIRST AMENDMENT TO CREDIT AGREEMENT

CONSENT AND FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of July 29, 2007, among Addus HealthCare, Inc., an Illinois corporation ("Borrower"), the other persons signatory hereto as "Loan Parties", FREEPORT FINANCIAL LLC, a Delaware limited liability company ("Agent") and the Lenders signatory hereto. Terms not defined herein have the meanings given to them in the Credit Agreement (as hereinafter defined).

RECITALS

A. Borrower, the Loan Parties, the Lenders signatory thereto and Agent are party to that certain Credit Agreement dated as of September 19, 2006 (as amended by this Amendment, the "Credit Agreement").

B. Borrower, the Loan Parties, the Lenders and Agent are entering into this Amendment in connection with (I) the acquisition by Addus HealthCare (Nevada), Inc., a Delaware corporation ("Addus Nevada"), of certain assets and intellectual property of SuCasa Personal Care, LLC ("SuCasa") and Desert PCA of Nevada LLC ("Desert", and, collectively with SuCasa, the "SuCasa Companies"), for an aggregate purchase price of not more than $3,500,000 (the "SuCasa Acquisition") and (II) the acquisition within ninety (90) days of the First Amendment Effective Date (the "Moore Acquisition") by the Borrower or a wholly-owned Subsidiary of the Borrower of all of the shares of capital stock of Moore Home Health Care, Inc., an Indiana corporation ("Moore") for an aggregate purchase price not to exceed $375,000.

C. Agent and Lenders are willing to enter into this Amendment upon the terms and conditions set forth below.

NOW THEREFORE, in consideration of the matters set forth in the recitals and the covenants and provisions herein set forth, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

Section 2. Consent. Agent and the Lenders hereby (A) consent to Addus Nevada (i) entering into that certain Asset Purchase Agreement, dated as of July 29, 2007, by and among Addus Nevada, the SuCasa Companies, the Sellers' Representative named therein (in such capacity, the "Sellers' Representative") and the Sellers set forth on Exhibit A thereto (the "SuCasa Asset Purchase Agreement"), that certain promissory note in the original principal amount of $250,000, dated as of July 29, 2007 (as the same may be amended or modified as permitted by the Credit Agreement, the "SuCasa Note"), made by Addus Nevada in favor of Sellers' Representative and such documents executed and delivered to the SuCasa Companies pursuant to the SuCasa Asset Purchase Agreement (the "SuCasa Acquisition Documents") and (ii) consummating the SuCasa Acquisition on the First Amendment Effective Date pursuant to the terms and conditions of the SuCasa Acquisition Documents and this Amendment for an aggregate purchase price not to exceed $1,750,000 in cash on the First Amendment Effective Date and no more than an additional $1,500,000 in cash following the First Amendment Effective Date to be paid at the times and in the manner specified in the SuCasa Asset Purchase Agreement provided that such payments shall not be made in the event that any Default or Event of Default under any of Sections 7.1 or 8.1(a) of the Credit Agreement has occurred and is continuing or would result therefrom; (B) consent to the Borrower or a wholly-owned Subsidiary of Borrower (i) entering into documentation with respect to the Moore Acquisition on terms and conditions satisfactory to the Agent (the "Moore Acquisition Documents"); and (ii) consummating the Moore Acquisition on or after the First Amendment Effective Date for an aggregate purchase price not to exceed $325,000 in cash on the closing date thereof pursuant to the terms of the Moore Acquisition Documents plus certain deferred purchase price owed to the sellers of Moore in an amount not to exceed $50,000; and (C) agree that for purposes of calculating any Excess Cash Flow prepayment amount that may be due in respect of any Fiscal Year pursuant to Section 2.5(b) of the Credit Agreement, (i) the unfinanced amount of the purchase price paid in cash during such Fiscal Year for the Moore Acquisition and (ii) the unfinanced installment payments made during such Fiscal Year pursuant to the SuCasa Acquisition Documents shall be deducted from the "Subtotal" determined as part of the calculation for "Excess Cash Flow" set forth on Schedule 2 to Annex E of the Credit Agreement prior to applying the "Required Prepayment Percentage" set forth on such Schedule.

Section 3. Amendment to the Credit Agreement. As of the First Amendment Effective Date, the Credit Agreement is hereby amended as follows:

3.1. Section 1.1 of the Credit Agreement is hereby amended by adding the following new definitions thereto:

Addus Nevada means Addus HealthCare (Nevada), Inc., a Delaware corporation.

First Amendment means that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007 among the Loan Parties, Agent and the Lenders.

First Amendment Effective Date has the meaning set forth in the First Amendment.

Moore has the meaning set forth in the Recitals to the First Amendment.

Moore Acquisition has the meaning set forth in the Recitals to the First Amendment.

Moore Acquisition Documents has the meaning set forth in Section 2 of the First Amendment.

Reaffirmation of Collateral Documents means the Consent and Reaffirmation dated as of July 29, 2007 of the Loan Parties signatory thereto, in respect of the Collateral Documents.

SuCasa Acquisition has the meaning set forth in the Recitals to the First Amendment.

SuCasa Acquisition Documents has the meaning set forth in Section 2 of the First Amendment.

SuCasa Asset Purchase Agreement has the meaning set forth in Section 2 of the First Amendment.

SuCasa Companies has the meaning set forth in the Recitals to the First Amendment.

SuCasa Note has the meaning set forth in Section 2 of the First Amendment.

3.2. Section 1.1 of the Credit Agreement is further amended by amending the definition of "EBITDA" by deleting the word "and" that immediately precedes "(xiv)" and replacing it with "," and adding the following language immediately after clause (xiv) therein:

", and (xv) in connection with calculating any monthly financial statements required by Section 7.2(a) for any period which includes the month of September, 2006, without duplication, the one-time charge of $146,431 expensed pre closing in September 2006 in connection with an audit conducted by the U.S. Department of Labor;"

3.3. The proviso at the end of the definition of "EBITDA" is amended and restated in its entirety to read as follows:

"provided, that, notwithstanding anything to the contrary contained herein, for each of the Fiscal Quarters listed below, EBITDA shall be deemed to be the amount set forth below opposite such corresponding period:

Period	EBITDA
September 30, 2006	$ 3,563,347[1]
December 31, 2006	$ 3,843,068
March 31, 2006	$3,062,914;

Provided, further, that for any period that includes the month of April, May, June or July of 2007, EBITDA shall, without duplication, be increased with respect to the assets acquired in connection with the SuCasa Acquisition by an amount equal to $71,897 for each such month."

3.4. Section 6.1 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (i) thereof, deleting the "." at the end of clause (j) thereof and replacing it with ";" and by adding the following new clauses (k), (l) and (m):

"(k) Indebtedness in respect of that certain 8% Junior Subordinated Promissory Note by Addus Nevada payable to Glen Schlosser, as Seller's Representative (on behalf the Sellers (as defined in the SuCasa Asset Purchase Agreement)), in the original principal amount of $250,000;

[1] This figure includes the one-time charge of $146,431 expensed pre closing in September 2006 in connection with an audit conducted by the U.S. Department of Labor.

"(l) Indebtedness for the deferred purchase price in connection with the Moore Acquisition up to $50,000; and

(m) Indebtedness consisting of surety bonds issued to licensing authorities in connection in the ordinary course of business in an aggregate amount for all such surety bonds not to exceed $250,000 outstanding at any time."

3.5. Section 6.3 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (j) thereof, deleting the "." at the end of clause (k) thereof and replacing it with ";" and by adding the following new clauses (l) and (m):

"(l) Addus Nevada may consummate the SuCasa Acquisition as of the First Amendment Effective Date pursuant to the SuCasa Acquisition Documents; and

(m) Borrower or a wholly-owned Subsidiary of Borrower may consummate the Moore Acquisition within ninety (90) days of the First Amendment Effective Date pursuant to the Moore Acquisition Documents and all applicable law, provided that the Moore Acquisition Documents shall have been duly authorized, executed and delivered by each of the respective parties thereto and shall be in full force and effect and provided further that the Agent shall have received a complete copy of the fully executed Moore Acquisition Documents, certified by the Borrower as being true, complete and correct."

3.6. Clause (d) of Section 6.6 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(d) acquire by purchase or otherwise all or any part of the Stock, business or assets of any other Person, provided that (i) Addus Nevada may consummate the SuCasa Acquisition as of the First Amendment Effective Date pursuant to the SuCasa Acquisition Documents; and (ii) Borrower or a wholly-owned Subsidiary of Borrower may consummate the Moore Acquisition on or after the First Amendment Effective Date pursuant to the Moore Acquisition Documents and all applicable law, provided that the Moore Acquisition Documents shall have been duly authorized, executed and delivered by each of the respective parties thereto and shall be in full force and effect and provided further that the Agent shall have received a complete copy of the fully executed Moore Acquisition Documents, certified by the Borrower as being true, complete and correct."

3.7. Section 6.16 of the Credit Agreement is amended and restated in its entirety to read as follows:

"None of the Loan Parties shall change or amend the terms of the Acquisition Note or SuCasa Note if such change or amendment would be adverse in any material respect to the rights or interests of the Loan Parties, the Agent or the Lenders."

3.8. The address for notice to the Borrower in Section 10.3 of the Credit Agreement is amended and restated in its entirety to read as follows:

“If to Borrower:

Addus HealthCare, Inc.
2401 South Plum Grove Road
Palatine, Illinois 60067
ATTN: Mark S. Heaney
Fax: (847) 303-5376

With a copy to:

Nixon Peabody LLP
437 Madison Avenue
New York, NY 10022
ATTN: Peter J. Alfano, Esq.
Fax: (212) 940-3111”

Section 4. Representations and Warranties. To induce Agent and Lenders to execute this Amendment, each Loan Party hereby represents and warrants to Agent and Lenders as follows:

(a) the execution, delivery and performance of each of this Amendment and the SuCasa Acquisition Documents have been duly authorized by all requisite action of each Loan Party thereto, and each of this Amendment and the SuCasa Acquisition Documents constitutes the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors’ rights generally and to general principles of equity; and

(b) each of the representations and warranties in the Credit Agreement are true and correct in all material respects with the same effect as though made on and as of the date hereof (except, in each case, to the extent stated to relate to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date) and no Event of Default or Default exists thereunder or would exist after giving effect to this Amendment or the SuCasa Acquisition.

Section 5. Conditions Precedent. This Amendment shall be effective as of the date first set forth above, subject to the satisfaction of the following condition precedent (the date of such satisfaction being the “First Amendment Effective Date”):

5.1. Execution and Delivery. Borrower, each of the other Loan Parties, Agent and the Requisite Lenders shall have executed and delivered this Agreement; the Borrower shall have executed and delivered an Officers Certificate in the form of Exhibit A attached hereto; and each Loan Party shall have executed and delivered the Consent and Reaffirmation in the form of Exhibit B attached hereto.

5.2. Financial Status. As of the First Amendment Effective Date after giving effect to the incurrence on the First Amendment Effective Date to the payment of all related costs and expenses incurred in connection with the SuCasa Acquisition and this Amendment, (a) the

Leverage Ratio shall not exceed 3.60 to 1.00, (b) not more than $6,000,000 in the aggregate of Revolving Loans and Letter of Credit Obligations shall be outstanding, and (c) Borrowing Availability shall be at least $6,500,000.

5.3. Due Diligence. Agent, Lenders and their counsel and advisors shall have completed their legal, accounting and financial due diligence review (including, without limitation, lien searches on the SuCasa Companies) of the SuCasa Companies and the SuCasa Acquisition, the results of which review shall be reasonably satisfactory to Agent and Requisite Lenders.

5.4. Material Adverse Effect. There shall have occurred no Material Adverse Effect upon the financial condition, operations, assets, business or properties of the Loan Parties or the SuCasa Companies since December 31, 2006.

5.5. SuCasa Acquisition Documents. On or prior to the First Amendment Effective Date, each of the SuCasa Acquisition Documents shall have been duly authorized, executed and delivered by each of the respective parties thereto and shall be in full force and effect and shall not have been amended or modified in any material manner except for such material amendments and modifications, if any, as may be reasonably satisfactory to Agent and the Required Lenders. The SuCasa Acquisition shall have been, or shall be contemporaneously herewith, consummated substantially in accordance with the SuCasa Acquisition Documents and in accordance with all applicable law, except as may have been consented to in writing by Agent. Agent shall have received a complete copy of the fully executed SuCasa Acquisition Documents, certified by the Borrower as being true, complete and correct.

5.6. Approvals. All necessary governmental and third party approvals and/or consents in connection with the SuCasa Acquisition and otherwise referred to herein or therein shall have been obtained and remain in effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of all or any part of the SuCasa Acquisition. Additionally, there shall not exist any judgment, order, injunction or other restraint pending or notified prohibiting or imposing material adverse conditions upon all or any part of the SuCasa Acquisition or the transactions contemplated by this Amendment.

5.7. No Defaults. After giving effect to this Amendment, no Event of Default or Default under the Credit Agreement shall have occurred and be continuing.

5.8. Representations and Warranties. After giving effect to this Amendment, the representations and warranties of the Loan Parties contained in this Amendment, the Credit Agreement and the other Loan Documents shall be true and correct in all material respects as of the First Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty shall be true and correct in all material respects as of such earlier date.

5.9. Payment of Fees. The Borrower shall have paid to Agent for its own account all other fees specified by that certain fee letter between the Borrower and Agent as of the date hereof.

5.10. Secretary's Certificate. On the First Amendment Effective Date, Agent shall have received from each Loan Party a certificate signed by the secretary or an assistant secretary of such Loan Party, dated the First Amendment Effective Date, as to the incumbency and signature of the officers of such Loan Party executing any Loan Document and any certificate or other document or instrument to be delivered pursuant hereto by or on behalf of such Loan Party, together with evidence of the incumbency of such Secretary or Assistant Secretary, as the case may be and certifying that there have been no changes to (i) the resolutions of such Loan Party authorizing and approving, among other things, the execution and delivery of the Loan Documents and (ii) the organizational documents of such Loan Party in each case since the Closing Date.

5.11. Resolutions. Agent shall have received a copy of the resolutions (in form and substance reasonably satisfactory to Agent) adopted by the Board of Directors of each Loan Party, authorizing or relating to the execution, delivery and performance of this Amendment and the SuCasa Acquisition Documents and the other documents and instruments provided for therein and the consummation of the transactions contemplated hereby and thereby.

5.12. Good Standing Certificates. Agent shall have received good standing certificates for each Loan Party from their respective jurisdictions of incorporation or organization.

5.13. Fees. Borrower shall have paid all reasonable and documented costs, fees and expenses (including, without limitation, reasonable legal fees and expenses of Winston & Strawn LLP) of Agent.

5.14. Other Matters. Agent shall have received such other instruments and documents as Agent or the Required Lenders may reasonably request in connection with the execution of this Amendment, and all such instruments and documents shall be reasonably satisfactory in form and substance to Agent.

Section 6. Miscellaneous.

6.1. Effect of Amendment. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender under the Credit Agreement or any Loan Document, or constitute a waiver of any provision of the Credit Agreement or any Loan Document, except as specifically set forth herein.

6.2. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of the executed counterpart of this Amendment by telecopy or electronic mail shall be as effective as delivery of a manually executed counterpart to this Amendment.

6.3. Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

6.4. Captions. Section captions used in this Amendment are for convenience only, and shall not affect the construction of this Amendment.

6.5. Entire Agreement. This Amendment embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof.

6.6. References. Any reference to the Credit Agreement contained in any notice, request, certificate, or other document executed concurrently with or after the execution and delivery of this Amendment shall be deemed to include this Amendment unless the context shall otherwise require. Reference in any of this Amendment, the Credit Agreement or any other Loan Document to the Credit Agreement shall be a reference to the Credit Agreement as amended hereby and as further amended, modified, restated, supplemented or extended from time to time.

Section 7. Governing Law. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

[signature pages follow]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first above written.

ADDUS HEALTHCARE, INC.

By: /s/ Mark Heaney
Name: Mark Heaney
Title: Vice President

ADDUS HOLDING CORPORATION

By: /s/ Simon Bachleda
Name: Simon Bachleda
Title: Vice President

ADDUS MANAGEMENT CORPORATION

By: /s/ Simon Bachleda
Name: Simon Bachleda
Title: Vice President

LOWELL HOME HEALTH AGENCY, INC.

By: /s/ Mark Heaney
Name: Mark Heaney
Title: Vice President

LITTLE ROCK HOME HEALTH AGENCY, INC.

By: /s/ Mark Heaney
Name: Mark Heaney
Title: Vice President

FORT SMITH HOME HEALTH AGENCY, INC.

By: /s/ Mark Heaney
Name: Mark Heaney
Title: Vice President

BENEFITS ASSURANCE CO., INC.

By: /s/ W. Andrew Wright
Name: W. Andrew Wright
Title: President

PHC ACQUISITION CORPORATION

By: /s/ Mark Heaney
Name: Mark Heaney
Title: Vice President

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

By: /s/ Mark Heaney
Name: Mark Heaney
Title: Vice President

FREEPORT FINANCIAL LLC, as Agent

By: /s/ Chad Blakeman
Title: Senior Managing Director

FREEPORT LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Senior Managing Director

FREEPORT OFFSHORE LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Senior Managing Director

FREEPORT LOAN TRUST 2006-1, as a Lender

By: /s/ Chad Blakeman
Title: Senior Managing Director

FIFTH THIRD BANK, CHICAGO
(A Michigan Banking Company)

By: /s/ Gregory H. Bork
Name: Gregeory H. Bork
Title: Vice President

RESIDENTIAL FUNDING COMPANY LLC

By: /s/ Dennis M. Hansen
Name: Dennis M. Hansen
Title: SVP

EXHIBIT A

OFFICER'S CERTIFICATE

Reference is made to that certain Consent and First Amendment to Credit Agreement, dated as of July 29, 2007 (the "First Amendment"; capitalized terms used herein and not otherwise defined shall have the meanings specified thereto in that certain Credit Agreement dated as of September 19, 2006 among the Loan Parties party thereto, the Agent and the Lenders party thereto (the "Credit Agreement") as amended by the First Amendment), among the Borrower, certain other parties, the financial institutions party thereto and Freeport Financial LLC, as Agent. The undersigned hereby certifies that [s]he is the duly authorized and elected ___________ of the Borrower and that, as of the date hereof:

1. As of the First Amendment Effective Date, after giving effect to the payment of all related costs and expenses incurred in connection with the SuCasa Acquisition and the First Amendment, (a) the Leverage Ratio does not exceed 3.60 to 1.00, (b) not more than $6,000,000 in the aggregate of Revolving Loans and Letter of Credit Obligations are outstanding and (c) Borrowing Availability is at least $6,500,000.

2. No Material Adverse Effect has occurred upon the financial condition, operations, assets, business or properties of the Loan Parties or SuCasa Companies since December 31, 2006.

3. After giving effect to the First Amendment, no Event of Default or Default under the Credit Agreement has occurred or is continuing.

4. After giving effect to the First Amendment, the representations and warranties of the Loan Parties contained in the First Amendment, the Credit Agreement and the other Loan Documents are true and correct in all material respects as of the First Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty was true and correct in all material respects as of such earlier date.

5. The Loan Parties have consummated the SuCasa Acquisition substantially in accordance with the SuCasa Acquisition Documents and in accordance with all applicable law, except as may have been consented to in writing by Agent.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, I have hereunto set my hand this ______ day of July, 2007.

ADDUS HEALTHCARE, INC.

By: ____

Name:

Title:

EXHIBIT B

CONSENT AND REAFFIRMATION

Each of the undersigned ("Loan Parties") hereby (i) acknowledges receipt of a copy of the Consent and First Amendment to Credit Agreement dated July 29, 2007 (the "First Amendment"); (ii) consents to the execution and delivery thereof by the other Loan Parties; (iii) agrees to be bound thereby; (iv) affirms that nothing contained therein shall modify in any respect whatsoever its guaranty of the obligations of the Loan Parties to Agent and Lenders (the "Guarantee"), (v) reaffirms that the Guarantee and the other Collateral Documents executed by such Person are and shall continue to remain in full force and effect and (vi) supplements Schedules ______, ______ and ______ to the Collateral Documents with the new information attached to this Consent and Reaffirmation as Exhibit C-1. Although each of the Loan Parties has been informed of the matters set forth herein and in the First Amendment and has acknowledged and agreed to same, such Loan Parties understand that Agent and Lenders have no obligation to inform any of the Loan Parties of such matters in the future or to seek any of the Loan Parties' acknowledgment or agreement to future amendments or waivers, and nothing herein shall create such a duty.

This Consent and Reaffirmation shall be governed by and construed in accordance with the laws of the State of Illinois, without reference to principles of conflicts of law.

In witness whereof, each of the undersigned has executed this Consent and Reaffirmation on and as of the date of such First Amendment.

ADDUS HEALTHCARE, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

ADDUS HOLDING CORPORATION

By: ______________________________
Name: ______________________________
Title: ______________________________

ADDUS HEALTHCARE (NEVADA), INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

ADDUS MANAGEMENT CORPORATION

By: ______________________________
Name: ______________________________
Title: ______________________________

LOWELL HOME HEALTH AGENCY, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

LITTLE ROCK HOME HEALTH AGENCY, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

FORT SMITH HOME HEALTH AGENCY, INC.

By: ____________________________
Name: ____________________________
Title: ____________________________

BENEFITS ASSURANCE CO., INC.

By: ____________________________
Name: ____________________________
Title: ____________________________

PHC ACQUISITION CORPORATION

By: ____________________________
Name: ____________________________
Title: ____________________________

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

By: ____________________________
Name: ____________________________
Title: ____________________________

Exhibit 10.8(b)

EXECUTION COPY

CONSENT AND SECOND AMENDMENT TO CREDIT AGREEMENT

CONSENT AND SECOND AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of October 15, 2007, among Addus HealthCare, Inc., an Illinois corporation ("Borrower"), the other persons signatory hereto as "Loan Parties", FREEPORT FINANCIAL LLC, a Delaware limited liability company ("Agent") and the Lenders signatory hereto. Terms not defined herein have the meanings given to them in the Credit Agreement (as hereinafter defined).

RECITALS

A. Borrower, the Loan Parties, the Lenders signatory thereto and Agent are party to that certain Credit Agreement dated as of September 19, 2006 (as amended by that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007 and as further amended, restated or otherwise modified including by this Amendment, the "Credit Agreement").

B. Borrower, the Loan Parties, the Lenders and Agent are entering into this Amendment in connection with (I) the acquisition (the "Silver State Acquisition") by the Borrower or a wholly-owned Subsidiary of the Borrower of substantially all of the assets of Silver State Personal Care, Inc., a Nevada corporation ("Silver State") for an aggregate purchase price not to exceed $2,000,000, (II) the increase of the Revolving Loan Commitment by $5,000,000, (III) the increase of the Term Loan Commitment by $17,500,000 (the "Term Loan Commitment Increase"), under which an initial advance in the amount of $5,000,000 will be made on the Second Amendment Effective Date (the "Second Amendment Term Loan Commitment Increase") and multiple subsequent advances in the aggregate amount of $12,500,000 (such amount, the "Delayed Draw Term Loan Commitment Increase") are proposed to be made on certain Delayed Draw Dates (as defined in the Credit Agreement) and (IV) the continuation of the existing Term Loans (of which $42,200,000 in aggregate principal amount remains outstanding as of the Second Amendment Effective Date before giving effect to the Second Amendment).

C. Agent, Lenders and the Loan Parties are willing to enter into this Amendment upon the terms and conditions set forth below.

NOW THEREFORE, in consideration of the matters set forth in the recitals and the covenants and provisions herein set forth, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

Section 2. Consent. Agent and the Lenders hereby consent to the Borrower or a wholly-owned Subsidiary of Borrower (i) entering into agreements, instruments and other documents for the purpose of consummating the Silver State Acquisition in each case on terms and conditions satisfactory to the Agent (the "Silver State Acquisition Documents", it being agreed that the forms of such agreements, instruments and other documents provided to the Agent on October 12, 2007 are satisfactory to the Agent); and (ii) consummating the Silver State Acquisition on the Second Amendment Effective Date for an aggregate purchase price not to exceed $1,500,000 paid in cash on the closing date thereof pursuant to the terms of the Silver State Acquisition Documents, plus a deferred purchase price in an amount not to exceed $500,000 paid to Silver State pursuant to the Silver State Note; provided that such deferred purchase price shall not be paid in the event that any Default or Event of Default under any of Sections 7.1 or 8.1(a) of the Credit Agreement has occurred and is continuing or would result therefrom or the Borrower does not have the minimum Borrowing Availability required by Section 6.17 of the Credit Agreement after giving effect to such payment.

Section 3. Amendment to the Credit Agreement. As of the Second Amendment Effective Date, the Credit Agreement is hereby amended as follows:

3.1. Section 1.1 of the Credit Agreement is hereby amended by adding the following new definitions thereto:

Delayed Draw Date has the meaning set forth in Section 2.1(a).

Delayed Draw Term Loan Commitment means (a) as to any Lender, the commitment of such Lender to make its Pro Rata Share of the Delayed Draw Term Loans (as set forth on Annex A to the Second Amendment or in the most recent Assignment Agreement, if any, executed by such Lender) in the maximum aggregate amount not to exceed the Delayed Draw Term Loan Commitment Increase and (b) as to all Lenders, the aggregate commitment of all Lenders to make the Delayed Draw Term Loans in the maximum aggregate amount not to exceed the Delayed Draw Term Loan Commitment Increase, in each case as reduced by Term Loans made on any Delayed Draw Date or otherwise as reduced pursuant hereto.

Delayed Draw Term Loan Commitment Increase has the meaning set forth in the Recitals to the Second Amendment.

Delayed Draw Term Loans has the meaning set forth in Section 2.1(a).

Original Term Loans has the meaning set forth in Section 2.1(a).

Second Amendment means that certain Consent and Second Amendment to Credit Agreement dated as of October 15, 2007 among the Loan Parties, Agent and the Lenders.

Second Amendment Effective Date has the meaning set forth in the Second Amendment.

Second Amendment Reaffirmation of Collateral Documents means the Consent and Reaffirmation (Second Amendment) dated as of October 15, 2007 of the Loan Parties signatory thereto, in respect of the Collateral Documents.

Second Amendment Term Loan Commitment means (a) as to any Lender, the commitment of such Lender to make its Pro Rata Share of the Second Amendment Term Loans (as set forth on Annex A to the Second Amendment or in the most recent Assignment Agreement, if any, executed by such Lender) in the maximum aggregate amount not to exceed the Second Amendment Term Loan Commitment Increase, and (b) as to all Lenders, the aggregate commitment of all Lenders to make the Second Amendment Term Loans.

Second Amendment Term Loan Commitment Increase has the meaning set forth in the Second Amendment.

Second Amendment Term Loans has the meaning set forth in Section 2.1(a).

Silver State has the meaning set forth in the Recitals to the Second Amendment.

Silver State Acquisition has the meaning set forth in the Recitals to the Second Amendment.

Silver State Acquisition Documents has the meaning set forth in Section 2 of the Second Amendment.

Silver State Note means that certain 8% Junior Subordinated Promissory Note by Borrower payable to Silver State in the original principal amount of $500,000.

3.2. Section 1.1 of the Credit Agreement is further amended by amending and restating the proviso at the end of the definition of "EBITDA" to read as follows:

"provided, that, notwithstanding anything to the contrary contained herein, for each of the Fiscal Quarters listed below, EBITDA shall be deemed to be the amount set forth below opposite such corresponding period:

Period	EBITDA
December 31, 2006	$4,024,457
March 31, 2007	$3,224,724
June 30, 2007	$3,340,717

Provided, further, that for any period that includes the month of July, August or September of 2007, EBITDA shall, without duplication, be increased with respect to the assets acquired in connection with the Silver State Acquisition by an amount equal to $63,000 for each such month."

3.3. Section 1.1 of the Credit Agreement is further amended by amending and restating the definition of "Fixed Charge Coverage Ratio" to read as follows:

"Fixed Charge Coverage Ratio" means for any measuring period the ratio of (x) (i) EBITDA less (ii) Capital Expenditures, other than the portion thereof funded by third party financing and less (iii) the sum of all federal, state and local income taxes and franchise taxes (excluding (1) provisions for taxes in respect of gains on the sale of assets, and extraordinary and non-recurring gains and (2), for purposes of calculating the "Fixed Charge Coverage Ratio" for any measuring period that includes the months of March, April, June, September and December of Fiscal Year 2007, $1,400,000 for March, 2007 and $400,000 for each of April, 2007, June, 2007, September, 2007 and December, 2007) paid in cash (net of any credit for such taxes), to (y) Fixed Charges."

3.4. Section 1.1 of the Credit Agreement is further amended by amending and restating the definition of "McKesson Add-Back" to read as follows:

"McKesson Add-Back means an amount equal to the expenses booked by the Borrower and its Subsidiaries with respect to McKesson system implementation services from and after the Closing Date in an amount not to exceed $1,000,000."

3.5. Section 1.1 of the Credit Agreement is further amended by deleting the definition of "Revolving Loan Commitment" and replacing it with the following new definition:

"Revolving Loan Commitment means (a) as to any Lender, the commitment of such Lender to make its Pro Rata Share of Revolving Credit Advances or incur its Pro Rata Share of Letter of Credit Obligations as set forth on Annex A or in the most recent Assignment Agreement, if any, executed by such Lender and (b) as to all Lenders, the aggregate commitment of all Lenders to make the Revolving Credit Advances or incur Letter of Credit Obligations, which aggregate commitment shall be Seventeen Million Five Hundred Thousand Dollars ($17,500,000) on the Second Amendment Effective Date, as such amount may be adjusted, if at all, from time to time in accordance with the Agreement."

3.6. Section 1.1 of the Credit Agreement is further amended by adding the following new sentence to the definition of "Term Loan Commitment" immediately at the end thereof:

"The Term Loan Commitment shall include each Lender's Delayed Draw Term Loan Commitment and the Second Amendment Term Loan Commitment which, together with the Term Loans outstanding immediately prior to giving effect to the Second Amendment collectively equal $59,700,000."

3.7. Section 2.1(a) of the Credit Agreement is hereby amended and restated in its entirety and replaced with the following new Section 2.1(a):

"Term Loans. (i) On the Closing Date, each Term Lender funded its Pro Rata Share to Borrower of $45,000,000 (the "Original Term Loans"). On the Second Amendment Effective Date, Original Term Loans remain outstanding in the principal amount of $42,200,000.

(ii) On the Second Amendment Effective Date, each Lender shall make available funds equal to its Pro Rata Share of the aggregate Second Amendment Term Loan Commitment in immediately available funds to the Agent (such loans the "Second Amendment Term Loans").

The Second Amendment Term Loan Commitment shall expire concurrently with the making of the related Term Loans on the Second Amendment Effective Date. Borrower covenants and agrees that it shall use the proceeds of the Second Amendment Term Loans advanced on the Second Amendment Effective Date solely to reduce outstanding Revolving Loans, fund its purchase price obligations in respect of the Silver State Acquisition and for fees and expenses incurred in connection with the closing of the transactions contemplated by the Silver State Acquisition Documents and the Second Amendment.

(iii) On each Delayed Draw Date, subject to the terms and conditions in clause (iv) of this Section 2.1(a) below, each Lender shall make available funds equal to its Pro Rata Share of the Delayed Draw Term Loan Commitment to be drawn on such date in immediately available funds to the Agent (the Loans made on each such date "Delayed Draw Term Loans" and, collectively with the Second Amendment Term Loans and Original Term Loans, collectively, the "Term Loans"). Each borrowing of a Delayed Draw Term Loan shall be in an aggregate minimum amount of $2,500,000 and integral multiples of $500,000 in excess of that amount. The Delayed Draw Term Loan Commitment shall expire on the earlier of (i) the date the Delayed Draw Term Loan Commitment is permanently reduced to zero, (ii) the date of the termination of the Commitments pursuant to Section 8.3 and (iii) the date that is nine (9) months after the Second Amendment Effective Date, and any portion of the Delayed Draw Term Loan Commitment unused by the Borrower as of such date shall be automatically terminated. Borrower covenants and agrees that it shall use the proceeds of the Delayed Draw Term Loans (i) to fund Acquisitions consented to by the Requisite Lenders, (ii) to pay fees and expenses incurred in connection with such Acquisition and any amendment to the Credit Agreement in connection therewith and (iii) contemporaneously with the funding of any Acquisition consented to by the Requisite Lenders, to provide additional working capital for the Borrower in connection with such Acquisition.

(iv) The obligation of each Lender to make Loans in respect of its Delayed Draw Term Loan Commitment is, in addition to the conditions precedent specified in Section 3.2 hereof, subject to the conditions precedent that (i) the Agent shall have received all of the following, each duly executed and dated as of the date of funding of the Delayed Draw Term Loan requested by the Borrower (or such earlier date as shall be satisfactory to the Agent), as applicable, in form and substance satisfactory to the Agent and (ii) as applicable, each of the following statements shall be true and correct as of such date (each such date on which all such conditions precedent have been satisfied or waived in writing by the Agent is called a "Delayed Draw Date" and, collectively, all such dates shall be the "Delayed Draw Dates"):

(a) Acquisition Agreements. The Borrower shall have received the consent of the Requisite Lenders to the Acquisition to be funded by a Delayed Draw Term Loan on the Delayed Draw Date and the Lenders shall have received the acquisition agreement and all other material agreements, instruments and documents executed in connection with any such Acquisition to be consummated on such Delayed Draw Date (including without limitation all schedules and exhibits to the relevant acquisition agreement) in each case in form and substance satisfactory to them. Concurrently with the funding of the Term Loans on such Delayed Draw Date, any such Acquisition shall have been consummated in accordance with the terms of such acquisition agreement in all material respects and in compliance with applicable law and regulatory approvals.

(b) Covenant Compliance. After giving pro forma effect to the Acquisition to be funded on and the incurrence of the Delayed Draw Term Loan on such date, Borrower is in compliance with each of the covenants set forth in Section 7.1.

(c) Letter of Direction. Agent shall have received a duly executed letter of direction from Borrower addressed to Agent, on behalf of itself and the Lenders directing the disbursement of the proceeds of the Delayed Draw Term Loans on the applicable Delayed Draw Date.

(d) Opinions of Counsel. Opinions of counsel for each Loan Party, including local counsel reasonably requested by the Agent.

(e) Insurance. Evidence of the existence of insurance required to be maintained pursuant to the Credit Agreement, together with evidence that the Agent has been named as a lender's loss payee and an additional insured on all related insurance policies.

(f) Closing Certificate. A certificate executed by an officer of the Borrower on behalf of the Loan Parties certifying the matters set forth as conditions to the Delayed Draw Date.

(g) Consents, etc. Certified copies of all documents evidencing any necessary corporate or partnership action, consents and governmental approvals (if any) required for the execution, delivery and performance by the Loan Parties of the Acquisition to be funded on the Delayed Draw Date.

(h) Filings, Registrations and Recordings. The Agent shall have received each document (including Uniform Commercial Code financing statements) required by Section 5.7(c) of the Credit Agreement as may be necessary or desirable in order to create in favor of the Agent, for the benefit of the Lenders, a perfected Lien on the Collateral acquired in connection with such any such Acquisition described therein, prior to any other Liens (subject only to Permitted Encumbrances).

(i) Other. Such other documents as the Agent or any Lender may reasonably request.

(v) Borrower shall repay the Term Loans through periodic payments on the dates and in the amounts indicated below ("Scheduled Installments"), and in any event the entire remaining principal balance shall be repaid on the Commitment Termination Date.

Term Loan

Date		Scheduled Installment
December 31, 2007	$	1,100,000
March 31, 2008	$	1,100,000
June 30, 2008	$	1,100,000
September 30, 2008	$	1,100,000
December 31, 2008	$	1,475,000
March 31, 2009	$	1,475,000
June 30, 2009	$	1,475,000
September 30, 2009	$	1,475,000
December 31, 2009	$	1,850,000
March 31, 2010	$	1,850,000
June 30, 2010	$	1,850,000
September 30, 2010	$	1,850,000
December 31, 2010	$	2,225,000
March 31, 2011	$	2,225,000
June 30, 2011	$	2,225,000
September 19, 2011	$	22,825,000 or the outstanding principal balance of Term Loans outstanding on such date

The above scheduled installment amounts shall be increased in the manner set forth on Annex B to the Second Amendment to the extent any Delayed Draw Term Loans are funded. The final installment payment shall in all events equal the entire remaining principal balance of the Term Loan (including any remaining principal balance of such Delayed Draw Term Loans). Amounts borrowed under this Section 2.1(a) and repaid may not be reborrowed.

At the request of the applicable Lender, the Term Loans shall be evidenced by promissory notes substantially in the form of Exhibit 2.1(a) (as amended, modified, extended, substituted or replaced from time to time, each a "Term Note" and, collectively, the "Term Notes"), and Borrower shall execute and deliver a Term Note to each such Term Lender. Each Term Note shall represent the obligation of Borrower to pay the amount of the applicable Term Lender's Term Loan Commitment, together with interest thereon."

3.8. Section 2.2(a) of the Credit Agreement is hereby amended by deleting the grid therein and replacing it with the following new grid:

Level of Applicable Margin	Leverage Ratio	Applicable Term Loan Index Margin	Applicable Term Loan LIBOR Margin
Level I	> 4.00 to 1.00	3.50%	4.50%
Level II	> 2.50 to 1.00, and < 4.00 to 1.00	3.00%	4.00%
Level III	< 2.50 to 1.00	2.50%	3.50%

3.9. Section 2.3(a) of the Credit Agreement is hereby deleted and replaced with the following new Section 2.3(a):

"Fee Letter. Borrower shall pay to Freeport, individually, the Fees specified in that certain fee letter dated as of October 15, 2007 (the "Freeport Fee Letter"), at the times specified for payment therein."

3.10. A new Section 2.3(f) is hereby added to the Credit Agreement to read as follows:

"Unused Delayed Draw Line Fee. As additional compensation for each Term Lender with a Delayed Draw Term Loan Commitment, Borrower shall pay to Agent, for the benefit of each such Lender, in arrears, on the first Business Day of each month prior to the Delayed Draw Term Loan Commitment Termination Date and on such date, a fee for each such month or other period for Borrower's non-use of available funds under the Delayed Draw Term Loan Commitment in an amount equal to one half of one percent (0.50%) per annum multiplied by the unused amount of such Lender's Delayed Draw Term Loan Commitment during such month or other period."

3.11. Section 5.12 of the Credit Agreement is hereby amended by adding the following new paragraph (c) thereto:

"(c) Following the Second Amendment Effective Date, the Borrower shall use its commercially reasonable efforts to promptly complete the transfer of the healthcare provider numbers from SuCasa Personal Care, LLC and Desert PCA of Nevada, LLC (each, a "New Provider Number") to one of the Loan Parties and upon receipt of a New Provider Number shall notify the Agent of receipt of same and if permitted by applicable law, (i) shall transfer all patients who were previously patients of Silver State (the "Silver State Patients") to such New Provider Number within sixty (60) days of receipt of such New Provider Number and (ii) shall retire the healthcare provider number acquired in connection with the Silver State Acquisition within such sixty (60) day period and cease to use it in the operations of the Borrower and its Subsidiaries, unless as otherwise required by applicable law. Notwithstanding the foregoing, in the event that Borrower determines that it is not permitted by applicable law to effect the transfer of the Silver State Patients to a New Provider Number, Borrower and its Subsidiaries shall promptly notify Agent and shall immediately apply for a new healthcare provider number from the appropriate Governmental Authority and shall transfer the Silver State Patients to such new healthcare provider number within sixty (60) days of receipt of such new healthcare provider number."

3.12. Section 6.1 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (l) thereof, deleting the "." at the end of clause (m) thereof and replacing it with "; and" and by adding the following new clause (n):

"(n) Indebtedness in respect of the Silver State Note."

3.13. Section 6.3 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (l) thereof, deleting the "." at the end of clause (m) thereof and replacing it with "; and" and by adding the following new clause (n):

"(n) Borrower or a wholly-owned Subsidiary of Borrower may consummate the Silver State Acquisition as of the Second Amendment Effective Date pursuant to the Silver State Acquisition Documents."

3.14. Clause (d) of Section 6.6 of the Credit Agreement is hereby amended by deleting the "and" before clause (ii) thereof and adding the following new language immediately at the end thereof:

"and (iii) Borrower or a wholly-owned Subsidiary of Borrower may consummate the Silver State Acquisition on the Second Amendment Effective Date pursuant to the Silver State Acquisition Documents and all applicable law, provided that the Silver State Acquisition Documents shall be in full force and effect and provided further that the Agent shall have received a complete copy of the fully executed Silver State Acquisition Documents, certified by the Borrower as being true, complete and correct."

3.15. Section 6.16 of the Credit Agreement is amended and restated in its entirety to read as follows:

"None of the Loan Parties shall change or amend the terms of the Acquisition Note, Silver State Note or SuCasa Note if such change or amendment would be adverse in any material respect to the rights or interests of the Loan Parties, the Agent or the Lenders."

3.16. A new Section 6.17 is hereby added to the Credit Agreement to read as follows:

"6.17 Payments of Deferred Purchase Price. None of the Loan Parties shall make any payment of deferred purchase price (including with respect to any earnout or other Indebtedness) with respect to any Acquisition entered into on or after the Second Amendment Effective Date if, after giving effect to such payment, the Borrower would have less than $2,500,000 of Borrowing Availability."

3.17. Section 7.1(c) of the Credit Agreement is amended and restated in its entirety to read as follows:

"Minimum Fixed Charge Coverage Ratio. Holdings and its Subsidiaries shall have on a consolidated basis at the end of each Fiscal Quarter set forth below, a Fixed Charge Coverage Ratio for the 12-Fiscal Month period then ended, of not less than the following:

1.20:1:00 for the Fiscal Quarter ending September 30, 2007
1.20:1:00 for the Fiscal Quarter ending December 31, 2007
1.15:1:00 for the Fiscal Quarter ending March 31, 2008
1.15:1:00 for the Fiscal Quarter ending June 30, 2008
1.10:1:00 for the Fiscal Quarter ending September 30, 2008

1.10:1:00 for the Fiscal Quarter ending December 31, 2008
1.10:1:00 for the Fiscal Quarter ending March 31, 2009
1.10:1:00 for the Fiscal Quarter ending June 30, 2009
1.10:1:00 for each Fiscal Quarter ending thereafter

3.18. Section 7.1(d) of the Credit Agreement is amended and restated in its entirety to read as follows:

"Maximum Leverage Ratio. Holdings and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, a Leverage Ratio as of the last day of such Fiscal Quarter and for the 12-Fiscal Month period then ended, of not more than the following:

4.25:1.00 for the Fiscal Quarter ending September 30, 2007;
4.25:1.00 for the Fiscal Quarter ending December 31, 2007;
4.25:1.00 for the Fiscal Quarter ending March 31, 2008;
4.25:1.00 for the Fiscal Quarter ending June 30, 2008;
4.00:1.00 for the Fiscal Quarter ending September 30, 2008;
4.00:1.00 for the Fiscal Quarter ending December 31, 2008;
3.75:1.00 for the Fiscal Quarter ending March 31, 2009;
3.75:1.00 for the Fiscal Quarter ending June 30, 2009;
3.50:1.00 for the Fiscal Quarter ending September 30, 2009;
3.50:1.00 for the Fiscal Quarter ending December 31, 2009;
3.25:1.00 for the Fiscal Quarter ending March 31, 2010;
3.25:1.00 for the Fiscal Quarter ending June 30, 2010;
3.00:1.00 for the Fiscal Quarter ending September 30, 2010;
3.00:1.00 for the Fiscal Quarter ending December 31, 2010; and
2.75 for each Fiscal Quarter ending thereafter."

3.19. Annex A of the Credit Agreement is amended and restated in its entirety to read in the manner set forth as Annex C to this Amendment.

Section 4. Representations and Warranties. To induce Agent and Lenders to execute this Amendment, each Loan Party hereby represents and warrants to Agent and Lenders as follows:

(a) the execution, delivery and performance of each of this Amendment and the Silver State Acquisition Documents have been duly authorized by all requisite action of each Loan Party thereto, and each of this Amendment and the Silver State Acquisition Documents constitutes the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity; and

(b) each of the representations and warranties in the Credit Agreement are true and correct in all material respects with the same effect as though made on and as of the date hereof (except, in each case, to the extent stated to relate to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date) and no Event of Default or Default exists thereunder or would exist after giving effect to this Amendment or the Silver State Acquisition.

Section 5. Conditions Precedent. This Amendment shall be effective as of the date first set forth above, subject to the satisfaction of the following conditions precedent (the date of such satisfaction being the "Second Amendment Effective Date"):

5.1. Execution and Delivery. Borrower, each of the other Loan Parties, Agent, each Lender with a Second Amendment Term Loan Commitment, each Lender with a Delayed Draw Term Loan Commitment, each Lender whose Revolving Loan Commitment is being increased as of the Second Amendment Effective Date and the Requisite Lenders shall have executed and delivered this Agreement; the Borrower shall have executed and delivered an Officers Certificate in the form of Exhibit A attached hereto; and each Loan Party shall have executed and delivered the Consent and Reaffirmation in the form of Exhibit B attached hereto.

5.2. Financial Status. As of the Second Amendment Effective Date after giving effect to the incurrence on the Second Amendment Effective Date to the payment of all related costs and expenses incurred in connection with the Silver State Acquisition and this Amendment, (a) the Leverage Ratio shall not exceed 3.90 to 1.00, (b) not more than $6,500,000 in the aggregate of Revolving Loans and Letter of Credit Obligations shall be outstanding, and (c) Borrowing Availability shall be at least $6,000,000.

