



*Almost Family, Inc.*

*9510 Ormsby Station Rd., Suite 300*

*Louisville, KY 40223*

*502.891.1000 Fax: 502.891.8067*

March 31, 2010

To Our Stockholders:

You are cordially invited to attend the 2010 Annual Meeting of Stockholders of Almost Family, Inc. on May 3, 2010. The meeting will be held at the Company's headquarters at 9510 Ormsby Station Road, Suite 300, Louisville, Kentucky, at 8:30 a.m. local time.

The official Notice of Annual Meeting, Proxy Statement, and Proxy Card are enclosed with this letter.

Please take the time to read