5.3. Due Diligence. Agent, Lenders and their counsel and advisors shall have completed their legal, accounting and financial due diligence review (including, without limitation, lien searches on Silver State) of Silver State and the Silver State Acquisition, the results of which review shall be reasonably satisfactory to Agent and Requisite Lenders.

5.4. Material Adverse Effect. There shall have occurred no Material Adverse Effect upon the financial condition, operations, assets, business or properties of the Loan Parties or Silver State since December 31, 2006.

5.5. Silver State Acquisition Documents. On or prior to the Second Amendment Effective Date, each of the Silver State Acquisition Documents shall have been duly authorized by each of the Loan Parties party thereto and executed and delivered by each of the respective parties thereto and shall be in full force and effect and shall not have been amended or modified in any material manner except for such material amendments and modifications, if any, as may be reasonably satisfactory to Agent and the Requisite Lenders. The Silver State Acquisition shall have been, or shall be contemporaneously herewith, consummated substantially in accordance with the Silver State Acquisition Documents and in accordance with all applicable law, except as may have been consented to in writing by Agent. Agent shall have received a complete copy of the fully executed Silver State Acquisition Documents, certified by the Borrower as being true, complete and correct.

5.6. Approvals. All necessary governmental and third party approvals and/or consents in connection with the Silver State Acquisition and otherwise referred to herein or therein shall have been obtained and remain in effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of all or any part of the Silver State Acquisition, in each case as of the Second Amendment Effective Date. Additionally, there shall not exist any judgment, order, injunction or other restraint pending or notified prohibiting or imposing material adverse conditions upon all or any part of the Silver State Acquisition or the transactions contemplated by this Amendment as of the Second Amendment Effective Date.

5.7. No Defaults. After giving effect to this Amendment, no Event of Default or Default under the Credit Agreement shall have occurred and be continuing.

5.8. Representations and Warranties. After giving effect to this Amendment, the representations and warranties of the Loan Parties contained in this Amendment, the Credit Agreement and the other Loan Documents shall be true and correct in all material respects as of the Second Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty shall be true and correct in all material respects as of such earlier date.

5.9. Payment of Fees. The Borrower shall have paid (i) to Agent for its own account all fees payable on the Second Amendment Effective Date and specified by that certain fee letter between the Borrower and Agent as of the date hereof and (ii) shall have paid to Agent on behalf of each Lender who executes this Amendment on or prior to October 15, 2007 an amendment fee in an amount equal to 25 bps times the sum of such Lender’s Revolving Commitment as of the Second Amendment Effective Date and the principal amount of such Lender’s Term Loans outstanding on the Second Amendment Effective Date, in each case prior to giving effect to the Second Amendment.

5.10. Secretary’s Certificate. Agent shall have received from each Loan Party a certificate signed by the secretary or an assistant secretary of such Loan Party, dated as of the Second Amendment Effective Date, as to the incumbency and signature of the officers of such Loan Party executing any Loan Document and any certificate or other document or instrument to be delivered pursuant hereto by or on behalf of such Loan Party, together with evidence of the incumbency of such Secretary or Assistant Secretary, as the case may be and certifying that there have been no changes to (i) the resolutions of such Loan Party authorizing and approving, among other things, the execution and delivery of the Loan Documents and (ii) the organizational documents of such Loan Party in each case since the Closing Date.

5.11. Resolutions. Agent shall have received a copy of the resolutions (in form and substance reasonably satisfactory to Agent) adopted by the Board of Directors of each Loan Party, authorizing or relating to the execution, delivery and performance of this Amendment and the Silver State Acquisition Documents and the other documents and instruments provided for therein and the consummation of the transactions contemplated hereby and thereby.

5.12. Good Standing Certificates. Agent shall have received good standing certificates for each Loan Party from their respective jurisdictions of incorporation or organization.

5.13. Fees. Borrower shall have paid all reasonable and documented costs, fees and expenses (including, without limitation, reasonable legal fees and expenses of Winston & Strawn LLP) of Agent.

5.14. Opinions of Counsel. Agent shall have received opinions of counsel for each Loan Party, including local counsel reasonably requested by the Agent.

5.15. Other Matters. Agent shall have received such other instruments and documents as Agent or the Requisite Lenders may reasonably request in connection with the execution of this Amendment, and all such instruments and documents shall be reasonably satisfactory in form and substance to Agent.

Section 6. Miscellaneous.

6.1. Effect of Amendment. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender under the Credit Agreement or any Loan Document, or constitute a waiver of any provision of the Credit Agreement or any Loan Document, except as specifically set forth herein.

6.2. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of the executed counterpart of this Amendment by telecopy or electronic mail shall be as effective as delivery of a manually executed counterpart to this Amendment.

6.3. Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

6.4. Captions. Section captions used in this Amendment are for convenience only, and shall not affect the construction of this Amendment.

6.5. Entire Agreement. This Amendment embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof.

6.6. References. Any reference to the Credit Agreement contained in any notice, request, certificate, or other document executed concurrently with or after the execution and delivery of this Amendment shall be deemed to include this Amendment unless the context shall otherwise require. Reference in any of this Amendment, the Credit Agreement or any other Loan Document to the Credit Agreement shall be a reference to the Credit Agreement as amended hereby and as further amended, modified, restated, supplemented or extended from time to time.

Section 7. Governing Law. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

[signature pages follow]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first above written.

ADDUS HEALTHCARE, INC.

By: /s/ W. Andrew Wright
Name: W. Andrew Wright
Title: President & CEO

ADDUS HOLDING CORPORATION

By: /s/ W. Andrew Wright
Name: W. Andrew Wright
Title: President & CEO

ADDUS MANAGEMENT CORPORATION

By: /s/ W. Andrew Wright
Name: W. Andrew Wright
Title: President & CEO

LOWELL HOME HEALTH AGENCY, INC.

By: /s/ W. Andrew Wright
Name: W. Andrew Wright
Title: President & CEO

LITTLE ROCK HOME HEALTH AGENCY, INC.

By: /s/ W. Andrew Wright
Name: W. Andrew Wright
Title: President & CEO

FORT SMITH HOME HEALTH AGENCY, INC.

By: /s/ W. Andrew Wright
Name: W. Andrew Wright
Title: President & CEO

BENEFITS ASSURANCE CO., INC.

By: /s/ W. Andrew Wright
Name: W. Andrew Wright
Title: President & CEO

PHC ACQUISITION CORPORATION

By: /s/ W. Andrew Wright
Name: W. Andrew Wright
Title: President & CEO

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

By: /s/ W. Andrew Wright
Name: W. Andrew Wright
Title: President & CEO

FREEPORT FINANCIAL LLC, as Agent

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FREEPORT LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FREEPORT OFFSHORE LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FREEPORT LOAN TRUST 2006-1, as a Lender

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FIFTH THIRD BANK, CHICAGO
(A Michigan Banking Company)

By: /s/ Michael E. May
Name: Michael E. May
Title: Vice President

CF BLACKBURN LLC

By: /s/ Dennis M. Hansen
Name: Dennis M. Hansen
Title: Vice President

EXHIBIT A

OFFICER'S CERTIFICATE

Reference is made to that certain Consent and Second Amendment to Credit Agreement, dated as of October 15, 2007 (the "Second Amendment"; capitalized terms used herein and not otherwise defined shall have the meanings specified thereto in that certain Credit Agreement dated as of September 19, 2006 among the Loan Parties party thereto, the Agent and the Lenders party thereto (as amended by that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007 and as further amended, restated or otherwise modified from time to time including by the Second Amendment, the "Credit Agreement"), among the Borrower, certain other parties, the financial institutions party thereto and Freeport Financial LLC, as Agent. The undersigned hereby certifies that [s]he is the duly authorized and elected ______ of the Borrower and that, as of the date hereof:

1. As of the Second Amendment Effective Date, after giving effect to the payment of all related costs and expenses incurred in connection with the Silver State Acquisition and the Second Amendment, (a) the Leverage Ratio does not exceed 3.90 to 1.00, (b) not more than $6,500,000 in the aggregate of Revolving Loans and Letter of Credit Obligations are outstanding and (c) Borrowing Availability is at least $6,000,000.
2. No Material Adverse Effect has occurred upon the financial condition, operations, assets, business or properties of the Loan Parties or Silver State since December 31, 2006.
3. After giving effect to the Second Amendment, no Event of Default or Default under the Credit Agreement has occurred or is continuing.
4. After giving effect to the Second Amendment, the representations and warranties of the Loan Parties contained in the Second Amendment, the Credit Agreement and the other Loan Documents are true and correct in all material respects as of the Second Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty was true and correct in all material respects as of such earlier date.
5. The Loan Parties have consummated the Silver State Acquisition concurrently with the Second Amendment substantially in accordance with the Silver State Acquisition Documents and in accordance with all applicable law, except as may have been consented to in writing by Agent.

6. Attached hereto are true, complete and correct copies of the fully executed Silver State Acquisition Documents.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, I have hereunto set my hand this ______ day of October, 2007.

ADDUS HEALTHCARE, INC.

By: ____

Name:
Title:

EXHIBIT B

CONSENT AND REAFFIRMATION

Each of the undersigned ("Loan Parties") hereby (i) acknowledges receipt of a copy of the Consent and Second Amendment to Credit Agreement dated as of October 15, 2007 (the "Second Amendment"); (ii) consents to the execution and delivery thereof by the other Loan Parties; (iii) agrees to be bound thereby; (iv) affirms that nothing contained therein shall modify in any respect whatsoever its guaranty of the obligations of the Loan Parties to Agent and Lenders (the "Guarantee") and (v) reaffirms that the Guarantee and the other Collateral Documents executed by such Person are and shall continue to remain in full force and effect. Although each of the Loan Parties has been informed of the matters set forth herein and in the Second Amendment and has acknowledged and agreed to same, such Loan Parties understand that Agent and Lenders have no obligation to inform any of the Loan Parties of such matters in the future or to seek any of the Loan Parties' acknowledgment or agreement to future amendments or waivers, and nothing herein shall create such a duty.

This Consent and Reaffirmation shall be governed by and construed in accordance with the laws of the State of Illinois, without reference to principles of conflicts of law.

In witness whereof, each of the undersigned has executed this Consent and Reaffirmation on and as of the date of such Second Amendment.

ADDUS HEALTHCARE, INC.

By: ____________________
Name: ____________________
Title: ____________________

ADDUS HOLDING CORPORATION

By: ____________________
Name: ____________________
Title: ____________________

ADDUS HEALTHCARE (NEVADA), INC.

By: ____________________
Name: ____________________
Title: ____________________

ADDUS MANAGEMENT CORPORATION

By: ____________________
Name: ____________________
Title: ____________________

LOWELL HOME HEALTH AGENCY, INC.

By: ____________________
Name: ____________________
Title: ____________________

LITTLE ROCK HOME HEALTH AGENCY, INC.

By: ____________________
Name: ____________________
Title: ____________________

FORT SMITH HOME HEALTH AGENCY, INC.

By: ____________________
Name: ____________________
Title: ____________________

BENEFITS ASSURANCE CO., INC.

By: ____________________
Name: ____________________
Title: ____________________

PHC ACQUISITION CORPORATION

By: ____________________
Name: ____________________
Title: ____________________

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

By: ____________________
Name: ____________________
Title: ____________________

ADDUS HEALTHCARE (NEW JERSEY), INC.

By: ____________________
Name: ____________________
Title: ____________________

Exhibit 10.8(c)

EXECUTION COPY

CONSENT AND THIRD AMENDMENT TO CREDIT AGREEMENT

CONSENT AND THIRD AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of November 13, 2007, among Addus HealthCare, Inc., an Illinois corporation ("Borrower"), the other persons signatory hereto as "Loan Parties", FREEPORT FINANCIAL LLC, a Delaware limited liability company ("Agent") and the Lenders signatory hereto. Terms not defined herein have the meanings given to them in the Credit Agreement (as hereinafter defined).

RECITALS

A. Borrower, the Loan Parties, the Lenders signatory thereto and Agent are party to that certain Credit Agreement dated as of September 19, 2006 (as amended by that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007, that certain Consent and Second Amendment to Credit Agreement dated as of October 15, 2007 and as further amended, restated or otherwise modified including by this Amendment, the "Credit Agreement").

B. Borrower, the Loan Parties, the Lenders and Agent are entering into this Amendment in connection with (I) the acquisition (the "Vegas Valley Acquisition") by Addus HealthCare (Nevada), Inc., a Delaware corporation and a wholly-owned Subsidiary of the Borrower ("Addus Nevada"), of substantially all of the assets of Vegas Valley Personal Care, LLC, a Nevada limited liability company ("Vegas Valley") for an aggregate purchase price not to exceed $1,550,000 and (II) the acquisition (the "Greater Vegas Acquisition" and, together with the Vegas Valley Acquisition, the "Vegas Acquisitions")) by Addus Nevada of substantially all of the assets of Greater Vegas Personal Care, LLC, a Nevada limited liability company ("Greater Vegas") for an aggregate purchase price not to exceed $1,550,000.

C. Agent, Lenders and the Loan Parties are willing to enter into this Amendment upon the terms and conditions set forth below.

NOW THEREFORE, in consideration of the matters set forth in the recitals and the covenants and provisions herein set forth, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

Section 2. Consent. Agent and the Lenders hereby consent to Addus Nevada (i) entering into (v) that certain Asset Purchase Agreement, dated as of even date herewith (the "Greater Vegas Purchase Agreement"), by and between Addus Nevada, Greater Vegas, Fabiana Alfaro and Ema Gomez Mitchell, (w) that certain Asset Purchase Agreement, dated as of even date herewith (the "Vegas Valley Purchase Agreement"), by and between Addus Nevada, Vegas

Valley and Ema Gomez Mitchell, (x) that certain Consulting Agreement, dated as of even date herewith (the "Vegas Consulting Agreement"), by and between Addus Nevada and Ema Gomez Mitchell, (y) the Vegas Earn Out Agreement and (z) the other agreements, instruments and documents for the purpose of consummating the Vegas Acquisitions in each case on terms and conditions satisfactory to the Agent (the "Vegas Acquisition Documents", it being agreed that the forms of the Greater Vegas Purchase Agreement, the Vegas Valley Purchase Agreement, the Vegas Consulting Agreement, the Vegas Earn Out Agreement and such other agreements, instruments and documents provided to the Agent on November 12, 2007 are satisfactory to the Agent); (ii) consummating the Vegas Valley Acquisition on the Third Amendment Effective Date for an aggregate purchase price not to exceed $950,000 paid in cash on the closing date thereof pursuant to the terms of the Vegas Acquisition Documents, plus a deferred purchase price in an amount not to exceed $600,000 paid to Vegas Valley pursuant to the Vegas Earn Out Agreement; and (iii) consummating the Greater Vegas Acquisition on the Third Amendment Effective Date for an aggregate purchase price not to exceed $950,000 paid in cash on the closing date thereof pursuant to the terms of the Vegas Acquisition Documents, plus a deferred purchase price in an amount not to exceed $600,000 paid to Greater Vegas pursuant to the Vegas Earn Out Agreement; provided that in each case such deferred purchase price shall not be paid in the event that any Default or Event of Default under any of Sections 7.1 or 8.1(a) of the Credit Agreement has occurred and is continuing or would result therefrom or the Borrower does not have the minimum Borrowing Availability required by Section 6.17 of the Credit Agreement after giving effect to such payment.

Section 3. Amendment to the Credit Agreement. As of the Third Amendment Effective Date, the Credit Agreement is hereby amended as follows:

3.1. Section 1.1 of the Credit Agreement is hereby amended by adding the following new definitions thereto:

Greater Vegas has the meaning set forth in the Recitals to the Third Amendment.

Greater Vegas Acquisition has the meaning set forth in the Recitals to the Third Amendment.

Medicaid Investigation means the matters which were the subject of the investigation pursuant to (i) the Search Warrant, dated as of April 10, 2007, issued by the State of Nevada to any Peace Officer in the County of Clark related to Vegas Valley and (ii) the Search Warrant, dated as of April 10, 2007, issued by the State of Nevada to any Peace Officer in the County of Clark related to the Greater Vegas.

Third Amendment means that certain Consent and Third Amendment to Credit Agreement dated as of November 13, 2007 among the Loan Parties, Agent and the Lenders.

Third Amendment Effective Date has the meaning set forth in the Third Amendment.

Third Amendment Reaffirmation of Collateral Documents means the Consent and Reaffirmation (Third Amendment) dated as of November 13, 2007 of the Loan Parties signatory thereto, in respect of the Collateral Documents.

Vegas Acquisition Documents has the meaning set forth in Section 2 of the Third Amendment.

Vegas Acquisitions has the meaning set forth in the Recitals to the Third Amendment.

Vegas Earn Out Agreement means that certain Earn Out Agreement dated as of November 13, 2007 by and between Addus HealthCare (Nevada), Inc., Fabiana Alfaro, Ema Gomez Mitchell, Vegas Valley and Greater Vegas.

Vegas Valley has the meaning set forth in the Recitals to the Third Amendment.

Vegas Valley Acquisition has the meaning set forth in the Recitals to the Third Amendment.

3.2. Section 1.1 of the Credit Agreement is further amended by amending and restating the proviso at the end of the definition of "EBITDA" to read as follows:

"provided, that, notwithstanding anything to the contrary contained herein, for each of the Fiscal Quarters listed below, EBITDA shall be deemed to be the amount set forth below opposite such corresponding period:

Period	EBITDA
December 31, 2006	$4,331,076
March 31, 2007	$3,574,099
June 30, 2007	$3,690,092

Provided, further, that (i) for any period that includes the month of July of 2007, EBITDA shall, without duplication, be increased with respect to the assets acquired in connection with the SuCasa Acquisition, the Silver State Acquisition and the Vegas Acquisitions by an amount equal to $246,500 for such month, (ii) for any period that includes the month of August or September of 2007, EBITDA shall, without duplication, be increased with respect to the assets acquired in connection with the Silver State Acquisition and the Vegas Acquisitions by an amount equal to $180,000 for each such month and (iii) for any period that includes the month of October of 2007 to be increased with respect to the assets acquired in the Vegas Acquisitions by an amount equal to $117,000 for such month."

3.3. Section 2.1(a)(v) of the Credit Agreement is hereby amended and restated in its entirety and replaced with the following new Section 2.1(a)(v):

(v) Borrower shall repay the Term Loans through periodic payments on the dates and in the amounts indicated below ("Scheduled Installments"), and in any event the entire remaining principal balance shall be repaid on the Commitment Termination Date.

Term Loan

Date	Scheduled Installment
December 31, 2007	$ 1,140,000
March 31, 2008	$ 1,140,000
June 30, 2008	$ 1,140,000
September 30, 2008	$ 1,140,000
December 31, 2008	$ 1,535,000
March 31, 2009	$ 1,535,000
June 30, 2009	$ 1,535,000
September 30, 2009	$ 1,535,000
December 31, 2009	$ 1,930,000
March 31, 2010	$ 1,930,000
June 30, 2010	$ 1,930,000
September 30, 2010	$ 1,930,000
December 31, 2010	$ 2,325,000
March 31, 2011	$ 2,325,000
June 30, 2011	$ 2,325,000
September 19, 2011	$ 25,805,000 or the outstanding principal balance of Term Loans outstanding on such date

The above scheduled installment amounts reflect the incurrence by the Borrower of the Delayed Draw Term Loans funded on the Third Amendment Effective Date and shall thereafter be increased in the manner set forth on Annex B to the Second Amendment to the extent any further Delayed Draw Term Loans are funded. The final installment payment shall in all events equal the entire remaining principal balance of the Term Loan (including any remaining principal balance of such Delayed Draw Term Loans). Amounts borrowed under this Section 2.1(a) and repaid may not be reborrowed.

At the request of the applicable Lender, the Term Loans shall be evidenced by promissory notes substantially in the form of Exhibit 2.1(a) (as amended, modified, extended, substituted or replaced from time to time, each a "Term Note" and, collectively, the "Term Notes"), and Borrower shall execute and deliver a Term Note to each such Term Lender. Each Term Note shall represent the obligation of Borrower to pay the amount of the applicable Term Lender's Term Loan Commitment, together with interest thereon."

3.4. Section 5.12 of the Credit Agreement is hereby amended by adding the following new paragraph (d) thereto:

"(d) In connection with the businesses acquired in the Vegas Acquisitions, the Borrower and its Subsidiaries shall use the new healthcare provider number obtained by the Borrower after the Second Amendment Effective Date and prior to the Third Amendment Effective Date. For purposes of clarification, neither Borrower nor any Subsidiary of the Borrower shall acquire or otherwise utilize any healthcare provider number used by Vegas Valley or Greater Vegas."

3.5. Section 6.1 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (m) thereof, deleting the "." at the end of clause (n) thereof and replacing it with "; and" and by adding the following new clause (o):

"(o) Indebtedness in respect of the Vegas Earn Out Agreements."

3.6. Section 6.3 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (m) thereof, deleting the "." at the end of clause (n) thereof and replacing it with "; and" and by adding the following new clause (o):

"(o) Borrower or a wholly-owned Subsidiary of Borrower may consummate the Vegas Valley Acquisition and the Greater Vegas Acquisition as of the Third Amendment Effective Date pursuant to the Vegas Acquisition Documents."

3.7. Clause (d) of Section 6.6 of the Credit Agreement is hereby amended by deleting the "and" before clause (iii) thereof and adding the following new language immediately at the end thereof:

"and (iv) Borrower or a wholly-owned Subsidiary of Borrower may consummate the Vegas Valley Acquisition and the Greater Vegas Acquisition on the Third Amendment Effective Date pursuant to the Vegas Acquisition Documents and all applicable law, provided that the Vegas Acquisition Documents shall be in full force and effect and provided further that the Agent shall have received a complete copy of the fully executed Vegas Valley Acquisition Documents, certified by the Borrower as being true, complete and correct."

3.8. Section 6.16 of the Credit Agreement is amended and restated in its entirety to read as follows:

"None of the Loan Parties shall change or amend the terms of the Acquisition Note, Silver State Note, Vegas Earn Out Agreement, or SuCasa Note if such change or amendment would be adverse in any material respect to the rights or interests of the Loan Parties, the Agent or the Lenders."

3.9. Section 6.17 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"6.17 Payments of Deferred Purchase Price. None of the Loan Parties shall make any payment of deferred purchase price (including with respect to any earnout or other Indebtedness) with respect to any Acquisition entered into on or after the Second Amendment Effective Date if, after giving effect to such payment, the Borrower would have less than $3,000,000 of Borrowing Availability."

3.10. Section 7.1(b) of the Credit Agreement is amended and restated in its entirety to read as follows:

"Minimum EBITDA. Holdings and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, Minimum EBITDA for the 12-Fiscal Month period then ended calculated of not less than the following:

Period	Minimum EBITDA
September 30, 2007	$ 12,500,000
December 31, 2007	$ 12,750,000
March 31, 2008	$ 13,250,000
June 30, 2008	$ 13,250,000
September 30, 2008	$ 13,500,000
December 31, 2008	$ 13,500,000
March 31, 2009	$ 14,000,000
June 30, 2009	$ 14,000,000
September 30, 2009	$ 14,500,000
December 31, 2009	$ 14,750,000
March 31, 2010	$ 14,750,000
June 30, 2010	$ 14,750,000
September 30, 2010	$ 15,000,000
December 31, 2010	$ 15,000,000
March 31, 2011 and each Fiscal Quarter ending thereafter	$ 15,250,000

Section 4. Representations and Warranties. To induce Agent and Lenders to execute this Amendment, each Loan Party hereby represents and warrants to Agent and Lenders as follows:

(a) the execution, delivery and performance of each of this Amendment and the Vegas Acquisition Documents have been duly authorized by all requisite action of each Loan Party thereto, and each of this Amendment and the Vegas Acquisition Documents constitutes the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity; and

(b) each of the representations and warranties in the Credit Agreement are true and correct in all material respects with the same effect as though made on and as of the date hereof (except, in each case, to the extent stated to relate to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date) and no Event of Default or Default exists thereunder or would exist after giving effect to this Amendment or the Vegas Acquisitions.

Section 5. Conditions Precedent. This Amendment shall be effective as of the date first set forth above, subject to the satisfaction of the following conditions precedent (the date of such satisfaction being the "Third Amendment Effective Date"):

5.1. Execution and Delivery. Borrower, each of the other Loan Parties, Agent and the Requisite Lenders shall have executed and delivered this Agreement; the Borrower shall have executed and delivered an Officers Certificate in the form of Exhibit A attached hereto; each Loan Party shall have executed and delivered the Consent and Reaffirmation in the form of Exhibit B attached hereto.

5.2. Covenant Compliance. After giving pro forma effect to the Vegas Acquisitions to and the incurrence of the Delayed Draw Term Loans in connection therewith, Borrower is in compliance with each of the covenants set forth in Section 7.1.

5.3. Letter of Direction. Agent shall have received a duly executed letter of direction from Borrower addressed to Agent, on behalf of itself and the Lenders directing the disbursement of the proceeds of the Delayed Draw Term Loans to fund the Vegas Acquisitions.

5.4. Insurance. Agent shall have received evidence of the existence of insurance required to be maintained pursuant to the Credit Agreement, together with evidence that the Agent has been named as a lender's loss payee and an additional insured on all related insurance policies to the extent there is any change in such insurance in effect prior to the Third Amendment Effective Date as a result of or in connection with the Vegas Acquisitions.

5.5. Closing Certificate. Agent shall have received a certificate executed by an officer of the Borrower on behalf of the Loan Parties certifying the matters set forth herein as conditions.

5.6. Filings, Registrations and Recordings. The Agent shall have received each document (including Uniform Commercial Code financing statements) required by Section 5.7(c) of the Credit Agreement as may be necessary or desirable in order to create in favor of the Agent, for the benefit of the Lenders, a perfected Lien on the Collateral acquired in connection with the Vegas Acquisitions prior to any other Liens (subject only to Permitted Encumbrances).

5.7. Due Diligence. Agent, Lenders and their counsel and advisors shall have completed their legal, accounting and financial due diligence review (including, without limitation, lien searches on Vegas Valley and Greater Vegas) of Vegas Valley and Greater Vegas and the Vegas Acquisitions, the results of which review shall be reasonably satisfactory to Agent and Requisite Lenders.

5.8. Material Adverse Effect. There shall have occurred no Material Adverse Effect upon the financial condition, operations, assets, business or properties of (i) the Loan Parties, Greater Vegas or Vegas Valley, taken as a whole, since December 31, 2006; or (ii) Greater Vegas and Vegas Valley (in each case, other than the Medicaid Investigation) since December 31, 2006.

5.9. Vegas Acquisition Documents. On or prior to the Third Amendment Effective Date, each of the Vegas Acquisition Documents shall have been duly authorized by each of the Loan Parties party thereto and executed and delivered by each of the respective parties thereto and shall be in full force and effect and shall not have been amended or modified in any manner adverse to the Lenders except for such amendments and modifications, if any, as may be reasonably satisfactory to Agent and the Requisite Lenders. The Vegas Acquisitions shall have been, or shall be contemporaneously herewith, consummated substantially in accordance with the Vegas Acquisition Documents (as amended in accordance with the immediately preceding sentence) and in accordance with all applicable law, except as may have been consented to in writing by Agent. Agent shall have received a complete copy of the fully executed Vegas Acquisition Documents, certified by the Borrower as being true, complete and correct.

5.10. Approvals. All necessary governmental and third party approvals and/or consents in connection with the Vegas Acquisitions and otherwise referred to herein or therein shall have been obtained and remain in effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of all or any part of the Vegas Acquisitions, in each case as of the Third Amendment Effective Date. Additionally, there shall not exist any judgment, order, injunction or other restraint pending or notified prohibiting or imposing material adverse conditions upon all or any part of the Vegas Acquisitions or the transactions contemplated by this Amendment as of the Third Amendment Effective Date.

5.11. No Defaults. After giving effect to this Amendment, no Event of Default or Default under the Credit Agreement shall have occurred and be continuing.

5.12. Representations and Warranties. After giving effect to this Amendment, the representations and warranties of the Loan Parties contained in this Amendment, the Credit Agreement and the other Loan Documents shall be true and correct in all material respects as of the Third Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty shall be true and correct in all material respects as of such earlier date.

5.13. Secretary's Certificate. Agent shall have received from each Loan Party a certificate signed by the secretary or an assistant secretary of such Loan Party, dated as of the Third Amendment Effective Date, as to the incumbency and signature of the officers of such Loan Party executing any Loan Document and any certificate or other document or instrument to be delivered pursuant hereto by or on behalf of such Loan Party, together with evidence of the incumbency of such Secretary or Assistant Secretary, as the case may be and certifying that there have been no changes to (i) the resolutions of such Loan Party authorizing and approving, among other things, the execution and delivery of the Loan Documents and (ii) the organizational documents of such Loan Party in each case since the Closing Date.

5.14. Resolutions. Agent shall have received a copy of the resolutions (in form and substance reasonably satisfactory to Agent) adopted by the Board of Directors of each Loan Party, authorizing or relating to the execution, delivery and performance of this Amendment and the Vegas Acquisition Documents and the other documents and instruments provided for therein and the consummation of the transactions contemplated hereby and thereby.

5.15. Good Standing Certificates. Agent shall have received good standing certificates for each Loan Party from their respective jurisdictions of incorporation or organization.

5.16. Fees. Borrower shall have paid all reasonable and documented costs, fees and expenses (including, without limitation, reasonable legal fees and expenses of Winston & Strawn LLP) of Agent.

5.17. Opinions of Counsel. Agent shall have received opinions of counsel for each Loan Party, including local counsel reasonably requested by the Agent.

5.18. Other Matters. Agent shall have received such other instruments and documents as Agent or the Requisite Lenders may reasonably request in connection with the execution of this Amendment, and all such instruments and documents shall be reasonably satisfactory in form and substance to Agent.

Section 6. Miscellaneous.

6.1. Effect of Amendment. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender under the Credit Agreement or any Loan Document, or constitute a waiver of any provision of the Credit Agreement or any Loan Document, except as specifically set forth herein.

6.2. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of the executed counterpart of this Amendment by telecopy or electronic mail shall be as effective as delivery of a manually executed counterpart to this Amendment.

6.3. Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

6.4. Captions. Section captions used in this Amendment are for convenience only, and shall not affect the construction of this Amendment.

6.5. Entire Agreement. This Amendment embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof.

6.6. References. Any reference to the Credit Agreement contained in any notice, request, certificate, or other document executed concurrently with or after the execution and delivery of this Amendment shall be deemed to include this Amendment unless the context shall otherwise require. Reference in any of this Amendment, the Credit Agreement or any other Loan Document to the Credit Agreement shall be a reference to the Credit Agreement as amended hereby and as further amended, modified, restated, supplemented or extended from time to time.

Section 7. Governing Law. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

[signature pages follow]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first above written.

ADDUS HEALTHCARE, INC.

By: /s/ David W. Stasiewicz
Name: David W. Stasiewicz
Title: Chief Financial Officer

ADDUS HOLDING CORPORATION

By: /s/ Simon Bachleda
Name: Simon Bachleda
Title: Vice President

ADDUS MANAGEMENT CORPORATION

By: /s/ Simon Bachleda
Name: Simon Bachleda
Title: Vice President

LOWELL HOME HEALTH AGENCY, INC.

By: /s/ David W. Stasiewicz
Name: David W. Stasiewicz
Title: Chief Financial Officer

LITTLE ROCK HOME HEALTH AGENCY, INC.

By: /s/ David W. Stasiewicz
Name: David W. Stasiewicz
Title: Chief Financial Officer

FORT SMITH HOME HEALTH AGENCY, INC.

By: /s/ David W. Stasiewicz
Name: David W. Stasiewicz
Title: Chief Financial Officer

BENEFITS ASSURANCE CO., INC.

By: /s/ David W. Stasiewicz
Name: David W. Stasiewicz
Title: Chief Financial Officer

PHC ACQUISITION CORPORATION

By: /s/ David W. Stasiewicz
Name: David W. Stasiewicz
Title: Chief Financial Officer

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

By: /s/ David W. Stasiewicz
Name: David W. Stasiewicz
Title: Chief Financial Officer

FREEPORT FINANCIAL LLC, as Agent

By: /s/ Ian Fowler
Title: Duly Authorized Signatory

FREEPORT LOAN FUND LLC, as a Lender

By: /s/ Ian Fowler
Title: Duly Authorized Signatory

FREEPORT OFFSHORE LOAN FUND LLC, as a Lender

By: /s/ Ian Fowler
Title: Duly Authorized Signatory

FREEPORT LOAN TRUST 2006-1, as a Lender

By: /s/ Ian Fowler
Title: Duly Authorized Signatory

FIFTH THIRD BANK, CHICAGO
(A Michigan Banking Company)

By: /s/ Michael E. May
Name: Michael E. May
Title: Vice President

CF BLACKBURN LLC

By: /s/ Dennis M. Hansen
Name: Dennis M. Hansen
Title: VP

EXHIBIT A

OFFICER'S CERTIFICATE

Reference is made to that certain Consent and Third Amendment to Credit Agreement, dated as of November 13, 2007 (the "Third Amendment"; capitalized terms used herein and not otherwise defined shall have the meanings specified thereto in that certain Credit Agreement dated as of September 19, 2006 among the Loan Parties party thereto, the Agent and the Lenders party thereto (as amended by that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007, that certain Consent and Second Amendment to Credit Agreement dated as of October 15, 2007 and as further amended, restated or otherwise modified from time to time including by the Third Amendment, the "Credit Agreement"), among the Borrower, certain other parties, the financial institutions party thereto and Freeport Financial LLC, as Agent. The undersigned hereby certifies that [s]he is the duly authorized and elected ______ of the Borrower and that, as of the date hereof:

1. As of the Third Amendment Effective Date, after giving pro forma effect to the Vegas Acquisitions to and the incurrence of the Delayed Draw Term Loans in connection therewith, Borrower is in compliance with each of the covenants set forth in Section 7.1.
2. No Material Adverse Effect shall have occurred upon the financial condition, operations, assets, business or properties of (i) the Loan Parties, Greater Vegas or Vegas Valley, taken as a whole, since December 31, 2006; or (ii) Greater Vegas and Vegas Valley (in each case, other than the Medicaid Investigation) since December 31, 2006.
3. After giving effect to the Third Amendment, no Event of Default or Default under the Credit Agreement has occurred or is continuing.
4. After giving effect to the Third Amendment, the representations and warranties of the Loan Parties contained in the Third Amendment, the Credit Agreement and the other Loan Documents are true and correct in all material respects as of the Third Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty was true and correct in all material respects as of such earlier date.
5. The Loan Parties have consummated the Vegas Acquisitions concurrently with the Third Amendment substantially in accordance with the Vegas Acquisition Documents and in accordance with all applicable law, except as may have been consented to in writing by Agent.

6. Attached hereto are true, complete and correct copies of the fully executed Vegas Acquisition Documents.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, I have hereunto set my hand this ______ day of November, 2007.

ADDUS HEALTHCARE, INC.

By: ____
Name:
Title:

EXHIBIT B

CONSENT AND REAFFIRMATION

Each of the undersigned (“Loan Parties”) hereby (i) acknowledges receipt of a copy of the Consent and Third Amendment to Credit Agreement dated as of November 13, 2007 (the “Third Amendment”); (ii) consents to the execution and delivery thereof by the other Loan Parties; (iii) agrees to be bound thereby; (iv) affirms that nothing contained therein shall modify in any respect whatsoever its guaranty of the obligations of the Loan Parties to Agent and Lenders (the “Guarantee”) and (v) reaffirms that the Guarantee and the other Collateral Documents executed by such Person are and shall continue to remain in full force and effect. Although each of the Loan Parties has been informed of the matters set forth herein and in the Third Amendment and has acknowledged and agreed to same, such Loan Parties understand that Agent and Lenders have no obligation to inform any of the Loan Parties of such matters in the future or to seek any of the Loan Parties’ acknowledgment or agreement to future amendments or waivers, and nothing herein shall create such a duty.

This Consent and Reaffirmation shall be governed by and construed in accordance with the laws of the State of Illinois, without reference to principles of conflicts of law.

In witness whereof, each of the undersigned has executed this Consent and Reaffirmation on and as of the date of such Third Amendment.

ADDUS HEALTHCARE, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

ADDUS HOLDING CORPORATION

By: ______________________________
Name: ______________________________
Title: ______________________________

ADDUS HEALTHCARE (NEVADA), INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

ADDUS MANAGEMENT CORPORATION

By: ______________________________
Name: ______________________________
Title: ______________________________

LOWELL HOME HEALTH AGENCY, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

LITTLE ROCK HOME HEALTH AGENCY, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

FORT SMITH HOME HEALTH AGENCY, INC.

By: ____________________________
Name: ____________________________
Title: ____________________________

BENEFITS ASSURANCE CO., INC.

By: ____________________________
Name: ____________________________
Title: ____________________________

PHC ACQUISITION CORPORATION

By: ____________________________
Name: ____________________________
Title: ____________________________

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

By: ____________________________
Name: ____________________________
Title: ____________________________

ADDUS HEALTHCARE (NEW JERSEY), INC.

By: ____________________________
Name: ____________________________
Title: ____________________________

Exhibit 10.8(d)

EXECUTION COPY

CONSENT AND FOURTH AMENDMENT TO CREDIT AGREEMENT

CONSENT AND FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of April 1, 2008, among Addus HealthCare, Inc., an Illinois corporation ("Borrower"), the other persons signatory hereto as "Loan Parties", FREEPORT FINANCIAL LLC, a Delaware limited liability company ("Agent") and the Lenders signatory hereto. Terms not defined herein have the meanings given to them in the Credit Agreement (as hereinafter defined).

RECITALS

A. Borrower, the Loan Parties, the Lenders signatory thereto and Agent are party to that certain Credit Agreement dated as of September 19, 2006 (as amended by that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007, that certain Consent and Second Amendment to Credit Agreement dated as of October 15, 2007, that certain Consent and Third Amendment to Credit Agreement dated as of November 13, 2007 and as further amended, restated or otherwise modified including by this Amendment, the "Credit Agreement").

B. Borrower, the Loan Parties, the Lenders and Agent are entering into this Amendment in connection with the acquisition (the "Full Life Acquisition") by Addus HealthCare (Idaho), Inc., a Delaware corporation and a wholly-owned Subsidiary of the Borrower ("Addus Idaho"), of substantially all of the assets of each of A Full Life Agency, Inc., Life's Alternatives, Inc., Alternatives For Life, Inc., A Full Life of Montana, Inc., A Full Life Home Care, Inc., A Full Life Home Health, Lewiston, Inc., and A Full Life Home Health, Boise, Inc. (collectively "Full Life") for an aggregate purchase price not to exceed $4,325,000.

C. Agent, Lenders and the Loan Parties are willing to enter into this Amendment upon the terms and conditions set forth below.

NOW THEREFORE, in consideration of the matters set forth in the recitals and the covenants and provisions herein set forth, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

Section 2. Consent. Agent and the Lenders hereby consent to Addus Idaho (i) entering into (w) that certain Asset Purchase Agreement, dated as of even date herewith (the "Full Life Purchase Agreement"), by and between Addus Idaho, the Borrower, Donald Gross, Sandra Gross, A Full Life Agency, Inc., Life's Alternatives, Inc., Alternatives For Life, Inc., A Full Life of Montana, Inc., A Full Life Home Care, Inc., A Full Life Home Health, Lewiston, Inc., and A Full Life Home Health, Boise, Inc., (x) the Idaho Note, (y) the Idaho Earn Out Agreement and

(z) the other agreements, instruments and documents for the purpose of consummating the Full Life Acquisition in each case on terms and conditions satisfactory to the Agent (the "Full Life Acquisition Documents", it being agreed that the forms of the Full Life Purchase Agreement, the Idaho Note, the Idaho Earn Out Agreement and such other agreements, instruments and documents provided to the Agent on April 1, 2008 are satisfactory to the Agent); (ii) consummating the Full Life Acquisition on the Fourth Amendment Effective Date for an aggregate purchase price not to exceed $2,000,000 paid in cash on the closing date thereof pursuant to the terms of the Full Life Acquisition Documents, plus a deferred purchase price in an amount not to exceed $950,000 paid pursuant to the Idaho Earn Out Agreement, plus the issuance of the Idaho Note and up to $125,000 in deferred payments (the "Idaho Deferred Payments") within fifteen days of the delivery of the 2008 audited financial statements of Borrower paid pursuant to Section 3.1(d) of the Full Life Purchase Agreement; provided that neither such deferred purchase price paid pursuant to Section 3.1(d) of the Full Life Purchase Agreement, nor any amount paid pursuant to the Idaho Earn Out Agreement nor any payments on the Idaho Note shall be paid in the event that any Default or Event of Default under any of Sections 7.1 or 8.1(a) of the Credit Agreement has occurred and is continuing or would result therefrom or the Borrower does not have the minimum Borrowing Availability required by Section 6.17 of the Credit Agreement after giving effect to such payment.

Section 3. Amendment to the Credit Agreement. As of the Fourth Amendment Effective Date, the Credit Agreement is hereby amended as follows:

3.1. Section 1.1 of the Credit Agreement is hereby amended by adding the following new definitions thereto:

Fourth Amendment means that certain Consent and Fourth Amendment to Credit Agreement dated as of April 1, 2008 among the Loan Parties, Agent and the Lenders.

Fourth Amendment Effective Date has the meaning set forth in the Fourth Amendment.

Fourth Amendment Reaffirmation of Collateral Documents means the Consent and Reaffirmation (Fourth Amendment) dated as of April 1, 2008 of the Loan Parties signatory thereto, in respect of the Collateral Documents.

Full Life has the meaning set forth in the Recitals to the Fourth Amendment.

Full Life Acquisition has the meaning set forth in the Recitals to the Fourth Amendment.

Full Life Acquisition Documents has the meaning set forth in Section 2 of the Fourth Amendment.

Idaho Deferred Payments has the meaning set forth in Section 2 of the Fourth Amendment.

Idaho Earn Out Agreement means that certain Earn Out Agreement dated as of April 1, 2008 by and among Addus Idaho, A Full Life Agency, Inc., Life's Alternatives, Inc., Alternatives For Life, Inc., A Full Life of Montana, Inc., A Full Life Home Care, Inc., A Full Life Home Health, Lewiston, Inc., A Full Life Home Health, Boise, Inc., Donald Gross and Sandra Gross.

Idaho Note means that certain 8% Junior Subordinated Promissory Note by Addus Idaho payable to Donald and Sandra Gross in the original principal amount of $1,250,000.

3.2. Section 1.1 of the Credit Agreement is further amended by amending and restating the proviso at the end of the definition of "EBITDA" to read as follows:

"provided, that, notwithstanding anything to the contrary contained herein, for each of the Fiscal Quarters listed below, EBITDA shall be deemed to be the amount set forth below opposite such corresponding period:

Period	EBITDA
March 31, 2007	$3,795,286
June 30, 2007	$3,911,279
September 30, 2007	$3,933,970
December 31, 2007	$4,099,889

Provided, further, that for any period that includes the months of January, February or March of 2008, EBITDA shall, without duplication, be increased with respect to the assets acquired in connection with the Full Life Acquisition by an amount equal to $74,000 for each such month."

3.3. Section 2.1(a)(v) of the Credit Agreement is hereby amended and restated in its entirety and replaced with the following new Section 2.1(a)(v):

(v) Borrower shall repay the Term Loans through periodic payments on the dates and in the amounts indicated below ("Scheduled Installments"), and in any event the entire remaining principal balance shall be repaid on the Commitment Termination Date.

Term Loan

Date	Scheduled Installment
June 30, 2008	$1,165,000
September 30, 2008	$1,165,000
December 31, 2008	$1,572,500
March 31, 2009	$1,572,500
June 30, 2009	$1,572,500
September 30, 2009	$1,572,500
December 31, 2009	$1,980,000

March 31, 2010	$	1,980,000
June 30, 2010	$	1,980,000
September 30, 2010	$	1,980,000
December 31, 2010	$	2,387,500
March 31, 2011	$	2,387,500
June 30, 2011	$	2,387,500
September 19, 2011	$	27,717,500 or the outstanding principal balance of Term Loans outstanding on such date

The above scheduled installment amounts reflect the incurrence by the Borrower of the Delayed Draw Term Loans funded on the Fourth Amendment Effective Date and shall thereafter be increased in the manner set forth on Annex B to the Second Amendment to the extent any further Delayed Draw Term Loans are funded. The final installment payment shall in all events equal the entire remaining principal balance of the Term Loan (including any remaining principal balance of such Delayed Draw Term Loans). Amounts borrowed under this Section 2.1(a) and repaid may not be reborrowed.

At the request of the applicable Lender, the Term Loans shall be evidenced by promissory notes substantially in the form of Exhibit 2.1(a) (as amended, modified, extended, substituted or replaced from time to time, each a "Term Note" and, collectively, the "Term Notes"), and Borrower shall execute and deliver a Term Note to each such Term Lender. Each Term Note shall represent the obligation of Borrower to pay the amount of the applicable Term Lender's Term Loan Commitment, together with interest thereon."

3.4. Section 6.1 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (n) thereof, deleting the "." at the end of clause (o) thereof and replacing it with "; and" and by adding the following new clause (p):

"(p) Indebtedness in respect of the Idaho Earn Out Agreements, the Idaho Deferred Payments and Idaho Note."

3.5. Section 6.3 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (n) thereof, deleting the "." at the end of clause (o) thereof and replacing it with "; and" and by adding the following new clause (p):

"(p) Borrower or a wholly-owned Subsidiary of Borrower may consummate the Full Life Acquisition as of the Fourth Amendment Effective Date pursuant to the Full Life Acquisition Documents."

3.6. Clause (d) of Section 6.6 of the Credit Agreement is hereby amended by deleting the "and" before clause (iv) thereof and adding the following new language immediately at the end thereof:

"and (v) Borrower or a wholly-owned Subsidiary of Borrower may consummate the Full Life Acquisition on the Fourth Amendment Effective Date pursuant to the Full Life Acquisition Documents and all applicable law, provided that the Full Life Acquisition Documents shall be in full force and effect and provided further that the Agent shall have received a complete copy of the fully executed Full Life Acquisition Documents, certified by the Borrower as being true, complete and correct."

3.7. Section 6.16 of the Credit Agreement is amended and restated in its entirety to read as follows:

"None of the Loan Parties shall change or amend the terms of the Acquisition Note, Silver State Note, Vegas Earn Out Agreement, Idaho Earn Out Agreement, Idaho Note or SuCasa Note if such change or amendment would be adverse in any material respect to the rights or interests of the Loan Parties, the Agent or the Lenders."

3.8. Section 6.17 of the Credit Agreement is hereby amended by replacing the reference to "$3,000,000" therein with a reference to "$3,500,000".

3.9. Section 7.1(b) of the Credit Agreement is amended and restated in its entirety to read as follows:

"Minimum EBITDA. Holdings and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, Minimum EBITDA for the 12-Fiscal Month period then ended calculated of not less than the following:

Period	Minimum EBITDA
March 31, 2008	$13,500,000
June 30, 2008	$13,750,000
September 30, 2008	$14,000,000
December 31, 2008	$14,250,000
March 31, 2009	$14,750,000
June 30, 2009	$15,000,000
September 30, 2009	$15,500,000
December 31, 2009	$15,500,000
March 31, 2010	$15,500,000
June 30, 2010	$15,500,000
September 30, 2010	$16,000,000
December 31, 2010	$16,000,000
March 31, 2011 and each Fiscal Quarter ending thereafter	$16,000,000

3.10. Schedule 2 to Annex E of the Credit Agreement is amended to include the following new paragraph in the column underneath the word Less: and prior to the word Subtotal:

"an amount equal to any unfinanced cash payments during such Fiscal Year with respect to the Idaho Earn Out and Idaho Note; provided that the term unfinanced when used in this paragraph shall mean any such payment that the Borrower has not directly or indirectly drawn Revolving Loans (or used other Indebtedness) to finance such payment with the determination of whether any such payment is unfinanced being acknowledged and consented to by Agent such consent not to be unreasonably withheld."

Section 4. Representations and Warranties. To induce Agent and Lenders to execute this Amendment, each Loan Party hereby represents and warrants to Agent and Lenders as follows:

(a) the execution, delivery and performance of each of this Amendment and the Full Life Acquisition Documents have been duly authorized by all requisite action of each Loan Party thereto, and each of this Amendment and the Full Life Acquisition Documents constitutes the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity; and

(b) each of the representations and warranties in the Credit Agreement are true and correct in all material respects with the same effect as though made on and as of the date hereof (except, in each case, to the extent stated to relate to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date) and no Event of Default or Default exists thereunder or would exist after giving effect to this Amendment or the Full Life Acquisition.

Section 5. Conditions Precedent. This Amendment shall be effective as of the date first set forth above, subject to the satisfaction of the following conditions precedent (the date of such satisfaction being the "Fourth Amendment Effective Date"):

5.1. Execution and Delivery. Borrower, each of the other Loan Parties, Agent and the Requisite Lenders shall have executed and delivered this Agreement; the Borrower shall have executed and delivered an Officers Certificate in the form of Exhibit A attached hereto; each Loan Party shall have executed and delivered the Consent and Reaffirmation in the form of Exhibit B attached hereto.

5.2. Covenant Compliance. After giving pro forma effect to the Full Life Acquisition to and the incurrence of the Delayed Draw Term Loans in connection therewith, Borrower is in compliance with each of the covenants set forth in Section 7.1.

5.3. Letter of Direction. Agent shall have received a duly executed letter of direction from Borrower addressed to Agent, on behalf of itself and the Lenders directing the disbursement of the proceeds of the Delayed Draw Term Loans to fund the Full Life Acquisition.

5.4. Insurance. Agent shall have received evidence of the existence of insurance required to be maintained pursuant to the Credit Agreement, together with evidence that the Agent has been named as a lender's loss payee and an additional insured on all related insurance policies to the extent there is any change in such insurance in effect prior to the Fourth Amendment Effective Date as a result of or in connection with the Full Life Acquisition.

5.5. Closing Certificate. Agent shall have received a certificate executed by an officer of the Borrower on behalf of the Loan Parties certifying the matters set forth herein as conditions.

5.6. Filings, Registrations and Recordings. The Agent shall have received each document (including Uniform Commercial Code financing statements) required by Section 5.7(c) of the Credit Agreement as may be necessary or desirable in order to create in favor of the Agent, for the benefit of the Lenders, a perfected Lien on the Collateral acquired in connection with the Full Life Acquisition prior to any other Liens (subject only to Permitted Encumbrances).

5.7. Due Diligence. Agent, Lenders and their counsel and advisors shall have completed their legal, accounting and financial due diligence review (including, without limitation, lien searches on Full Life) of Full Life and the Full Life Acquisition, the results of which review shall be reasonably satisfactory to Agent and Requisite Lenders.

5.8. Material Adverse Effect. There shall have occurred no Material Adverse Effect upon the financial condition, operations, assets, business or properties of (i) the Loan Parties or Full Life, taken as a whole, since December 31, 2006; or (ii) Full Life since December 31, 2006.

5.9. Full Life Acquisition Documents. On or prior to the Fourth Amendment Effective Date, each of the Full Life Acquisition Documents shall have been duly authorized by each of the Loan Parties party thereto and executed and delivered by each of the respective parties thereto and shall be in full force and effect and shall not have been amended or modified in any manner adverse to the Lenders except for such amendments and modifications, if any, as may be reasonably satisfactory to Agent and the Requisite Lenders. The Full Life Acquisition shall have been, or shall be contemporaneously herewith, consummated substantially in accordance with the Full Life Acquisition Documents (as amended in accordance with the immediately preceding sentence) and in accordance with all applicable law, except as may have been consented to in writing by Agent. Agent shall have received a complete copy of the fully executed Full Life Acquisition Documents, certified by the Borrower as being true, complete and correct.

5.10. Approvals. All necessary governmental and third party approvals and/or consents in connection with the Full Life Acquisition and otherwise referred to herein or therein shall have been obtained and remain in effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of all or any part of the Full Life Acquisition, in each case as of the Fourth Amendment Effective Date. Additionally, there shall not exist any judgment, order, injunction or other restraint pending or notified prohibiting or imposing material adverse conditions upon all or any part of the Full Life Acquisition or the transactions contemplated by this Amendment as of the Fourth Amendment Effective Date.

5.11. No Defaults. After giving effect to this Amendment, no Event of Default or Default under the Credit Agreement shall have occurred and be continuing.

5.12. Representations and Warranties. After giving effect to this Amendment, the representations and warranties of the Loan Parties contained in this Amendment, the Credit Agreement and the other Loan Documents shall be true and correct in all material respects as of the Fourth Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty shall be true and correct in all material respects as of such earlier date.

5.13. Secretary’s Certificate. Agent shall have received from each Loan Party a certificate signed by the secretary or an assistant secretary of such Loan Party, dated as of the Fourth Amendment Effective Date, as to the incumbency and signature of the officers of such Loan Party executing any Loan Document and any certificate or other document or instrument to be delivered pursuant hereto by or on behalf of such Loan Party, together with evidence of the incumbency of such Secretary or Assistant Secretary, as the case may be and certifying that there have been no changes to (i) the resolutions of such Loan Party authorizing and approving, among other things, the execution and delivery of the Loan Documents and (ii) the organizational documents of such Loan Party in each case since the Closing Date.

5.14. Resolutions. Agent shall have received a copy of the resolutions (in form and substance reasonably satisfactory to Agent) adopted by the Board of Directors of each Loan Party, authorizing or relating to the execution, delivery and performance of this Amendment and the Full Life Acquisition Documents and the other documents and instruments provided for therein and the consummation of the transactions contemplated hereby and thereby.

5.15. Good Standing Certificates. Agent shall have received good standing certificates for each Loan Party from their respective jurisdictions of incorporation or organization.

5.16. Fees. Borrower shall have paid all reasonable and documented costs, fees and expenses (including, without limitation, reasonable legal fees and expenses of Winston & Strawn LLP) of Agent.

5.17. Opinions of Counsel. Agent shall have received opinions of counsel for each Loan Party, including local counsel reasonably requested by the Agent.

5.18. Other Matters. Agent shall have received such other instruments and documents as Agent or the Requisite Lenders may reasonably request in connection with the execution of this Amendment, and all such instruments and documents shall be reasonably satisfactory in form and substance to Agent.

Section 6. Miscellaneous.

6.1. Effect of Amendment. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender under the Credit Agreement or any Loan Document, or constitute a waiver of any provision of the Credit Agreement or any Loan Document, except as specifically set forth herein.

6.2. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of the executed counterpart of this Amendment by telecopy or electronic mail shall be as effective as delivery of a manually executed counterpart to this Amendment.

6.3. Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

6.4. Captions. Section captions used in this Amendment are for convenience only, and shall not affect the construction of this Amendment.

6.5. Entire Agreement. This Amendment embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof.

6.6. References. Any reference to the Credit Agreement contained in any notice, request, certificate, or other document executed concurrently with or after the execution and delivery of this Amendment shall be deemed to include this Amendment unless the context shall otherwise require. Reference in any of this Amendment, the Credit Agreement or any other Loan Document to the Credit Agreement shall be a reference to the Credit Agreement as amended hereby and as further amended, modified, restated, supplemented or extended from time to time.

Section 7. Governing Law. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

[signature pages follow]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first above written.

ADDUS HEALTHCARE, INC.

By: /s/ Mark Heaney
Name: Mark Heaney
Title: VP & CEO

ADDUS HOLDING CORPORATION

By: /s/ Simon A. Bachleda
Name: Simon A. Bachleda
Title:

ADDUS MANAGEMENT CORPORATION

By: /s/ Simon A. Bachleda
Name: Simon A. Bachleda
Title:

LOWELL HOME HEALTH AGENCY, INC.

By: /s/ Mark Heaney
Name: Mark Heaney
Title: VP & CEO

LITTLE ROCK HOME HEALTH AGENCY, INC.

By: /s/ Mark Heaney
Name: Mark Heaney
Title: VP & COO

FORT SMITH HOME HEALTH AGENCY, INC.

By: /s/ Mark Heaney
Name: Mark Heaney
Title: VP & COO

BENEFITS ASSURANCE CO., INC.

By: /s/ David W. Stasiewicz
Name: David W. Stasiewicz
Title: Secretary

PHC ACQUISITION CORPORATION

By: /s/ Mark Heaney
Name: Mark Heaney
Title: VP & COO

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

By: /s/ Mark Heaney
Name: Mark Heaney
Title: VP & COO

FREEPORT FINANCIAL LLC, as Agent

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FREEPORT LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FREEPORT OFFSHORE LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FREEPORT LOAN TRUST 2006-1, as a Lender

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FIFTH THIRD BANK, CHICAGO
(A Michigan Banking Company)

By: /s/ Gregory H. Bork
Name: Gregory H. Bork
Title: Vice President

CF BLACKBURN LLC

By: /s/ Dennis M. Hansen
Name: Dennis M. Hansen
Title: V.P.

EXHIBIT A

OFFICER'S CERTIFICATE

Reference is made to that certain Consent and Fourth Amendment to Credit Agreement, dated as of April 1, 2008 (the "Fourth Amendment"; capitalized terms used herein and not otherwise defined shall have the meanings specified thereto in that certain Credit Agreement dated as of September 19, 2006 among the Loan Parties party thereto, the Agent and the Lenders party thereto (as amended by that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007, that certain Consent and Second Amendment to Credit Agreement dated as of October 15, 2007, that certain Consent and Third Amendment to Credit Agreement dated as of November 13, 2007 and as further amended, restated or otherwise modified from time to time including by the Fourth Amendment, the "Credit Agreement"), among the Borrower, certain other parties, the financial institutions party thereto and Freeport Financial LLC, as Agent. The undersigned hereby certifies that [s]he is the duly authorized and elected ______ of the Borrower and that, as of the date hereof:

1. As of the Fourth Amendment Effective Date, after giving pro forma effect to the Full Life Acquisition to and the incurrence of the Delayed Draw Term Loans in connection therewith, Borrower is in compliance with each of the covenants set forth in Section 7.1.
2. No Material Adverse Effect shall have occurred upon the financial condition, operations, assets, business or properties of (i) the Loan Parties or Full Life, taken as a whole, since December 31, 2006; or (ii) Full Life since December 31, 2006.
3. After giving effect to the Fourth Amendment, no Event of Default or Default under the Credit Agreement has occurred or is continuing.
4. After giving effect to the Fourth Amendment, the representations and warranties of the Loan Parties contained in the Fourth Amendment, the Credit Agreement and the other Loan Documents are true and correct in all material respects as of the Fourth Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty was true and correct in all material respects as of such earlier date.
5. The Loan Parties have consummated the Full Life Acquisition concurrently with the Fourth Amendment substantially in accordance with the Full Life Acquisition Documents and in accordance with all applicable law, except as may have been consented to in writing by Agent.

6. Attached hereto are true, complete and correct copies of the fully executed Full Life Acquisition Documents.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of April, 2008.

ADDUS HEALTHCARE, INC.

By: ______________________________

Name:
Title:

EXHIBIT B

CONSENT AND REAFFIRMATION

Each of the undersigned ("Loan Parties") hereby (i) acknowledges receipt of a copy of the Consent and Fourth Amendment to Credit Agreement dated as of April 1, 2008 (the "Fourth Amendment"); (ii) consents to the execution and delivery thereof by the other Loan Parties; (iii) agrees to be bound thereby; (iv) affirms that nothing contained therein shall modify in any respect whatsoever its guaranty of the obligations of the Loan Parties to Agent and Lenders (the "Guarantee") and (v) reaffirms that the Guarantee and the other Collateral Documents executed by such Person are and shall continue to remain in full force and effect. Although each of the Loan Parties has been informed of the matters set forth herein and in the Fourth Amendment and has acknowledged and agreed to same, such Loan Parties understand that Agent and Lenders have no obligation to inform any of the Loan Parties of such matters in the future or to seek any of the Loan Parties' acknowledgment or agreement to future amendments or waivers, and nothing herein shall create such a duty.

This Consent and Reaffirmation shall be governed by and construed in accordance with the laws of the State of Illinois, without reference to principles of conflicts of law.

In witness whereof, each of the undersigned has executed this Consent and Reaffirmation on and as of the date of such Fourth Amendment.

ADDUS HEALTHCARE, INC.

By:

Name:

Title:

ADDUS HOLDING CORPORATION

By:

Name:

Title:

ADDUS HEALTHCARE (NEVADA), INC.

By:

Name:

Title:

ADDUS HEALTHCARE (IDAHO), INC.

By:

Name:

Title:

ADDUS MANAGEMENT CORPORATION

By:

Name:

Title:

LOWELL HOME HEALTH AGENCY, INC.

By:

Name:

Title:

LITTLE ROCK HOME HEALTH AGENCY, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

FORT SMITH HOME HEALTH AGENCY, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

BENEFITS ASSURANCE CO., INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

PHC ACQUISITION CORPORATION

By: ______________________________
Name: ______________________________
Title: ______________________________

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

ADDUS HEALTHCARE (NEW JERSEY), INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

Exhibit 10.8(e)

EXECUTION COPY

CONSENT AND FIFTH AMENDMENT TO CREDIT AGREEMENT

CONSENT AND FIFTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of June 9, 2008, among ADDUS HEALTHCARE, INC., an Illinois corporation ("Borrower"), the other persons signatory hereto as "Loan Parties", FREEPORT FINANCIAL LLC, a Delaware limited liability company ("Agent") and the Lenders signatory hereto. Terms not defined herein have the meanings given to them in the Credit Agreement (as hereinafter defined).

RECITALS

A. Borrower, the Loan Parties, the Lenders signatory thereto and Agent are party to that certain Credit Agreement dated as of September 19, 2006 (as amended by that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007, that certain Consent and Second Amendment to Credit Agreement dated as of October 15, 2007, that certain Consent and Third Amendment to Credit Agreement dated as of November 13, 2007, that certain Consent and Fourth Amendment to Credit Agreement dated as of April 1, 2008 and as further amended, restated or otherwise modified including by this Amendment, the "Credit Agreement").

B. Borrower, the Loan Parties, the Lenders and Agent are entering into this Amendment in connection with (i) the acquisition (the "Down East Acquisition") by Addus HealthCare (North Carolina), Inc., a Delaware corporation and a wholly-owned Subsidiary of the Borrower ("Addus North Carolina"), of substantially all of the assets of Down East Health Care, LLC, a North Carolina limited liability company ("Down East"), for an aggregate purchase price not to exceed $1,625,000 and (ii) the acquisition (the "New Life Acquisition") by Addus HealthCare (Nevada), Inc., a Delaware corporation and a wholly-owned Subsidiary of the Borrower ("Addus Nevada"), of substantially all of the assets of New Life Personal Care LLC, a Nevada limited liability company ("New Life"), for an aggregate purchase price not to exceed $1,500,000, which acquisition shall occur no later than 30 days following the Fifth Amendment Effective Date (as hereinafter defined).

C. Agent, Lenders and the Loan Parties are willing to enter into this Amendment upon the terms and conditions set forth below.

NOW THEREFORE, in consideration of the matters set forth in the recitals and the covenants and provisions herein set forth, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

Section 2. Consent. Agent and the Lenders hereby consent to the following:

2.1. Addus North Carolina (i) entering into (x) an Asset Purchase Agreement, dated as of even date herewith (the "Down East Purchase Agreement"), by and between Addus North Carolina, the sellers party thereto and Down East, for the purpose of acquiring substantially all of the assets of Down East and (y) the other agreements, instruments and documents for the purpose of consummating the Down East Acquisition in each case on terms and conditions reasonably satisfactory to the Agent (collectively, the "Down East Acquisition Documents"); (ii) consummating the Down East Acquisition on the Fifth Amendment Effective Date for an aggregate purchase price not to exceed $1,000,000 paid in cash on the closing date thereof pursuant to the terms of the Down East Acquisition Documents, plus contingent consideration in an amount not to exceed $500,000 paid pursuant to the Down East Purchase Agreement, plus up to $125,000 in deferred payments (together with contingent consideration, the "Down East Deferred Payments"); provided that Down East Deferred Payments shall not be paid in the event that any Default or Event of Default under any of Sections 7.1 or 8.1(a) of the Credit Agreement has occurred and is continuing or would result therefrom or the Borrower does not have the minimum Borrowing Availability required by Section 6.17 of the Credit Agreement after giving effect to such payment.

2.2. Addus Nevada (i) entering into (x) that certain Asset Purchase Agreement (the "New Life Purchase Agreement"), by and between Addus Nevada, the sellers party thereto and New Life and (y) the other agreements, instruments and documents for the purpose of consummating the New Life Acquisition in each case on terms and conditions reasonably satisfactory to the Agent (collectively, the "New Life Acquisition Documents"), it being agreed that the forms of the New Life Purchase Agreement and the other New Life Acquisition Documents provided to the Agent on June 9, 2008 are satisfactory to the Agent;
(ii) consummating the New Life Acquisition, subject to the satisfaction of the conditions set forth on Annex C attached hereto, on the New Life Acquisition Effective Date for an aggregate purchase price not to exceed $300,000 paid in cash on the closing date thereof pursuant to the terms of the New Life Acquisition Documents, plus installment consideration ("New Life Installment Consideration") in an amount not to exceed $1,200,000 paid pursuant to the New Life Purchase Agreement; provided that New Life Installment Consideration shall not be paid in the event that any Default or Event of Default under any of Sections 7.1 or 8.1(a) of the Credit Agreement has occurred and is continuing or would result therefrom or the Borrower does not have the minimum Borrowing Availability required by Section 6.17 of the Credit Agreement after giving effect to such payment.

2.3. The merger of Intermediate Holdings with and into the Borrower, with the Borrower being the surviving entity, which merger shall occur no later than 30 days following the Fifth Amendment Effective Date.

Section 3. Amendment to the Credit Agreement. As of the Fifth Amendment Effective Date, the Credit Agreement is hereby amended as follows:

3.1. Section 1.1 of the Credit Agreement is hereby amended by adding the following new definitions thereto:

Down East has the meaning set forth in the Recitals to the Fifth Amendment.

Down East Acquisition has the meaning set forth in the Recitals to the Fifth Amendment.

Down East Acquisition Documents has the meaning set forth in Section 2 of the Fifth Amendment.

Down East Deferred Payments has the meaning set forth in Section 2 of the Fifth Amendment.

Fifth Amendment means that certain Consent and Fifth Amendment to Credit Agreement dated as of June 9, 2008 among the Loan Parties, Agent and the Lenders.

Fifth Amendment Effective Date has the meaning set forth in the Fifth Amendment.

Fifth Amendment Reaffirmation of Collateral Documents means the Consent and Reaffirmation (Fifth Amendment), dated as of June 9, 2008 of the Loan Parties signatory thereto, in respect of the Collateral Documents.

New Life has the meaning set forth in the Recitals to the Fifth Amendment.

New Life Acquisition has the meaning set forth in the Recitals to the Fifth Amendment.

New Life Acquisition Documents has the meaning set forth in Section 2 of the Fifth Amendment.

New Life Acquisition Effective Date has the meaning set forth in the Fifth Amendment.

New Life Installment Consideration has the meaning set forth in Section 2 of the Fifth Amendment.

3.2. On the Fifth Amendment Effective Date, Section 1.1 of the Credit Agreement shall be amended by amending and restating the proviso at the end of the definition of "EBITDA" to read as follows:

"provided, that, notwithstanding anything to the contrary contained herein, for each of the Fiscal Quarters listed below, EBITDA shall be deemed to be the amount set forth below opposite such corresponding period:

Period	EBITDA
June 30, 2007	$4,096,280
September 30, 2007	$4,106,470
December 31, 2007	$4,272,389
March 31, 2008	$3,810,479

Provided, further, that for any period that includes the months of April or May of 2008, EBITDA shall, without duplication, be increased with respect to the assets acquired in connection with the Down East Acquisition by an amount equal to $57,500 for each such month."

3.3. On the New Life Acquisition Effective Date, Section 1.1 of the Credit Agreement shall be further amended by amending and restating the proviso at the end of the definition of "EBITDA" to read as follows:

"provided, that, notwithstanding anything to the contrary contained herein, for each of the Fiscal Quarters listed below, EBITDA shall be deemed to be the amount set forth below opposite such corresponding period:

Period	EBITDA
June 30, 2007	$4,242,030
September 30, 2007	$4,252,220
December 31, 2007	$4,418,139
March 31, 2008	$3,956,229

Provided, further, that for any period that includes the months of April or May of 2008, EBITDA shall, without duplication, be increased with respect to the assets acquired in connection with the Down East Acquisition and New Life Acquisition by an amount equal to $106,000 for each such month."

3.4. On the Fifth Amendment Effective Date, Section 2.1(a)(v) of the Credit Agreement shall be amended and restated in its entirety and replaced with the following new Section 2.1(a)(v):

(v) Borrower shall repay the Term Loans through periodic payments on the dates and in the amounts indicated below ("Scheduled Installments"), and in any event the entire remaining principal balance shall be repaid on the Commitment Termination Date.

Term Loan

Date	Scheduled Installment
June 30, 2008	$1,180,000
September 30, 2008	$1,180,000
December 31, 2008	$1,595,000
March 31, 2009	$1,595,000
June 30, 2009	$1,595,000
September 30, 2009	$1,595,000
December 31, 2009	$2,010,000
March 31, 2010	$2,010,000

June 30, 2010	$	2,010,000
September 30, 2010	$	2,010,000
December 31, 2010	$	2,425,000
March 31, 2011	$	2,425,000
June 30, 2011	$	2,425,000
September 19, 2011	$	28,865,000 or the outstanding principal balance of Term Loans outstanding on such date

The above scheduled installment amounts reflect the incurrence by the Borrower of the Delayed Draw Term Loans funded on the Fifth Amendment Effective Date as set forth on Annex A attached hereto and shall thereafter be increased in the manner set forth on Annex B to the Second Amendment to the extent any further Delayed Draw Term Loans are funded. The final installment payment shall in all events equal the entire remaining principal balance of the Term Loan (including any remaining principal balance of such Delayed Draw Term Loans). Amounts borrowed under this Section 2.1(a) and repaid may not be reborrowed.

At the request of the applicable Lender, the Term Loans shall be evidenced by promissory notes substantially in the form of Exhibit 2.1(a) (as amended, modified, extended, substituted or replaced from time to time, each a "Term Note" and, collectively, the "Term Notes"), and Borrower shall execute and deliver a Term Note to each such Term Lender. Each Term Note shall represent the obligation of Borrower to pay the amount of the applicable Term Lender's Term Loan Commitment, together with interest thereon."

3.5. Section 2.1(a)(iii) of the Credit Agreement is hereby amended and restated in its entirety and replaced with the following new Section 2.1(a)(iii):

"(iii) On each Delayed Draw Date, subject to the terms and conditions in clause (iv) of this Section 2.1(a) below, each Lender shall make available funds equal to its Pro Rata Share of the Delayed Draw Term Loan Commitment to be drawn on such date in immediately available funds to the Agent (the Loans made on each such date "Delayed Draw Term Loans" and, collectively with the Second Amendment Term Loans and Original Term Loans, the "Term Loans"). Except as otherwise agreed by Agent, each borrowing of a Delayed Draw Term Loan shall be in an aggregate minimum amount of $2,500,000 and integral multiples of $500,000 in excess of that amount. The Delayed Draw Term Loan Commitment shall expire on the earlier of (i) the date the Delayed Draw Term Loan Commitment is permanently reduced to zero, (ii) the date of the termination of the Commitments pursuant to Section 8.3 and (iii) the date that is fifteen (15) months after the Second Amendment Effective Date, and any portion of the Delayed Draw Term Loan Commitment unused by the Borrower as of such date shall be automatically terminated. Borrower covenants and agrees that it shall use the proceeds of the Delayed Draw Term Loans (i) to fund Acquisitions consented to by the Requisite Lenders, (ii) to pay fees and expenses incurred in connection with such Acquisition and any amendment to the Credit Agreement in connection therewith and (iii) contemporaneously with the funding of any Acquisition consented to by the Requisite Lenders, to provide additional working capital for the Borrower in connection with such Acquisition."

3.6. On the New Life Acquisition Effective Date, Section 2.1(a)(v) of the Credit Agreement shall be amended and restated in its entirety and replaced with the following new Section 2.1(a)(v):

(v) Borrower shall repay the Term Loans through periodic payments on the dates and in the amounts indicated below ("Scheduled Installments"), and in any event the entire remaining principal balance shall be repaid on the Commitment Termination Date.

Term Loan

Date		Scheduled Installment
June 30, 2008	$	1,192,000
September 30, 2008	$	1,192,000
December 31, 2008	$	1,613,000
March 31, 2009	$	1,613,000
June 30, 2009	$	1,613,000
September 30, 2009	$	1,613,000
December 31, 2009	$	2,034,000
March 31, 2010	$	2,034,000
June 30, 2010	$	2,034,000
September 30, 2010	$	2,034,000
December 31, 2010	$	2,455,000
March 31, 2011	$	2,455,000
June 30, 2011	$	2,455,000
September 19, 2011	$	29,783,000 or the outstanding principal balance of Term Loans outstanding on such date

The above scheduled installment amounts reflect the incurrence by the Borrower of the Delayed Draw Term Loans funded on the New Life Acquisition Effective Date as set forth on Annex B attached hereto and shall thereafter be increased in the manner set forth on Annex B to the Second Amendment to the extent any further Delayed Draw Term Loans are funded. The final installment payment shall in all events equal the entire remaining principal balance of the Term Loan (including any remaining principal balance of such Delayed Draw Term Loans). Amounts borrowed under this Section 2.1(a) and repaid may not be reborrowed.

At the request of the applicable Lender, the Term Loans shall be evidenced by promissory notes substantially in the form of Exhibit 2.1(a) (as amended, modified, extended, substituted or replaced from time to time, each a "Term Note" and, collectively, the "Term Notes"), and

Borrower shall execute and deliver a Term Note to each such Term Lender. Each Term Note shall represent the obligation of Borrower to pay the amount of the applicable Term Lender's Term Loan Commitment, together with interest thereon."

3.7. Section 6.1 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (o) thereof, deleting the "." at the end of clause (p) thereof and replacing it with "; and" and by adding the following new clause (q):

"(q) Indebtedness in respect of the Down East Deferred Payments and the New Life Installment Consideration."

3.8. Section 6.3 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (o) thereof, deleting the "." at the end of clause (p) thereof and replacing it with "; and" and by adding the following new clauses (q) and (r):

"(q) Borrower or a wholly-owned Subsidiary of Borrower may consummate the Down East Acquisition as of the Fifth Amendment Effective Date pursuant to the Down East Acquisition Documents; and

(r) Borrower or a wholly-owned Subsidiary of Borrower may consummate the New Life Acquisition as of the New Life Acquisition Effective Date pursuant to the New Life Acquisition Documents."

3.9. Clause (d) of Section 6.6 of the Credit Agreement is hereby amended by deleting the "and" before clause (v) thereof and adding the following new language immediately at the end thereof:

"(vi) Borrower or a wholly-owned Subsidiary of Borrower may consummate the Down East Acquisition on the Fifth Amendment Effective Date pursuant to the Down East Acquisition Documents and all applicable law, provided that the Down East Acquisition Documents shall be in full force and effect and provided further that the Agent shall have received a complete copy of the fully executed Down East Acquisition Documents, certified by the Borrower as being true, complete and correct; and

(vii) Borrower or a wholly-owned Subsidiary of Borrower may consummate the New Life Acquisition on the New Life Acquisition Effective Date pursuant to the New Life Acquisition Documents and all applicable law, provided that the New Life Acquisition Documents shall be in full force and effect and provided further that the Agent shall have received a complete copy of the fully executed New Life Acquisition Documents, certified by the Borrower as being true, complete and correct.

3.10. Section 6.16 of the Credit Agreement is amended and restated in its entirety to read as follows:

"None of the Loan Parties shall change or amend the terms of the Acquisition Note, Silver State Note, Vegas Earn Out Agreement, Idaho Earn Out Agreement, Idaho Note, SuCasa Note, Down East Purchase Agreement or New Life Purchase Agreement if such change or amendment would be adverse in any material respect to the rights or interests of the Loan Parties, the Agent or the Lenders."

3.11. Section 6.17 of the Credit Agreement is hereby amended by replacing the reference to "$3,500,000" therein with a reference to "$4,000,000".

3.12. On the Fifth Amendment Effective Date, Section 7.1(b) of the Credit Agreement shall be amended and restated in its entirety to read as follows:

"Minimum EBITDA. Holdings and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, Minimum EBITDA for the 12-Fiscal Month period then ended calculated of not less than the following:

Period	**Minimum EBITDA**
June 30, 2008	$14,500,000
September 30, 2008	$14,750,000
December 31, 2008	$15,000,000
March 31, 2009	$15,500,000
June 30, 2009	$15,750,000
September 30, 2009	$16,000,000
December 31, 2009	$16,000,000
March 31, 2010	$16,250,000
June 30, 2010	$16,250,000
September 30, 2010	$16,500,000
December 31, 2010	$16,500,000
March 31, 2011 and each Fiscal Quarter ending thereafter	$16,750,000

3.13. On the New Life Acquisition Effective Date, Section 7.1(b) of the Credit Agreement shall be amended and restated in its entirety to read as follows:

"Minimum EBITDA. Holdings and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, Minimum EBITDA for the 12-Fiscal Month period then ended calculated of not less than the following:

Period	**Minimum EBITDA**
June 30, 2008	$14,750,000
September 30, 2008	$15,250,000
December 31, 2008	$15,250,000
March 31, 2009	$16,000,000

June 30, 2009	$16,250,000
September 30, 2009	$16,500,000
December 31, 2009	$16,500,000
March 31, 2010	$16,500,000
June 30, 2010	$16,750,000
September 30, 2010	$17,000,000
December 31, 2010	$17,000,000
March 31, 2011 and each Fiscal Quarter ending thereafter	$17,250,000

3.14. On the Fifth Amendment Effective Date, Schedule 2 to Annex E of the Credit Agreement shall be amended to include the following new paragraph in the column underneath the word Less: and immediately prior to the word Subtotal:

"at such time after the cash consideration paid by the Borrower in connection with the Down East Acquisition exceeds $1,500,000, an amount equal to any unfinanced cash payments with respect to the Down East Purchase Agreement, such amount not to exceed $125,000 in the aggregate; provided that the term unfinanced when used in this paragraph shall mean any such payment that the Borrower has not directly or indirectly drawn Revolving Loans (or used other Indebtedness) to finance such payment with the determination of whether any such payment is unfinanced being acknowledged and consented to by Agent such consent not to be unreasonably withheld."

3.15. On the New Life Acquisition Effective Date, Schedule 2 to Annex E of the Credit Agreement shall be amended to include the following new paragraph in the column underneath the word Less: and immediately prior to the word Subtotal:

"at such time after the cash consideration paid by the Borrower in connection with the New Life Acquisition exceeds $1,200,000, an amount equal to any unfinanced cash payments with respect to the New Life Purchase Agreement, such amount not to exceed $300,000 in the aggregate; provided that the term unfinanced when used in this paragraph shall mean any such payment that the Borrower has not directly or indirectly drawn Revolving Loans (or used other Indebtedness) to finance such payment with the determination of whether any such payment is unfinanced being acknowledged and consented to by Agent such consent not to be unreasonably withheld."

Section 4. Representations and Warranties. To induce Agent and Lenders to execute this Amendment, each Loan Party hereby represents and warrants to Agent and Lenders as follows:

(a) the execution, delivery and performance of each of this Amendment and the Down East Acquisition Documents have been duly authorized by all requisite action of each Loan Party thereto, and each of this Amendment and the Down East Acquisition Documents constitutes the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity; and

(b) each of the representations and warranties in the Credit Agreement are true and correct in all material respects with the same effect as though made on and as of the date hereof (except, in each case, to the extent stated to relate to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date) and no Event of Default or Default exists thereunder or would exist after giving effect to this Amendment or the Down East Acquisition.

Section 5. Conditions Precedent. This Amendment shall be effective as of the date first set forth above, subject to the satisfaction of the following conditions precedent (the date of such satisfaction being the "Fifth Amendment Effective Date") (which conditions, for purposes of clarification, shall not include those set forth on Annex C attached hereto):

5.1. Execution and Delivery. Borrower, each of the other Loan Parties, Agent and the Requisite Lenders shall have executed and delivered this Agreement; the Borrower shall have executed and delivered an Officer's Certificate in the form of Exhibit A attached hereto; each Loan Party shall have executed and delivered the Consent and Reaffirmation in the form of Exhibit B attached hereto.

5.2. Covenant Compliance. After giving pro forma effect to the Down East Acquisition to and the incurrence of the Delayed Draw Term Loans in connection therewith, Borrower is in compliance with each of the covenants set forth in Section 7.1.

5.3. Letter of Direction. Agent shall have received a duly executed letter of direction from Borrower addressed to Agent, on behalf of itself and the Lenders directing the disbursement of the proceeds of the Delayed Draw Term Loans to fund the Down East Acquisition.

5.4. Insurance. Agent shall have received evidence of the existence of insurance required to be maintained pursuant to the Credit Agreement, together with evidence that the Agent has been named as a lender's loss payee and an additional insured on all related insurance policies to the extent there is any change in such insurance in effect prior to the Fifth Amendment Effective Date as a result of or in connection with the Down East Acquisition.

5.5. Filings, Registrations and Recordings. The Agent shall have received each document (including Uniform Commercial Code financing statements) required by Section 5.7(c) of the Credit Agreement as may be necessary or desirable in order to create in favor of the Agent, for the benefit of the Lenders, a perfected Lien on the Collateral acquired in connection with the Down East Acquisition prior to any other Liens (subject only to Permitted Encumbrances).

5.6. Due Diligence. Agent, Lenders and their counsel and advisors shall have completed their legal, accounting and financial due diligence review (including, without limitation, lien searches on Down East) of Down East and the Down East Acquisition, the results of which review shall be reasonably satisfactory to Agent and Requisite Lenders.

5.7. Material Adverse Effect. There shall have occurred no Material Adverse Effect upon the financial condition, operations, assets, business or properties of (i) the Loan Parties or Down East, taken as a whole, since December 31, 2007; or (ii) Down East since December 31, 2007.

5.8. Down East Acquisition Documents. On or prior to the Fifth Amendment Effective Date, each of the Down East Acquisition Documents shall have been duly authorized by each of the Loan Parties party thereto and executed and delivered by each of the respective parties thereto and shall be in full force and effect and shall not have been amended or modified in any manner adverse to the Lenders except for such amendments and modifications, if any, as may be reasonably satisfactory to Agent and the Requisite Lenders. The Down East Acquisition shall have been, or shall be contemporaneously herewith, consummated substantially in accordance with the Down East Acquisition Documents (as amended in accordance with the immediately preceding sentence) and in accordance with all applicable law, except as may have been consented to in writing by Agent. Agent shall have received a complete copy of the fully executed Down East Acquisition Documents, certified by the Borrower as being true, complete and correct.

5.9. Approvals. All necessary governmental and third party approvals and/or consents in connection with the Down East Acquisition and otherwise referred to herein or therein shall have been obtained and remain in effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of all or any part of the Down East Acquisition, in each case as of the Fifth Amendment Effective Date. Additionally, there shall not exist any judgment, order, injunction or other restraint pending or notified prohibiting or imposing material adverse conditions upon all or any part of the Down East Acquisition or the transactions contemplated by this Amendment as of the Fifth Amendment Effective Date.

5.10. No Defaults. After giving effect to this Amendment, no Event of Default or Default under the Credit Agreement shall have occurred and be continuing.

5.11. Representations and Warranties. After giving effect to this Amendment, the representations and warranties of the Loan Parties contained in this Amendment, the Credit Agreement and the other Loan Documents shall be true and correct in all material respects as of the Fifth Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty shall be true and correct in all material respects as of such earlier date.

5.12. Secretary’s Certificate. Agent shall have received from each Loan Party a certificate signed by the secretary or an assistant secretary of such Loan Party, dated as of the Fifth Amendment Effective Date, as to the incumbency and signature of the officers of such Loan Party executing any Loan Document and any certificate or other document or instrument to be delivered pursuant hereto by or on behalf of such Loan Party, together with evidence of the incumbency of such Secretary or Assistant Secretary, as the case may be and certifying that there have been no changes to (i) the resolutions of such Loan Party authorizing and approving, among other things, the execution, delivery and performance of this Amendment and the other Loan Documents and (ii) the organizational documents of such Loan Party in each case since the date on which they were most recently delivered to Agent.

5.13. Good Standing Certificates. Agent shall have received good standing certificates for each Loan Party from their respective jurisdictions of incorporation or organization.

5.14. Addus North Carolina Secretary's Certificate. Agent shall have received from Addus North Carolina a certificate signed by the secretary or an assistant secretary of such corporation, dated as of the Fifth Amendment Effective Date, as to (i) the incumbency and signature of the officers of such corporation executing any Loan Document and any certificate or other document or instrument to be delivered pursuant hereto by or on behalf of such corporation, (ii) the resolutions of such corporation authorizing and approving, among other things, the execution and delivery of the Loan Documents, the Down East Acquisition Documents and the other documents and instruments provided for therein and the consummation of the transactions contemplated hereby and thereby, (ii) the organizational documents of such corporation, and (iii) the good standing certificate for such corporation from its jurisdiction of incorporation.

5.15. Fees. Borrower shall have paid all reasonable and documented costs, fees and expenses (including, without limitation, reasonable legal fees and expenses of Winston & Strawn LLP) of Agent.

5.16. Opinions of Counsel. Agent shall have received opinions of counsel for each Loan Party, including local counsel reasonably requested by the Agent.

5.17. Other Matters. Agent shall have received such other instruments and documents as Agent or the Requisite Lenders may reasonably request in connection with the execution of this Amendment, and all such instruments and documents shall be reasonably satisfactory in form and substance to Agent.

Notwithstanding the foregoing, the conditions precedent with respect to the New Life Acquisition shall be those set forth on Annex C attached hereto.

Section 6. Miscellaneous.

6.1. Effect of Amendment. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender under the Credit Agreement or any Loan Document, or constitute a waiver of any provision of the Credit Agreement or any Loan Document, except as specifically set forth herein.

6.2. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of the executed counterpart of this Amendment by telecopy or electronic mail shall be as effective as delivery of a manually executed counterpart to this Amendment.

6.3. Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

6.4. Captions. Section captions used in this Amendment are for convenience only, and shall not affect the construction of this Amendment.

6.5. Entire Agreement. This Amendment embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof.

6.6. References. Any reference to the Credit Agreement contained in any notice, request, certificate, or other document executed concurrently with or after the execution and delivery of this Amendment shall be deemed to include this Amendment unless the context shall otherwise require. Reference in any of this Amendment, the Credit Agreement or any other Loan Document to the Credit Agreement shall be a reference to the Credit Agreement as amended hereby and as further amended, modified, restated, supplemented or extended from time to time.

Section 7. Governing Law. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

[signature pages follow]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first above written.

ADDUS HOLDING CORPORATION

ADDUS MANAGEMENT CORPORATION

By: /s/ Simon Bachleda
Name: Simon Bachleda
Title: Vice President and Secretary

ADDUS HEALTHCARE, INC.

By: /s/ Mark S. Heaney
Name: Mark S. Heaney
Title: President and Chief Executive Officer

FORT SMITH HOME HEALTH AGENCY, INC.

LITTLE ROCK HOME HEALTH AGENCY, INC.

LOWELL HOME HEALTH AGENCY, INC.

PHC ACQUISITION CORPORATION

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

By: /s/ Mark S. Heaney
Name: Mark S. Heaney
Title: Vice President

BENEFITS ASSURANCE CO., INC.

By: /s/ David W. Stasiewicz
Name: David W. Stasiewicz
Title: Chief Financial Officer and Secretary

FREEPORT FINANCIAL LLC, as Agent

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FREEPORT LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FREEPORT OFFSHORE LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FREEPORT LOAN TRUST 2006-1, as a Lender

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FIFTH THIRD BANK, CHICAGO
(A Michigan Banking Company)

By: /s/ Michael E. May
Name: Michael E. May
Title: Vice President

CF BLACKBURN LLC

By: /s/ Dennis M. Hansen
Name: Dennis M. Hansen
Title: V.P.

EXHIBIT A

OFFICER'S CERTIFICATE

Reference is made to that certain Consent and Fifth Amendment to Credit Agreement, dated as of June 9, 2008 (the "Fifth Amendment"; capitalized terms used herein and not otherwise defined shall have the meanings specified thereto in that certain Credit Agreement dated as of September 19, 2006 among the Loan Parties party thereto, the Agent and the Lenders party thereto (as amended by that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007, that certain Consent and Second Amendment to Credit Agreement dated as of October 15, 2007, that certain Consent and Third Amendment to Credit Agreement dated as of November 13, 2007, that certain Consent and Fourth Amendment to Credit Agreement dated as of April 1, 2008 and as further amended, restated or otherwise modified from time to time including by the Fifth Amendment, the "Credit Agreement"), among the Borrower, certain other parties, the financial institutions party thereto and Freeport Financial LLC, as Agent. The undersigned hereby certifies that he is the duly authorized and elected President & Chief Executive Officer of the Borrower and that, as of the date hereof:

1. As of the Fifth Amendment Effective Date, after giving pro forma effect to the Down East Acquisition to and the incurrence of the Delayed Draw Term Loans in connection therewith, Borrower is in compliance with each of the covenants set forth in Section 7.1.

2. No Material Adverse Effect has occurred upon the financial condition, operations, assets, business or properties of (i) the Loan Parties or Down East, taken as a whole, since December 31, 2007; or (ii) Down East since December 31, 2007.

3. After giving effect to the Fifth Amendment, no Event of Default or Default under the Credit Agreement has occurred or is continuing.

4. After giving effect to the Fifth Amendment, the representations and warranties of the Loan Parties contained in the Fifth Amendment, the Credit Agreement and the other Loan Documents are true and correct in all material respects as of the Fifth Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty was true and correct in all material respects as of such earlier date.

5. The Loan Parties have consummated the Down East Acquisition concurrently with the Fifth Amendment substantially in accordance with the Down East Acquisition Documents and in accordance with all applicable law, except as may have been consented to in writing by Agent.

6. Attached hereto as Exhibit A are true, complete and correct copies of the fully executed Down East Acquisition Documents.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of June, 2008.

ADDUS HEALTHCARE, INC.

By: ______________________________
Name: Mark S. Heaney
Title: President & Chief Executive Officer

EXHIBIT B

CONSENT AND REAFFIRMATION (FIFTH AMENDMENT)

Each of the undersigned ("Loan Parties") hereby (i) acknowledges receipt of a copy of the Consent and Fifth Amendment to Credit Agreement dated as of June 9, 2008 (the "Fifth Amendment"); (ii) consents to the execution and delivery thereof by the other Loan Parties; (iii) agrees to be bound thereby; (iv) affirms that nothing contained therein shall modify in any respect whatsoever its guaranty of the obligations of the Loan Parties to Agent and Lenders (the "Guarantee") and (v) reaffirms that the Guarantee and the other Collateral Documents executed by such Person are and shall continue to remain in full force and effect. Although each of the Loan Parties has been informed of the matters set forth herein and in the Fifth Amendment and has acknowledged and agreed to same, such Loan Parties understand that Agent and Lenders have no obligation to inform any of the Loan Parties of such matters in the future or to seek any of the Loan Parties' acknowledgment or agreement to future amendments or waivers, and nothing herein shall create such a duty.

This Consent and Reaffirmation shall be governed by and construed in accordance with the laws of the State of Illinois, without reference to principles of conflicts of law.

In witness whereof, each of the undersigned has executed this Consent and Reaffirmation on and as of the date of such Fifth Amendment.

ADDUS HOLDING CORPORATION

ADDUS MANAGEMENT CORPORATION

By: ______________________________
Name: Simon Bachleda
Title: Vice President and Secretary

ADDUS HEALTHCARE, INC.

By: ______________________________
Name: Mark S. Heaney
Title: President and Chief Executive Officer

ADDUS HEALTHCARE (IDAHO), INC.

ADDUS HEALTHCARE (NEVADA), INC.

ADDUS HEALTHCARE (NEW JERSEY), INC.

FORT SMITH HOME HEALTH AGENCY, INC.

LITTLE ROCK HOME HEALTH AGENCY, INC.

LOWELL HOME HEALTH AGENCY, INC.

PHC ACQUISITION CORPORATION

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

By: ______________________________
Name: Mark S. Heaney
Title: Vice President

BENEFITS ASSURANCE CO., INC.

By: ______________________________
Name: David W. Stasiewicz
Title: Chief Financial Officer and Secretary

EXHIBIT C

OFFICER'S CERTIFICATE

Reference is made to that certain Consent and Fifth Amendment to Credit Agreement, dated as of June 9, 2008 (the "Fifth Amendment"; capitalized terms used herein and not otherwise defined shall have the meanings specified thereto in that certain Credit Agreement dated as of September 19, 2006 among the Loan Parties party thereto, the Agent and the Lenders party thereto (as amended by that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007, that certain Consent and Second Amendment to Credit Agreement dated as of October 15, 2007, that certain Consent and Third Amendment to Credit Agreement dated as of November 13, 2007, that certain Consent and Fourth Amendment to Credit Agreement dated as of April 1, 2008 and as further amended, restated or otherwise modified from time to time including by the Fifth Amendment, the "Credit Agreement"), among the Borrower, certain other parties, the financial institutions party thereto and Freeport Financial LLC, as Agent. The undersigned hereby certifies that he is the duly authorized and elected President & Chief Executive Officer of the Borrower and that, as of the date hereof:

1. As of the New Life Acquisition Effective Date, after giving pro forma effect to the New Life Acquisition to and the incurrence of the Delayed Draw Term Loans in connection therewith, Borrower is in compliance with each of the covenants set forth in Section 7.1.
2. No Material Adverse Effect shall have occurred upon the financial condition, operations, assets, business or properties of (i) the Loan Parties or New Life, taken as a whole, since December 31, 2007; or (ii) New Life since December 31, 2007.
3. After giving effect to the Fifth Amendment and the New Life Acquisition, no Event of Default or Default under the Credit Agreement has occurred or is continuing.
4. After giving effect to the Fifth Amendment and the New Life Acquisition, the representations and warranties of the Loan Parties contained in the Fifth Amendment, the Credit Agreement and the other Loan Documents are true and correct in all material respects as of the New Life Acquisition Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty was true and correct in all material respects as of such earlier date.
5. The Loan Parties have consummated the New Life Acquisition substantially in accordance with the New Life Acquisition Documents and in accordance with all applicable law, except as may have been consented to in writing by Agent.

6. Attached hereto as Exhibit A are true, complete and correct copies of the fully executed New Life Acquisition Documents.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of __________, 2008.

ADDUS HEALTHCARE, INC.

By: ____
Name: Mark S. Heaney
Title: President & Chief Executive Officer

Exhibit 10.8(f)

EXECUTION COPY

CONSENT AND SIXTH AMENDMENT TO CREDIT AGREEMENT

CONSENT AND SIXTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of September 25, 2008, among ADDUS HEALTHCARE, INC., an Illinois corporation ("Borrower"), the other persons signatory hereto as "Loan Parties", FREEPORT FINANCIAL LLC, a Delaware limited liability company ("Agent") and the Lenders signatory hereto. Terms not defined herein have the meanings given to them in the Credit Agreement (as hereinafter defined).

RECITALS

A. Borrower, the Loan Parties, the Lenders signatory thereto and Agent are party to that certain Credit Agreement dated as of September 19, 2006 (as amended by that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007, that certain Consent and Second Amendment to Credit Agreement dated as of October 15, 2007, that certain Consent and Third Amendment to Credit Agreement dated as of November 13, 2007, that certain Consent and Fourth Amendment to Credit Agreement dated as of April 1, 2008, that certain Consent and Fifth Amendment to Credit Agreement dated as of June 9, 2008 and as further amended, restated or otherwise modified including by this Amendment, the "Credit Agreement").

B. Borrower, the Loan Parties, the Lenders and Agent are entering into this Amendment in connection with the acquisition (the "Awakened Alternatives Acquisition") by Addus HealthCare (Indiana), Inc., a Delaware corporation and a wholly-owned Subsidiary of the Borrower ("Addus Indiana"), of substantially all of the assets of Awakened Alternatives Enterprises, LLC, an Illinois limited liability company ("Awakened Alternatives"), for an aggregate purchase price not to exceed $450,000.

C. Agent, Lenders and the Loan Parties are willing to enter into this Amendment upon the terms and conditions set forth below.

NOW THEREFORE, in consideration of the matters set forth in the recitals and the covenants and provisions herein set forth, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

Section 2. Consent. Agent and the Lenders hereby consent to the following:

2.1. Addus Indiana (i) entering into (x) an Asset Purchase Agreement, dated as of even date herewith (the "Awakened Alternatives Purchase Agreement"), by and between Addus Indiana, Awakened Alternatives and certain Members (as defined in the Awakened Alternatives

Purchase Agreement) of Awakened Alternatives party thereto, for the purpose of acquiring substantially all of the assets of Awakened Alternatives and (y) the other agreements, instruments and documents for the purpose of consummating the Awakened Alternatives Acquisition, in each case on terms and conditions reasonably satisfactory to the Agent (collectively, the "Awakened Alternatives Acquisition Documents"); and (ii) consummating the Awakened Alternatives Acquisition on the Sixth Amendment Effective Date for an aggregate purchase price not to exceed $300,000 paid in cash on the closing date thereof pursuant to the terms of the Awakened Alternatives Acquisition Documents, plus a deferred purchase price in an amount not to exceed $50,000 paid pursuant to the Awakened Alternatives Purchase Agreement, plus the issuance of the Awakened Alternatives Note; provided that neither such deferred purchase price paid pursuant to the Awakened Alternatives Purchase Agreement nor any payments on the Awakened Alternatives Note shall be paid in the event that any Default or Event of Default under any of Sections 7.1 or 8.1(a) of the Credit Agreement has occurred and is continuing or would result therefrom or the Borrower does not have the minimum Borrowing Availability required by Section 6.17 of the Credit Agreement after giving effect to such payment.

Section 3. Amendment to the Credit Agreement. As of the Sixth Amendment Effective Date, the Credit Agreement is hereby amended as follows:

3.1. Section 1.1 of the Credit Agreement is hereby amended by adding the following new definitions thereto:

Awakened Alternatives has the meaning set forth in the Recitals to the Sixth Amendment.

Awakened Alternatives Acquisition has the meaning set forth in the Recitals to the Sixth Amendment.

Awakened Alternatives Acquisition Documents has the meaning set forth in Section 2 of the Sixth Amendment.

Awakened Alternatives Note means that certain 6% Junior Subordinated Promissory Note by Borrower payable to Awakened Alternatives in the original principal amount of $100,000.

Sixth Amendment means that certain Consent and Sixth Amendment to Credit Agreement dated as of September 25, 2008 among the Loan Parties, Agent and the Lenders.

Sixth Amendment Effective Date has the meaning set forth in the Sixth Amendment.

Sixth Amendment Reaffirmation of Collateral Documents means the Consent and Reaffirmation (Sixth Amendment), dated as of September 25, 2008 of the Loan Parties signatory thereto, in respect of the Collateral Documents.

3.2. On the Sixth Amendment Effective Date, Section 2.1(a)(v) of the Credit Agreement shall be amended and restated in its entirety and replaced with the following new Section 2.1(a)(v):

(v) Borrower shall repay the Term Loans through periodic payments on the dates and in the amounts indicated below ("Scheduled Installments"), and in any event the entire remaining principal balance shall be repaid on the Commitment Termination Date.

Term Loan

Date	Scheduled Installment
September 30, 2008	$ 1,197,000
December 31, 2008	$ 1,620,500
March 31, 2009	$ 1,620,500
June 30, 2009	$ 1,620,500
September 30, 2009	$ 1,620,500
December 31, 2009	$ 2,044,000
March 31, 2010	$ 2,044,000
June 30, 2010	$ 2,044,000
September 30, 2010	$ 2,044,000
December 31, 2010	$ 2,467,500
March 31, 2011	$ 2,467,500
June 30, 2011	$ 2,467,500
September 19, 2011	$ 30,170,500 or the outstanding principal balance of Term Loans outstanding on such date

The above scheduled installment amounts reflect the incurrence by the Borrower of the Delayed Draw Term Loans funded on the Sixth Amendment Effective Date as set forth on Annex A attached hereto and shall thereafter be increased in the manner set forth on Annex B to the Second Amendment to the extent any further Delayed Draw Term Loans are funded. The final installment payment shall in all events equal the entire remaining principal balance of the Term Loan (including any remaining principal balance of such Delayed Draw Term Loans). Amounts borrowed under this Section 2.1(a) and repaid may not be reborrowed.

At the request of the applicable Lender, the Term Loans shall be evidenced by promissory notes substantially in the form of Exhibit 2.1(a) (as amended, modified, extended, substituted or replaced from time to time, each a "Term Note" and, collectively, the "Term Notes"), and Borrower shall execute and deliver a Term Note to each such Term Lender. Each Term Note shall represent the obligation of Borrower to pay the amount of the applicable Term Lender's Term Loan Commitment, together with interest thereon."

3.3. Section 6.1 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (p) thereof, deleting the "." at the end of clause (q) thereof and replacing it with "; and" and by adding the following new clause (r):

"(r) Indebtedness in respect of the Awakened Alternatives Purchase Agreement and Awakened Alternatives Note."

3.4. Section 6.3 of the Credit Agreement is hereby amended by deleting the “and” at the end of clause (q) thereof, deleting the “.” at the end of clause (r) thereof and replacing it with “; and” and by adding the following new clauses (s):

“(s) Borrower or a wholly-owned Subsidiary of Borrower may consummate the Awakened Alternatives Acquisition as of the Sixth Amendment Effective Date pursuant to the Sixth Amendment Acquisition Documents.”

3.5. Clause (d) of Section 6.6 of the Credit Agreement is hereby amended by deleting the “and” before clause (vii) thereof and adding the following new language immediately at the end thereof:

“(viii) Borrower or a wholly-owned Subsidiary of Borrower may consummate the Awakened Alternatives Acquisition on the Sixth Amendment Effective Date pursuant to the Awakened Alternatives Acquisition Documents and all applicable law, provided that the Awakened Alternatives Acquisition Documents shall be in full force and effect and provided further that the Agent shall have received a complete copy of the fully executed Awakened Alternatives Acquisition Documents, certified by the Borrower as being true, complete and correct.”

3.6. Section 6.16 of the Credit Agreement is amended and restated in its entirety to read as follows:

“None of the Loan Parties shall change or amend the terms of the Acquisition Note, Silver State Note, Vegas Earn Out Agreement, Idaho Earn Out Agreement, Idaho Note, SuCasa Note, Down East Purchase Agreement, New Life Purchase Agreement, Awakened Alternatives Purchase Agreement or Awakened Alternatives Note if such change or amendment would be adverse in any material respect to the rights or interests of the Loan Parties, the Agent or the Lenders.”

Section 4. Representations and Warranties. To induce Agent and Lenders to execute this Amendment, each Loan Party hereby represents and warrants to Agent and Lenders as follows:

(a) the execution, delivery and performance of each of this Amendment and the Awakened Alternatives Acquisition Documents have been duly authorized by all requisite action of each Loan Party thereto, and each of this Amendment and the Awakened Alternatives Acquisition Documents constitutes the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors’ rights generally and to general principles of equity; and

(b) each of the representations and warranties in the Credit Agreement are true and correct in all material respects with the same effect as though made on and as of the date hereof (except, in each case, to the extent stated to relate to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date) and no Event of Default or Default exists thereunder or would exist after giving effect to this Amendment or the Awakened Alternatives Acquisition.

Section 5. Conditions Precedent. This Amendment shall be effective as of the date first set forth above, subject to the satisfaction of the following conditions precedent (the date of such satisfaction being the "Sixth Amendment Effective Date"):

5.1. Execution and Delivery. Borrower, each of the other Loan Parties, Agent and the Requisite Lenders shall have executed and delivered this Agreement; the Borrower shall have executed and delivered an Officer's Certificate in the form of Exhibit A attached hereto; each Loan Party shall have executed and delivered the Consent and Reaffirmation in the form of Exhibit B attached hereto.

5.2. Covenant Compliance. After giving pro forma effect to the Awakened Alternatives Acquisition to and the incurrence of the Delayed Draw Term Loans in connection therewith, Borrower is in compliance with each of the covenants set forth in Section 7.1.

5.3. Letter of Direction. Agent shall have received a duly executed letter of direction from Borrower addressed to Agent, on behalf of itself and the Lenders directing the disbursement of the proceeds of the Delayed Draw Term Loans to fund the Awakened Alternatives Acquisition.

5.4. Insurance. Agent shall have received evidence of the existence of insurance required to be maintained pursuant to the Credit Agreement, together with evidence that the Agent has been named as a lender's loss payee and an additional insured on all related insurance policies to the extent there is any change in such insurance in effect prior to the Sixth Amendment Effective Date as a result of or in connection with the Awakened Alternatives Acquisition.

5.5. Filings, Registrations and Recordings. The Agent shall have received each document (including Uniform Commercial Code financing statements) required by Section 5.7(c) of the Credit Agreement as may be necessary or desirable in order to create in favor of the Agent, for the benefit of the Lenders, a perfected Lien on the Collateral acquired in connection with the Awakened Alternatives Acquisition prior to any other Liens (subject only to Permitted Encumbrances).

5.6. Due Diligence. Agent, Lenders and their counsel and advisors shall have completed their legal, accounting and financial due diligence review (including, without limitation, lien searches on Awakened Alternatives) of Awakened Alternatives and the Awakened Alternatives Acquisition, the results of which review shall be reasonably satisfactory to Agent and the Requisite Lenders.

5.7. Material Adverse Effect. There shall have occurred no Material Adverse Effect upon the financial condition, operations, assets, business or properties of (i) the Loan Parties or Awakened Alternatives, taken as a whole, since December 31, 2007; or (ii) Awakened Alternatives since December 31, 2007.

5.8. Awakened Alternatives Acquisition Documents. On or prior to the Sixth Amendment Effective Date, each of the Awakened Alternatives Acquisition Documents shall have been duly authorized by each of the Loan Parties party thereto and executed and delivered by each of the respective parties thereto and shall be in full force and effect and shall not have been amended or modified in any manner adverse to the Lenders except for such amendments and modifications, if any, as may be reasonably satisfactory to Agent and the Requisite Lenders. The Awakened Alternatives Acquisition shall have been, or shall be contemporaneously herewith, consummated substantially in accordance with the Awakened Alternatives Acquisition Documents (as amended in accordance with the immediately preceding sentence) and in accordance with all applicable law, except as may have been consented to in writing by Agent. Agent shall have received a complete copy of the fully executed Awakened Alternatives Acquisition Documents, certified by the Borrower as being true, complete and correct.

5.9. Approvals. All necessary governmental and third party approvals and/or consents in connection with the Awakened Alternatives Acquisition and otherwise referred to herein or therein shall have been obtained and remain in effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of all or any part of the Awakened Alternatives Acquisition, in each case as of the Sixth Amendment Effective Date. Additionally, there shall not exist any judgment, order, injunction or other restraint pending or notified prohibiting or imposing material adverse conditions upon all or any part of the Awakened Alternatives Acquisition or the transactions contemplated by this Amendment as of the Sixth Amendment Effective Date.

5.10. No Defaults. After giving effect to this Amendment, no Event of Default or Default under the Credit Agreement shall have occurred and be continuing.

5.11. Representations and Warranties. After giving effect to this Amendment, the representations and warranties of the Loan Parties contained in this Amendment, the Credit Agreement and the other Loan Documents shall be true and correct in all material respects as of the Sixth Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty shall be true and correct in all material respects as of such earlier date.

5.12. Secretary’s Certificate. Agent shall have received from each Loan Party a certificate signed by the secretary or an assistant secretary of such Loan Party, dated as of the Sixth Amendment Effective Date, as to the incumbency and signature of the officers of such Loan Party executing any Loan Document and any certificate or other document or instrument to be delivered pursuant hereto by or on behalf of such Loan Party, together with evidence of the incumbency of such Secretary or Assistant Secretary, as the case may be and certifying that there have been no changes to (i) the resolutions of such Loan Party authorizing and approving, among other things, the execution, delivery and performance of this Amendment and the other Loan Documents and (ii) the organizational documents of such Loan Party in each case since the date on which they were most recently delivered to Agent.

5.13. Good Standing Certificates. Agent shall have received good standing certificates for each Loan Party from their respective jurisdictions of incorporation or organization.

5.14. Addus Indiana Secretary's Certificate. Agent shall have received from Addus Indiana a certificate signed by the secretary or an assistant secretary of such corporation, dated as of the Sixth Amendment Effective Date, as to (i) the incumbency and signature of the officers of such corporation executing any Loan Document and any certificate or other document or instrument to be delivered pursuant hereto by or on behalf of such corporation, (ii) the resolutions of such corporation authorizing and approving, among other things, the execution and delivery of the Loan Documents, the Awakened Alternatives Acquisition Documents and the other documents and instruments provided for therein and the consummation of the transactions contemplated hereby and thereby, (iii) the organizational documents of such corporation, and (iv) the good standing certificate for such corporation from its jurisdiction of incorporation.

5.15. Fees. Borrower shall have paid all reasonable and documented costs, fees and expenses (including, without limitation, reasonable legal fees and expenses of Winston & Strawn LLP) of Agent.

5.16. Opinions of Counsel. Agent shall have received opinions of counsel for each Loan Party, including local counsel reasonably requested by the Agent.

5.17. Other Matters. Agent shall have received such other instruments and documents as Agent or the Requisite Lenders may reasonably request in connection with the execution of this Amendment, and all such instruments and documents shall be reasonably satisfactory in form and substance to Agent.

Section 6. Miscellaneous.

6.1. Effect of Amendment. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender under the Credit Agreement or any Loan Document, or constitute a waiver of any provision of the Credit Agreement or any Loan Document, except as specifically set forth herein.

6.2. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of the executed counterpart of this Amendment by telecopy or electronic mail shall be as effective as delivery of a manually executed counterpart to this Amendment.

6.3. Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

6.4. Captions. Section captions used in this Amendment are for convenience only, and shall not affect the construction of this Amendment.

6.5. Entire Agreement. This Amendment embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof.

6.6. References. Any reference to the Credit Agreement contained in any notice, request, certificate, or other document executed concurrently with or after the execution and delivery of this Amendment shall be deemed to include this Amendment unless the context shall otherwise require. Reference in any of this Amendment, the Credit Agreement or any other Loan Document to the Credit Agreement shall be a reference to the Credit Agreement as amended hereby and as further amended, modified, restated, supplemented or extended from time to time.

Section 7. Governing Law. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

[signature pages follow]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first above written.

ADDUS HOLDING CORPORATION

By: /s/ Simon Bachleda
Name: Simon Bachleda
Title: Vice President and Secretary

ADDUS HEALTHCARE, INC.

FORT SMITH HOME HEALTH AGENCY, INC.

LITTLE ROCK HOME HEALTH AGENCY, INC.

LOWELL HOME HEALTH AGENCY, INC.

PHC ACQUISITION CORPORATION

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

BENEFITS ASSURANCE CO., INC.

By: /s/ Frank Leonard
Name: Frank Leonard
Title: Chief Financial Officer and Secretary

FREEPORT FINANCIAL LLC, as Agent

By: /s/ Chad Blakeman
Title: Senior Managing Director

FREEPORT LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Senior Managing Director

FREEPORT OFFSHORE LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Senior Managing Director

FREEPORT LOAN TRUST 2006-1, as a Lender

By: /s/ Chad Blakeman
Title: Senior Managing Director

FIFTH THIRD BANK, CHICAGO
(A Michigan Banking Company)

By:	/s/ Michael E. May
Name:	Michael E. May
Title:	Vice President

CF BLACKBURN LLC

By:	/s/ Angela D. Brown
Name:	Angela D. Brown
Title:	Managing Director

EXHIBIT A

OFFICER'S CERTIFICATE

Reference is made to that certain Consent and Sixth Amendment to Credit Agreement, dated as of September 25, 2008 (the "Sixth Amendment"; capitalized terms used herein and not otherwise defined shall have the meanings specified thereto in that certain Credit Agreement dated as of September 19, 2006 among the Loan Parties party thereto, the Agent and the Lenders party thereto (as amended by that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007, that certain Consent and Second Amendment to Credit Agreement dated as of October 15, 2007, that certain Consent and Third Amendment to Credit Agreement dated as of November 13, 2007, that certain Consent, Fourth Amendment to Credit Agreement dated as of April 1, 2008 and Fifth Amendment to Credit Agreement dated as of June 9, 2008 and as further amended, restated or otherwise modified from time to time including by the Sixth Amendment, the "Credit Agreement"), among the Borrower, certain other parties, the financial institutions party thereto and Freeport Financial LLC, as Agent. The undersigned hereby certifies that he is the duly authorized and elected President & Chief Executive Officer of the Borrower and that, as of the date hereof:

1. As of the Sixth Amendment Effective Date, after giving pro forma effect to the Awakened Alternatives Acquisition to and the incurrence of the Delayed Draw Term Loans in connection therewith, Borrower is in compliance with each of the covenants set forth in Section 7.1.

2. No Material Adverse Effect has occurred upon the financial condition, operations, assets, business or properties of (i) the Loan Parties or Awakened Alternatives, taken as a whole, since December 31, 2007; or (ii) Awakened Alternatives since December 31, 2007.

3. After giving effect to the Sixth Amendment, no Event of Default or Default under the Credit Agreement has occurred or is continuing.

4. After giving effect to the Sixth Amendment, the representations and warranties of the Loan Parties contained in the Sixth Amendment, the Credit Agreement and the other Loan Documents are true and correct in all material respects as of the Sixth Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty was true and correct in all material respects as of such earlier date.

5. The Loan Parties have consummated the Awakened Alternatives Acquisition concurrently with the Sixth Amendment substantially in accordance with the Awakened Alternatives Acquisition Documents and in accordance with all applicable law, except as may have been consented to in writing by Agent.

6. Attached hereto as Exhibit A are true, complete and correct copies of the fully executed Awakened Alternatives Acquisition Documents.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of September, 2008.

ADDUS HEALTHCARE, INC.

By: ______________________________

Name: Mark S. Heaney
Title: President & Chief Executive Officer

EXHIBIT B

CONSENT AND REAFFIRMATION (SIXTH AMENDMENT)

Each of the undersigned ("Loan Parties") hereby (i) acknowledges receipt of a copy of the Consent and Sixth Amendment to Credit Agreement dated as of September 25, 2008 (the "Sixth Amendment"); (ii) consents to the execution and delivery thereof by the other Loan Parties; (iii) agrees to be bound thereby; (iv) affirms that nothing contained therein shall modify in any respect whatsoever its guaranty of the obligations of the Loan Parties to Agent and Lenders (the "Guarantee") and (v) reaffirms that the Guarantee and the other Collateral Documents executed by such Person are and shall continue to remain in full force and effect. Although each of the Loan Parties has been informed of the matters set forth herein and in the Sixth Amendment and has acknowledged and agreed to same, such Loan Parties understand that Agent and Lenders have no obligation to inform any of the Loan Parties of such matters in the future or to seek any of the Loan Parties' acknowledgment or agreement to future amendments or waivers, and nothing herein shall create such a duty.

This Consent and Reaffirmation shall be governed by and construed in accordance with the laws of the State of Illinois, without reference to principles of conflicts of law.

In witness whereof, each of the undersigned has executed this Consent and Reaffirmation on and as of the date of such Sixth Amendment.

ADDUS HOLDING CORPORATION

By: __________________________
Name: Simon Bachleda
Title: Vice President and Secretary

ADDUS HEALTHCARE, INC.

ADDUS HEALTHCARE (NORTH CAROLINA), INC.

ADDUS HEALTHCARE (IDAHO), INC.

ADDUS HEALTHCARE (NEVADA), INC.

ADDUS HEALTHCARE (NEW JERSEY), INC.

FORT SMITH HOME HEALTH AGENCY, INC.

LITTLE ROCK HOME HEALTH AGENCY, INC.

LOWELL HOME HEALTH AGENCY, INC.

PHC ACQUISITION CORPORATION

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

BENEFITS ASSURANCE CO., INC.

By: __________________________
Name: Frank Leonard
Title: Secretary

Exhibit 10.8(g)

EXECUTION COPY

CONSENT AND SEVENTH AMENDMENT TO CREDIT AGREEMENT

CONSENT AND SEVENTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of October 21, 2008, among ADDUS HEALTHCARE, INC., an Illinois corporation ("Borrower"), the other persons signatory hereto as "Loan Parties", FREEPORT FINANCIAL LLC, a Delaware limited liability company ("Agent") and the Lenders signatory hereto. Terms not defined herein have the meanings given to them in the Credit Agreement (as hereinafter defined).

RECITALS

A. Borrower, the Loan Parties, the Lenders signatory thereto and Agent are party to that certain Credit Agreement dated as of September 19, 2006 (as amended by that certain Consent and First Amendment to Credit Agreement dated as of July 29, 2007, that certain Consent and Second Amendment to Credit Agreement dated as of October 15, 2007, that certain Consent and Third Amendment to Credit Agreement dated as of November 13, 2007, that certain Consent and Fourth Amendment to Credit Agreement dated as of April 1, 2008, that certain Consent and Fifth Amendment to Credit Agreement dated as of June 9, 2008, that certain Consent and Sixth Amendment to Credit Agreement dated as of September 25, 2008 and as further amended, restated or otherwise modified including by this Amendment, the "Credit Agreement").

B. Borrower, the Loan Parties, the Lenders and Agent are entering into this Amendment to amend certain provisions of the Credit Agreement.

C. Agent, Lenders and the Loan Parties are willing to enter into this Amendment upon the terms and conditions set forth below.

NOW THEREFORE, in consideration of the matters set forth in the recitals and the covenants and provisions herein set forth, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

Section 2. Consent. Borrower, Agent and the Lenders hereby (A) consent to the assignment of certain Loans pursuant to the Assignment Agreement (the "Seventh Amendment Assignment") attached to this Amendment as Exhibit A notwithstanding the minimum assignment provisions of Section 9.1(a) of the Credit Agreement; and (B) consent to the drawing of all remaining Delayed Draw Term Loan Commitments immediately prior to the Seventh Amendment Effective Date notwithstanding the conditions to borrowing set forth in Section 2.1(a)(iv) of the Credit Agreement have not been met; provided that, notwithstanding the terms set forth in Section 2.1(a)(iii) of the Credit Agreement with respect to the use of proceeds of the

Delayed Draw Term Loans, the proceeds of the Delayed Draw Term Loans so borrowed are immediately applied to pay the amendment fee pursuant to Section 5.4 hereof and repay the outstanding principal amount of the Revolving Loans.

Section 3. Amendment to the Credit Agreement. As of the Seventh Amendment Effective Date, the Credit Agreement is hereby amended as follows:

3.1. Section 1.1 of the Credit Agreement is hereby amended by adding the following new definitions thereto:

Seventh Amendment means that certain Consent and Seventh Amendment to Credit Agreement dated as of October 21, 2008 among the Loan Parties, Agent and the Lenders.

Seventh Amendment Assignment has the meaning set forth in the Seventh Amendment.

Seventh Amendment Effective Date has the meaning set forth in the Seventh Amendment.

Seventh Amendment Reaffirmation of Collateral Documents means the Consent and Reaffirmation (Seventh Amendment), dated as of October 21, 2008 of the Loan Parties signatory thereto, in respect of the Collateral Documents.

3.2. On the Seventh Amendment Effective Date, Section 2.1(a)(v) of the Credit Agreement shall be amended and restated in its entirety and replaced with the following new Section 2.1(a)(v):

(v) Borrower shall repay the Term Loans through periodic payments on the dates and in the amounts indicated below ("Scheduled Installments"), and in any event the entire remaining principal balance shall be repaid on the Commitment Termination Date.

Term Loan

Date	Scheduled Installment
December 31, 2008	$1,662,500
March 31, 2009	$1,662,500
June 30, 2009	$1,662,500
September 30, 2009	$1,662,500
December 31, 2009	$2,100,000
March 31, 2010	$2,100,000
June 30, 2010	$2,100,000
September 30, 2010	$2,100,000
December 31, 2010	$2,537,500
March 31, 2011	$2,537,500
June 30, 2011	$2,537,500
September 19, 2011	$32,368,500 or the outstanding principal balance of Term Loans outstanding on such date

The above scheduled installment amounts reflect the incurrence by the Borrower of the Delayed Draw Term Loans funded as of the Seventh Amendment Effective Date. The final installment payment shall in all events equal the entire remaining principal balance of the Term Loan (including any remaining principal balance of such Delayed Draw Term Loans). Amounts borrowed under this Section 2.1(a) and repaid may not be reborrowed.

At the request of the applicable Lender, the Term Loans shall be evidenced by promissory notes substantially in the form of Exhibit 2.1(a) (as amended, modified, extended, substituted or replaced from time to time, each a "Term Note" and, collectively, the "Term Notes"), and Borrower shall execute and deliver a Term Note to each such Term Lender. Each Term Note shall represent the obligation of Borrower to pay the amount of the applicable Term Lender's Term Loan Commitment, together with interest thereon."

3.3. On the Seventh Amendment Effective Date, Section 7.1(d) of the Credit Agreement shall be amended by replacing the Leverage Ratios currently referenced in such Section (i) for the Fiscal Quarters ending December 31, 2008 and March 31, 2009 with references in each case to 4.25:1.00; (ii) for the Fiscal Quarter ending June 30, 2009 with a reference to 4:00:1.00; and (iii) for the Fiscal Quarter ending September 30, 2009 with a reference to 3.75:1.00.

Section 4. Representations and Warranties. To induce Agent and Lenders to execute this Amendment, each Loan Party hereby represents and warrants to Agent and Lenders as follows:

(a) the execution, delivery and performance of this Amendment has been duly authorized by all requisite action of each Loan Party thereto, and this Amendment constitutes the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity; and

(b) each of the representations and warranties in the Credit Agreement are true and correct in all material respects with the same effect as though made on and as of the date hereof (except, in each case, to the extent stated to relate to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date) and no Event of Default or Default exists thereunder or would exist after giving effect to this Amendment.

Section 5. Conditions Precedent. This Amendment shall be effective as of the date first set forth above, subject to the satisfaction of the following conditions precedent (the date of such satisfaction being the "Seventh Amendment Effective Date"):

5.1. Execution and Delivery. Borrower, each of the other Loan Parties, Agent, the Requisite Lenders, each holder of Delayed Draw Term Loans and the Supermajority Revolving Lenders shall have executed and delivered this Agreement and each Loan Party shall have executed and delivered the Consent and Reaffirmation in the form of Exhibit B attached hereto.

5.2. Assignment Agreements. The Seventh Amendment Assignment shall be effective and the settlement of amounts due pursuant thereto shall have occurred.

5.3. Delayed Draw Term Loans. The Lenders holding Delayed Draw Term Loan Commitments shall have funded all such remaining Commitments and the proceeds of such borrowing shall have been immediately applied to pay the amendment fee pursuant to Section 5.4 hereof and repay the outstanding principal amount of the Revolving Loans.

5.4. Amendment Fee. Borrower shall have paid to Agent for the benefit of each Lender an amendment fee in an amount equal to $271,991.25 which amount shall be payable to each such Lender based on such Lender's Pro Rata Share of such amount in each case immediately prior to giving effect to the Seventh Amendment Assignment but after giving effect to the drawing of the Delayed Draw Term Loans referenced in Section 5.3 of this Amendment.

5.5. No Defaults. After giving effect to this Amendment, no Event of Default or Default under the Credit Agreement shall have occurred and be continuing.

5.6. Representations and Warranties. After giving effect to this Amendment, the representations and warranties of the Loan Parties contained in this Amendment, the Credit Agreement and the other Loan Documents shall be true and correct in all material respects as of the Seventh Amendment Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty relates to an earlier date, in which case such representation or warranty shall be true and correct in all material respects as of such earlier date.

5.7. Fees. Borrower shall have paid all reasonable and documented costs, fees and expenses (including, without limitation, reasonable legal fees and expenses of Winston & Strawn LLP) of Agent.

5.8. Other Matters. Agent shall have received such other instruments and documents as Agent or the Requisite Lenders may reasonably request in connection with the execution of this Amendment, and all such instruments and documents shall be reasonably satisfactory in form and substance to Agent.

Section 6. Miscellaneous.

6.1. Effect of Amendment. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender under the Credit Agreement or any Loan Document, or constitute a waiver of any provision of the Credit Agreement or any Loan Document, except as specifically set forth herein.

6.2. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of the executed counterpart of this Amendment by telecopy or electronic mail shall be as effective as delivery of a manually executed counterpart to this Amendment.

6.3. Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

6.4. Captions. Section captions used in this Amendment are for convenience only, and shall not affect the construction of this Amendment.

6.5. Entire Agreement. This Amendment embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof.

6.6. References. Any reference to the Credit Agreement contained in any notice, request, certificate, or other document executed concurrently with or after the execution and delivery of this Amendment shall be deemed to include this Amendment unless the context shall otherwise require. Reference in any of this Amendment, the Credit Agreement or any other Loan Document to the Credit Agreement shall be a reference to the Credit Agreement as amended hereby and as further amended, modified, restated, supplemented or extended from time to time.

Section 7. Governing Law. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

[signature pages follow]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first above written.

ADDUS HOLDING CORPORATION

By: /s/ Simon Bachleda
Name: Simon Bachleda
Title: Vice President and Secretary

ADDUS HEALTHCARE, INC.

FORT SMITH HOME HEALTH AGENCY, INC.

LITTLE ROCK HOME HEALTH AGENCY, INC.

LOWELL HOME HEALTH AGENCY, INC.

PHC ACQUISITION CORPORATION

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

BENEFITS ASSURANCE CO., INC.

By: /s/ Frank Leonard
Name: Frank Leonard
Title: Chief Financial Officer and Secretary

FREEPORT FINANCIAL LLC, as Agent

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FREEPORT LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FREEPORT OFFSHORE LOAN FUND LLC, as a Lender

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FREEPORT LOAN TRUST 2006-1, as a Lender

By: /s/ Chad Blakeman
Title: Sr. Managing Director

FIFTH THIRD BANK, CHICAGO
(A Michigan Banking Company)

By: /s/ Michael E. May
Name: Michael E. May
Title: Vice President

CF BLACKBURN LLC

By: ______________________________
Name: ______________________________
Title: ______________________________

EXHIBIT A

ASSIGNMENT AGREEMENT

This Assignment Agreement (this "Agreement") is made as of October 21, 2008 by and between FREEPORT LOAN FUND LLC ("Assignor Lender") and FIFTH THIRD BANK, CHICAGO (A MICHIGAN BANKING COMPANY) ("Assignee Lender"). All capitalized terms used in this Agreement and not otherwise defined herein will have the respective meanings set forth in the Credit Agreement as hereinafter defined.

RECITALS:

WHEREAS, Addus HealthCare, Inc., an Illinois corporation, ("Borrower"), Freeport Financial LLC, as agent ("Agent"), Assignor Lender and other Persons signatory thereto as Lenders have entered into that certain Credit Agreement dated as of September 19, 2006 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") pursuant to which Assignor Lender has agreed to make certain Loans to, and incur certain Letter of Credit Obligations for, Borrower;

WHEREAS, Assignor Lender desires to assign to Assignee Lender a portion of its interest in the Loans (as described below), the Letter of Credit Obligations and the Collateral and to delegate to Assignee Lender a portion of its Commitments and other duties with respect to such Loans, Letter of Credit Obligations and Collateral;

WHEREAS, Assignee Lender desires to continue as a Lender under the Credit Agreement and to accept such assignment and delegation from Assignor Lender; and

NOW, THEREFORE, in consideration of the premises and the agreements, provisions, and covenants herein contained, Assignor Lender and Assignee Lender agree as follows:

1. ASSIGNMENT, DELEGATION, AND ACCEPTANCE

1.1 Assignment. Assignor Lender hereby transfers and assigns to Assignee Lender, without recourse and without representations or warranties of any kind (except as set forth in Section 3.2), such percentage of Assignor Lender's right, title, and interest in the Delayed Draw Term Loan Commitment, Loan Documents and the Collateral, as of the Effective Date (as hereinafter defined), as follows:

Assignee Lender's Loans	Commitment Amount	Pro Rata Share
Delayed Draw Term Loan Commitment	$ 960,000.00	34.28571428%

1.2 Delegation. Assignor Lender hereby irrevocably assigns and delegates to Assignee Lender a portion of its Commitments and its other duties and obligations as a Lender under the Loan Documents equivalent to the Pro Rata Share set forth above.

1.3 Acceptance by Assignee Lender. By its execution of this Agreement, Assignee Lender irrevocably purchases, assumes and accepts such assignment and delegation and agrees to be a Lender with respect to the delegated interest under the Loan Documents and to be bound by the terms and conditions thereof. By its execution of this Agreement, Assignor Lender agrees, to the extent provided herein, to relinquish its rights and be released from its obligations and duties under the Credit Agreement.

1.4 Effective Date. Such assignment and delegation by Assignor Lender and acceptance by Assignee Lender will be effective and Assignee Lender will become a Lender under the Loan Documents as of the date of this Agreement ("Effective Date"). Interest and Fees accrued prior to the Effective Date are for the account of Assignor Lender, and Interest and Fees accrued from and after the Effective Date are for the account of Assignee Lender. The Assignor Lender hereby agrees to waive payment of the assignment fee required by the Credit Agreement for this assignment. This is a one-time waiver and should not be construed as creating a course of conduct.

2. INITIAL PAYMENT AND DELIVERY OF NOTES

2.1 [Reserved]

2.2 [Reserved]

2.3 Execution and Delivery of Notes. Assignor Lender will deliver to Agent the Notes previously delivered to Assignor Lender for redelivery to Borrower and, if requested by Assignee Lender, Agent will obtain from Borrower for delivery to Assignor Lender and Assignee Lender, new executed Notes evidencing Assignee Lender's and Assignor Lender's respective Pro Rata Shares in the Loans after giving effect to the assignment described in Section 1. Each new Note will be issued in the aggregate maximum principal amount of the applicable Commitment of the Lender to whom such Note is issued.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS

3.1 Assignee Lender's Representations, Warranties and Covenants. Assignee Lender hereby represents, warrants, and covenants the following to Assignor Lender and Agent:

(a) This Agreement is a legal, valid, and binding agreement of Assignee Lender, enforceable according to its terms;

(b) The execution and performance by Assignee Lender of its duties and obligations under this Agreement and the Loan Documents will not require any registration with, notice to, or consent or approval by any Governmental Authority;

(c) Assignee Lender is familiar with transactions of the kind and scope reflected in the Loan Documents and in this Agreement;

(d) Assignee Lender has made its own independent investigation and appraisal of the financial condition and affairs of each Loan Party, has conducted its own evaluation of the Loans and Letter of Credit Obligations, the Loan Documents and each Loan Party's creditworthiness, has made its decision to become a Lender to Borrower under the Credit Agreement independently and without reliance upon Assignor Lender or Agent, and will continue to do so;

(e) Assignee Lender is entering into this Agreement in the ordinary course of its business, and is acquiring its interest in the Loans and Letter of Credit Obligations for its own account and not with a view to or for sale in connection with any subsequent distribution; provided, however, that at all times the distribution of Assignee Lender's property shall, subject to the terms of the Credit Agreement, be and remain within its control;

(f) No future assignment or participation granted by Assignee Lender pursuant to Section 9.1 of the Credit Agreement will require Assignor Lender, Agent, or Borrower to file any registration statement with the Securities and Exchange Commission or to apply to qualify under the blue sky laws of any state;

(g) Assignee Lender has no loans (other than the Loans) to, written or oral agreements with, or equity or other ownership interest in any Loan Party;

(h) Assignee Lender will not enter into any written or oral agreement with, or acquire any equity or other ownership interest in, any Loan Party without the prior written consent of Agent; and

(i) As of the Effective Date, Assignee Lender (i) is entitled to receive payments of principal and interest in respect of the Obligations without deduction for or on account of any taxes imposed by the United States of America or any political subdivision thereof, (ii) is not subject to capital adequacy or similar requirements under Section 2.8(a) of the Credit Agreement, (iii) does not require the payment of any increased costs under Section 2.8(b) of the Credit Agreement, and (iv) is not unable to fund LIBOR Loans under Section 2.8(b) of the Credit Agreement, and Assignee Lender will indemnify Agent from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, or expenses that result from Assignee Lender's failure to fulfill its obligations under the terms of Section 2.9(c) of the Credit Agreement or from any other inaccuracy in the foregoing.

3.2 Assignor Lender's Representations, Warranties and Covenants. Assignor Lender hereby represents, warrants and covenants the following to Assignee Lender:

(a) Assignor Lender is the legal and beneficial owner of the Delayed Draw Term Loan Commitment;

(b) This Agreement is a legal, valid and binding agreement of Assignor Lender, enforceable according to its terms;

(c) The execution and performance by Assignor Lender of its duties and obligations under this Agreement and the Loan Documents will not require any registration with, notice to or consent or approval by any Governmental Authority;

(d) Assignor Lender has full power and authority, and has taken all action necessary to execute and deliver this Agreement and to fulfill the obligations hereunder and to consummate the transactions contemplated hereby;

(e) Assignor Lender is the legal and beneficial owner of the interests being assigned hereby, free and clear of any adverse claim, lien, encumbrance, security interest, restriction on transfer, purchase option, call or similar right of a third party; and

(f) This Assignment by Assignor Lender to Assignee Lender complies, in all material respects, with the terms of the Loan Documents.

4. LIMITATIONS OF LIABILITY

Neither Assignor Lender (except as provided in Section 3.2) nor Agent makes any representations or warranties of any kind, nor assumes any responsibility or liability whatsoever, with regard to (a) the Loan Documents or any other document or instrument furnished pursuant thereto or the Loans, Letter of Credit Obligations or other Obligations, (b) the creation, validity, genuineness, enforceability, sufficiency, value or collectibility of any of them, (c) the amount, value or existence of the Collateral, (d) the perfection or priority of any Lien upon the Collateral, or (e) the financial condition of any Loan Party or other obligor or the performance or observance by any Loan Party of its obligations under any of the Loan Documents. Neither Assignor Lender nor Agent has or will have any duty, either initially or on a continuing basis, to make any investigation, evaluation, appraisal of, or any responsibility or liability with respect to the accuracy or completeness of, any information provided to Assignee Lender which has been provided to Assignor Lender or Agent by any Loan Party. Nothing in this Agreement or in the Loan Documents shall impose upon the Assignor Lender or Agent any fiduciary relationship in respect of the Assignee Lender.

5. FAILURE TO ENFORCE

No failure or delay on the part of Agent or Assignor Lender in the exercise of any power, right, or privilege hereunder or under any Loan Document will impair such power, right, or privilege or be construed to be a waiver of any default or acquiescence therein. No single or partial exercise of any such power, right, or privilege will preclude further exercise thereof or of any other right, power, or privilege. All rights and remedies existing under this Agreement are cumulative with, and not exclusive of, any rights or remedies otherwise available.

6. NOTICES

Unless otherwise specifically provided herein, any notice or other communication required or permitted to be given will be in writing and addressed to the respective party as set forth below its signature hereunder, or to such other address as the party may designate in writing to the other.

7. AMENDMENTS AND WAIVERS

No amendment, modification, termination, or waiver of any provision of this Agreement will be effective without the written concurrence of Assignor Lender, Agent and Assignee Lender.

8. SEVERABILITY

Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. In the event any provision of this Agreement is or is held to be invalid, illegal, or unenforceable under applicable law, such provision will be ineffective only to the extent of such invalidity, illegality, or unenforceability, without invalidating the remainder of such provision or the remaining provisions of the Agreement. In addition, in the event any provision of or obligation under this Agreement is or is held to be invalid, illegal, or unenforceable in any jurisdiction, the validity, legality, and enforceability of the remaining provisions or obligations in any other jurisdictions will not in any way be affected or impaired thereby.

9. SECTION TITLES

Section and Subsection titles in this Agreement are included for convenience of reference only, do not constitute a part of this Agreement for any other purpose, and have no substantive effect.

10. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

11. APPLICABLE LAW

THIS AGREEMENT WILL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

12. COUNTERPARTS

This Agreement and any amendments, waivers, consents, or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed and delivered, will be deemed an original and all of which shall together constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

ASSIGNEE LENDER:

FIFTH THIRD BANK, CHICAGO
(A MICHIGAN BANKING COMPANY)

By: ______________________________
Title: ______________________________

Notice Address:

222 South Riverside Plaza
33rd Floor, MD GRVR3I
Chicago, IL 60606
Attn: Gregory H. Bork
Fax: (312) 704-4374

ASSIGNOR LENDER:

FREEPORT LOAN FUND LLC

By: ______________________________
Title: ______________________________

Notice Address:

500 West Madison Street, Suite 7200
Chicago, Illinois 60661
Attn: Addus HealthCare Inc. Account Officer
Fax: (312) 281-4646

ASSIGNMENT AGREEMENT

This Assignment Agreement (this "Agreement") is made as of October 21, 2008 by and between FREEPORT OFFSHORE LOAN FUND LLC ("Assignor Lender") and FIFTH THIRD BANK, CHICAGO (A MICHIGAN BANKING COMPANY) ("Assignee Lender"). All capitalized terms used in this Agreement and not otherwise defined herein will have the respective meanings set forth in the Credit Agreement as hereinafter defined.

RECITALS:

WHEREAS, Addus HealthCare, Inc., an Illinois corporation, ("Borrower"), Freeport Financial LLC, as agent ("Agent"), Assignor Lender and other Persons signatory thereto as Lenders have entered into that certain Credit Agreement dated as of September 19, 2006 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") pursuant to which Assignor Lender has agreed to make certain Loans to, and incur certain Letter of Credit Obligations for, Borrower;

WHEREAS, Assignor Lender desires to assign to Assignee Lender a portion of its interest in the Loans (as described below), the Letter of Credit Obligations and the Collateral and to delegate to Assignee Lender a portion of its Commitments and other duties with respect to such Loans, Letter of Credit Obligations and Collateral;

WHEREAS, Assignee Lender desires to continue as a Lender under the Credit Agreement and to accept such assignment and delegation from Assignor Lender; and

NOW, THEREFORE, in consideration of the premises and the agreements, provisions, and covenants herein contained, Assignor Lender and Assignee Lender agree as follows:

1. ASSIGNMENT, DELEGATION, AND ACCEPTANCE

1.1 Assignment. Assignor Lender hereby transfers and assigns to Assignee Lender, without recourse and without representations or warranties of any kind (except as set forth in Section 3.2), such percentage of Assignor Lender's right, title, and interest in the Revolving Loan Commitment, Loan Documents and the Collateral, as of the Effective Date (as hereinafter defined), as follows:

Assignee Lender's Loans	Commitment Amount	Pro Rata Share
Revolving Loan Commitment	$ 4,040,000.00	23.08571428%

On the Effective Date the funded portion of the Revolving Loan Commitment so assigned is equal to $1,731,429.00 (the "Funded Revolving Loan Amount").

1.2 Delegation. Assignor Lender hereby irrevocably assigns and delegates to Assignee Lender a portion of its Commitments and its other duties and obligations as a Lender under the Loan Documents equivalent to the Pro Rata Share set forth above.

1.3 Acceptance by Assignee Lender. By its execution of this Agreement, Assignee Lender irrevocably purchases, assumes and accepts such assignment and delegation and agrees to be a Lender with respect to the delegated interest under the Loan Documents and to be bound by the terms and conditions thereof. By its execution of this Agreement, Assignor Lender agrees, to the extent provided herein, to relinquish its rights and be released from its obligations and duties under the Credit Agreement.

1.4 Effective Date. Such assignment and delegation by Assignor Lender and acceptance by Assignee Lender will be effective and Assignee Lender will become a Lender under the Loan Documents as of the date of this Agreement ("Effective Date") and upon payment of the Assigned Amount (as such term is defined below). Interest and Fees accrued prior to the Effective Date are for the account of Assignor Lender, and Interest and Fees accrued from and after the Effective Date are for the account of Assignee Lender. The Assignor Lender hereby agrees to waive payment of the assignment fee required by the Credit Agreement for this assignment. This is a one-time waiver and should not be construed as creating a course of conduct.

2. INITIAL PAYMENT AND DELIVERY OF NOTES

2.1 Payment of the Assigned Amount. Assignee Lender will pay to Assignor Lender, in immediately available funds, not later than 4:00 p.m. (Chicago time) on the Effective Date, an amount equal to the Funded Revolving Loan Amount (the "Assigned Amount").

2.2 [Reserved]

2.3 Execution and Delivery of Notes. Following payment of the Assigned Amount, Assignor Lender will deliver to Agent the Notes previously delivered to Assignor Lender for redelivery to Borrower and, if requested by Assignee Lender, Agent will obtain from Borrower for delivery to Assignor Lender and Assignee Lender, new executed Notes evidencing Assignee Lender's and Assignor Lender's respective Pro Rata Shares in the Loans after giving effect to the assignment described in Section 1. Each new Note will be issued in the aggregate maximum principal amount of the applicable Commitment of the Lender to whom such Note is issued.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS

3.1 Assignee Lender's Representations, Warranties and Covenants. Assignee Lender hereby represents, warrants, and covenants the following to Assignor Lender and Agent:

(a) This Agreement is a legal, valid, and binding agreement of Assignee Lender, enforceable according to its terms;

(b) The execution and performance by Assignee Lender of its duties and obligations under this Agreement and the Loan Documents will not require any registration with, notice to, or consent or approval by any Governmental Authority;

(c) Assignee Lender is familiar with transactions of the kind and scope reflected in the Loan Documents and in this Agreement;

(d) Assignee Lender has made its own independent investigation and appraisal of the financial condition and affairs of each Loan Party, has conducted its own evaluation of the Loans and Letter of Credit Obligations, the Loan Documents and each Loan Party's creditworthiness, has made its decision to become a Lender to Borrower under the Credit Agreement independently and without reliance upon Assignor Lender or Agent, and will continue to do so;

(e) Assignee Lender is entering into this Agreement in the ordinary course of its business, and is acquiring its interest in the Loans and Letter of Credit Obligations for its own account and not with a view to or for sale in connection with any subsequent distribution; provided, however, that at all times the distribution of Assignee Lender's property shall, subject to the terms of the Credit Agreement, be and remain within its control;

(f) No future assignment or participation granted by Assignee Lender pursuant to Section 9.1 of the Credit Agreement will require Assignor Lender, Agent, or Borrower to file any registration statement with the Securities and Exchange Commission or to apply to qualify under the blue sky laws of any state;

(g) Assignee Lender has no loans (other than the Loans) to, written or oral agreements with, or equity or other ownership interest in any Loan Party;

(h) Assignee Lender will not enter into any written or oral agreement with, or acquire any equity or other ownership interest in, any Loan Party without the prior written consent of Agent; and

(i) As of the Effective Date, Assignee Lender (i) is entitled to receive payments of principal and interest in respect of the Obligations without deduction for or on account of any taxes imposed by the United States of America or any political subdivision thereof, (ii) is not subject to capital adequacy or similar requirements under Section 2.8(a) of the Credit Agreement, (iii) does not require the payment of any increased costs under Section 2.8(b) of the Credit Agreement, and (iv) is not unable to fund LIBOR Loans under Section 2.8(b) of the Credit Agreement, and Assignee Lender will indemnify Agent from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, or expenses that result from Assignee Lender's failure to fulfill its obligations under the terms of Section 2.9(c) of the Credit Agreement or from any other inaccuracy in the foregoing.

3.2 Assignor Lender’s Representations, Warranties and Covenants. Assignor Lender hereby represents, warrants and covenants the following to Assignee Lender:

(a) Assignor Lender is the legal and beneficial owner of the Assigned Amount;

(b) This Agreement is a legal, valid and binding agreement of Assignor Lender, enforceable according to its terms;

(c) The execution and performance by Assignor Lender of its duties and obligations under this Agreement and the Loan Documents will not require any registration with, notice to or consent or approval by any Governmental Authority;

(d) Assignor Lender has full power and authority, and has taken all action necessary to execute and deliver this Agreement and to fulfill the obligations hereunder and to consummate the transactions contemplated hereby;

(e) Assignor Lender is the legal and beneficial owner of the interests being assigned hereby, free and clear of any adverse claim, lien, encumbrance, security interest, restriction on transfer, purchase option, call or similar right of a third party; and

(f) This Assignment by Assignor Lender to Assignee Lender complies, in all material respects, with the terms of the Loan Documents.

4. LIMITATIONS OF LIABILITY

Neither Assignor Lender (except as provided in Section 3.2) nor Agent makes any representations or warranties of any kind, nor assumes any responsibility or liability whatsoever, with regard to (a) the Loan Documents or any other document or instrument furnished pursuant thereto or the Loans, Letter of Credit Obligations or other Obligations, (b) the creation, validity, genuineness, enforceability, sufficiency, value or collectibility of any of them, (c) the amount, value or existence of the Collateral, (d) the perfection or priority of any Lien upon the Collateral, or (e) the financial condition of any Loan Party or other obligor or the performance or observance by any Loan Party of its obligations under any of the Loan Documents. Neither Assignor Lender nor Agent has or will have any duty, either initially or on a continuing basis, to make any investigation, evaluation, appraisal of, or any responsibility or liability with respect to the accuracy or completeness of, any information provided to Assignee Lender which has been provided to Assignor Lender or Agent by any Loan Party. Nothing in this Agreement or in the Loan Documents shall impose upon the Assignor Lender or Agent any fiduciary relationship in respect of the Assignee Lender.

5. FAILURE TO ENFORCE

No failure or delay on the part of Agent or Assignor Lender in the exercise of any power, right, or privilege hereunder or under any Loan Document will impair such power, right, or privilege or be construed to be a waiver of any default or acquiescence therein. No single or partial exercise of any such power, right, or privilege will preclude further exercise thereof or of any other right, power, or privilege. All rights and remedies existing under this Agreement are cumulative with, and not exclusive of, any rights or remedies otherwise available.

6. NOTICES

Unless otherwise specifically provided herein, any notice or other communication required or permitted to be given will be in writing and addressed to the respective party as set forth below its signature hereunder, or to such other address as the party may designate in writing to the other.

7. AMENDMENTS AND WAIVERS

No amendment, modification, termination, or waiver of any provision of this Agreement will be effective without the written concurrence of Assignor Lender, Agent and Assignee Lender.

8. SEVERABILITY

Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. In the event any provision of this Agreement is or is held to be invalid, illegal, or unenforceable under applicable law, such provision will be ineffective only to the extent of such invalidity, illegality, or unenforceability, without invalidating the remainder of such provision or the remaining provisions of the Agreement. In addition, in the event any provision of or obligation under this Agreement is or is held to be invalid, illegal, or unenforceable in any jurisdiction, the validity, legality, and enforceability of the remaining provisions or obligations in any other jurisdictions will not in any way be affected or impaired thereby.

9. SECTION TITLES

Section and Subsection titles in this Agreement are included for convenience of reference only, do not constitute a part of this Agreement for any other purpose, and have no substantive effect.

10. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

11. APPLICABLE LAW

THIS AGREEMENT WILL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

12. COUNTERPARTS

This Agreement and any amendments, waivers, consents, or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed and delivered, will be deemed an original and all of which shall together constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

ASSIGNEE LENDER:

FIFTH THIRD BANK, CHICAGO
(A MICHIGAN BANKING COMPANY)

By: ______________________________
Title: ______________________________

Notice Address:

222 South Riverside Plaza
33rd Floor, MD GRVR3I
Chicago, IL 60606
Attn: Gregory H. Bork
Fax: (312) 704-4374

ASSIGNOR LENDER:

FREEPORT LOAN FUND LLC

By: ______________________________
Title: ______________________________

Notice Address:

500 West Madison Street, Suite 7200
Chicago, Illinois 60661
Attn: Addus HealthCare Inc. Account Officer
Fax: (312) 281-4646

EXHIBIT B

CONSENT AND REAFFIRMATION (SEVENTH AMENDMENT)

Each of the undersigned ("Loan Parties") hereby (i) acknowledges receipt of a copy of the Consent and Seventh Amendment to Credit Agreement dated as of October 21, 2008 (the "Seventh Amendment"); (ii) consents to the execution and delivery thereof by the other Loan Parties; (iii) agrees to be bound thereby; (iv) affirms that nothing contained therein shall modify in any respect whatsoever its guaranty of the obligations of the Loan Parties to Agent and Lenders (the "Guarantee") and (v) reaffirms that the Guarantee and the other Collateral Documents executed by such Person are and shall continue to remain in full force and effect. Although each of the Loan Parties has been informed of the matters set forth herein and in the Seventh Amendment and has acknowledged and agreed to same, such Loan Parties understand that Agent and Lenders have no obligation to inform any of the Loan Parties of such matters in the future or to seek any of the Loan Parties' acknowledgment or agreement to future amendments or waivers, and nothing herein shall create such a duty.

This Consent and Reaffirmation shall be governed by and construed in accordance with the laws of the State of Illinois, without reference to principles of conflicts of law.

In witness whereof, each of the undersigned has executed this Consent and Reaffirmation on and as of the date of such Seventh Amendment.

ADDUS HOLDING CORPORATION

By: ________________________________
Name: Simon Bachleda
Title: Vice President and Secretary

ADDUS HEALTHCARE, INC.

ADDUS HEALTHCARE (NORTH CAROLINA), INC.

ADDUS HEALTHCARE (IDAHO), INC.

ADDUS HEALTHCARE (NEVADA), INC.

ADDUS HEALTHCARE (NEW JERSEY), INC.

FORT SMITH HOME HEALTH AGENCY, INC.

LITTLE ROCK HOME HEALTH AGENCY, INC.

LOWELL HOME HEALTH AGENCY, INC.

PHC ACQUISITION CORPORATION

PROFESSIONAL RELIABLE NURSING SERVICE, INC.

BENEFITS ASSURANCE CO., INC.

By: ________________________________
Name: Frank Leonard
Title: Secretary

Exhibit 10.17

LICENSE AGREEMENT FOR HORIZON HOMECARE™ SOFTWARE AND PURCHASE OF RELATED PRODUCTS AND SERVICES

THIS LICENSE AGREEMENT (“Agreement”), dated the 24th day of March, 2006 (the “Effective Date”), by and between McKesson Information Solutions LLC (“McKesson”), with offices at 5995 Windward Parkway, Alpharetta, Georgia, 30005 and Addus HealthCare, Inc. (“Customer”) with offices at 2401 S. Plum Grove Road, Palatine, IL 60067. For all Software licensed under this License Agreement, the applicable Contract Supplement (“CS”) or Attachment shall specify: (i) the Software, (ii) the Equipment, (iii) the Services, (iv) the Fees, and (v) the number of Concurrent Users, (vi) the Facility(ies), and (vii) such other mutually agreed upon information, if any.

1. LICENSE.

1.1 McKesson hereby grants to Customer and its wholly-owned subsidiaries a perpetual, non-exclusive, non-transferable (except as set forth in Section 10.1) license to use the object code version of the Software on the Equipment located at Customer’s Facility (i) solely for the benefit of Permitted Users and (ii) if applicable, by the number of Concurrent Users, regardless of location, provided that such access and use of the Software is relevant to the business relationship with Customer, and in a manner consistent with Customer’s own internal business purposes. In this Agreement (a) “Documentation” means user guides and operating manuals, whether in print or machine-readable media, in effect as of the date of shipment; (b) “Facility” means the health facilities owned or operated by or associated with Customer; (c) “Concurrent User” means a Permitted User identified by a unique user ID, issued by Customer, and who is one user out of a maximum number of users permitted to access the Software simultaneously; (d) “Live Date” means the date that the Software is first used in an operational, non-test environment, utilizing actual patient data, unless said use is delayed at Customer’s request or through no fault of McKesson, in which case the Live Date shall mean the date specified in the implementation workplan upon which said Software would have been available for use in a live, operational environment but for the delay; (e) “Software” means such computer programs listed on a CS or Attachment and any updates, enhancements, modifications, versions, releases and upgrades thereto provided by McKesson under this Agreement; (f) “Permitted User” means, with respect to any Software identified in a CS or Attachment, (i) any employee of Customer, (ii) any physician with patient admitting privileges at a Facility for which the Software is licensed, (iii) any employee of such physician, (iv) any medical professional who is authorized to perform services for Customer at a Facility, and (v) any agent, student, volunteer or independent contractor of Customer to the extent that such persons need to use such Software in connection with Customer’s own internal business purposes as permitted under this Agreement, and who are bound by confidentiality terms no less restrictive than those contained in Section 4.1 herein; and (g) “Equipment” means the computer equipment identified in a CS or Attachment that Customer purchases from McKesson.

1.2 The Software may be transferred for up to thirty (30) days to a backup computer if the Equipment is inoperative. Customer may make and use additional copies of Software and Documentation as reasonably necessary to use the Software and for testing, disaster recovery, back-up, or archival purposes. Customer shall not rent, lease or provide remote computer services or distribute the Software, or permit the use of the Software by an outsource or facility management service to any third party, without the prior written consent of McKesson, which will not be unreasonably withheld. McKesson’s consent will be deemed to be reasonably withheld, among other possible reasons, if (i) the third party makes commercially available products that are competitive with any McKesson products or (ii) the third party is an entity or is affiliated with an entity that has previously violated McKesson’s nondisclosure agreement or shown similar disregard with respect to McKesson’s or McKesson’s affiliates’ intellectual property. The Software or Documentation may not be copied or used other than as permitted by this Agreement.

1.3 As soon as practicable after signing the applicable CS or Attachment, McKesson shall deliver the Software and one copy of Documentation to the designated site. Customer does not have a license to, and is not permitted to use in any way, any other McKesson software delivered to Customer by McKesson other than the Software licensed under the applicable CS or Attachment.

1.4 Software Testing Period. Customer will have the right to test any Software delivered by McKesson hereunder to ensure that it performs in all material respects in accordance with the applicable Documentation. Such testing will commence on the Software delivery date and will end sixty (60) days after the Live Date (the “Software Testing Period”) unless, prior to the expiration of the Software Testing Period, Customer provides McKesson with a reasonably detailed written report that identifies any material nonconformities in the performance of the Software from the Documentation (“Error Report”). In such event, the Software Testing Period will continue until McKesson corrects all nonconformities identified in an Error Report to the extent necessary in order for the Software to perform in all material respects in accordance with the applicable Documentation.

2. SOFTWARE MAINTENANCE.

2.1 Software Maintenance Services ("Software Maintenance Services") shall include, for the two (2) most current releases of the Software, corrections of Software or Documentation due to defects or errors in the Software or Documentation, as applicable, and improvements to existing functionality provided by McKesson after the Software delivery date but not otherwise separately priced or marketed by McKesson. McKesson and Customer shall comply with McKesson's written Software Maintenance Services procedures as contained in the McKesson Support Manual incorporated herein by reference, as may be reasonably modified from time to time. In addition, McKesson shall provide the services set forth on a CS or Attachment with respect to the particular Software licensed, if any.

2.2 McKesson shall provide, and Customer shall pay for, Software Maintenance Services for a period of two (2) years (the "Initial Software Maintenance Term"), beginning upon execution of the applicable CS or Attachment, Software Maintenance Services Fees are set forth on the CS or Attachment and, unless set forth otherwise in the applicable CS, shall be payable on a monthly basis on the first (1st) day of each calendar month and be pro-rated on a daily basis using a 365-day year. Unless set forth otherwise in the applicable CS, following the expiration of the Initial Software Maintenance Term, and subject to Customer's payment of the applicable Software Maintenance Services fees (except for any such fees that are the subject of a reasonable, good-faith dispute by Customer), McKesson will continue to provide Software Maintenance Services for successive, automatically renewable one (1) year periods ("Renewal Terms") unless either party provides the other party with written notice of termination of Software Maintenance Services no less than three (3) months prior to the end of the Initial Software Maintenance Term or three (3) months prior to the end of the applicable Renewal Term. Notwithstanding the foregoing, McKesson may suspend Software Maintenance Services for nonpayment of any sums owed to McKesson which are undisputed and ninety (90) days or more past due. McKesson may, effective one (1) year after execution of the applicable CS or Attachment and during any Renewal Term, increase the Annual Software Maintenance Services Fee for any Software once a year by the lower of (a) four percent (4%), or (b) the annual percentage increase in the ECI Index for White Collar Workers.

3. SOURCE CODE RIGHTS.

3.1 Source Code Escrow. As further described in the applicable CS, Customer shall be entitled, at its sole expense, to have the source code for all licensed, Generally Available McKesson-owned Software escrowed with McKesson's nationally recognized escrow agent.

3.2 Source Code Release. During the Initial Software Maintenance Term and any applicable Renewal Term, McKesson agrees that in the event it (i) fails to cure a material breach of its Software Maintenance Services obligations hereunder or (ii) discontinues Software Maintenance Services for the applicable Software for its customers in general, McKesson, upon Customer's written request, shall deliver to Customer, for all Generally Available McKesson-owned Software, source code and Documentation of every kind and nature necessary for Customer to operate said Software solely in accordance with the terms of this Agreement ("Released Source Code").

3.3 Source Code License. If Customer obtains the Released Source Code in accordance with Section 3.2, then, subject to the terms and conditions of this Agreement, McKesson hereby grants Customer a nonexclusive, nontransferable (except as provided in Section 10.1 of this Agreement), perpetual license to use and modify the Released Source Code for the sole purpose of correcting errors and bugs in the Software. Any such rights will be limited to Individuals to whom access is necessary to accomplish said permitted use of the Released Source Code.

3.4 Confidential Treatment. Customer will treat the Released Source Code as McKesson Confidential Information under Section 4 below, provided that McKesson may condition Customer's continued use of the Released Source Code upon Customer's agreement to comply with, and actual compliance with, reasonable precautions specified by McKesson to avoid unauthorized use or disclosure of the Released Source Code.

4. CONFIDENTIALITY.

4.1 Each party (the "Discloser") may disclose to the other party (the "Recipient") certain non-public information relating to the Discloser's business, including technical, marketing, financial, personnel, planning, medical records and other information that is marked confidential or which the Recipient should reasonably know to be confidential given the nature of the information and the circumstance of disclosure ("Confidential Information"). Confidential Information of each party shall also include the terms of this Agreement and each CS, but not the existence and general nature of this Agreement and each CS. Confidential Information will not include any Information:

(a) lawfully obtained or created by the Recipient independently of, and without use of, Discloser’s Confidential Information and without breach of any obligation of confidence; or

(b) that is in or enters the public domain without breach of any obligation of confidence.

4.1.1 Except as expressly permitted by this Agreement, the Recipient will:

(a) not disclose Discloser’s Confidential Information except (i) to the employees or contractors of the Recipient to the extent that they need to know that Confidential Information for the purpose of performing the Recipient’s obligations under this Agreement, and who are bound by confidentiality terms with respect to that Confidential Information no less restrictive than those contained in this Section 4; or (ii) as required to be disclosed by law, to the extent required to comply with that legal obligation, provided that the Recipient will promptly notify the Discloser of such obligation;

(b) use the Discloser’s Confidential Information only for the purpose of performing Recipient’s obligations under this Agreement; and

(c) use all reasonable care in handling and securing the Discloser’s Confidential Information, and employ all reasonable data security measures that the Recipient ordinarily uses with respect to its own proprietary information of similar nature and importance.

4.1.2 The Recipient will return to the Discloser, and destroy or erase all of the Discloser’s Confidential Information in tangible form, upon the expiration or termination of this Agreement, and the Recipient will promptly certify in writing to the Discloser that it has done so.

4.2 McKesson agrees to the obligations set forth on Exhibit 1 attached hereto.

4.3 Customer may terminate the Agreement and any other agreement that requires the use of PHI if McKesson has violated a material term of Exhibit 1 to this Agreement and has failed to cure such breach within thirty (30) days after Customer has provided McKesson with prompt written notice of such material breach.

5. PROPRIETARY RIGHTS.

5.1 All Software and Documentation, and any modifications or copies thereof, are proprietary and protected by copyright and/or trade secret law and no ownership rights are transferred by this Agreement. All proprietary notices incorporated in, marked on, or affixed to a Software or other Confidential Information by McKesson or its suppliers shall be duplicated by Customer on all copies of all or any part of the Software and shall not be altered, removed or obliterated. Customer shall not reverse reengineer, reverse assemble or reverse compile any Software or part thereof. All changes, modifications or improvements made or developed with regard to the Software by McKesson shall remain the property of McKesson.

6. WARRANTY.

6.1 McKesson warrants that (a) so long as all undisputed Fees related to the Software have been paid in full when due, the Software (excluding any programming changes made by Customer), when operating on the Equipment, will be capable of performing in all materials respects in accordance with all functional specifications set forth in the Documentation; and (b) as delivered to Customer, the Software does not contain any virus, worm, trap door, back door, timer or other device that would interfere or disrupt the use of the Software in accordance with the Documentation or that would corrupt or erase any data. McKesson warrants that McKesson shall not insert any such devices into the Software and McKesson shall use all reasonable practices and security measures necessary to prevent or avoid the insertion of such devices. In the event such device is found in the Software, McKesson will, at no charge, remove such device and repair any damage caused thereby at the request of Customer, provided that if such device did not originate through a breach of the representation and warranties in this Section 6.1, or otherwise through McKesson, McKesson may invoice Customer for such services at McKesson’s then-current rates.

6.2 Customer’s sole and exclusive remedy for breach of any of the foregoing warranties shall be either repair or replacement of the defective materials; provided, however, that if McKesson does not repair or replace any such defective materials within a commercially reasonable time period, Customer may pursue any available remedies.

6.3 EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, MCKESSON MAKES NO OTHER WARRANTY OF ANY KIND WHATEVER, EXPRESS OR IMPLIED, AND ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE HEREBY DISCLAIMED BY MCKESSON AND EXCLUDED FROM THIS AGREEMENT.

7. INTELLECTUAL PROPERTY INFRINGEMENT.

McKesson agrees to defend or settle at McKesson’s own expense any action or other proceeding asserted against Customer alleging that any Software or Documentation infringes any U.S. copyright, trademark, patent or trade secret of a third-party, provided McKesson is given prompt written notice of, and full and complete authority, information and assistance (at McKesson’s sole cost and expense) in the defense of, such claim, suit or proceeding. McKesson shall not be responsible for the cost of any settlement of any such claim, suit or proceeding made without the written consent of McKesson. In addition, and at the sole option and expense of McKesson, McKesson may, at any time after any such claim has been asserted, and shall, in the event any Software is held to constitute an infringement, either procure for Customer the right to continue using that Software, or replace or modify that Software so that it becomes non-infringing, provided that such replacement or modified Software has the same functional characteristics as the infringing Software, or, if the prior two remedies are commercially impractical in McKesson’s reasonable opinion, then McKesson may take possession of the affected Software and terminate Customer's rights and McKesson's obligations under this Agreement in respect of such Software, and upon any such termination refund to Customer a portion of the fees paid for that Software based upon a seven (7) year straight-line depreciation, with depreciation deemed to have commenced on the corresponding Live Date, as well as all Implementation Services fees paid by Customer for the affected Software and a pro-rated portion of any pre-paid but unused Software Maintenance services fees for the affected Software, if any. Customer may engage its own counsel, at its own expense, to advise Customer in connection with any such claim, suit or proceeding. McKesson shall not be liable to Customer under the terms of this Paragraph or otherwise if any infringement or claim (a) is based upon the use of any Software in violation of this Agreement, or (b) is based upon the use of any Software in combination with any software other than programs licensed by McKesson to Customer for such use (and such infringement would not have occurred but for such combination), or (c) arises solely from a Software customization performed by McKesson for Customer based upon Customer's ideas, designs, or specifications (and such infringement would not have occurred but for such customization). The foregoing provisions state McKesson's sole and exclusive obligations and Customer's sole and exclusive remedies with respect to Software and Documentation infringement.

8. LIMITATION OF LIABILITY.

8.1 Except as provided in Section 7, MCKESSON'S TOTAL CUMULATIVE LIABILITY UNDER THIS AGREEMENT WITH RESPECT TO ANY SOFTWARE, EQUIPMENT OR SERVICES DELIVERED UNDER ANY CONTRACT SUPPLEMENT WILL BE LIMITED TO THE TOTAL FEES PAID (LESS ANY REFUNDS OR CREDITS) BY CUSTOMER TO MCKESSON UNDER SUCH CONTRACT SUPPLEMENT. EXCEPT FOR (A) CUSTOMER'S PAYMENT OBLIGATIONS OR (B) LIABILITY ARISING FROM CLAIMS OF VIOLATION OF THE SCOPE OF USE OF THE LICENSE, CUSTOMER'S TOTAL CUMULATIVE LIABILITY UNDER THIS AGREEMENT WILL BE LIMITED TO THE TOTAL FEES PAID AND PAYABLE BY CUSTOMER TO MCKESSON UNDER THE RELEVANT CONTRACT SUPPLEMENT (INCLUDING ALL FEES FOR SOFTWARE LICENSES, SOFTWARE MAINTENANCE SERVICES, AND IMPLEMENTATION AND EDUCATION AND RELATED SERVICES).

8.2 IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY UNDER, IN CONNECTION WITH, OR RELATED TO THIS AGREEMENT FOR ANY SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES, WHETHER BASED ON BREACH OF CONTRACT, WARRANTY, TORT, PRODUCT LIABILITY, OR OTHERWISE, AND WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE. THE EXCLUSION OF DAMAGES IN THIS SECTION 8.2 WILL NOT APPLY TO (i) ANY LIABILITY OF MCKESSON UNDER SECTION 7 OR (ii) ANY LIABILITY OF CUSTOMER ARISING OUT OF OR RELATED TO INFRINGEMENT OF MCKESSON'S OR MCKESSON'S LICENSOR'S INTELLECTUAL PROPERTY OR VIOLATIONS OF THE SCOPE OF THE USE OF THE LICENSE(S) GRANTED HEREUNDER.

8.3 THE PARTIES ACKNOWLEDGE AND AGREE THAT THE FOREGOING LIMITATIONS OF LIABILITY ARE A CONDITION AND MATERIAL CONSIDERATION FOR THEIR ENTRY INTO THIS AGREEMENT.

9. EQUIPMENT

9.1 Purchase of Equipment

9.1.1 Agreement to Purchase and Sell. Subject to the terms and conditions of this Agreement and each applicable CS (including without limitation payment of the applicable amounts pursuant to each applicable CS), McKesson agrees to sell to Customer, and Customer agrees to purchase from McKesson, the Equipment.

9.1.2 Third-Party Supply. Subject to the provisions of Section 1 governing the use of Software, Customer may acquire equipment to operate the Software directly from a vendor other than McKesson ("Third-Party Vendor"), subject to the following conditions:

(a) Prior to acquiring any such equipment from a Third-Party Vendor ("Third-Party Equipment"), Customer will: (i) obtain a price quotation from the Third-Party Vendor; (ii) permit McKesson to match the Third-Party Vendor's quotation; and (iii) purchase from McKesson corresponding equipment if McKesson offers Customer the same or better terms as the Third-Party Vendor's quotation.

(b) If McKesson timely makes such an offer for corresponding equipment to Customer, then the parties will execute a CS under which Customer will purchase such equipment from McKesson (in lieu of a Third-Party Vendor).

9.1.3 Certification of Third-Party Equipment. If Customer acquires any Third-Party Equipment upon which it Intends to operate the Software, then prior to using it to operate the Software, Customer will either (i) make available such Third-Party Equipment to McKesson for testing and certification based on McKesson's applicable hardware specifications for operation of the Software and will pay McKesson the applicable equipment testing and certification fees and expenses, (ii) obtain McKesson's written approval to use such

Third-Party Equipment to operate the Software or (iii) certify to McKesson in writing that such Third-Party Equipment meets McKesson's published hardware specifications and minimum operating requirements or such other applicable hardware specifications and minimum operating requirements provided to Customer by McKesson in writing. If McKesson determines that the Third-Party Equipment complies with such specifications, then McKesson will certify compliance to Customer.

9.2 Delivery, Installation and Configuration.

9.2.1 Equipment Delivery. Title and all risk of loss or damage to Equipment will pass to Customer upon shipment to Customer. Unless Customer clearly advises McKesson to the contrary in writing, McKesson may make partial shipments of Equipment, to be separately invoiced and paid for when due. Delay in delivery of any installment will not relieve Customer of its obligation to accept the remaining Equipment purchased under this Agreement.

9.2.2 Equipment Installation and Configuration. McKesson, by itself or using its third party suppliers, will provide installation and configuration services for the Equipment, but specifically excluding peripherals, at the Facility. Customer will be responsible, at Customer's sole expense, for preparing the Facility for installation of the Equipment, including any necessary alterations to the Facility and any required cabling, and will provide McKesson with all assistance reasonably required by McKesson to perform such installation and configuration services.

9.3 Equipment Warranties.

9.3.1 McKesson Warranties. McKesson warrants that, at the time of sale to Customer: (a) McKesson has power to convey title to the Equipment, free of any security interests, liens and encumbrances; and (b) the Equipment is new, unless the parties agree to the contrary.

9.3.2 Third-Party Warranties and Licenses. To the extent that McKesson has the right to do so, McKesson hereby transfers and assigns to Customer the benefit of, and Customer agrees to be bound by and comply with the provisions of: (a) any rights under any supplier's warranty for the Equipment; and (b) any license or right to use the Equipment and any components of it (such as embedded software).

9.4 Equipment Maintenance.

9.4.1 Equipment Maintenance Services. Subject to payment of the Equipment Maintenance Services fees set forth in the applicable CS in accordance with the terms of that CS, McKesson, by itself or using its third party suppliers, will provide Equipment Maintenance Services to Customer for the Equipment. Equipment Maintenance Services fees for the Initial Equipment Maintenance Term (as defined in Section 9.4.2) will be payable as of the later of the date of McKesson's delivery of the Equipment to Customer ("Equipment Delivery Date") or thirty (30) days prior to the date of expiration of the applicable McKesson Equipment supplier warranty. Thereafter, Equipment Maintenance Services fees will be payable prior to the commencement of each one (1) month renewal period of Equipment Maintenance Services, as specified in Section 9.4.2. McKesson may increase the Equipment Maintenance Services fees by any price increase from McKesson's Equipment suppliers, effective as of the date of the suppliers' price increase.

9.4.2 Equipment Maintenance Term. Except as otherwise specified in a CS, McKesson will provide Equipment Maintenance Services for an initial term that will commence as of the later of the Effective Date of this Agreement or the effective date of the applicable CS and will end three (3) years thereafter (the "Initial Equipment Maintenance Term"). Following the expiration of the Initial Equipment Maintenance Term, subject to Customer's payment of the applicable Equipment Maintenance Services fees, McKesson will continue to provide Customer with Equipment Maintenance Services for successive, automatically renewable one (1) month periods, unless either party provides the other party with written notice of termination of Equipment Maintenance Services no less than one (1) month prior to the end of the Initial Equipment Maintenance Term or the end of the next renewal period.

10. GENERAL.

10.1 This Agreement will bind and inure to the benefit of each party’s permitted successors and assigns. Except as otherwise expressly set forth below, Customer shall not assign this Agreement or any license granted hereunder without the express written consent of McKesson, which consent shall not be unreasonably withheld or delayed. Customer may, upon notice to McKesson, assign this Agreement, together with any license granted hereunder, to any Affiliate or any entity resulting from the sale, combination or transfer of all or substantially all of the assets or capital stock, or from any other corporate form of reorganization, provided the assignment is not to a competitor of McKesson. Upon any permitted assignment of this Agreement, Customer shall not incur any transfer fees other than such fees as may be required for any expanded or additional licenses, equipment, or services necessary for as a result of such assignment. McKesson may, upon notice to Customer, assign this Agreement to any affiliate or any entity resulting from the sale, combination or transfer of all or substantially all of the assets or capital stock, or from any other corporate form of reorganization by or of McKesson. McKesson may subcontract any of its obligations under this Agreement, and may perform those obligations through personnel employed by, or under contract with, McKesson.

10.2 Audit.

10.2.1 McKesson may from time to time perform an audit to determine compliance with the terms of this Agreement upon reasonable notice. If the number of copies or users is found to be greater than that contracted for on any CS or Attachment, McKesson may charge Customer the license fees per the Audit License Fee Schedule below for additional licenses required to bring Customer into license compliance as set forth on the applicable CS, regardless of any different pricing commitments set forth in any CS. If the resulting adjustments to the license fees owing by Customer are greater than ten percent (10%) of the license fees previously paid by Customer to McKesson, McKesson may also charge Customer the reasonable expenses associated with such audit.

10.2.2 In the event Customer must purchase additional Software licenses per this Section, Customer will purchase such licenses for a license fee equal to the applicable percentage as shown below off of the then-current list price for such McKesson-owned Software (the "Discount"), pursuant to the terms and conditions of this Agreement, the execution of a CS identifying such McKesson-owned Software, and subject to each of the following: (a) the Discount shall not apply to any Third-Party Software or Third-Party Software Maintenance Services and (b) as of the effective date of the applicable CS, Customer is not past due on any undisputed invoices, fees, charges or expenses owed to McKesson.

Audit License Fee Schedule

Number of Years After Effective Date of this Agreement	**Discount**
First 3 Years	35%
Year 4	30%
Year 5	25%
Year 6	17%
Thereafter	List

10.2.3 Any audit by McKesson pursuant to this Section shall comply with Customer's reasonable privacy, security, network and other applicable policies and procedures that are provided to McKesson in writing promptly following receipt of written notice from McKesson that an audit will be performed.

10.3 Payment Terms.

10.3.1 Customer will pay all fees and other charges due under individual Contract Supplements to McKesson in United States dollars, as invoiced by McKesson within thirty-five (35) days after date of invoice to the Facility designated in writing by Customer. Such invoices may also include, as applicable, packing, delivery and insurance charges incurred by McKesson or its suppliers in connection with delivering the Software and Equipment to Customer. Customer will also reimburse McKesson, within thirty-five (35) days after date of invoice, for all reasonable out-of-pocket expenses incurred by McKesson or its suppliers in the course of providing services, including, but not limited to, travel, accommodations and living expenses in accordance with McKesson's then-current travel policies; McKesson's current travel policies as of the Effective Date are set forth in Exhibit 2 hereto. However, if Customer does not pay such fees, charges or expenses when due, then McKesson reserves the right to require reasonable advance payments or credit arrangements through a third party as a condition to providing Software, Equipment or Services, as the case may be, notwithstanding any express obligation to provide them elsewhere in this Agreement. Disputes as to the accuracy of an invoice must be presented in writing to McKesson by Customer within sixty-five (65) days of the date of the invoice, and such disputes will be addressed by the parties in accordance with Section 10.13 of this Agreement. Notwithstanding the foregoing, unless otherwise stipulated herein, failure by Customer to make payments to McKesson which are reasonably disputed in writing in accordance with this paragraph and Section 10.13 herein, and for which resolution is promptly commenced, shall not constitute a material breach of this Agreement, and McKesson shall continue to provide services during any such dispute.

10.3.2 McKesson may charge Customer interest on the outstanding balance of any overdue fees, charges or expenses at a rate equal to one percent (1%) per month or the highest rate permitted by applicable law, whichever is lower. Notwithstanding the foregoing, McKesson will charge said interest only on undisputed invoices, fees, charges or expenses, provided that Customer has provided notice of such dispute in accordance with Section 10.3.1 above and the dispute is alleged by Customer in good faith. Customer will reimburse McKesson for all reasonable costs and expenses incurred (including reasonable attorneys' fees) in collecting any overdue amounts.

10.4 Within ninety (90) days of termination of any license granted pursuant to this Agreement, Customer shall cease using the Software and Documentation and Customer shall certify to McKesson in writing that all copies (in any form or media) of the Software and Documentation, whether or not modified or incorporated into other materials, have been destroyed or returned to McKesson. Termination of this Agreement or any license shall not relieve Customer's obligation to pay all fees incurred prior to such termination, except any such fees that are the subject of a reasonable, good-faith dispute by Customer, and shall not limit either party from pursuing any other remedies available to it. Each party's obligations under Section 4 hereof shall survive termination of any license or this Agreement.

10.5 Third-party Software ("Third-Party Software") sublicensed or distributed by McKesson to Customer, if any, is identified on the applicable CS or Attachment. To the extent that the terms or conditions under which McKesson sublicenses or distributes any such software to Customer differ from the terms and conditions otherwise stated in this

Agreement, said differences are stated on such CS or Attachment or in shrinkwrap agreements provided with such software and such differences shall control; provided, however, that if Customer has a reasonable objection to any such differences in such a shrinkwrap agreement, the parties shall negotiate in good faith any commercially reasonable and practical remedy. In the event that McKesson can reasonably demonstrate the need to replace or substitute any Third-Party Software, the parties agree to negotiate in good faith the terms and conditions under which McKesson will make available reasonably comparable software for the originally licensed Third-Party Software.

10.6 This Agreement is subject to any governmental laws, orders or other restrictions on the export of Software and related information and Documentation that may be imposed by governmental authorities. Customer shall comply with any governmental laws, orders or other restrictions on the export and re-export of Software (including technical data and any related information and Documentation) which may be imposed from time to time by the governments of the United States and any country to which any Software is shipped.

10.7 A Party may terminate this Agreement or any C S immediately upon notice to the other party if the other party: (a) materially breaches this Agreement or the applicable Contract Supplement and fails to remedy that breach within sixty (60) days after receiving notice of the breach, provided that if a longer period is reasonably required to cure the breach and the cure is promptly begun, such cure period shall be extended for as long as the cure is being diligently prosecuted to completion; (b) infringes the intellectual property rights and fails to remedy that breach within thirty (30) days after receiving notice of the breach; (c) materially breaches this Agreement or the applicable C S in a manner that cannot be remedied; or (d) commences dissolution proceedings or ceases to operate in the ordinary course of business. Material breach of a particular C S does not allow the terminating party to terminate this Agreement in its entirety or any other C S unless the terminating party’s rights under this Agreement or such other C S are substantially diminished by the breach. All notices relating to termination or default under this Agreement shall be in writing and delivered by overnight delivery service or certified mail return receipt requested, to the address of such party specified above (addressed in the case of McKesson to the attention of its General Counsel) or specified by such party in accordance with this Section.

10.8 McKesson and Customer agree to make available upon the written request of the Secretary of Health and Human Services or the Comptroller General, or their representatives, this Agreement and such books, documents and records as may be necessary to verify the nature and extent of the costs of the services rendered hereunder to the full extent required by the Centers for Medicare & Medicaid Services implementing Section 952 of the Omnibus Reconciliation Act of 1980, codified at 42 U.S.C. Section 1395x(v)(1)(I), or by any other applicable federal or state authority.

10.9 This Agreement shall be governed by and construed in accordance with the laws in the state in which the Customer is located, exclusive of its rules governing choice of law and conflict of laws.

10.10 Any action of any kind arising out of or in any way connected with this Agreement, other than collection of outstanding payment obligations, must be commenced within two (2) years of the date upon which the cause of action was discovered or should reasonably have been discovered by the party bringing the action.

10.11 This Agreement, including exhibits, attachments, written terms incorporated by reference and Contract Supplements or Attachments, is the complete and exclusive agreement between the parties with respect to the subject matter hereof, superceding and replacing all prior agreements, communications, understandings (both written and oral) regarding such subject matter. Pre-printed terms and conditions on or attached to Customer’s purchase orders shall be of no force or effect. Each party executes this Agreement by its duly authorized representative.

10.12 Nothing in this Agreement shall confer upon any person other than the Parties and their respective successors or assigns, any rights, remedies, obligations, or liabilities whatsoever.

10.13 Dispute Resolution. Any claim arising out of or relating to this Agreement or its subject matter or any right or obligation created by this Agreement, irrespective of the legal theory or claims underlying such dispute (including tort or statutory claims) ("Dispute") shall be resolved in accordance with this Section 10.13. The party asserting the Dispute will give prompt notice to the other party describing the Dispute in reasonable detail ("Dispute Notice"). Each party agrees not to commence court proceedings against the other party relating to a Dispute except as expressly permitted by the terms of this Section 10.13, after complying with the escalation procedures and forty (40) day internal negotiation requirements stated herein, except that the provisions of this Section will not prevent a party from commencing court proceedings seeking injunctive relief for Disputes related to Intellectual Property Rights. Promptly after receipt of the Dispute Notice, the parties will negotiate in good faith to resolve the Dispute. Either party may escalate the Dispute negotiations to higher level personnel, by notice to the other party, as specified below:

Customer	McKesson	Time After Dispute Notice
	Project Manager/Account Executive	Immediate
	Senior Customer Services, Software Business Unit	15 days
	Vice President, Software Business Unit	25 days

If the Dispute has not been resolved within forty (40) days after receipt of the Dispute Notice, then either party may commence court proceedings against the other party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date set forth above.

ADDUS HEALTHCARE, INC.		MCKESSON INFORMATION SOLUTIONS LLC	
By:	/s/ W. Andrew Wright	By	
Name Printed:	W. Andrew Wright	Name Printed:	
Title:	President and CEO	Title:	
Date:	3/24/06	Date:	

EXHIBIT 1

MCKESSON BUSINESS ASSOCIATE AGREEMENT EXHIBIT

1. DEFINITIONS. All capitalized terms used herein that are not otherwise defined have the meanings ascribed in HIPAA.

1.1 "Designated Record Set" means a group of records maintained by or for Customer that are the medical records and/or billing records of individual patients or are otherwise used by Customer to make decisions about individual patients.

1 2 "HIPAA" means the Health Insurance Portability and Accountability Act of 1996 and the federal HIPAA privacy regulations at 45 C.F.R. parts 160 and 164.

1 3. "Individually Identifiable Health Information" means individually identifiable health information as defined at 45 C.F.R. § 164.501.

1.4. "Protected Health Information" or "PHI" means Individually Identifiable Health Information (transmitted or maintained in any form or medium) concerning Customer patients or the patients of any of Customer's health care provider customers.

2. RESPONSIBILITIES OF THE PARTIES WITH RESPECT TO PROTECTED HEALTH INFORMATION.

2.1 Responsibilities of McKesson. Beginning upon the compliance date established by HIPAA, with regard to PHI obtained from Customer, McKesson agrees as follows:

(a) McKesson will use and/or disclose the PHI only as permitted or required by the Agreement or as required by law.

(b) McKesson will use appropriate safeguards to maintain the security of the PHI and to prevent unauthorized use or disclosure of PHI, which will in no event be any less than the means which McKesson uses to protect its own confidential information.

(c) McKesson will promptly report to Customer any use or disclosure of PHI of which McKesson becomes aware that is not permitted by this Exhibit.

(d) If McKesson is permitted to utilize an agent or subcontractor to perform any of its obligations under the Agreement, McKesson will require all such subcontractors and agents that receive or use, or have access to, PHI under the Agreement to agree, in writing, to the same restrictions and conditions on the use and/or disclosure of PHI that apply to McKesson pursuant to this Exhibit.

(e) McKesson will make available its internal practices, books and records relating to the use and disclosure of PHI to the Secretary of HHS for purposes of determining Customer's compliance with HIPAA.

(f) McKesson will provide to Customer such information in McKesson's possession as is reasonably requested by Customer and necessary to enable Customer to respond to a request by an individual for an accounting of the disclosures of the individual's PHI in accordance with HIPAA.

(g) Unless otherwise explicitly stated in the applicable Contract Supplement, the parties do not intend for McKesson to maintain any PHI in a Designated Record Set for Customer. If McKesson maintains any PHI in a Designated Record Set, then McKesson agrees to (1) provide to Customer such PHI in a timely fashion upon written request, and (2) to make amendments to such PHI in accordance with HIPAA.

(h) If McKesson believes it has a legal obligation to disclose any PHI, it will notify Customer as soon as reasonably practical after it learns of such obligation, and in any event within a time sufficiently in advance of the proposed release date such that Customer's rights would not be prejudiced, as to the legal requirement pursuant to which it believes the PHI must be released. If Customer objects to the release of such PHI, McKesson will allow Customer to exercise any legal rights or remedies McKesson night have to object to the release of the PHI, and McKesson agrees to provide such assistance to Customer, at Customer's expense, as Customer may reasonably request in connection therewith.

(i) As of the final compliance date established by the applicable regulation:

a. McKesson will implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic protected health information that it creates, receives, maintains, or transmits on behalf of Customer as required by HIPAA.

b. McKesson will ensure that any agent, including a subcontractor, to whom it provides such information, agrees to implement reasonable and appropriate safeguards to protect it.

c. McKesson will report to Customer any security incident of which it becomes aware.

2.2. Responsibilities of Customer. Customer agrees to obtain any consent or authorization that may be required by HIPAA, or applicable state law, prior to furnishing McKesson with PHI. Customer agrees to timely notify McKesson, in writing, of any arrangements between Customer and the individual that is the subject of PHI that may impact in any manner the use and/or disclosure of that PHI by McKesson under this Exhibit.

2.3. Effect of Changes of HIPAA Privacy Regulation on Responsibilities of the Parties. To the extent that any relevant provision of HIPAA is materially amended in a manner that changes the obligations of McKesson or Covered Entities that are embodied in term(s) of this Exhibit, the Parties agree to negotiate in good faith appropriate non-financial terms or amendment(s) to this Exhibit to give effect to such revised obligations. In addition, the terms of this Exhibit should be construed in light of any interpretation and/or guidance on HIPAA issued by HHS from time to time.

3. PERMITTED USES AND DISCLOSURES OF PROTECTED HEALTH INFORMATION BY MCKESSON. Except as specified below, McKesson may only access, duplicate or otherwise use or disclose PHI as necessary to perform its obligations under the Agreement, provided that such use or disclosure would not violate HIPAA if done by Customer. Unless otherwise permitted by this Agreement, McKesson will not permit the disclosure of any PHI to any person or entity other than such of its employees, agents or subcontractors who must have access to the PHI in order for McKesson to perform its obligations under the Agreement and who agree to keep such PHI confidential as required by this Exhibit. Unless otherwise limited herein, McKesson may:

(a) use the PHI in its possession for its proper management and administration and to fulfill any legal responsibilities of McKesson.

(b) disclose the PHI in its possession to a third party for the purpose of McKesson’s proper management and administration or to fulfill any legal responsibilities of McKesson, provided that (i) the disclosures are required by law, or (ii) McKesson has received from the third party reasonable assurances regarding the confidential handling of such PHI as required under HIPAA.

(c) aggregate the PHI obtained by McKesson.

4. TERMINATION OF AGREEMENT.

4.1. Termination by Customer. Customer may terminate this Agreement or any other agreement that requires the use of PHI if McKesson has violated a material term of this Exhibit and has failed to cure such breach within thirty (30) days after Customer has provided McKesson with prompt written notice of such material breach.

4.2. Return of PHI. Upon the expiration or termination, for any reason, of this Agreement that requires the use of PHI by McKesson. McKesson will promptly return to Customer, or at Customer’s sole option destroy, any PHI in its possession or control and will retain no copies of such PHI, and, unless otherwise expressly agreed to in writing, any right or license which McKesson has to use the PHI will terminate immediately upon such expiration or termination of this Agreement. If the destruction or return of the PHI is not reasonably feasible, the protections contained in this Agreement will continue to apply to any retained PHI, and any further use or disclosure of the PHI by McKesson is limited solely to those purposes that made the return or destruction of such PHI infeasible.

5. RIGHT TO INJUNCTIVE RELIEF. McKesson expressly acknowledges and agrees that the breach, or threatened breach, by it of any provision of this Exhibit may cause Customer to be irreparably harmed and that Customer may not have an adequate remedy at law. Therefore, McKesson agrees that upon such breach, or threatened breach, Customer will be entitled to seek injunctive relief to prevent McKesson from commencing or continuing any action constituting such breach without having to post a bond or other security and without having to prove the inadequacy of any other available remedies. Nothing in this paragraph will be deemed to limit or abridge any other remedy available to Customer at law or in equity.

6. MISCELLANEOUS.

6.1 Amendment to Comply with Law. The parties acknowledge that state and federal laws relating to electronic data security and privacy are rapidly evolving and that amendment of this Agreement may be required to provide for procedures to ensure compliance with such developments. The parties specifically agree to take such action as is necessary to implement the standards and requirements of HIPAA and other applicable laws relating to the security or confidentiality of Health Information. The parties understand and agree that Customer must receive satisfactory written assurance from McKesson that McKesson will adequately safeguard all Health Information that it receives or creates on behalf of Customer Upon Customer's request, McKesson agrees to promptly enter into negotiations with Customer, concerning the terms of any amendment to this Agreement embodying written assurances consistent with the standards and requirements of HIPAA or other applicable laws.

6.2 Relationship to Underlying Agreement(s) Provisions. In the event that a provision of this Agreement is contrary to a provision of an underlying agreement(s), the provision of this Agreement shall control. Otherwise, this Agreement shall be construed under, and in accordance with, the terms of such underlying agreement(s), and shall be considered an amendment of and supplement to such underlying agreement(s).

6.3 Modification of Agreement. No alteration, amendment, or modification of the terms of this Agreement shall be valid or effective unless in writing and signed by McKesson and Customer.

6.4 Non-Waiver. A failure of any party to enforce at any time any term, provision or condition of this Agreement, or to exercise any right or option herein, shall in no way operate as a waiver thereof, nor shall any single or partial exercise preclude any other right or option herein. In no way whatsoever shall a waiver of any term, provision or condition of this Agreement be valid unless in writing, signed by the waiving party, and only to the extent set forth in such writing.

6.5 Agreement Drafted By All Parties. This Agreement is the result of arm's length negotiations between the parties and shall be construed to have been drafted by all parties such that any ambiguities in this Agreement shall not be construed against either party.

6.6 Severability. If any provision of this Agreement is found to be invalid or unenforceable by any court, such provision shall be ineffective only to the extent that it is in contravention of applicable laws without invalidating the remaining provisions hereof.

6.7 Section Headings. The section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provision of this Agreement.

6.8 No Third Party Beneficiaries. There are no third party beneficiaries to this Agreement.

6.9 Notices. Any notices required or permitted to be given hereunder by either party to the other shall be given in writing: (1) by personal delivery; (2) by electronic facsimile with confirmation sent by United States first class registered or certified mail, postage prepaid, return receipt requested; (3) by bonded courier or by a nationally recognized overnight delivery service; or (4) by United States first class registered or certified mail, postage prepaid, return receipt requested, in each case, addressed to

If to McKesson:
5995 Windward Parkway
Alpharetta, Georgia 30005
Attn: General Counsel

If to Customer:
Addus HealthCare, Inc.
2401 S. Plum Grove Road
Palatine, Illinois 60067
Attn: Privacy Officer

or to such other addresses as the parties may request in writing by notice given pursuant to this section 6.9. Notices shall be deemed received on the earliest of personal delivery, upon delivery by electronic facsimile with confirmation from the transmitting machine that the transmission was completed; twenty-four (24) hours following deposit with a bonded courier or overnight delivery service; or seventy-two (72) hours following deposit in the U.S. Mail as required herein.

6.11 Applicable Law and Venue. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Illinois (without regard to principles of conflicts of laws). The parties agree that all actions or proceedings arising in connection with this Agreement shall be tried and litigated exclusively in the state or federal (if permitted by law and a party elects to file an action in federal court) courts located in Illinois. This choice of venue is intended by the parties to be mandatory and not permissive in nature, and to preclude the possibility of litigation between the parties with respect to, or arising out of, this Agreement in any jurisdiction other than that specified in this section 6.11. Each party waives any right it may have to assert the doctrine of forum non conveniens or similar doctrine or to object to venue with respect to any proceeding brought in accordance with this section 6.11.

6.12 Interpretation. Any ambiguity in this Agreement shall be resolved to permit compliance with the Privacy Regulations.

6.13. Survival. This Exhibit 1 will survive the termination or expiration of the underlying agreement.

(remainder of page intentionally left blank)

EXHIBIT 2

2006 MCKESSON CORPORATE TRAVEL POLICY

TRAVEL POLICY, PROCEDURES, AND EXPENSE REIMBURSEMENT GUIDELINES

I TRAVEL ARRANGEMENTS. All travel arrangements (to include airline, lodging, rental car, etc.) must be arranged through McKesson’s currently designated corporate travel agency (“Agency”). Tickets not issued by the Agency will not be reimbursed.

A. Air Travel. The Company will reimburse all business air travel as long as such travel is at the lowest cost available airfare, short of endangering the reason for the trip or the business needs dictated by a customer. The guidelines surrounding our travel policy are as follows:

The lowest available airfare, regardless of penalties or restriction, must be utilized by anyone traveling at the expense of McKesson. Any tickets being requested within 7-days of travel require Senior V.P. approval before the ticket can be issued by the Travel Department.

The Agency will automatically confirm the lowest airfare available on the requested routing. The Agency will check all flights one and a half hours before and one and a half hours after the originally requested arrival, for the lowest available airfare and advise the traveler of the lowest fare options.

B. Lodging. The Company will pay only actual room rental costs supported by the hotel bill for each day that lodging away from home is required for business reasons. Hereafter, the standard hotel will be Marriott Courtyard-type lodging for all business-related travel.

C. Car Rentals. The Company will reimburse car rentals only when other means of transportation are unavailable, more costly, or impractical. The use of a rental car must be justified as a business need and not as a matter of personal convenience. The use of intermediate or full-size cars is acceptable only when two or more employees are traveling together and sharing the rental car, or when it is necessary to have a larger vehicle for carrying clients or equipment.

D. Other Transportation.

1. Personal Car. The Company prefers travel through use of public transportation, but an employee’s automobile should be used when other transportation is unavailable or economy can be realized. The Company will reimburse the employee at the rate of $0.445 per mile over and above the normal commute, plus parking and tolls, for authorized business use of personal cars. The normal commute includes an employee’s drive to his/her office, or FM site, if located in the same city in which the employee resides.

2. Taxis and Other Out-of-Town Transportation. The cost of a taxi to and from places of business, hotels, or airports in connection with business activities is reimbursable. Use of taxis is authorized only when more economical services (hotel vans, shuttles, etc.) are not available. Employees are encouraged to utilize public transportation whenever feasible. Receipts are required for all transportation expenses.

II. MEALS. The Company will reimburse employees for meal expenses (breakfast, lunch, and dinner) actually incurred, providing such expenses are reasonable and appropriate. The suggested costs below should provide a guideline to employees as to what the Company feels is fair and reasonable, but in no event should the total exceed $40.00 per day:

Breakfast	$ 8.00
Lunch	$ 1200
Dinner	$20.00

III. OTHER REIMBURSABLE EXPENSES

A. Telephone Expenses.

1. Business. The Company will pay charges for local and long-distance business calls made outside a Company office, provided the calls are supported by a listing hotel bill, or telephone bill. All domestic long distance telephone calls should be placed through AT&T.

2. Personal. The Company will pay charges for personal long distance calls when the employee is away from home for business reasons. These should be limited to one ten-minute call a day. In order to maximize the savings potential employees should place personal calls through AT&T.

B. Laundry Expenses The Company will pay for reasonable laundry or dry cleaning charges for employees who are traveling out of town and will be out of town on company business for five nights or more. In such situations, the employee’s manager determines the fair and reasonable nature and amount of reimbursable business expenditure

C. Tips and Gratuities. The Company will pay for reasonable tipping and gratuities:

* up to 20% of the total restaurant bill

* $1 per bag porterage

* up to 15% of the total cab fare

D. In-Town Expenses. When traveling within his/her headquarters city, an employee may expense charges for local transportation if required for business purposes and when authorized. Whenever public transportation is not used, claims for taxis, private limousines, and personal car mileage should be separated, claimed, and explained, showing the purpose of the trip and the itinerary.

Exhibit 10.17(a)

Contract Supplement

Contract Supplement No. 1-IXIQU
Customer No. TBD

Sold To:

Addus HealthCare, Inc.
2401 S. Plum Grove Road
Palatine, IL 60067
Federal Tax ID: 42-1014070
Taxable: ☒ Yes ☐ No

Ship To:

Addus HealthCare, Inc.
2401 S. Plum Grove Road
Palatine, IL 60067
Attention: David W. Stasiewicz, CFO
Telephone: (847) 303-5300 **Facsimile:** (847) 303-5376

Bill To:

Addus HealthCare, Inc.
2401 S. Plum Grove Road
Palatine, IL 60067
Attention: David W. Stasiewicz, CFO
Telephone: (847) 303-5300 **Facsimile:** (847) 303-5376

Contract Supplement to License Agreement # C0608555, dated March 24, 2006.

THIS CONTRACT SUPPLEMENT, including all Exhibits, Schedules, and Attachments hereto and incorporated herein (this “Contract Supplement”) amends the agreement identified above including all Exhibits, Schedules, and Attachments thereto, and as amended (the “Agreement”), and is made effective as of this ___ day of ___________, 2006 (the “Contract Supplement Effective Date”). Unless otherwise specifically and expressly set forth in this Contract Supplement, this Contract Supplement sets forth terms and conditions that apply only to the Facilities, Software and/or Services listed in this Contract Supplement. To the extent the terms and conditions of the Agreement are in conflict with this Contract Supplement, the terms of this Contract Supplement shall control. Where not different or in conflict with the terms, conditions and definitions of this Contract Supplement, all applicable terms, conditions, and definitions set forth in the Agreement are incorporated within this Contract Supplement as if set forth herein.

SOFTWARE

Software Product No.	Software Maintenance Product No.	Description	Licensed By	List Software License Fees	Unit Software License Fees	Qty	Net Software License Fees	Annual Software Maintenance Fees
Horizon Homecare Connection Agency Management								
71000359	73006365	Horizon Homecare Connection Agency Management	Concurrent Users	$ 3,700	$ 1,110	300	$333,000	$ 159,840
71002252	73013476	Horizon Homecare Electronic Billing Module		$ 9,500	$ 2,850	1	$ 2,850	$ 1,368
71002254	73013477	Horizon Homecare Electronic Remittance Module		$ 5,500	$ 1,650	1	$ 1,650	$ 792
71000385	73000308	Horizon Homecare OASIS Extract		$ 3,000	$ 900	1	$ 900	$ 432

Software Pro duct No.	Software Maintenance Product No.	Description	Licensed By	List Software License Fees	Unit Software License Fees	Qty	Net Software License Fees	Annual Software Maintenance Fees
Horizon Homecare Agency Management Third-Party Software Modules								
71000860	73006548	Horizon Homecare First DataBank National Drug Data File		$ 2,000	$ 2,000	1	$ 2,000	$ 2,000
71000701	73006321	Horizon Homecare ICD-9 Codes		$ 450	$ 450	1	$ 450	$ 450
Horizon Homecare Connection Advanced Clinicals / Clinical Assistant Dual License - Device Licenses								
71002969	73015819	Horizon Homecare Connection Advanced Clinicals / Clinical Assistant Dual License	Devices	$ 3,700	$ 1,110	165	$ 183,150	$ 87,945
Horizon Homecare Advanced Clinicals Third-Party Software Modules								
71000981	73006196	Horizon Homecare VNA First Home Care Steps Clinical Knowledge Base		$ 6,825	$ 6,625	1	$ 6,825	$ 1,229
Horizon Homecare Connection Clinical Assistant - PDA Licenses								
71003163	73016052	Horizon Homecare Connection Clinical Assistant	Devices	$ 2,700	$ 810	130	$ 105,300	$ 50,570
Horizon Homecare Additional Modules								
71000417	73006320	Horizon Homecare General Ledger Extract		$ 8,000	$ 2,400	1	$ 2,400	$ 1,152
71000414	73006323	Horizon Homecare Payroll Extract		$12,000	$ 3,600	1	$ 3,600	$ 1,728
71000395	73006360	Horizon Homecare Clinical Forms Editor		$ 6,000	$ 1,800	1	$ 1,800	$ 864
71000920	73008250	Horizon Homecare Billing Forms Editor		$20,000	$ 6,000	1	$ 6,000	$ 2,880
71001720	73010370	Horizon Homecare Insight		$52,000	$ 15,600	1	$ 15,600	$ 7,488
		Software and Software Maintenance Service Subtotals:					**$ 665,525**	**$ 318,738**
Horizon Homecare Connection Data Center								**Annual Fee**
N/A	73000162	Horizon Homecare Connection Agency Management Data Center		N/A	N/A	1	N/A	$ 78,000
N/A	73000163	Horizon Homecare Connection Advanced Clinicals Data Center		N/A	N/A	1	N/A	$ 42,900
N/A	73015650	Horizon Homecare Connection Clinical Assistant Data Center		N/A	N/A	1	N/A	$ 26,000
							Data Center Subtotal:	**$ 146,900**
		Software, Software Maintenance Services and Data Center Totals:					**$ 665,525**	**$ 465,638**

Software Payment Terms: *Twenty-five percent (25%) shall be due upon the Contract Supplement Effective Date. The remaining seventy-five percent (75%) shall be due and payable as follows: twenty-five percent (25%) shall be due the earlier of the Agency Management System Skilled Division Pilot Site Live Date or six (6) months from Contract Supplement Effective Date; twenty-five percent (25%) shall be due the earlier of Advanced Clinicals Pilot Site Live Date or twelve (12) months from Contract Supplement Effective Date; and twenty-five percent (25%) shall be due the earlier of Agency Management System IHSS Division Pilot Site Live Date or eighteen (18) months from Contract Supplement Effective Date.*

Software Maintenance Services Payment Terms: *The Software Maintenance Services Term shall begin upon the Contract Supplement Effective Date and shall continue for a period of two (2) years thereafter (the "Initial Maintenance Term"). The first annual Software Maintenance Services fee shall be due twelve (12) months from the Contract Supplement Effective Date. Customer shall pay the first annual and any renewal Software Maintenance Service fees on a monthly basis, in twelve (12) equal monthly installments, each monthly payment due on the first (1st) day of each calendar month, per Section 2.2 in the Agreement.*

Horizon Homecare Connection Data Center Payment Terms: *The Data Center Term shall begin upon the Contract Supplement Effective Date and shall continue for a period of two (2) years thereafter(the "Initial Data Center Term"). The first annual Data Center fee shall be due upon the Contract Supplement Effective Date. Effective as of the date the first full-annual Data Center fee is due, Customer shall pay the annual Data Center fee on a monthly, basis, in twelve (12) equal monthly installments.*

IMPLEMENTATION SERVICES

Description	List Services Fees	Net Services Fees
Implementation Services as set forth in Exhibit 1 attached hereto	**$ 928,454**	**$ 464,227**

Implementation Services Payment Terms: *One-hundred percent (100%) shall be due in fifteen (15) equal, consecutive, monthly payments beginning upon the Contract Supplement Effective Date.*

Implementation Services Total: $464,227

GRAND TOTAL: $1,129,752 $ 465,638

LINE ITEM COMMENTS:

1. The Software licensed herein is for use at the Customer's Data Center and at the Facility(ies):

Facility	Address	City	State	ZIP
*** Addus HealthCare, Inc.**	**2401 S. Plum Grove Road**	**Palatine**	**IL**	**60067**

*** Location of Customer's Data Center**

(NOTE: Customer shall provide McKesson written notice of any change in the location of its Data Center; provided, that Customer shall not move its Data Center outside the U.S. without McKesson's prior written consent. It is not necessary to list offices of physicians and other caregivers who have privileges at a health care facility identified above.)

2. It shall be Customer's responsibility to ensure that all discounts or the appropriate net price received from McKesson pursuant to this Contract Supplement are properly reflected on any cost reports filed by Customer to any government entity.

3. Horizon Homecare and related Business Partner Software Maintenance Services shall include federal and state mandated changes for the areas of patient accounting and medical records, where such changes are made by McKesson to the Software after the Software delivery date but not separately priced or marketed by McKesson to its customer base.

4. Software Maintenance Services.

4.1 Software Maintenance Term. McKesson will provide Software Maintenance Services for the Software licensed hereunder for an initial term which will commence on the Contract Supplement Effective Date and will end two (2) years thereafter (the "Initial Software Maintenance Term") per Section 2.2 in the Agreement. Following the expiration of the Initial Software Maintenance Term, subject to Customer's payment of the applicable Software Maintenance Services fees, McKesson will continue to provide Customer with Software Maintenance Services for successive, automatically renewable one (1) year periods ("Renewal Terms"), unless either party provides the other party with written notice of termination of Software Maintenance Services no less than ninety (90) days notice prior to the end of the Initial Software Maintenance Term or ninety (90) days prior to the end of the applicable Renewal Term.

4.2 Software Maintenance Services Fees. Annual Software Maintenance Services fees shall be due in accordance with the terms and conditions of the Agreement and this Contract Supplement and be prorated on a 365-day calendar year. McKesson will have the right to increase Software Maintenance Services fees upon sixty (60) days notice to Customer, provided that the amount of any such increase will not exceed the lower of (a) four percent (4%), or (b) the annual percentage increase in the ECI, per Section 2.2 in the Agreement. Any such increase will not be effective until the next annual term of Software Maintenance Services. "ECI" means Employment Cost Index, Compensation, Private Industry, White Collar Occupations, not seasonally adjusted, (June 1989 = 100), as published by the US Department of Labor, Bureau of Labor Statistics.

5. a. McKesson will support applicable federal mandated changes made by McKesson as required by the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), Title II Subtitle F Section 261-264 titled “Administrative Simplification”, in the area of data content within the current Horizon Homecare functionality as described in the product Documentation as of the Contract Supplement Effective Date and generally provided to McKesson’s customers as part of Software Maintenance, unless such changes are separately priced and marketed by McKesson to its general customer base.

b. McKesson will use best efforts to provide such data content changes referenced in the preceding paragraph as referenced in the Implementation Guides pursuant to HIPAA and as are applicable to such McKesson-owned Software in a timely fashion such that Customer will be able to implement such updates or enhancements prior to the compliance date of requirements. In the event the Customer applies for an extension under this paragraph, McKesson’s obligations are similarly extended.

6. Implementation and Education Services. Implementation and Education Services are set forth in Exhibit 1 attached hereto.

6.1 Implementation Plan. McKesson and Customer agree to complete a detailed project plan (the “Implementation Plan”), within ninety (90) days following the Effective Date, which shall include implementation timelines, critical events, and the respective responsibilities of both McKesson and the Customer.

6.2 Status Reporting. McKesson agrees to provide Customer with written implementation status reports on a monthly basis or other mutually agreed upon frequency in a format agreed to by McKesson and Customer. Such reports shall include (without limitation) a critical issues management list, including any potential sources of delay or actual or potential Implementation problems, the status of previously identified issues, and a list of completed and outstanding tasks, and update of the status of the overall implementation, and a summary of out-of-pocket expenses.

6.3 Scope Change. If: (a) any material assumption specified in the Contract Supplement in connection with the Implementation proves to be inaccurate; or (b) Customer changes the scope of the Implementation Services without McKesson’s written consent, then, in addition to any other remedies that McKesson may have under this Agreement or at law, McKesson may change the Implementation Service fee and/or amend the Implementation Services to provide for any change in costs to McKesson due to McKesson’s adjustment to account for the said inaccurate assumption or change to scope of the Implementation Services. In the event of a delay or failure to comply with the Implementation

Services, the party responsible for the delay shall provide additional, qualified temporary personnel or take such other action required under the circumstances, at no charge to the other party, in order to perform in a timely manner and in accordance with the agreed upon Implementation Services.

6.4 Implementation Personnel. Subject to the provisions of this Contract Supplement and the Agreement, McKesson shall supply such resources as are necessary to meet its obligations to perform the Implementation Services to Customer, as described and not to exceed those services set forth in the implementation plan attached hereto as Exhibit 1.

6.4.1 In recognition of the importance of timely completion of Services, McKesson warrants that it shall have and maintain sufficient resources, facilities, capacity and manpower to assure that its services shall be diligently performed in accordance with the terms and conditions of this Contract Supplement and the Agreement in a timely, skillful, professional, workmanlike and competent manner by qualified personnel familiar with the Software or Equipment and its operation and the Services shall conform to or exceed the standard generally observed in the industry for similar services. In the event that any dedicated project personnel take vacation for longer than one (1) business week and are unavailable to Customer, McKesson agrees to make reasonable efforts to provide Customer thirty (30) days notice and to make accommodations for said absence in order not to delay the Implementation Plan.

6.4.2 McKesson shall inform Customer of the designated Project Manager and other implementation personnel and shall provide a written description of their backgrounds and experience, with references upon request. Customer reserves the right to review assignment of said Project Manager and notify McKesson of any reasonable objection to said assignment. If a replacement is requested by Customer, McKesson will make reasonable efforts to provide an alternate resource as schedules permit, but cannot guarantee that it will be able to do so without delaying the Implementation Plan.

6.4.3 McKesson agrees that personnel assigned to perform Implementation Services for Customer under this Contract Supplement shall be available to Customer by McKesson until completion of the task(s) intended to be performed by such personnel, and McKesson shall use commercially reasonable best efforts to maintain consistency of such personnel (including any subcontractors), except that the foregoing shall not be construed to require McKesson to maintain such personnel (and McKesson shall not be in breach of this Section) if such personnel are terminated by McKesson, if such personnel voluntarily discontinue or request modification of their employment with McKesson, or such personnel are otherwise not available due to personal circumstances or medical leave or other similar type of leave. Any services to be provided by non-dedicated McKesson personnel will be provided as schedules permit, so long as there is no material negative impact on the fulfillment of the Implementation Plan.

6.4.4 There will be no additional charge to Customer for delay, change in scope or otherwise, resulting from the replacement of McKesson personnel. Further, McKesson agrees that any agents of McKesson that assist McKesson in the provision of Implementation Services shall satisfy the requirements of this Contract Supplement and the Agreement.

6.5 Customer Responsibilities. Customer acknowledges its responsibility to meet its obligations under the implementation plan. Customer agrees to assign qualified personnel to the required positions during the Installation and Implementation process. All Implementation Services not expressly defined as a McKesson task(s) will be the responsibility of Customer. McKesson is fully committed to the timely performance of its obligations under any implementation plan developed and mutually agreed upon by the parties. Customer acknowledges that the successful implementation of any software application requires the timely performance by each party’s qualified resources of their respective obligations under the implementation plan. Because a successful implementation requires performance by Customer of certain tasks, McKesson cannot take sole responsibility for the timely implementation of any software application.

7. Third-Party Terms. Third-Party terms are set forth in Exhibit 2 attached hereto.

8. Horizon Homecare Advanced Clinicals / Clinical Assistant Dual License. The Software license granted hereunder permits the use of either Horizon Homecare Advanced Clinicals Software in conjunction with a portable personal computer (“PC”), or Horizon Homecare Clinical Assistant Software in conjunction with a personal data assistant (“PDA”), up to the total aggregate number of devices set forth in the applicable Contract Supplement. Customer may remove the Horizon Homecare Advanced Clinical Software from a PC and subsequently install it and use Horizon Homecare Clinical Assistant on a PDA, or vice versa, as long as (a) the Software is removed from the device prior to installation on the new device, and (b) the total combined number of devices on which either Software is loaded does not exceed the number of devices licensed in this Contract Supplement. Customer shall be responsible for any Equipment or implementation costs resulting from such a license transfer, and no credit for any subsequently unneeded Equipment shall be granted by McKesson in the event of any such license transfer.

9. License Upgrade Option.

9.1 Customer may upgrade Horizon Homecare Clinical Assistant Software device licenses purchased pursuant to this Contract Supplement to an equal number of

Horizon Homecare Advanced Clinicals Clinical Assistant Dual License Software device licenses at any time after such Horizon Homecare Clinical Assistant Software licenses have been paid in full, by notice to McKesson and payment of the Software and annual maintenance upgrade fees for the balance of the Software Maintenance Term as set forth in the applicable Contract Supplement. Any maintenance upgrade fees then due for the remainder of the calendar year shall be calculated on a pro rata basis from the date of the notice and the end of the calendar year in which notice was given.

9.2 For a period of three (3) years after the Contract Supplement Effective Date, Customer may, upon execution of a new and separate Contract Supplement, upgrade Horizon Homecare Clinical Assistant Software device licenses purchased pursuant to this Contract Supplement to an equal number of Horizon Homecare Advanced Clinicals / Clinical Assistant Dual License Software device licenses at any time after such Horizon Homecare Clinical Assistant Software licenses have been paid in full, upon payment to McKesson of Three Hundred Dollars per license ($300/license) and increased Software Maintenance Services fees of One Hundred Forty-four Dollars per license per year ($144/license/year) as Software and annual maintenance upgrade fees for the balance of the Software Maintenance Term.

10. Horizon Homecare Connection.

10.1 The Data Center Term shall begin upon the Contract Supplement Effective Date and shall continue for a period of two (2) years thereafter (the “Initial Data Center Term”). If Customer chooses to install the Software licensed under this Contract Supplement on Customer’s own equipment at Customer’s Data Center Facility identified in Line Item Comment 1 herein, then Customer may notify McKesson in writing of Customer’s intent to terminate the Initial Data Center Term under this Contract Supplement, effective ninety (90) days after the date of such notice sent to McKesson, attention ECSG Vice President of Support, with copy to ECSG Vice President of Sales, at 1550 E. Republic Road, Springfield, MO 65804, via overnight delivery service or U.S. Mail, certified and return receipt requested. Customer acknowledges that (i) Customer already has a copy of the Software (delivered upon Contract Supplement Effective Date) and therefore, exercising this right does not require shipment of additional software, and (ii) additional fees for Implementation Services for installation of the Software upon Customer’s equipment may apply, any such fees to be set forth in a separate contract.

10.2 For a period of eighteen (18) months after the Contract Supplement Effective Date, Customer may purchase McKesson-provided Implementation Services for the installation of the Software upon Customer’s equipment should Customer terminate the Initial Data Center Term per Section 10.1 above, at a discounted fee of twenty-five percent (25%) off of the then-current List Price for such McKesson-provided Implementation Services (“the Discount”), pursuant to the terms and conditions of the Agreement, and upon the execution of a Contract Supplement identifying the Implementation Services purchased by Customer and subject to each of the following: (a) the Discount shall not apply to any Implementation Services provided by a third party and (b) as of the effective date of the applicable Contract Supplement, Customer is not past due on any undisputed invoices, fees, charges or expenses owed to McKesson.

11. Optional Software.

11.1 For a period of three (3) years after the Contract Supplement Effective Date, Customer may, upon execution of a new and separate Contract Supplement, license the McKesson-owned Software listed below at the Customer's Data Center and its Facilities, for the license fees specified below and under the terms of the Agreement. Customer acknowledges that the Optional Software may require additional third-party software products, which may be licensed by Customer at McKesson's then current rate. Customer also acknowledges that additional fees may apply upon licensure of such Software, including without limitation, fees for Implementation Services, Software Maintenance Services and Equipment. McKesson reserves the right to charge annual Software Maintenance Services fees for additional Software licensed.

Software Product No.	Description	Licensed By	Unit Software License Fees (per License)
71000359	Horizon Homecare Connection Agency Management	Concurrent Users	$ 1,110
71002969	Horizon Homecare Connection Advanced Clinicals / Clinical Assistant Dual License	Devices	$ 1,110
71003163	Horizon Homecare Connection Clinical Assistant	Devices	$ 810

11.2 For an additional period of three (3) years after the initial three-year option pricing period set forth in paragraph 11.1 herein, McKesson agrees to increase license fees for the McKesson-owned Software listed above by no more than thirty percent (30%) per year over the previous year's price. Notwithstanding the foregoing sentence, during this additional three (3) year period, if Customer makes any purchase in a single Contract Supplement of a total quantity of one-hundred fifty (150) or more licenses for the McKesson-owned Software listed above, Customer may purchase such licenses at the "Unit Software License Fees" set forth in paragraph 11.1 herein.

12. Expenses. Customer will reimburse McKesson, within thirty-five (35) days after date of invoice, for all reasonable out-of-pocket expenses incurred by McKesson or its suppliers in the course of providing services, including, but not limited to, travel, accommodations and living expenses in accordance with McKesson's current travel policies set forth in Exhibit 3 hereto. Expenses will be billed monthly as incurred.

AUTHORIZATION

The pricing set forth in this Contract Supplement is valid until March 31, 2006. In the event this Contract Supplement is not executed on or before March 31, 2006, the pricing set forth herein is subject to change.

Customer's purchase order number is required. If this contract is equal to or exceeds $10,000, a copy of Customer's purchase order(s) must be attached. Pre-printed terms and conditions on or attached to Customer's purchase order(s) shall be of no force or effect. Failure to provide McKesson with a purchase order number or copy shall not relieve Customer of any obligations, including payment obligations, under this contract.

Addus HealthCare, Inc.

Signature: /s/ W. Andrew Wright

Printed Name: W. Andrew Wright

Title/Position: President and CEO

Customer PO No.: ______________________

Date: 3/24/06

McKesson Information Solutions LLC

Signature: ______________________

Printed Name: ______________________

Title/Position: ______________________

Date: ______________________

Thank You For Your Business
(Please attach Customer's Purchase Order)

EXHIBIT 1 TO CONTRACT SUPPLEMENT NO. 1-IXIQU

IMPLEMENTATION SERVICES

Horizon Homecare & Hospice™ Implementation Services Exhibit

Addus Healthcare
March 23, 2006

1.1 STATEMENT OF PROJECT SCOPE. McKesson shall provide the implementation services described in this Exhibit for the Horizon Homecare & Hospice™ Software set forth herein (the "Implementation Services") subject to the terms and conditions set forth below. McKesson acknowledges that Customer is relying upon the expertise, experience and knowledge of McKesson in identifying and including those implementation services required for a successful implementation. McKesson shall commence delivery of the Implementation Services on a mutually agreeable date. The Implementation Service rate (as set forth herein) is valid until (i) the Horizon Homecare & Hospice™ Software Service Path duration is reached, or (ii) twelve (12) months from the Contract Supplement Effective Date, whichever is earlier. The modules and associated Service Path durations are set forth in Exhibit 1 below.

1.2 DEFINITION OF BILL TYPES. The Implementation Services will be provided on a fixed fee ("Fixed Fee") or time and materials ("Time and Materials") basis:

Fixed Fee - "Fixed Fee" means that the Implementation Services will be delivered by McKesson at a set price determined by McKesson taking into account the project scope, and the time and resources necessary to complete the project scope.

Time and Materials Fees - Time and Materials Fees means that the Implementation Services will be delivered by McKesson on a time and materials basis such that the fees payable by Customer will be based on the number of hours spent by McKesson multiplied by the applicable hourly rate of twenty-five percent (25%) off of the published rate per hour or a rate previously contracted for and specified in the Agreement. Such hourly rate shall be valid for eighteen (18) months from the Contract Supplement Effective Date or in accordance with the terms set forth in this Exhibit, after which the McKesson current prevailing rate for that service level shall apply. McKesson may estimate the amount of hours and/or days necessary to provide the Implementation Services; however, Customer will only be billed for the actual time spent by McKesson.

Productive Use - for the purposes of this Exhibit, "Productive Use" shall have the same meaning as "Live Date."

Product - for the purposes of this Exhibit, "Product" shall have the same meaning as "Software."

1.3 **OUT OF SCOPE PROJECT(S).** Additional services required as a result of Software release changes, modifications, improvements, or any other services, interfaces or conversions, or additional training ("Additional Services"), are beyond the scope of the Implementation Services defined in this Exhibit. In the event any Additional Services are requested by Customer, McKesson and Customer will determine the scope of Additional Services to be provided, and the terms and conditions (including fees to be paid) ("Additional Services Fee") pursuant to which such Additional Services shall be provided by McKesson. Any modifications to the Implementation Services will be agreed upon in writing by Customer and McKesson.

1.4 **DEFINITION OF PROJECT SCOPE.** The Implementation Services are more expressly defined in the Customer's Definition of Project Scope Descriptions and Deliverables, which follow below.

This Quote was Prepared for:

Addus Healthcare

March 23, 2006
Horizon Homecare Services and Options

Implementation Services – Not to Exceed Limits

	Attendees	Units	Remote Hours	McKesson Facility	Client Site	Charge per Unit	Total Fee
Agency Management System (AMS)							
CBT's (Computer Based Education)							
Overview Ed CBT 1 CD *Pre-Requisite to Kickoff Meeting*		1				$ 428	$ 428.00
Classroom Education Classes							
Org Structure, Ref File, Ed. Consulting & File Build *(Consulting Onsite)* (10) User ID's provided to access the Ref File WBT's at no cost	12		*Completion of the WBT course is considered a Pre-Requisite to the onsite course.*		3.50	$ 1,233	$4,316.00
Web Classes (Instructor Lead)							
Customer Web Classes	30	5				$ 1,500	$7,500.00
On-Site Assistance							
Project Kickoff for PM					2.00	$ 783.00	$1,566.00
Operational Testing AMS					3.50	$ 783.00	$2,741.00
Live Billing Consulting					3.50	$ 783.00	$2,741.00
Live Payment & Reporting Consulting					3.50	$ 783.00	$2,741.00
Advanced Clinicals							
Education Classes							
Tech Admin of the Laptop	2			3		$ 360	$2,160.00
Remote Assistance and Consulting							
Implementation Services			25.00			$ 78.30	$1,958.00
E-Meetings							
Clinical Config Consulting			25.00			$ 90.00	$2,250.00
Other Services							
Clinical End User Quick Reference Guides		75				$ 11.25	$ 844.00
Guideline Related Services (Optional)							
Web Classes							
Guideline Development	3					$ 225	$ 675.00
Onsite Consulting							
Guideline Dev & Consulting for VNA First					3.00	$ 783.00	$2,349.00
Clinical Assistant							
Remote Assistance - New Business			10.00			$ 78	$ 783.00

Implementation Services (continued)

	Attendees	Units	Remote Hours	McKesson Facility	Client Site	Charge per Unit	Total Fee
Scheduling							
Remote Assistance & Consulting							
Implementation Assist			12.00			$ 78.30	$ 940.00
Configuration Assist					3.50	$ 783.00	$ 2,741.00
E-Learning Subscription							
Role Based E-Learning Modules Subject to Annual Renewal Fee of 100% of the Shown Fee. Licenses can be shared amongst all licensed users.	100		Licenses				$10,000.00
Clinical Forms Editor							
Consulting			5.00			$ 78.30	$ 392.00
Education Class	2			3		$ 270	$ 1,620.00
837 Electronic Formal Editor							
Consulting			3.00			$ 78.30	$ 235.00
Formats & Elec Billing CBT 1 CD		1				$ 428	$ 428.00
837 Billing Options Editor CBT 1 CD		1				$ 428	$ 428.00
Payroll							
Implementation			30.00			$ 78.30	$ 2,349.00
Configuration Analysis					2.50	$ 783.00	$ 1,958.00
Productive Use Test Assist					2.50	$ 783.00	$ 1,958.00
Education Services	2			3		$ 270.00	$ 1,620.00
General Ledger							
Implementation			8.00			$ 78.30	$ 626.00
Basic G/L Functionality CBT 1 CD		1				$ 855	$ 855.00
Insight Services – Fixed Fee							
Onsite Ed, Config, Ref Setup, Backload & Testing Assistance							$ 1,800.00
Report Analysis & Consulting					2.50		$ 1,958.00
Total Remote Assistance (Hours)			118.00				
Total On-Site Days					30.00		
Service Track Total							$62,960.00

Additional Services

	Attendees	Units	Remote Hours	McKesson Facility	Client Site	Charge per Unit	Total Fee
Consulting							
Clinical Consulting-RN					20	$ 783.00	$ 15,660.00
Agency Operations Audit Consulting					10	$ 783.00	$ 20,880.00
Billing & AR Consulting					20	$ 783.00	$ 15,660.00
Scheduling Consulting					20	$ 783.00	$ 15,660.00
Dedicated Project Manager for 1 year (120 days from contract signing). Available 220 days per year, 12 days per month on site customer location.		1.0				$162,000.00	$162,000.00
Full Time Equivalent Education Coordinator for 6 months. Available 110 days, 12 days per month onsite at customer location.		0.5				$ 81,000.00	$ 81,000.00
Dedicated Resource for 2 months not to exceed 20 days on-site.		.17				$ 27,000.00	$ 27,000.00
On-Site Education							
Sched & Office Clinicals	12				3.5	$ 2,925.00	$ 10,238.00
Billing & Financial	12				3.5	$ 2,925.00	$ 10,238.00
Adv Clinicals Ed Class	12				3.5	$ 2,925.00	$ 10,238.00
Additional Education							
Reporting with Crystal Reports	1			4		$ 270.00	$ 1,080.00
Sub Total for Additional Services							**$369,654.00**
Total Additional Onsite Days					**80.50**		

Development Services – Fixed Fee

Custom Payroll and G/L Extracts	
Payroll Extract Formatting Services	$ 4,860.00
G/L Extract Formatting Services	$ 4,253.00
Total	$ 9,113.00

Specialty Implementation Services – Not to Exceed Limits

Specialty Consulting							
End-User Training Manuals		300	300.00			$ 75	$ 22,500.00
Total			**300.00**				**$ 22,500.00**

Totals	
HHC Service Path	$ 62,960.00
Additional Services	$ 392,154.00
Migration & Custom	$ 9,113.00
Grand Total	$ 464,227.00

Services Summary

	Material Number			Est Remote Hours	On-Site Days	Total Estimated Hours
Org Structure Educ	75000432	3132	$ 4,316.00		3.50	
Scheduling Educ	75000431	3132	$ 10,238.00			
Billing & Financial Educ	75000430	3132	$ 10,238.00			
Advanced Clinicals Educ	75000429	3132	$ 10,238.00			
Payroll Educ	75000426	3132	$ 1,620.00			
Crystal Reports Educ	75000422	3132	$ 1,080.00			
Clinical Forms Editor Educ	75000428	3132	$ 1,620.00			
Tech Admin of Laptops Educ	75000420	3132	$ 2,160.00			
Guideline Web Class	75002761	3132	$ 675.00			
Cust Maint Web Class	75002764	3132	$ 7,500.00			
E-Learning	75003020	3132	$ 10,000.00			
Overview Education CBT	75002281	3132	$ 428.00			
G/L Ops CBT	75001944	3132	$ 855.00			
7.0 Billing Op CBT 837 EMC	75002132	3132	$ 428.00			
837 Formats & Billing CBT	75002176	3132	$ 428.00			
7.0 Clinical User Quick Ref Guide	75002342	3132	$ 844.00			
AMS Services	74000923	3132	$ 351,565.00	15.00	96.50	1272.00
Advanced Clinicals Services	74000921	3132	$ 7,340.00	60.00	3.00	290.00
Insight Services	74005126	3132	$ 1,958.00		2.50	25.00
Payroll Services	74001014	3132	$ 6,265.00	30.00	5.00	80.00
G/L Services	74001015	3132	$ 626.00	8.00		8.00
Forms Consulting	74004276	3132	$ 392.00	5.00		5.00
Insight Services Technical	74005117	3132	$ 1,800.00			22.99
G/L Custom	74000954	3132	$ 4,253.00			42.00
Payroll Development	74001013	3132	$ 4,860.00			48.00
Customization Services	74000953	3132	$ 22,500.00	300.00		300.00
TOTAL SERVICES						
			$ 464,227.00	**418.00**	**110.50**	**2092.99**
T&M Services (billed as incurred @ $125/HR)	74000923	3132				

CUSTOMER’S DEFINITION OF PROJECT SCOPE

Addus Healthcare

March 23, 2006

Customer Specific Service Terms and Conditions
For Horizon Homecare & Hospice™ Software

GENERAL TERMS AND CONDITIONS: The Implementation Service Fee for the Implementation Services contracted for under this Contract Supplement is based on the following terms and conditions:

1. Interface engine services, such as interface translations, communications protocol, filtering, etc. are not included in the standard interface fees specified herein, and are the responsibility of Customer's interface engine resources.
2. Customer acknowledges that hardware requirements frequently change and that Customer is responsible for all hardware upgrades required to meet the minimum specifications for use with the Horizon Homecare & Hospice™ Software.
3. Customer is responsible for upgrades to workstation and laptop operating systems as required for use with the Horizon Homecare & Hospice™ Software.
4. Customer will acquire a copy of Microsoft Project 2002 to coordinate project plans with the assigned McKesson project team(s).
5. SQL Database Replication is a function within SQL Server which is not required for use with the Horizon Homecare & Hospice product. Therefore, if the use of this function is required by Customer, it is recommended that the Customer either contract with the McKesson Technical Staff for support or provide the necessary staff who have been trained to use and administer this function.
6. Unless otherwise specified herein, the pricing set forth in this Exhibit assumes: (1) no interface or conversion services are requested, (2) a single/centralized Customer project team implementation methodology as more fully defined in the Horizon Homecare & Hospice™ Implementation Service Path set forth in Attachment I to this Exhibit, and (3) a train-the-trainer methodology for end-user education.
7. The length of the Horizon Homecare & Hospice™ Service Path may not reflect the actual length of the full Software deployment. Deployment completion is Customer-driven based on factors such as Customer project resource allocation and/or organizational requirements. Transition from implementation to customer support may occur prior to final deployment of all Software by Customer.
8. McKesson will provide to Customer on a monthly basis, or as requested by Customer, an Implementation Product Status Report that will include the following items:
    a. A milestone summary, including education dates, on-site visit dates, projected Live Date and transition to support dates;
    b. A list of issues requiring management attention;
    c. A list of major accomplishments since the last Implementation Product Status Report;

d. A list of activities planned but not accomplished since the last Product Status Report;

e. An outline of goals for the next reporting period;

f. A list of attached reports, including trip reports;

g. A list of next-scheduled on-site visits;

h. A cumulative utilization summary of the Implementation Service hours per month, including comparison to hours/days contracted, and if requested by Customer, a summary of expected variances between those hours/days contracted and expected to complete the implementation plan; and

i. Detail on any other miscellaneous items relevant to the success of the Implementation Services project.

9. Customer will reimburse McKesson for all reasonable out-of-pocket expenses, including travel and living expenses, incurred by McKesson in performing the Implementation Services in accordance with McKesson's current Travel Policy.

10. The number of: (1) education days, (2) attendees, and (3) remote hours described in this Exhibit, are "not to exceed" limits. If Customer exceeds the amounts set forth herein, Customer will be billed at the rates set forth in the Contract Supplement.

11. If Customer wishes to receive live distance learning sessions via the internet, these sessions will be charged at a rate equivalent to McKesson's normal remote hourly rate for each one (1) hour of internet education. High speed internet access (56K or better) is required. The customer may also be required to load a third party software product to enable the distance-learning tool.

12. If Customer wishes to exchange hours of service to onsite consulting days, the conversion rate is nine (9) hours equals (=) one (1) day. This exchange does NOT include onsite education classes that are billed at a rate of $2,925 per day. This exchange does refer to the rate per day for onsite services only. The daily rate for onsite services is equivalent to nine (9) times McKesson's normal remote hourly rate, except in the instance of an onsite education class. For example, if Customer purchases one hundred (100) hours of remote services, Customer can convert the one hundred (100) remote hours to eleven (11) days of onsite services at no additional charge (except for related travel and living expenses).

13. Customer can expect a McKesson worker to spend eight (8) hours at the agency each day excluding lunch and breaks and each onsite day is considered an eight (8)-hour workday. If Customer desires to extend the number of hours beyond the standard eight (8) hours, each fifteen (15) minute period thereafter will be charged against Customers Remote Services Bank of Hours.

14. If Customer exceeds the number of hours allocated for an individual service item listed in the pricing section of this Exhibit, Customer may apply any unused hours from other like services within the scope of this Exhibit, so long as the total number of hours utilized do not exceed the cumulative total of all hours contracted for under this Exhibit. Development of customizations, data conversions or hardware installation services are outside the scope of the Implementation Services and may be purchased on a Fixed Fee basis.

15. If Customer does not utilize all the hours, visits, attendees, etc. allocated in this Exhibit, Customer can utilize unused hours, visits, attendees, etc. for like services for a period of eighteen (18) months from Contract Supplement Effective Date.

16. The parties acknowledge that the only Implementation Services being purchased by Customer from McKesson are for the Horizon Homecare & Hospice™ Software listed in the pricing section of this Services Exhibit, and McKesson has no obligation to perform any Implementation Services for any Software not listed in this Exhibit.

17. In the event that Customer has failed to commence the Implementation Services of all of the Horizon Homecare & Hospice™ Software listed in this Contract Supplement within twenty-four (24) months after the Contract Supplement Effective Date (the "Start Date") through no fault of McKesson, then upon return of any Implementation Services prepayments in the manner described below, McKesson shall be relieved and released of its obligation to perform any unfulfilled Implementation Services set forth in this Exhibit. If Customer has prepaid Implementation Services Fees, McKesson shall return any such Implementation Services prepayments less (i) any outstanding invoices due McKesson; and (ii) amounts due McKesson for Implementation Services which were performed or charges incurred, but not invoiced to Customer as of the Start Date.

18. Service hours and onsite time purchased through this Exhibit do NOT include weekends, holidays, and after-hours work. After-hours work is considered work performed outside 7am to 6pm Central Standard Time. Onsite work assumes Customer's work hours. If Customer wishes to schedule after-hours, weekend or holiday work, these services will be scheduled based on availability and at the following rates:

- Project Manager = $150 per hour
- Implementation Analyst = $130 per hour
- Technical Analyst = $175 per hour
- Consultants = $150 per hour

19. Upon the Contract Supplement Effective Date, typical Items which are charged against the services hours purchased include:

- Project Administration Activities
- Project Conference Calls
- Issue Reporting - Issue Tracking
- Issue Research
- Customer Letters
- Process Re-engineering Research and Consulting
- Answering E-mail Questions from Customers
- Answering Phone or V-mail Questions
- Tracking & Reporting Implementation Service Hours Usage
- Monthly Status Reports

- Customer Project Reporting
- Product Education - Project Education
- Project Administration/Planning
- Project Monitoring
- On-site Engagements
- Data Conversion Services

EDUCATION CLASSES:

20. If Customer cancels a confirmed attendee to any class purchased hereunder within one (1) work week of the class start date, the full registration fee shall be assessed.

ONSITE EDUCATION:

21. Any education performed at Customer’s location will be limited to no more than the contracted for number of attendees specified herein. The maximum number of attendees shall not exceed twelve (12) individuals.

22. Customer is responsible for all equipment needs such as workstations and projection units needed to conduct the education.

HORIZON HOMECARE & HOSPICE CONNECTION™:

23. Customers resource commitment for the project implementation should equal at least one (1) dedicated full time employee (“FTE”) per fifteen thousand (15,000) annual visit volume.

24. High-Speed Internet connectivity of 256,000 bits per second is required for Horizon Homecare & Hospice Connection™ customers. It is recommended that customers with Advanced Clinicals have a minimum of 384,000 bits per second Asymmetrical Digital Subscriber Line (ADSL) or Cable Modem service to support additional overhead required for laptop upgrades and maintenance. Dial-up analog modem bonding is not supported.

25. Customer must coordinate with local telephone company and an ISP to install a high-speed Internet line and router.

26. Internet Protocol Security (“IPsec”) compatible router using Network Address Translation (“NAT”) or Static IP addresses are required if Customer implements the Horizon Homecare & Hospice Advanced Clinicals Software.

27. In the event Customer does not acquire any necessary equipment needed in order to run the Horizon Homecare & Hospice™ Software from McKesson and in order for McKesson to certify that the Horizon Homecare & Hospice™ Software will run on the equipment, Customer must provide complete equipment configuration information to McKesson’s technical representative prior to McKesson’s onsite technical visit.

28. The complete installation and configuration of all local agency hardware and operating systems is required in order to access Horizon Homecare & Hospice Connection™ and McKesson's InfoCenter Web Based Training modules prior to the project implementation kick-off conference call.

29. Customer will, upon request, provide proof of required Microsoft™ and Citrix™ licenses for each user that will be accessing the Data Center environment.

    - Microsoft 2000 Client Access License OLP
    - Open SQL 2000 Client License
    - Windows 2000 Terminal Services Client Access License
    - Citrix Metaframe User License

30. Customer must complete the Horizon Homecare & Hospice Connection™ education via the InfoCenter Web Based Training Modules that is provided by McKesson and made available on the Internet.

31. Use of any other software (McKesson owned or third party) other than that which is required for use with the Horizon Homecare & Hospice Connection™ laptops is not recommended or supported by McKesson.

32. Horizon Homecare & Hospice Connection™ laptops require the use of Virtual Private Network ("VPN") Client software to establish a secure database connection over the Internet. This software is provided by McKesson or is part of the Windows™ operating system.

33. Upgrades of third party software, such as Virtual Private Network ("VPN") Client software, may necessitate other hardware or software upgrades. McKesson will advise Customer as soon as practically possible of any such requirements. Customer is responsible for any costs that may be incurred to upgrade either Customer's hardware or operating system software due to such upgrade requirements from third party vendors.

34. SQL licenses are required for use with Horizon Homecare & Hospice Connection™ laptops and Customer is responsible for acquiring such licenses at Customer's expense.

DISTANCE LEARNING EDUCATION:

35. Customer is responsible for any software or hardware upgrades required to meet the minimum specifications listed below for loading the McKesson Distance Learning course compact discs ("CD's"). CD's may be duplicated by Customer for internal use only for Customer, provided, however, that Customer may not delete any trademark, copyright or other proprietary notices of McKesson and must reproduce any and all such McKesson proprietary notices on all CD's and all copies thereof.

    - **IE 6.0 or higher browser**
    - Screen resolutions of 1024/768 pixels or higher
    - CD ROM drive (if using Distance Learning on CD)
    - Sound card adapter

36. The following plug-ins and Media Player Codecs can be easily downloaded during Distance Learning set up:

- Microsoft Windows Media Player
- Macromedia Shockwave 8 or higher player
  TechSmith® Screen Capture Player
- Fraunhofer IIS® MPEG Layer-3 Codec

CUSTOMIZATION/CONVERSION SERVICES:

37. Conversion/Migration Service estimates include hours based on the Customer having one (1) test conversion and one (1) live conversion for its Skilled facilities, as well as one (1) test conversion and one (1) live conversion for its IHSS facilities. If additional test conversions are required due to Customer requested changes, Customer may incur Additional Service Fees.

38. When contracting for a conversion from any third party system data to the Horizon Homecare & Hospice™ Software, Customer shall be responsible for populating a Microsoft Access database provided to Customer by McKesson with the data elements required for the conversion. This data will then be converted into a Horizon Homecare & Hospice™ database.

39. Conversions, interface engine services, and customization work assumes that Customer's network, both LAN and WAN are in good standing. Customer shall incur Additional Service fees if any issues arise from these areas that may lengthen the time it takes to complete the Implementation Services.

40. All extract proposals assume that the Customer required data elements already exist within the Horizon Homecare & Hospice™ database structure. An extract cannot be built that requires data that is not yet stored within the Horizon Homecare & Hospice™ database.

41. Support for any customization or interface developed by McKesson for Customer is not covered under Software Maintenance support, including but not limited to, any support needed to ensure the customization/interface works with future releases of Horizon Homecare & Hospice™ Software or any changes in the regulatory environment.

42. The fees for the maintenance and support of any customization or interface will be billed at the following rates for a period of eighteen (18) months from Contract Supplement Effective Date:

a.	Software Engineer	$175/hour
b.	Technical Consultant	$150/hour
c.	Application Analyst	$150/hour

43. Customization projects will be considered complete once the deliverables described in this Exhibit are installed and the Software Testing Period has been completed, regardless of whether or not Customer is 'live' on other Horizon Homecare & Hospice™ Software modules.

44. Volume of analysis, development, testing, implementation and project management, etc. are based on the scope and assumptions set forth in this Exhibit. If McKesson incurs additional hours and expenses due to factors not previously communicated by Customer the associated time will be billed at McKesson's then current rate for Additional Services.

45. Service hours and onsite time purchased under this Exhibit do NOT include weekends, holidays, and after-hours work. After-hours work is considered work performed outside 7am to 6pm Central Standard Time. If Customer wishes to schedule after hours, weekend or holiday work, these services will be scheduled based on availability and at the following rates for a period of eighteen (18) months from Contract Supplement Effective Date:

Software Engineer = $225 per hour
Technical Specialist = $200 per hour
Application Analyst = $200 per hour

46. In the event McKesson forwards functional design documents ("Functional Design Documents") to Customer for approval, no coding will be scheduled or started until the Functional Design Document has been returned to McKesson. Upon McKesson's receipt of such document an estimated delivery date will be determined.

47. All customization/conversion proposals are considered Fixed Fee in nature.

CUSTOM 837 FORMATS:

48. The Implementation Service Fee pricing includes development, installation, and testing of the 837 claim formats indicated in this Exhibit. Maintenance of these formats is the responsibility of Customer.

49. Customer must provide specifications for the purchased formats at least ninety (90) days prior to the required delivery date. Any changes to these specifications will require Additional Service Fees.

50. All format proposals assume the Customer required data elements exist within the Horizon Homecare & Hospice™ database structure. A format cannot be built that requires data that is not yet stored within the Horizon Homecare & Hospice™ database.

HORIZON HOMECARE & HOSPICE INSIGHT:

51. Customer has installed Horizon Homecare & Hospice Agency Management System.

52. Customer must have the following programs installed:

a. At least one of the Microsoft Office Suite of products, version 10.0 or greater (such as Office 2002 or XP). Horizon Homecare & Hospice uses Microsoft Web Components as part of the Horizon Homecare & Hospice insight application. You must have a licensed copy (for each Horizon Homecare & Hospice Insight user) of the version 10.0, or greater, Microsoft Office products to run Web Components.

b. MDAC 2.70 on your workstations (clients)

c. Microsoft Analysis Services for SQL Server 2000, including Service Pack 2 (Enterprise or Standard Editions). Analysis Services is delivered with SQL Server 2000 and is a component on the SQL Server 2000 installation CD (in Auto Run mode).

d. SQL Server 2000, including Service Pack 2 (Enterprise or Standard Editions)

Attachment I to Services Exhibit

Horizon Implementation Service Path

Service Path Deliverables

The Horizon Homecare & Hospice Service Path Deliverables include the specific services purchased in accordance with this Services Exhibit. McKesson acknowledges that Customer is relying upon the expertise, experience and knowledge of McKesson in identifying and including those implementation services required for a successful implementation.

Customer Profiles

Prior to starting a Horizon Service Path implementation, Customer shall be responsible for establishing the necessary and sufficient project personnel required to successfully implement the Horizon Homecare & Hospice Software modules. Due to resource limitations, one (1) individual may serve in more than one (1) role in accordance with the suggested percentages of requested time as listed in the following table. Below is a comprehensive list of staff positions that may be needed to implement various Horizon Homecare & Hospice Product modules. Following this list of positions is a table showing which positions are needed for the various Product modules. Depending on the size of Customer’s organization and the amount of data and tasks may vary and the number of resources may vary as well.

Personnel	Skills and Knowledge
Horizon Project Manager (CPM)	• Recommended 100% commitment of time to the project • Previous project management experience • Ability to commit appropriate time to project • Ability to grasp technical information • Strong departmental relationships • Decision making authority • Strong negotiation and communication skills • Knowledge of organizational policies and procedures • Understanding of current care and practice processes • Familiar with computer operations • Authority to assign accountability
System Administrator (CSA)	• Recommended average commitment of 59% of time to the project • Knowledge of PCs and peripheral devices • Knowledge of Microsoft Windows 2000/XP Professional operating systems • Knowledge of Microsoft Windows 2000/2003 Server network operating system • Understanding of network infrastructure • Understanding of hardware environment • Understanding of data communications concepts and equipment • Product knowledge • Troubleshooting skills • Ability to train others effectively
Database Administrator (CDA)	• Recommended average commitment of 33% of time to the project • Knowledge of relational databases and SQL queries • Database administration and operations expertise • Product knowledge • Knowledge of database configuration and tuning principles

Personnel	Skills and Knowledge
Reporting Analyst (CRA) (Optional position. Strongly recommended for agencies larger that have more than 150,000 equivalent visits per year)	• Recommended average commitment of 50% of time to the project • Knowledge of relational databases and SQL queries • Database administration and operations expertise • Product knowledge • Report Writing Knowledge with tools such as Crystal Reports • Knowledge of database configuration
Training Analyst (CEA)	• Recommended average commitment of 85% of time to the project • Knowledge of clinical processes and procedures • Knowledge of clinical guidelines and requirements • Knowledge of field staff's caseload work and care practices • Understanding of business practices • Understanding of PCs and peripherals • Knowledge of Microsoft Windows operating systems use • Proficient use of the computer • Ability to grasp new concepts quickly • Ability to train others effectively • Ability to analyze training program outcomes and adjust program appropriately • Ability to train both trainers and end users
Product Analyst - Scheduling (CSCA)	• Recommended average commitment of 85% of time to the project • Understanding of business and clinical practices • Knowledge of personnel skills and needs • Knowledge of patient and clinician associations • Knowledge of organizational structure and personnel utilization • Understanding of Human Resources processes and practices • Knowledge of PCs and Microsoft Windows operating systems • Proficient use of the computer • Ability to make decisions regarding system design and procedural changes • Ability to grasp new concepts quickly • Ability to lead team members and build consensus • Ability to train others effectively

Product Analyst - Clinical (CCC)	• Recommended average commitment of 85% of time to the project • Understanding of business and clinical practices • Knowledge of clinical processes and procedures • Knowledge of clinical guidelines and requirements • Knowledge of field staff's caseload work and care practices • Knowledge of PCs and Microsoft Windows operating system • Proficient use of the computer • Ability to make decisions regarding system design and procedural changes • Ability to grasp new concepts quickly • Ability to lead team members and build consensus • Ability to train others effectively
Product Analyst - Financial (CFA)	• Recommended average commitment of 88% of time to the project • Familiar with current product and procedures • Knowledge of A/R and billing processes and procedures • Understanding of clinical practices • Knowledge of PCs and Microsoft Windows operating system • Proficient use of the computer • Ability to make decisions regarding system design and procedural changes • Ability to grasp new concepts quickly • Ability to lead team members and build consensus • Ability to train others effectively
Project Team Members (Clinical/Scheduling/AcctsReceivable/Billing) *the number and specific responsibilities of team members are based upon Customer's organizational structure and local needs determination	• Knowledge of domain processes and procedures • Knowledge of PCs and Microsoft Windows operating system • Proficient use of the computer • Ability to grasp new concepts quickly

Customer Staff Required By Software Module

Service Path Module	CPM Project Manager	CSA System Admin	CDA Database Admin	CFA Financial Analyst	CCA Clinical Analyst	CSCA Scheduling Analyst	CEA Training Analyst	CRA Reporting Analyst	Other Project Team Members
Horizon Homecare & Hospice™ Standalone Applications									
Scheduling	X	X	X		X	X	X	X	
Payroll – Customer will need to assign a Payroll specialist as well as those staff indicated.	X	X	X	X					X
General Ledger- Customer will need to assign a general ledger specialist as well as the indicated staff.	X	X	X	X					X
Horizon Homecare & Hospice™ Web Based Applications									X
Connection – Agency Management System	X	X		X	X	X	X		X
Connection – Advanced Clinicals	X	X		X	X		X		X

Service Path Education

McKesson's education is based on a train-the-trainer philosophy. Specific education purchased is listed in this Services Exhibit.

In order to assure continuity of training and an overall understanding of the entire application, McKesson strongly recommends that of the total class attendees, a minimum of 1 to 2 individuals attend all of the core training classes. Failure to do so may result in compartmentalized understanding of the application, inefficient application build logic, and procedural deficiencies in the use of the application.

Additional attendees for Client Site education may be added based on seating availability at the lower of McKesson's published seat class rate or an additional cost of $250 per attendee per day. Additional attendees for training at a McKesson Facility may be added at twenty-five percent (25%) off of the published seat rate per class for a period of eighteen (18) months from the Contract Supplement Effective Date. Since each training curriculum is organized into scheduled groups of classes, seats unused in one (1) class CANNOT be substituted for additional seats in another class without approval of McKesson. In addition, all training must take place within the designated Service Path schedule. Classes in the scheduled Service Path can be substituted for classes in another scheduled service path.

Customer and McKesson Responsibilities

The following table lists typical Customer and McKesson responsibilities.

RESPONSIBILITIES

Customer

- Establish resources according to listed Customer Profile for the Horizon Software.
- Manage the implementation project through post-implementation evaluations.
- Actively participate in the Horizon Software planning, analysis, meetings, and activities.
- Attend and actively participate in the Horizon Customer education.
- Execute implementation tasks and activities outlined in the Project Schedule.
- Perform application, device, and performance testing.
- Perform process, policy, and procedure definition.
- Data enter reference file and Customer data in as appropriate.
- Perform user training.
- Provide support resource for Productive Use.
- Position organization for transition to Customer Support.
- Complete assigned site-specific tasks.
- Deploy Horizon Software to subsequent sites through Customer-driven initiative.
- Perform application, device and performance testing as outlined in testing plans and templates.
- Accomplish Live Date through Customer-driven initiative.
- Ensure stability of Customers' internal environment.
- Complete installation and configuration of hardware and operating systems, unless contracted through McKesson.
- Install Horizon Homecare & Hospice Software utilizing documentation provided by McKesson.

McKesson

- Establish McKesson Horizon Software project team.
- Provide project management activities related to:
  - Provide a single point of contact/escalation for McKesson issues.
- Education on the technical environment setup for Horizon Software applications.
- Deliver Horizon Software education as contracted.
- Execute implementation tasks and activities outlined in the Project Schedule that are assigned to McKesson.
- Provide testing templates.
- Provide training plan template, training documents, and training agenda.
- Provide support for Productive Use for office staff.
- Organize and conduct the transition to support.
- Provide product and implementation enabling knowledge, skills and tools.
- Provides purchased Customer site visits and education services as indicated in the detail service description section of this Services Exhibit.

Service Path Duration

The following table defines the Service Path durations for each Horizon Service Path within the confines of specific Implementation Services purchased and detailed in this Services Exhibit. The following list should not be construed as modules your agency has purchased.

Service Path Module	Service Path Completion
Standalone Software Modules	
Scheduling	The Service Path is considered complete thirty (30) days after first Productive Use of Scheduling modules, or eighteen (18) months from Contract Supplement Effective Date, whichever comes first.
Payroll	The Service Path is considered complete thirty (30) days after Phase I Productive Use, or twelve (12) months from Contract Supplement Effective Date, whichever comes first.
General Ledger	The Service Path is considered complete thirty (30) days after Phase I Productive Use, or twelve (12) months from Contract Supplement Effective Date, whichever comes first.
Web Based Software Modules	
Connection – Agency Management System	The Service Path is considered complete thirty (30) days after Phase I Productive Use, or twelve (12) months from Contract Supplement Effective Date, whichever comes first.
Connection – Advanced Clinicals	The Service Path is considered complete thirty (30) days after Phase I Productive Use of Advanced Clinicals modules, or twelve (12) months from Contract Supplement Effective Date, whichever comes first.
Specialty Education & Consulting	
Clinical Forms Editor	The Clinical Forms Editor class must be scheduled within twelve (12) months from the Contract Supplement Effective Date. Clinical Forms Editor Consulting hours will be considered complete ninety (90) days after education has been completed.
Crystal Reports Class	The Crystal Reporting class must be scheduled within twelve (12) months from the Contract Supplement Effective Date.
Technical Administration of the Laptop Class	The Technical Administration of the Laptop class must be scheduled within twelve (12) months from the Contract Supplement Effective Date.

Transition to Support

Transition to the McKesson Support team is accomplished immediately following Service Path completion for each Product module. The McKesson Project Manager will arrange a conference call between Customer and the McKesson Support team. The McKesson Support team will be introduced and will review McKesson's Software Maintenance support policy with Customer. All outstanding issues will be reviewed, and an action plan designating the responsible parties will be developed.

The Service Path length may not reflect the actual length of time involved in completing the entire deployment process of the Products contracted for under this Contract Supplement. Deployment completion is a Customer driven initiative based upon resource allocation and/or organizational requirements. It is possible that Customer will be transitioned to Customer Support prior to full deployment of the Product modules contracted for under this Contract Supplement.

Implementation Services, Education and Onsite Assistance Commitments

The specific details of purchased visits, bank of hours and education classes are outlined in this Services Exhibit.

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EXHIBIT 2 TO CONTRACT SUPPLEMENT NO. 1-IXIQU

THIRD PARTY SOFTWARE TERMS

First DataBank

The following special provisions regarding Customers license of the First DataBank Knowledge Bases ("Databases") is for the collection of Annually Renewable Software Maintenance Fees by McKesson and subsequent payment of said fees to First DataBank on behalf of Customer.

1. McKesson grants a limited, n on-transferable, non-exclusive license to Customer as indicated below to use one or more of the First DataBank Knowledge Bases ("Databases") delivered to Customer for a term beginning on the date the Databases are first installed in Customers system or systems and continuing until (a) expiration of the license term, or (b) Customer's violation of any of the terms and conditions of this Exhibit, or (c) either party notifies the other in writing that it will no longer use or provide the Databases to Customer, as the case may be. Annual fees for the use of the Database shall be paid to McKesson, as agent for First Data Bank in accordance with McKesson's then current published fee schedule.

2. The Databases are proprietary to First DataBank. Except in the ordinary course of providing medical information to or about patients to the Customer, Customer shall hold all portions of the Databases in the strictest confidence, not disclose the contents thereof, shall not copy, duplicate, modify, or distribute any software or data element forming a whole or a part of the Databases, and shall not during the term of the Agreement or five years thereafter develop or market any database competitive with the Databases. Within thirty (30) days following termination of the Agreement, Customer agrees to return any disk or magnetic tapes provided by McKesson to Customer containing the Databases and to destroy all information relating to or constituting the Databases (including User documentation, data stored on disks, magnetic tapes, and computer storage devices) provided directly or indirectly by First DataBank. Upon termination or non-renewal of the agreement granting McKesson the right to sublicense Databases to Customer, Customer must either (a) accept First DataBank's offer to license Databases on a new, individual, long-term direct license basis, at First DataBank's generally-applicable terms and conditions at that time or (b) de-install and destroy the Databases (by replacing them with an alternative product offered by McKesson, if applicable).

3. The parties hereby acknowledge that, notwithstanding anything in this Exhibit, Customer may utilize the customization functionality within the Drug Information Framework Software, if such software was licensed, to provide and report clinical alerts developed by the Customer. Customer assumes all liability for such customized alerts. Customer agrees to indemnify, defend and hold McKesson and First DataBank harmless from such Customer developed alerts to the extent that such claims would not have existed but for Customers customization of the alerts.

4. The Databases must be used subject to this Exhibit and must be used only on a Customer's computer system. Customer has no right to sublicense the system without express written approval of First DataBank.

5. First DataBank hereby warrants that the non-exclusive rights granted to Customer are free of any and all assignments, grants, licenses, obligations, or agreements, either written, oral or implied which might detract from Customer's full enjoyment of such right. First DataBank warrants that, at the time of delivery to Customer, the Databases will perform as generally described in the First DataBank Database documentation. During the term of the Agreement, First DataBank agrees to correct at its own expense any errors or omissions in the Databases reasonably attributable to it and brought to its attention by Customer in writing. First DataBank warrants that it has used reasonable care to accurately compile the databases. FIRST DATABANK MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OTHER THAN THOSE IN THIS EXHIBIT, AND FURTHER, MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, AS TO THE ACCURACY OF THE DATA FROM WHICH THE DATABASES ARE COMPILED, NOR AS TO FITNESS FOR LICENSEE'S PARTICULAR PURPOSE.

6. Customer may not modify or amend the Databases. Any modifications by Customer will release First DataBank from responsibility, if any, relating to the performance of the Databases.

7. Customer acknowledges that McKesson has acted merely as a sales agent for First DataBank with regard to the Databases, and that McKesson is not the author of, nor is responsible for, the content of the Databases. MCKESSON MAKES NO EXPRESS OR IMPLIED WARRANTIES OF ANY KIND AND HEREBY DISCLAIMS ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND IN NO EVENT SHALL MCKESSON BE LIABLE TO CUSTOMER OR ANY THIRD PARTY FOR ANY DIRECT OR INDIRECT DAMAGES.

8. First DataBank has utilized reasonable care in collecting and reporting the information contained in the Databases and has obtained such information from sources believed to be reliable. First DataBank, however, does not warrant the accuracy of codes, prices or other data contained in the Database. Information reflecting prices is not a quotation or offer to sell or purchase. The clinical information contained in the Databases is intended as a supplement to, and not a substitute for, the knowledge, expertise, skill, and judgment of physicians, pharmacists, or other healthcare professionals in patient care. The absence of a warning for a given drug or drug combination should not be construed to indicate that the drug or drug combination is safe, appropriate or effective in any given patient.

9. Customer acknowledges that any and all software problems encountered by Customer, including those related to the Databases, must be directed to McKesson.

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EXHIBIT 3 TO CONTRACT SUPPLEMENT NO. 1 -IXIQU

2006 MCKESSON CORPORATE TRAVEL POLICY

TRAVEL POLICY, PROCEDURES, AND EXPENSE REIMBURSEMENT GUIDELINES

I. ***TRAVEL ARRANGEMENTS*****.** All travel arrangements (to include airline, lodging, rental car, etc.) must be arranged through McKesson's currently designated corporate travel agency ("Agency"). Tickets not issued by the Agency will not be reimbursed.

A. **Air Travel.** The Company will reimburse all business air travel as long as such travel is at the lowest cost available airfare, short of endangering the reason for the trip or the business needs dictated by a customer. The guidelines surrounding our travel policy are as follows:

The lowest available airfare, regardless of penalties or restriction, must be utilized by anyone traveling at the expense of McKesson. Any tickets being requested within 7-days of travel require Senior V.P. approval before the ticket can be issued by the Travel Department.

The Agency will automatically confirm the lowest airfare available on the requested routing. The Agency will check all flights one and a half hours before and one and a half hours alter the originally requested arrival, for the lowest available airfare and advise the traveler of the lowest fare options.

B. **Lodging.** The Company will pay only actual room rental costs supported by the hotel bill for each day that lodging away from home is required for business reasons. Hereafter, the standard hotel will be Marriott Courtyard-type lodging for all business-related travel.

C. **Car Rentals.** The Company will reimburse car rentals only when other means of transportation are unavailable, more costly, or impractical. The use of a rental car must be justified as a business need and not as a matter of personal convenience. The use of intermediate or full-size cars is acceptable only when two or more employees are traveling together and sharing the rental car, or when it is necessary to have a larger vehicle for carrying clients or equipment.

D. **Other Transportation.**

1. **Personal Car.** The Company prefers travel through use of public transportation, but an employee's automobile should be used when other transportation is unavailable or economy can be realized. The Company will reimburse the employee at the rate of $0.445 per mile over and above the normal commute, plus parking and tolls, for authorized business use of personal cars. The normal commute includes an employee's drive to his/her office, or FM site, if located in the same city in which the employee resides.

2. **Taxis and Other Out-of-Town Transportation.** The cost of a taxi to and from places of business, hotels, or airports in connection with business activities is reimbursable. Use of taxis is authorized only when more economical services (hotel vans, shuttles, etc.) are not available. Employees are encouraged to utilize public transportation whenever feasible. Receipts are required for all transportation expenses.

II. ***MEALS*****.** The Company will reimburse employees for meal expenses (breakfast, lunch, and dinner) actually incurred, providing such expenses are reasonable and appropriate. The suggested costs below should provide a guideline to employees as to what the Company feels is fair and reasonable, but in no event should the total exceed $40.00 per day.

Breakfast	$8.00
Lunch	$12.00
Dinner	$20.00

III. ***OTHER REIMBURSABLE EXPENSES*****.**

A. Telephone Expenses.

1. **Business.** The Company will pay charges for local and long-distance business calls made outside a Company office, provided the calls are supported by a listing, hotel bill, or telephone bill. All domestic long distance telephone calls should be placed through AT&T.
2. **Personal.** The Company will pay charges for personal long distance calls when the employee is away from home for business reasons. These should be limited to one ten-minute call a day. In order to maximize the savings potential employees should place personal calls through AT&T.

B. Laundry Expenses. The Company will pay for reasonable laundry or dry cleaning charges for employees who are traveling out of town and will be out of town on company business for five nights or more. In such situations, the employee’s manager determines the fair and reasonable nature and amount of reimbursable business expenditure.

C. Tips and Gratuities. The Company will pay for reasonable tipping and gratuities:

- up to 20% of the total restaurant bill
- $1 per bag porterage
- up to 15% of the total cab fare

D. In-Town Expenses. When traveling within his/her headquarters city, an employee may expense charges for local transportation if required for business purposes and when authorized. Whenever public transportation is not used, claims for taxis, private limousines, and personal car mileage should be separated, claimed, and explained, showing the purpose of the trip and the itinerary.

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Exhibit 10.17(b)

McKesson Information Solutions LLC (“McKesson”)
Confidential and Proprietary to McKesson

Addus HealthCare, Inc.
Customer Number 1054905
Contract Number 1-ZKMQN
April 3, 2008

Contract Supplement

Sold To:

Addus HealthCare, Inc.
2401 S. Plum Grove Road
Palatine, IL 60067
Federal Tax ID: 42-1014070
Taxable: ☒ Yes ☐ No

Ship To:

Addus HealthCare, Inc.
CUSTOMER INCURRING FEES FOR ADDITIONAL LICENSES ONLY; NO SHIPMENT OF SOFTWARE REQUIRED

Bill To:

Addus HealthCare, Inc.
2401 S. Plum Grove Road
Palatine, IL 60067
Telephone: (847) 303-5300
Facsimile: (847) 303-5797
Attention: David W. Stasiewicz

Paid By:

Addus HealthCare, Inc.
2401 S. Plum Grove Road
Palatine, IL 60067

Contract Supplement to License Agreement # 00608555, dated March 28, 2006.

THIS CONTRACT SUPPLEMENT, including all Exhibits, Schedules, and Attachments hereto and incorporated herein (this “Contract Supplement”) amends the agreement identified above including all Exhibits, Schedules, and Attachments thereto, and as amended (the “Agreement”), and is made effective as of this __ day of __________, 2009 (the “Contract Supplement Effective Date”). Unless otherwise specifically and expressly set forth in this Contract Supplement, this Contract Supplement sets forth terms and conditions that apply only to the Facilities, Software and/or Services listed in this Contract Supplement. To the extent the terms and conditions of the Agreement are in conflict with this Contract Supplement, the terms of this Contract Supplement shall control. Where not different or in conflict with the terms, conditions and definitions of this Contract Supplement, all applicable terms, conditions, and definitions set forth in the Agreement are incorporated within this Contract Supplement as if set forth herein.

SOFTWARE

Software Product No.	Software Maintenance Product No.	Description	Licensed By	List Software License Fees	Qty	Disc	Net Software License Fees	Annual Software Maintenance Services Fees
Horizon Homecare Agency Management								
71000382	73006361	Horizon Homecare Agency Management	Concurrent	$ 3,700	60	70%	$ 66,600	$ 31,968
						Software Total:	**$ 66,600**	
							Software Maintenance Services Total:	**$ 31,968**
Horizon Homecare Connection Data Center								**Annual Fee**
N/A	73000162	Horizon Homecare Connection Agency Management Data Center			60 licenses x $260 per license			$ 15,600
							Data Center Subtotal:	**$ 15,600**
						Software, Software Maintenance Services and Data Center Totals:	**$ 66,600**	**$ 47,568**

Software Payment Terms: Twenty-five percent (25%) shall be due upon the Contract Supplement Effective Date; and the remaining seventy-five percent (75%) shall be due and payable in eleven (11) equal consecutive monthly payments beginning thirty (30) days from the Contract Supplement Effective Date.

Software Maintenance Services Payment Terms: The Initial Software Maintenance Services Term shall begin upon the Contract Supplement Effective Date and shall continue for a period of three (3) years thereafter (the "Initial Maintenance Term"). An amount equal to twelve (12) months of the first annual Software Maintenance Services fee shall be waived. Thereafter, 100% of the annual Software Maintenance Services fee will be due on each anniversary date of the Contract Supplement Effective Date for the remainder of the Initial Maintenance Term.

Horizon Homecare Connection Data Center Payment Terms: The Data Center Term shall begin upon the Contract Supplement Effective Date and shall continue for a period of three (3) years thereafter (the "Initial Data Center Term"). The first annual Data Center fee shall be due upon the Contract Supplement Effective Date.

GRAND TOTAL:	$66,600	$47,568

GENERAL COMMENTS

1. Limitation of Liability.

   MCKESSON'S TOTAL CUMULATIVE LIABILITY UNDER THIS CONTRACT SUPPLEMENT WITH RESPECT TO ANY SOFTWARE, EQUIPMENT OR SERVICES DELIVERED HEREUNDER WILL BE LIMITED TO THE TOTAL FEES PAID (LESS ANY REFUNDS AND CREDITS) BY CUSTOMER TO MCKESSON UNDER THIS CONTRACT SUPPLEMENT. IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY UNDER, IN CONNECTION WITH, OR RELATED TO THIS CONTRACT SUPPLEMENT FOR ANY SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES WHETHER BASED ON BREACH OF CONTRACT, WARRANTY, TORT, PRODUCT LIABILITY, OR OTHERWISE, AND WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE. THE FOREGOING EXCLUSION OF DAMAGES WILL NOT APPLY TO (i) ANY LIABILITY OF MCKESSON UNDER SECTION 7 OF LICENSE AGREEMENT #C0608555 OR (ii) ANY LIABILITY OF CUSTOMER ARISING OUT OF OR RELATED TO INFRINGEMENT OF MCKESSON OR MCKESSON'S LICENSORS INTELLECTUAL PROPERTY. THE PARTIES ACKNOWLEDGE AND AGREE THAT THE FOREGOING LIMITATIONS OF LIABILITY ARE A CONDITION AND MATERIAL CONSIDERATION FOR THEIR ENTRY INTO THIS AGREEMENT

2. Software Maintenance Term. The Initial Software Maintenance Services Term shall begin upon the Contract Supplement Effective Date and will end three years thereafter (the "Initial Software Maintenance Term"). Following the expiration of the Initial Software Maintenance Term, subject to Customer's payment of the applicable Software Maintenance

Services fees, McKesson will continue to provide Customer with Software Maintenance Services for successive, automatically renewable one year periods ("Renewal Terms"), unless either party provides the other party with written notice of termination of Software Maintenance Services no less than six months notice prior to the end of the Initial Software Maintenance Term or three months prior to the end of the applicable Renewal Term.

3. Reporting. It shall be Customer's responsibility to ensure that all discounts or the appropriate net price received from McKesson pursuant to this Contract Supplement are properly reflected on any cost reports filed by Customer to any government entity.

4. Tax Status. Should Customer represent that it or the transactions contemplated hereunder are exempt from any or all sales, use, value-added, and other similar taxes and duties, Customer shall be responsible for providing McKesson with evidence of such tax-exempt status, proper exemption certificates or other documentation acceptable to McKesson. Customer shall also be responsible for providing McKesson with renewal documentation if applicable.

5. Horizon Homecare Agency Management. "Concurrent User" means a Permitted User identified by a unique user ID issued by Customer and who is one user out of a maximum number of users permitted to access the Software simultaneously. The number of purchased Concurrent User licenses for Horizon Homecare Agency Management Software is identified in the Software table in this Contract Supplement.

6. Horizon Homecare Connection Data Center Services.

a. The initial term for Data Center services for Horizon Homecare Connection Software shall begin upon the applicable Contract Supplement Effective Date and shall continue for a period of three years thereafter (the "Initial Data Center Term"). Following the expiration of the Initial Data Center Term, subject to Customer's payment of the applicable annual Connection Data Center Fee, McKesson will continue to provide Customer with Data Center services for successive, automatically renewable one (1) year periods ("Renewal Data Center Terms"), unless Customer provides McKesson with notice of termination per this paragraph, or McKesson provides Customer with written notice of termination of Data Center services no less than six (6) months prior to the end of the Initial Data Center Term or any Renewal Data Center Term. McKesson may, effective one (1) year after the execution of the applicable Contract Supplement or Attachment and during any Renewal Data Center Term, increase the annual Connection Data Center Fee for any Horizon Homecare Connection Software once a year by the lower of (a) five percent (5%) or (b) the annual percentage increase in the ECI Index for White Collar Workers. Any such increase will not be effective until the next year of Data Center services. If Customer chooses to install the licensed Horizon Homecare Connection Software on Customer's own equipment at Customer's Data Center Facility identified in the applicable Contract Supplement, then Customer may notify McKesson in writing of Customer's intent to terminate the Initial Data Center Term or any Renewal Data Center Term, effective one hundred eighty (180) days after the date of such notice sent to McKesson, attention ECSG Vice President of Support, with copy to ECSG Vice

President of Sales, at 1550 E. Republic Road, Springfield, MO 65804, via overnight delivery service or U.S. Mail, certified and return receipt requested. Customer acknowledges that (i) Customer already has a copy of the Software (delivered upon Contract Supplement Effective Date of the applicable Contract Supplement under which Customer originally licensed the Horizon Homecare Connection Software) and therefore, exercising this right does not require shipment of additional software, and (ii) additional fees for Implementation Services for installation of such Software upon Customer’s equipment may apply, any such fees to be set forth in a separate contract.

b. Up to one and one-half (1.5) Named Network Users for each Concurrent User license for Horizon Homecare Connection Agency Management Software purchased under this Contract Supplement are included in the Connection Data Center services purchased hereunder (if the total number of Named Network Users contains a fraction, it will be rounded up to the next whole number). For purposes of this Contract Supplement, “Named Network User(s)” means a unique user ID issued by Customer to a single Permitted User (as defined in the Agreement), all of whom are permitted to access the Connection hosted domain, and will be rounded up to the next whole number.

7. Product Functionality Disclaimer. Customer acknowledges and agrees that McKesson has made no warranty or commitment with regard to any functionality not Generally Available as of the Contract Supplement Effective Date, whether or not included as part of Software Maintenance Services, for any Software licensed hereunder. Customer acknowledges and agrees that Customer has not relied on the availability of any future version of the purchased product or any other future product in executing this Contract Supplement.

8. Pursuant to Contract Supplement No. 1-IXIQU, paragraph 11.1, Customer desires to exercise their option to purchase additional Horizon Homecare Agency Management Users for the fee of $1,110 per license.

9. Following the expiration of the second year of the Initial Software Maintenance and Data Center Term, Customer may terminate McKesson’s provision of Maintenance and Data Center Services without penalty, provided that Customer furnishes McKesson with written notice of termination of Maintenance and Data Center Services no less than six (6) months prior to the end of the Initial Software Maintenance and Data Center Term.

10. Amendment No. P0932760 is to be executed contemporaneous to this Contract Supplement No. 1-ZKMQN.

AUTHORIZATION

The pricing set forth in this Contract Supplement is valid until April 30, 2009. In the event this Contract Supplement is not executed on or before April 30, 2009, the pricing set forth herein is subject to change.

Customer's purchase order number is required. If this contract is equal to or exceeds $10,000, a copy of Customer's purchase order(s) must be attached. Pre-printed terms and conditions on or attached to Customer's purchase order(s) shall be of no force or effect. Failure to provide McKesson with a purchase order number or copy shall not relieve Customer of any obligations, including payment obligations, under this contract.

Addus HealthCare, Inc.

Signature: /s/ Francis J. Leonard
Printed Name: Francis J. Leonard
Title/Position: CFO
Customer PO No.:
Date: 4/9/09

McKesson Information Solutions LLC

Signature:
Printed Name:
Title/Position:
Date:

Thank You For Your Business
(Please attach Customer's Purchase Order)

Exhibit 10.17(c)

McKesson Information Solutions LLC	Addus HealthCare, Inc.
Confidential and Proprietary to McKesson	Customer No. 1054905
	Amendment No. P0932760
	April 8, 2009

AMENDMENT

THIS AMENDMENT (the “Amendment”) to License Agreement No. C0608555, dated March 28, 2006 (the “LA”) and more specifically to Contract Supplement No. 1-IXIQU, also dated March 28, 2006 (the “CS”) (collectively, the “Agreement”) and Sales Order No. 1-S3HBF, dated June 19, 2007 (the “SO”) is effective as of March 31, 2009 (the “Amendment Effective Date”) between McKesson Information Solutions LLC (“McKesson”) with offices at 5995 Windward Parkway, Alpharetta, GA 30005 and Addus HealthCare, Inc. (“Customer”) with offices at 2401 S. Plum Grove Rd., Palatine, IL 60067, (collectively, the “Parties”).

WHEREAS, the Parties desire to exchange certain licensed Horizon Homecare Clinical Assistant – PDA Licenses for Horizon Homecare Agency Management Software, and terminate Software Maintenance Services for certain licensed Horizon Homecare Connection Advanced Clinical/Clinical Assistant licenses;

WHEREAS, the Parties are currently negotiating the terms of new Contract Supplement No. 1-ZKMQN with respect to Customer’s purchase and license of certain Horizon Homecare Agency Management Software and related Software Maintenance Services (the “New Contract”) as well as Settlement Agreement No. P0829062 with respect to an unrelated matter (the “Settlement Agreement”);

WHEREAS, certain Customization Services provided by McKesson under the SO did not fully meet Customer’s expectations;

WHEREAS, Customer has a considerable past due Accounts Receivables balance with McKesson;

WHEREAS, the Parties desire to execute this Amendment, New Contract and Settlement Agreement on or before the Amendment Effective Date;

WHEREAS, the Parties desire to amend the Agreement as of the Amendment Effective Date on the terms and conditions set forth herein,

NOW, THEREFORE, in consideration of the mutual exchange of promises set forth herein, McKesson and Customer agree to amend the Agreement as follows:

1. Except as defined herein or otherwise required by the context herein, all capitalized terms used in this Amendment have the meaning set forth in the Agreement.

2. As of the Amendment Effective Date, Customer’s outstanding past due accounts receivable billed and owed to McKesson (over 60 days) is Four Hundred Sixty-Five Thousand, Seven Hundred Twenty-One Dollars ($465,721) (“Outstanding AR”). Customer agrees to pay the Outstanding AR on or before the Amendment Effective Date.

3. As of the Amendment Effective Date, the SO is hereby amended by reducing the total fee stated therein by a discount in the amount of 50% such that the total fee shall be $5,400.00.

4. As of the Amendment Effective Date, the CS is hereby amended by terminating and thereby deleting therefrom a quantity of one hundred thirty (130) Horizon Homecare Clinical Assistant – PDA Licenses (Product No. 71003163) and related Software Maintenance Services (Product No. 73016052). In replacement of the foregoing terminated PDA Licenses and Software Maintenance Services, the CS is hereby further amended by adding a quantity of one hundred thirty (130) Horizon Homecare Agency Management Software licenses and related Software Maintenance Services. The Parties agree that no additional Software License Fees will be due from Customer for the foregoing Horizon Homecare Agency Management Software licenses, however, the Software Maintenance Services fees set forth in the table below shall replace the Software Maintenance Services fees set forth in the CS for the terminated PDA Licenses, and shall be paid by Customer in accordance with the payment terms therein. McKesson agrees to waive the Annual Software Maintenance Fees and Annual Data Center Fees set forth in the table below for the quantity stated therein for the first one-year period following the Amendment Effective Date.

Software Product No	Software Maintenance Product No.	Data Center Material No.	Description	Licensed by	List Software License Fee	Net Software License Fees	Qty	Annual Software Maintenance Fees	Annual Data Center Fees
71000382	73006361	73000162	HHC Agency Management	Concurrent Users	$ 481,000	$ 0	130	$ 69,264	$ 33,800

5. As of the Amendment Effective Date, the CS is hereby further amended by terminating the Software Maintenance Services fees and Data Center fees for the one hundred sixty-five (165) Horizon Homecare Advanced Clinicals/Clinical Assistant Dual Licenses – Device Licenses (Product No. 73015819). The foregoing Product No. has been retired and therefore if Customer desires to reinstate such Software Maintenance Services, Customer acknowledges and agrees that it would be under the Software Maintenance Services for Horizon Homecare Advanced Clinicals licenses and the Customer will be charged a reinstatement surcharge in the amount percentage stated in the table below for the applicable year in addition to being charged McKesson’s then current annual Software Maintenance fee for Horizon Homecare Advanced Clinicals.

Cost of Reinstatement of Software Maintenance Services

Year of Reinstatement of Software Maintenance	Surcharge Amount
2010	10%
2011	15%
2012	45%

6. McKesson hereby grants to Customer a credit in the amount of twenty-three thousand five hundred fifty-three dollars ($23,553) for the items described in the table below, (the “Credit Amount”), which may be applied as specified in the table below. The Credit Amount shall be available to Customer immediately following McKesson’s receipt of two originals of this Amendment duly executed by Customer.

Description	Contract No.	Credit Amount	Apply To
Clinical Assistant Software Maintenance April 2009	1-IXIQU	$ 4,384.00	7001376936
Clinical Assistant Data Center Fee April 2009	1-IXIQU	$ 2,319.00	7001376936
Advanced Clinical/Clinical Assistant Software Maintenance April 2009	1-IXIQU	$ 7,623.00	7001376936
Advanced Clinical/Clinical Assistant Data Center Fee April 2009	1-IXIQU	$ 3,827.00	7001376936
Customization Services	1-S3HBF	$ 5,400	Accounts Receivable
Total Credit		**$ 23,553**	

7. Upon the Amendment Effective Date and the receipt of any payments due hereunder, the Parties each release and forever discharge the other party, its affiliates, officers, directors, agents, successors and assigns from any and all claims, actions, causes of action, demands, suits or damages of any type or kind, which any of said party had against the other party under the Agreement and SO, except for outstanding payment obligations, up to the Amendment Effective Date.

8. Neither McKesson nor Customer shall disclose the terms and conditions of this Amendment or the existence of the Agreement or SO to any third party and both Parties agree to maintain the confidentiality of this Amendment.

9. As of the Amendment Effective Date, the CS is hereby further amended by extending the Initial Maintenance Term and Initial Data Center Term for the remaining software license identified on the CS for a period of three (3) years (the “Extension Term”). Following the expiration of the second year of the Extension Term, Customer may terminate McKesson’s provision of Maintenance Services and Data Center Services without penalty, provided that Customer furnishes McKesson with written notice of termination of Maintenance Services no less than six (6) months prior to the end of such second year of the Extension Term. During the Extension Term, for any new purchases of Agency Management Software licenses or Advanced Clinicals Software licenses, McKesson will provide Customer with a discount in the amount of seventy percent (70%) off the then current list price, provided that Customer purchases a minimum amount of fifty (50) such licenses and has no outstanding overdue Accounts Receivables at the time of such purchase.

10. In addition, during the Extension Term, McKesson agrees to make the following discounted pricing available to Customer for Customer’s purchase of Software Maintenance Services and Data Center Services for Horizon Homecare Agency Management Software and Horizon Homecare Advanced Clinicals Software, provided that Customer has no outstanding overdue Accounts Receivables at the time of such purchase. In the event Customer elects to terminate the Extension Term upon expiration of the second year, the discount pricing offered herein will also expire at such time.

Discounted Pricing

Data Center Fees for Advanced Clinicals Software only:

Annual Data Center Fees	Annual Fee per license
# Users	
1-300	$ 258
301-450	$ 245
451+	$ 201

Agency Management Software Maintenance Fees and Advanced Clinicals Software Maintenance Fees:

Agency Management Software	Annual Software Maintenance Fee per license
# Users	
1-300	$ 533
301-450	$ 468
451-600	$ 411
601+	$ 362

Advanced Clinicals Software	Annual Software Maintenance Fee per license
# Users	
1-300	$ 533
301-450	$ 468
451-600	$ 411
601+	$ 362

11. It shall be Customer’s responsibility to ensure that all discounts or the appropriate net price received from McKesson pursuant to this Amendment are properly reflected on any cost reports filed by Customer to any government entity.

12. The Parties acknowledge that the New Contract and the Settlement Agreement shall be executed between Customer and McKesson contemporaneously on or before the Amendment Effective Date.

13. Except as otherwise modified by this Amendment, all other terms and conditions of the Agreement and SO shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their duly authorized representatives.

ADDUS HEALTHCARE, INC.

By: /s/ Francis J. Leonard

Name: Francis J. Leonard

Title: CFO

Date: 4/9/09

MCKESSON INFORMATION SOLUTIONS LLC

By:

Name:

Title:

Date:

Exhibit 23.1

BDO Seidman, LLP
Accountants and Consultants

233 N. Michigan Ave., Suite 2500
Chicago, Illinois 60601
Telephone: 312-856-9100
Fax: 312-856-1379

Consent of Independent Registered Public Accounting Firm

Addus HealthCare, Inc. (Predecessor)
Addus HomeCare Corporation
(f/k/a Addus Holding Corporation) (Successor)
Palatine, Illinois

We hereby consent to the use in the Prospectus constituting a part of this Registration Statement of our reports dated October 5, 2007 and April 30, 2009, except for Note 12, as to which the date is June 30, 2009, relating to the consolidated financial statements and schedule of Addus HealthCare, Inc. (Predecessor) and Addus HomeCare Corporation (f/k/a Addus Holding Corporation) (Successor), respectively, which are contained in that Prospectus.

We also consent to the reference to us under the caption “Experts” in the Prospectus.

/s/ BDO Seidman, LLP
BDO Seidman, LLP
Chicago, Illinois

August 24, 2009

Exhibit 23.2

DIXON HUGHES PLLC
Certified Public Accountants and Advisors

CONSENT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

To the Board of Directors
Addus HomeCare Corporation
Palatine, Illinois

We consent to the use of our reports dated July 6, 2009, with respect to the balance sheet of SuCasa Personal Care, LLC as of July 28, 2007 and the related statements of operations, members' equity and cash flows for the period of January 1, 2007 through July 28, 2007; the balance sheet of Desert PCA of Nevada, LLC as of July 28, 2007 and the related statements of operations, member's equity and cash flows for the period of January 1, 2007 through July 28, 2007; the balance sheet of Greater Vegas Personal Care, LLC as of November 12, 2007 and the related statements of operations, members' equity (deficit) and cash flows for the period January 1, 2007 through November 12, 2007; the balance sheet of Vegas Valley Personal Care, LLC as of November 12, 2007 and the related statements of operations, member's equity (deficit) and cash flows for the period of January 1, 2007 through November 12, 2007 included in this Registration Statement, and to the reference to our firm under the heading "Experts" in this Registration Statement.

Dixon Hughes PLLC

Morgantown, West Virginia
August 24, 2009

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August 25, 2009

BY EDGAR AND HAND DELIVERY

Mr. John Reynolds
Assistant Director
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Addus HomeCare Corporation
Registration Statement on Form S-1
File No. 333-160634

Dear Mr. Reynolds:

This letter is submitted on behalf of Addus HomeCare Corporation (the "Company") in response to the comments of the staff (the "Staff") of the Division of Corporation Finance of the Securities and Exchange Commission (the "Commission") with respect to the Company's registration statement on Form S-1 (File No. 333-160634) (the "Registration Statement"), as set forth in your letter to Mark S. Heaney dated August 14, 2009. We are filing Amendment No. 1 to the Registration Statement ("Amendment No. 1") in response to such comments, to update the financial statements and other financial information to June 30, 2009 and for other necessary changes. We have included with this letter two copies of such filing, one of which has been marked to show changes from the Registration Statement as originally filed on July 17, 2009.

For reference purposes, the text of each comment contained in your letter dated August 14, 2009 has been reproduced herein, followed by the Company's response. All references to page numbers in the text of this letter refer to pages in Amendment No. 1, as marked to show changes from the Registration Statement as originally filed on July 17, 2009.

General

1. **Prior to effectiveness, please have a Nasdaq representative call the staff to confirm that your securities have been approved for listing.**

   RESPONSE: The Company will arrange to have a Nasdaq representative call the Staff to confirm that its shares of common stock have been approved for listing prior to effectiveness.

2. **Prior to the effectiveness of the company's registration statement, please inform us as to whether the amount of compensation allowable or payable to the underwriters have received clearance by the Financial Industry Regulatory Authority.**

   RESPONSE: Prior to effectiveness, the Company will request the staff of the Financial Industry Regulatory Authority to contact the Staff and advise that it does not object to the amount of compensation allowable or payable to the underwriters in connection with the offering being registered under the Registration Statement (the "Offering").

3. **We will process your amendments without price ranges. As the price range you select will affect disclosure in several sections of the filing, we will need sufficient time to process your amendments once a price range is included and the material information now appearing blank throughout the document has been provided. Please understand that the effect of the price range on disclosure throughout the document may cause us to raise issues on areas not previously commented on.**

   RESPONSE: The Company acknowledges that the Staff will need sufficient time to process amendments to the Registration Statement once a price range is included and the material information now appearing blank has been provided. The Company understands that the effect of the price range on disclosure may cause the Staff to raise issues on areas not previously commented on.

4. **You indicate that your convertible Series A preferred stock holders, Eos Funds and Freeport Loan Fund, LLC, intend to convert their shares into common stock prior to the completion of this offering. Please clarify whether this is a binding agreement or if the conversion is discretionary. For example, we note that footnote seven to the financial statements indicates that automatic or mandatory conversion would occur upon consummation of an IPO "meeting predetermined qualifying thresholds." It is unclear what these thresholds are and whether this IPO will meet these thresholds.**

   RESPONSE: Pursuant to the Company's Restated Certificate of Incorporation, as currently in effect (the "Restated Charter"), each share of series A convertible preferred stock will convert automatically into shares of the Company's common stock upon the consummation of the first firm commitment underwritten public offering pursuant to an effective registration statement filed on Form S-1 resulting in aggregate net proceeds to the Company of not less than $50,000,000 and a per share price of not less than $300 per share of common stock (as adjusted for any stock dividends, combinations, forward or reverse splits, recapitalizations and related transactions with respect to such shares) (a "QIPO"). The Company does not currently believe that the Offering will constitute a QIPO, as the per share price is not expected to meet the qualifying threshold. Accordingly, the Company does not expect that the outstanding shares of series A preferred stock will automatically convert as a result of the Offering. However, pursuant to the Restated Charter, each holder of shares of the Company's series A convertible preferred stock has the right, at such holder's option, to convert such shares into shares of the Company's common stock. Each of the Eos Funds and Freeport Loan Fund LLC has executed a binding undertaking pursuant to which it irrevocably elected to convert all of its shares of series A convertible preferred stock into shares of common stock of the Company, effective immediately prior to the consummation of the Company's initial public offering of its common stock. Amendment No. 1 has been revised to clarify the foregoing. See pages 28, 42, 49, 65, 119, 124 and 125.

5. **We note that you intend to have a new credit facility to replace your existing credit facility upon completion of this offering. Please clarify whether this entering into the credit facility is a condition of this offering. Also, to the extent that you have an understanding regarding the terms of the credit facility, please disclose the material terms.**

RESPONSE: The execution of a credit agreement providing for the new credit facility and the initial drawdown thereunder are expected to occur substantially concurrently with the closing of the Offering. The consummation of the Offering will not occur unless the lenders under the new credit facility are prepared to fund the initial drawdown thereunder substantially concurrently with the completion of the Offering. The disclosure has been revised to reflect the foregoing. See page 71. The Company is currently negotiating with Fifth Third Bank (Chicago) and has received a Summary of Indicative Terms and Conditions with respect to this new credit facility, the material terms of which are described on page 71 of Amendment No. 1. The Company intends to seek a commitment letter with respect to the new credit facility and will disclose the commitment that it receives in a subsequent amendment to the Registration Statement.

Summary Historical and Pro Forma Consolidated Financial and Other Data, page 7 and Selected Historical Consolidated Financial and Other Data, page 32

6. **We note your use of non-GAAP financial measure "adjusted EBITDA" which excludes stock based compensation and several other recurring items. It appears that you have eliminated recurring items to smooth earnings. As such, it appears that this non-GAAP financial measure is not in compliance with Item 10(e) of Regulation S-K. Your current disclosures do not demonstrate the usefulness of these measures and how they are used to evaluate performance considering that several of the items appear to be recurring in your ongoing operations. Accordingly, please remove the presentation of this measure or tell us how your presentation complies with Item 10(e) of Regulation S-K. Refer to "Frequently asked Questions Regarding the Use of Non-GAAP Financial Measures" as issued by the Commission and Item 10(e) of Regulation S-K for detailed guidance.**

RESPONSE: The Company believes that the disclosure of the non-GAAP financial measure Adjusted EBITDA complies with the requirements of Item 10(e) of Regulation S-K. The Staff's comment refers to the elimination of "stock based compensation *and several other recurring items*" (emphasis added). The Company notes that the only item that has been added back to Adjusted EBITDA is stock-based compensation expense. The Company acknowledges that stock-based compensation expense is a recurring item; however, the Company notes that in the response to Question 8 of its Frequently Asked Questions Regarding the Use of Non-GAAP Financial Measures, the Staff stated as follows: "Further, while there is no *per se* prohibition against removing a recurring item, companies must meet the burden of demonstrating the usefulness of any measure that excludes recurring items, especially if the non-GAAP financial measure is used to evaluate performance." The Company has reviewed carefully the disclosures required by the response to Question 8 and has revised the disclosure on pages 11, 12, 36 and 37 to provide information that is tailored and responsive to the five disclosure items listed in that response to Question 8. The Company believes that its disclosure is otherwise responsive to the requirements of Item 10(e) of Regulation S-K, as the disclosure provides: a presentation of the most directly comparable financial measure calculated and presented in accordance with GAAP (in this case, net income); a quantitative reconciliation of the differences between the non-GAAP financial measure (Adjusted EBITDA) disclosed with the most directly comparable financial measure (net income); disclosure of the reasons why management believes that the presentation of the non-GAAP financial measure provides useful information to investors regarding the Company's financial condition and results of operations; and disclosure of the additional purposes for which management uses the non-GAAP financial measure. Item 10(e) provides an exception for EBIT and EBITDA from the prohibition in Item 10(e)(1)(ii)(A) and the quantitative reconciliation in the Registration Statement provides a reconciliation to net income consistent with the Staff's position in Question 14 of the Frequently Asked Questions Regarding the Use of Non-GAAP Financial Measures as issued by the Commission. In addition, the Company has eliminated the adjustment to EBITDA for income from discontinued operations. Finally, the Company has revised the disclosure in Note (3) on pages 12 and 37 to make clear that the items in the table under the table reconciling Adjusted EBITDA to net income were not adjusted from net income in calculating Adjusted EBITDA.

Risk Factors, page 13

7. **Please remove the reference to "other risks not currently known to us or that we currently consider immaterial." All material risks should be described in this section. If risks are not deemed material, then they should not be referenced.**

RESPONSE: The reference to "other risks not currently known to us or that we currently consider immaterial" has been removed. See page 13.

8. Please revise to clarify the term “prospective pay services” used in the fourth risk factor on page 18.

RESPONSE: The risk factor has been revised to clarify that the Company has historically generated a substantial portion of its net service revenues from Medicare and certain other payors on an episodic, prospective basis, and that if the Company were to generate a larger proportion of its net service revenues from managed care providers, which reimburse the Company on a fee-for-service or per visit basis, its margins could decline. See pages 18 - 19.

Management’s Discussion and Analysis of Financial Condition and Results of Operations, page 43

Liquidity and Capital Resources, page 64

9. We note your disclosure that your primary sources of liquidity are cash from operations and borrowings under your credit facility. Considering (i) your cash used from operations for the period ended March 31, 2009 of approximately $1.1 million, (ii) your available borrowings under your credit facility of $3.6 million, (iii) your current maturities of long-term debt of $7.1 million and (iv) recent delays in the collection of accounts receivable (as noted in your disclosures on pages 14 and 46), please provide a robust discussion of how you plan to fund operations and satisfy your obligations for the for the next twelve months.

RESPONSE: As noted in our response to Comment 5, the Company intends to enter into a new credit facility with Fifth Third Bank upon the completion of the Offering. After the entry into this new credit facility, the completion of the Offering and the application of the proceeds of the Offering as described under the heading “Use of Proceeds,” the Company anticipates having sufficient availability under the new credit facility which, when taken together with cash from operations, the Company believes will be sufficient to cover the Company’s working capital needs for at least the 12-month period following the Offering. The disclosure has been revised in accordance with Staff’s comment. See pages 65 - 66.

10. Please revise your Liquidity and Capital Resources section on page 64 to address how your 11 acquisitions over the past three years were funded.

RESPONSE: The Liquidity and Capital Resources section has been revised to disclose that the Company’s 11 acquisitions over the past three years were funded with cash on hand, the issuance of acquisition-related notes payable and borrowings under the Company’s credit facility of $45.0 million in the successor period of 2006, $9.0 million in 2007 and $5.7 million in 2008. See page 65.

Outstanding Accounts Receivable, page 67

11. Considering the significance of your third party payors, please expand your disclosures to include in a comparative tabular format, the payor mix concentrations and related aging of accounts receivable. At a minimum, the disclosure should indicate the past due amounts and a breakdown by payor classification (i.e. state, local and other government programs, Medicare, Medicaid, commercial, and private duty). We would expect state, local, and other government

programs to be separately classified from any other grouping. If your billing system does not have the capacity to provide such an aging schedule of your receivables by payor classification, disclose that fact and clarify how this affects your ability to estimate your allowance for bad debts.

RESPONSE: The disclosure has been revised in accordance with the Staff's comment. See pages 68 - 69.

12. **We note that you have recorded an allowance for doubtful accounts of 4.9%, 5.2% and 4.5%, for the periods ended March 31, 2009, December 31, 2008 and December 31, 2007, respectively. Please (i) state the steps you take in collecting accounts receivable, (ii) disclose your policy with respect to determining when a receivable is recorded as bad debt and when a write-off is recorded, and (iii) clarify the threshold (amount and age) for account balance write-offs. If applicable tell us, both qualitatively and quantitatively, the factors that led to changes in accounting estimates related to individual account write-offs.**

RESPONSE: The disclosure has been revised to state that the Company establishes its allowance for doubtful accounts to the extent it is probable that a portion or all of a particular account will not be collected. The Company estimates its allowance for doubtful accounts primarily on receivable aging trends. These estimates rely on historical collection trends for large payors or remaining payor groups. In its evaluation of these estimates, the Company also considers delays in payment trends in individual states due to budget or funding issues, resubmission of bills with required documentation and ongoing disputes with specific payors. The Company's collection procedures include review of account agings and direct contact with our payors. The Company does not use collection agencies. Any uncollectible amount is written off to the allowance account when we have determined the balance will not be collected. Amendment No. 1 has been revised to reflect the foregoing. See page 68. With respect to accounting estimates, no factors have occurred during the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009 that have led to changes in accounting estimates related to individual account write-offs related to prior years.

Critical Accounting Policies and Estimates

Revenue Recognition, page 70

13. **In regards to your home health segment revenues for each period presented, please quantify and disclose the amount of changes in estimates of prior period net PPS adjustments that you recorded during the current period. For example for 2008, this amount would represent the difference between the RAP recorded and amortized and the net PPS adjustments for services provided in 2007 and the settlement amount that was recorded during 2008. In addition, please discuss how your estimates of third-party payer revenue affect your financial statements and how any changes therein could also affect the financial statements.**

RESPONSE: During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the Company did not record any significant changes in estimates of prior period net PPS adjustments. This disclosure has been added to page 72 and the Company's significant accounting policies in its annual and interim financial statements on pages F-11 and F-42, respectively.

Accounts Receivable and Allowance for Doubtful Accounts, page 70

14. **We note your disclosure that your credit risk is limited due to the significance of Medicare and state agency payors. Considering that approximately 69% of your 2008 revenues are generated by Medicare and state agency payors (as disclosed on page 13) and that each of those payors are proposing cuts to their budgets, please tell us how that affects your credit risk and your ability to collect outstanding balances. Revise your disclosures as appropriate.**

RESPONSE: Amendment No. 1 includes disclosure to the effect that President Obama's proposed fiscal 2010 budget outline indicates potential Medicare reimbursement rate reductions, which the Company expects would impact a portion of its business that represented approximately 12% of its net service revenues in 2008. See pages 15, 47 and 84. Amendment No. 1 also includes disclosure that state budget deficits may in the future delay reimbursement, which would adversely affect the Company's liquidity. See pages 4, 13, 14, 47 and 65. However, the Company does not believe the impact of budget cuts will adversely affect its credit risk or its ability to collect outstanding balances from government payors. While budget constraints have resulted in an increase in the Company's open receivables balance, the Company has no reason to believe those receivables will not be paid in full, albeit on a delayed basis in some cases.

The disclosure has been revised on pages 73, F-11 F-12 and F-42 to state that the Company establishes its allowance for doubtful accounts to the extent it is probable that a portion or all of a particular account will not be collected. The Company estimates its allowance for doubtful accounts primarily on receivable aging trends. These estimates rely on historical collection trends for large payors or remaining payor groups. In its evaluation of these estimates, the Company also considers delays in payment trends in individual states due to budget or funding issues, resubmission of bills with required documentation and ongoing disputes with specific payors. During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the Company had no significant adjustments to the allowance for doubtful accounts related to prior periods. While the Company regularly monitors state budget and funding developments for the states in which it operates, the Company considers losses due to state credit risk on outstanding balances as remote.

Our Business, page 74

15. **Please revise to discuss your efforts to integrate your acquisitions into your business.**

RESPONSE: The disclosure has been revised to discuss the Company's efforts to integrate its acquisitions into its business. See page 82.

16. **Throughout the Prospectus Summary and the Business sections you refer to many statistics about your industry by USAA, NAHC, Georgetown University, AARP, etc. Please cite to specific reports, including the title, date, and author. Also, please indicate where this information may be obtained by the public.**

RESPONSE: The disclosure has been revised in accordance with the Staff's comment. See pages 2, 78, 83 and 85.

17. **Please state for each of the last three fiscal years the amount or percentage of total revenue contributed by any class of similar services (i.e. in-home personal care and assistance, skilled nursing, etc.) which accounted for 10% or more of consolidates revenue in any of the last three fiscal years. See Item 101(c)(1)(i) of Regulation S-K.**

RESPONSE: The disclosure has been revised on page 81 to disclose the Company's net service revenues attributable to services provided by its home & community services division and home health services division for the predecessor period of 2006, the successor period of 2006, 2007 and 2008. The Company typically receives reimbursement for services provided by its home & community services division on an hourly basis, and for services provided by its home health division on a 60-day episodic basis. Many different types of specific services may be provided within each such hour, for home & community services, or each such episode, for home health services. Accordingly, the Company is unable to state the amount or percentage of total revenue contributed by specific services because services provided per hour or per episode may include a variety of different services, and the Company does not bill third party payors differently for a varying mix of services within each division. Since the Company is unable to break down revenue derived from specific services to a more granular level, the Company believes that the disclosure of the percentage of net service revenues by division is responsive to Item 101(c)(1)(i) of Regulation S-K.

18. **Please revise to clearly describe and explain how the "integrated service delivery model," see page 74, operates.**

RESPONSE: The disclosure has been revised to explain that the Company's integrated service delivery model enables its consumers to access services from both its home & community services and home health services divisions, thereby receiving the full spectrum of their social and medical homecare service needs from a single provider. See pages 1 and 77.

19. **On page 75, you reference the rapidly growing private market. Please revise to define the "private market" and explain how it differs from your "private duty" business.**

RESPONSE: The disclosure has been revised to clarify that the private duty market is the market to which the Company provides private duty services. Accordingly, references to the private market in Amendment No. 1 have been revised to instead refer to the "private duty market." See pages 2 and 78.

20. **Please revise to provide a definition or description of "homecare aides" on page 87 and whether they work in both of your divisions. This description should include a general discussion of the education, certification, and/or licensure requirements of your homecare aides. Similarly, please discuss the training, if any, provided to your employees.**

RESPONSE: The disclosure has been revised in accordance with the Staff's comment. See page 91.

Executive Compensation, page 94

21. **Please revise to identify the source of your "market data" and "general industry survey" that you use to establish an initial range of overall compensation, as describe on page 96. We also note the reference to using this information to establish a targeted compensation range and that you seek to compensate your executives "near the mean for similar officers of companies with gross revenues similar" to yours. This appears to be benchmarking. Therefore, please identify the specific companies used in this report(s). See Item 402(b)(2)(xiv) of Regulation S-K.**

RESPONSE: Amendment No. 1 identifies the names of the surveys from which the "market data" and "general industry survey data" have been derived. See page 100. In addition, the disclosure has been revised to further clarify that the Company does not engage in benchmarking against any specific companies, and thus that no specific companies can be named. The surveys themselves that are used by the Company are summary reports that only list the 25th percentile, 50th percentile and 75th percentile of compensation for groups of companies, which are broken down by quantitative and qualitative categories. These categories include geographic location (*e.g.*, north central region, great lakes region, Illinois, Chicago, etc.), industry (*e.g.*, all non-manufacturing, all services (excluding financial), health care, etc.), employees (*e.g.*, between 10,000 and 12,000 full-time employees), annual revenue range and sector (public or private).

22. **Provide a more detailed discussion of how you determine the base salary for your named executives. To the extent the specific performance areas referred to on page 97 were considered in determining whether a merit increase in base salary was warranted, provide a more detailed discussion of the specific performance areas and factors considered. In addition, discuss the specific weight for each performance area. Also, disclose the specific guidelines, the failure of which would result in Mr. Wright not receiving the 5% increase set forth in the employment agreement. Lastly, we note the increase in Mr. Diamond's base salary due to an employment agreement. Please disclose the terms of the employment agreement, as they relate to base salary. See Item 402(b)(1)(v) of Regulation S-K.**

RESPONSE: The disclosure has been revised to clarify that the determination of base salaries is a negotiated process, and to set forth the protocol for that process, including the factors used to determine the initial salary offer made by the Company. See page 101. The disclosure has also been revised to state the specific areas of performance considered in determining a merit-based salary increase, as well as the weighting for each such area of performance. See pages 101 - 102. As noted in the revised disclosure, there are no specific guidelines for determining whether Mr. Wright has failed to perform the duties of his position, which may then result in Mr. Wright not receiving his contractual 5% base salary increase. See page 111. The disclosure has been revised to include the term of Mr. Diamond's employment agreement that mandated a $5,000 base salary increase in 2008. See page 111.

Certain Relationships and Related Party Transactions, page 114

23. Please revise to provide disclose the terms of the management consulting agreement that will result in Eos Management earning its one-time advisory fee in connection with this offering.

RESPONSE: The Company and its subsidiary, Addus HealthCare, Inc. ("Addus HealthCare"), intend to enter into an agreement pursuant to which, effective prior to the consummation of the Offering, the Management and Consulting Agreement between Eos Management, Inc. and Addus HealthCare will be terminated. In addition, in lieu of an advisory fee, pursuant to a consent fee agreement to be entered into among the Company and the Eos Funds prior to the Offering, the Company will pay a consent fee to the Eos Funds or their respective designee(s) following the completion of the Offering in consideration for their agreement to waive certain of their rights under the Company's stockholders' agreement and registration rights agreement to permit the Offering to be completed, to convert their shares of series A preferred stock into shares of the Company's common stock immediately prior to the completion of the Offering and to accept dividend notes in respect of the accrued and unpaid dividends thereon in lieu of cash. Disclosure to the foregoing effect has been included in Amendment No. 1 on pages 118 - 119. Copies of such agreements will be filed as exhibits to the Registration Statement by amendment.

24. Please revise your description of the formation of Addus Holdings and the acquisition of Addus Heathcare, Inc. on page 112 to clarify that Addus Holdings is Addus Homecare Corporation and Addus Healthcare, Inc. is its subsidiary. Also, please clarify the purchase price for Addus Healthcare, Inc. and how the Contingent Payment Agreement factored into the acquisition.

RESPONSE: The disclosure has been revised in accordance with the Staff's comment. See pages 117 and 120.

Description of Capital Stock, page 119

25. We note your statement that "All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock to be issued in this offering will be, fully paid and nonassessable." The statement that these shares are "fully paid and nonassessable" is a legal conclusion that the company is not qualified to make. Either attribute this statement to counsel and file counsel's consent to be named in this section, or delete your statement.

RESPONSE: The statement that "All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock to be issued in this offering will be, fully paid and nonassessable" has been deleted in response to the Staff's comment. See page 125.

Addus Homecare Corporation

Audited Consolidated Financial Statements

General

26. Please note the financial statement updating requirements of Rule 3-12 of Regulation S-X and provide updated consents with any amendment.

RESPONSE: The Staff's comment relating to the financial statement updating requirements of Rule 3-12 of Regulation S-X has been addressed by the inclusion of the Company's unaudited interim consolidated financial statements for the six months ended June 30, 2009.

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

Basis of Presentation, page F-10

27. We note from your disclosure on page 112 that Addus Holdings was formed in July 2006 to acquire Addus HealthCare. Please tell us about the ownership of Addus Holdings prior to the merger with Addus HealthCare. In your response, clarify the level of common ownership, if any, between both entities prior to the merger.

RESPONSE: The disclosure has been revised in accordance with the Staff's comment. See pages 117 and F-10.

28. We note from your disclosure on page 112 that as part of the acquisition transaction, Mark S. Heaney and W. Andrew Wright III and his family exchanged shares of common stock of Addus Healthcare for shares of Addus Holdings valued at $528,500 and $8,909,000, respectively. Tell us how you determined the fair value of the shares of Addus Healthcare that were exchanged.

RESPONSE: The fair value of the shares of Addus HealthCare that were exchanged by Mr. Heaney and Mr. Wright and his family were determined by reference to the per share price payable for shares of Addus HealthCare, which was based on the aggregate purchase price paid by the Company for the shares of Addus HealthCare acquired (which was derived from arms' length negotiations), divided by the total number of outstanding shares of Addus HealthCare.

2. Acquisitions, page F-17

29. We note from your disclosure that for all your acquisitions during 2007 and 2008, you acquired certain assets of agencies and recorded goodwill and certain intangible assets. Considering you acquired only certain assets, tell us how the recognition of goodwill is appropriate. Please tell us and disclose the percentage of equity interests, if any, acquired and the primary reasons for the acquisitions; include a detailed discussion of the factors that contributed to the purchase price. In your response, please provide us with your analysis of Article 11-01(d) of Regulation S-X in concluding that the 2007 and 2008 acquisitions were business acquisitions instead of the acquisition of assets.

RESPONSE: The Company acquired 11 agencies since September 19, 2006 that management believes meet the definition of a business under Article 11-01(d) of Regulation S-X. As a result of these acquisitions, the nature of the revenue producing homecare services for the acquired agencies remained substantially unchanged before and after the acquisition. Substantially all of the facilities, workforce and related consumer base remained in place after the acquisitions. The Company also purchased the agency licenses in connection with these acquisitions, including all related customer contracts and agreements, which allowed the Company to continue to have operating rights in each of the applicable states. The Company does not make many changes to the acquired agencies after the acquisition other than system integration, training, new management personnel, if required, and introduction to the Company's policies and procedures. The disclosure in Note 2 has been revised to indicate that the Company actually acquired the agency businesses and not "certain" assets. See pages F-17 - F-18 and F-47 - F-48.

9. Stock Options, page F-28

30. We note that you have used the simplified method to estimate the expected life of your stock options. Considering that your options generally vest over a 5 year period and expire in 10 years, it appears that the expected life of your options is inconsistent with your disclosure on page F-30 (i.e. estimated useful lives of 3-5 years). Refer to SAB 107 for further guidance. Please revise or advise.

RESPONSE: The Company historically has not issued many stock options to its employees, and the stock options that were issued during the period from September 19, 2006 through December 31, 2008 were issued to 14 officers of the Company. One grant was issued with a 12-month vesting period, and the remaining stock options were issued to 13 officers with five-year vesting periods with 20% vesting on each anniversary of the date of grant. In accordance with SAB 107, the Company has revised the disclosure to reflect an expected life of three years for the one officer with a 12-month vesting period, and a five year expected life for the other 13 officers. See page F-30.

31. **We note your exercise price of $100 and $110, for options granted in 2006, 2007 and 2008. Considering that you do not have an active market for your shares, please provide a detailed discussion of how you determined the fair market value for your shares for each reporting period and revise your disclosures as appropriate.**

RESPONSE: The Company granted the following options in 2006, 2007 and 2008:

Date of Grant	Number of Options	Number of Grantees	Per Share Exercise Price
September 19, 2006	27,757	1	$ 100
December 7, 2006(a)	42,080	7	$ 100
April 3, 2007	7,205	3	$ 100
May 12, 2008(a)	2,082	1	$ 100
August 6, 2008	7,551	2	$ 110
Total:	**86,675**	**14**	

(a) The following options were subsequently forfeited:

December 7, 2006:	10,410
April 3, 2007:	2,000

On September 19, 2006, the Company acquired all of the outstanding common stock of Addus HealthCare in a transaction negotiated on an arms' length basis with an unaffiliated third party. The Company financed a portion of the acquisition with the proceeds of the issuance of its securities, including (a) 28,940 shares of its series A preferred stock to Eos Capital Partners III, L.P. in exchange for aggregate consideration of $28,940,000; (b) 8,310 shares of its series A preferred stock to Eos Partners SBIC III, L.P. in exchange for aggregate consideration of $8,310,000; and (c) 500 shares of its series A preferred stock to Freeport Loan Fund LLC in exchange for aggregate consideration of $500,000. Each share of series A preferred stock is convertible into shares of the Company's common stock at a ratio of 1:10, and the original stated amount of each share of series A preferred stock is $1,000 per share. Accordingly, as of September 19, 2006, the Company took a conservative approach in determining the fair market value of a share of its common stock to be $100, the implied conversion price of its series A preferred stock, and not discounting that value to take into account the liquidation and other rights granted to the preferred stock. There was no material change in the Company's business through December 7, 2006 that would warrant any change in the value of the Company's common stock, which, as noted, was already conservatively valued at the same fair value as the Company's preferred stock. The options granted through December 7, 2006 – within three months of the closing – constitute over 80% of the options (69,837 of 86,675 options) that the Company had granted as of June 30, 2009 and 80% of the options (59,509 of 74,465 options) of the Company that remain outstanding.

The Company granted a total of 16,838 options in 2007 and 2008. The Company did not consider these grants to be material to its results of operations in light of the small amounts involved. As a result, the Company did not engage an external valuation expert since the cost of doing so would likely have been disproportionate in light of the value of the options granted. The

Company developed an internal valuation model to approximate the guideline public company method of valuation, that utilizes a guideline company's EBITDA results. As a result of its review, the Company applied a multiple to trailing twelve-month EBITDA to determine the enterprise value of the Company. The Company then allocated the enterprise value on a liquidation basis to determine the fair market value per share of its common stock for purposes of determining the exercise price of options granted in 2007 and 2008. The resulting fair value of the Company's common stock was determined to be $100 for the options granted in 2007 and on May 12, 2008 and $110 for the options granted on August 6, 2008.

32. We note your disclosure that you have not estimated forfeitures for your stock option grants based on your expectations. Considering that 4,164 and 8,246 options were forfeited in 2007 and 2008, respectively, please tell us the factors used by management in determining the amount of forfeitures related to each option grant and revise your disclosures as appropriate. Refer to paragraph 80 of SFAS 123(R) for further guidance.

RESPONSE: The Company historically has not issued many stock options to its employees, and the stock options that were issued during the period from September 19, 2006 through December 31, 2008 were issued to 14 officers of the Company. The forfeitures during 2007 and 2008 resulted from the departure of three officers. Management's expectation for stock options issued to executive-level employees is that each officer will provide services to the Company over the requisite service period, which is the five-year vesting period on the stock option grants. Based on the very small population of employees that were granted stock options, management believes that a zero forfeiture rate is appropriate for the grants issued from September 19, 2006 through December 31, 2008. In the future, as the Company begins to issue stock options to non-executive-level employees, it will re-assess its forfeiture rates.

If the Company were to estimate a forfeiture rate based on the three executives who forfeited their stock options during 2007 and 2008, the adjustment would be insignificant to the consolidated financial statements, as the Company recorded total stock compensation of $944,000 and $272,000 for the years ended December 31, 2007 and 2008, respectively.

33. It appears that you have not provided the minimum disclosure requirements for share-based payments (i.e. required disclosures for each period an income statement is presented including 2006, weighted average grant-date fair value of options, recognized tax benefit related to compensation costs, etc.). Refer to paragraph A240 of SFAS 123(R) for further guidance on the minimum required disclosures and revise your disclosures accordingly.

RESPONSE: The disclosure for share-based payments has been revised to provide required disclosures as noted in paragraph A240 of SFAS 123(R). See pages F-29 - F-30.

Addus HomeCare Corporation

Unaudited Condensed Consolidated Financial Statements for the Period Ended March 31, 2009

General

34. Please revise your interim financial statements to conform to any changes made in the annual financial statements as a result of our comments above.

RESPONSE: The interim financial statements conform to the changes made in the annual financial statements as a result of the Staff's comments above.

Other Regulatory

35. We note you provided pre-acquisition financial statements for several acquisitions during 2007 (F-53 - F-84). Please tell us why these financial statements are included in your registration statement, including your underlying calculations for determining significance (Refer to Article 3-05 of Regulation S-X). In addition, provide your basis for exclusion of pre-acquisition financial statements for other acquisitions that were consummated during 2007 and 2008.

RESPONSE: In determining the significance of acquired entities, the Company applied Staff Accounting Bulletin No. 80, "Application of Rule 3-05 in Initial Public Offerings" ("SAB 80"). In applying SAB 80, the Company assessed the combined significance of businesses acquired in 2007 and 2008, using the tests of significance outlined in SAB 80. A copy of the Company's assessment is attached hereto as Exhibit A. As a result of this assessment, it was determined that certain pre-acquisition audited financial statements for SuCasa Personal Care, LLC, Desert PCA of Nevada, LLC, Vegas Valley Personal Care, LLC and Greater Vegas Personal Care, LLC should be included in the Registration Statement. In addition, as a result of this assessment, all other acquired entities were deemed to be insignificant, and accordingly, pre-acquisition financial statements for other acquisitions that were consummated during 2007 and 2008 were excluded.

Part II

Item 16. Exhibits and Financial Statement Schedules, page II-3

36. We note that many of your exhibits have not been filed. Please note that we review, and frequently comment upon, these agreements. Accordingly, in order to facilitate your review, please ensure that these exhibits are filed as soon as practicable.

RESPONSE: Exhibits 10.17, 10.17(a), 10.17(b) and 10.17(c) have been filed with Amendment No. 1, as well as the Exhibits referenced in the response to Comment 37 below. Exhibits 1.1, 3.3, 3.5 and 4.1, together with the form of the new credit facility, the consent fee agreement and the dividend note, together with other documents contemplated in the Exhibit Index to be filed by amendment, will be filed as soon as these documents are available.

37. **We note that you have omitted most of the annexes, exhibits, and schedules to the credit agreement and its amendments filed as Exhibits 10.8, 10.8(a), 10.8(b), 10.8(c), 10.8(d), 10.8(e), 10.8(f), 10.8(g). Please file the exhibits in their entirety.**

RESPONSE: The exhibits to the credit agreement and its amendments have been filed in their entirety in accordance with the Staff's comment.

38. **Please advise us whether any of your agreements with state and local governments to provide services are material agreements subject to Item 601 of Regulation S-K. We note that a significant amount of your business is derived from contracts with state and local authorities in Illinois, Nevada, California, and Washington.**

RESPONSE: None of the Company's agreements with state and local governments to provide services are material contracts for the purposes of Item 601 of Regulation S-K. By way of explanation, while the Illinois Department on Aging is the Company's largest payor client, accounting for 31.6% of the Company's total net service revenues in 2008, services the Company provides to its consumers that are reimbursed by the Illinois Department on Aging are provided pursuant to over 45 contracts with the Illinois Department on Aging. The Company's largest single payor contract is with the Riverside County (California) Department of Social Services, which accounted for approximately 6.6% of the Company's net service revenues in 2008. Furthermore, each of the Company's payor contracts is of a type that ordinarily accompanies the kind of business conducted by the Company, and have been entered into in the ordinary course of business. Accordingly, no single agreement constitutes a material agreement for the purposes of Item 601 of Regulation S-K.

* * * * *

Thank you for your assistance regarding this matter. Please contact Lloyd H. Spencer at (202) 585-8303 or the undersigned at (212) 940-3779 with any further comments or questions you may have.

Sincerely,

/S/ JENNIFER C. KURTIS
Jennifer C. Kurtis

cc: Mr. Bill Kearns
Mr. Raj Rajan
Edwin S. Kim, Esq.
Pamela Howell, Esq.
Mr. Mark S. Heaney
Mr. Francis J. Leonard
Mr. Mark L. First
Mr. Simon A. Bachleda
Colin J. Diamond, Esq.
Dominick P. DeChiara, Esq.
Lloyd H. Spencer, Esq.

Exhibit A

ADDUS HOLDING CORPORATION

SAB 80 Analysis

					Significance						
Acquired Entity	**Date of Acquisition**	**Purchase Price**	**12/31/08 Assets**	**2008 Pretax Income**	**Purchase Price**	**12/31/08 Assets**	**2008 Pretax Income**	**Highest Level**	**10% Test**	**20% Test**	**40% Test**
Pro Forma Totals for Addus @ 12/31/08		135,748,367	135,748,367	5,154,486							
2007 Acquisitions											
Guardian Care Services	03/16/07	467,822	472,245	(228,084)	0.3%	0.3%	-4.4%	4.4%		(B)	4.4%
Health Care Angels	05/04/07	384,952	555,191	(157,373)	0.3%	0.4%	-3.1%	3.1%		3.1%	3.1%
SuCasa/Desert PCA	07/29/07	3,728,094	3,719,548	360,210	2.7%	2.7%	7.0%	7.0%		7.0%	7.0%
Silver State	10/15/07	2,079,961	2,275,672	(138,297)	1.5%	1.7%	-2.7%	2.7%		2.7%	2.7%
Greater Vegas/Vegas Valley	11/13/07	3,340,539	2,199,743	292,693	2.5%	1.6%	5.7%	5.7%		5.7%	5.7%
2008 Acquisitions											
A Full Life Agency	04/01/08	4,411,292	5,548,095	(41,525)	3.2%	4.1%	-0.8%	4.1%	(A)	4.1%	4.1%
Down East Health Care	06/09/08	1,209,894	1,518,562	(214,725)	0.9%	1.1%	-4.2%	4.2%	4.2%	4.2%	4.2%
New Life Personal Care	06/16/08	1,463,780	824,288	45,791	1.1%	0.6%	0.9%	1.1%	1.1%	1.1%	1.1%
Awakened Alternatives	09/25/08	539,061	550,605	(139,551)	0.4%	0.4%	-2.7%	2.7%	2.7%	2.7%	2.7%
									8.0%	30.5%	34.9%

(A) Excluded as the business was included in the Company’s audited results for at least nine months.

(B) Excluded as the business was included in the Company’s audited results for at least 21 months.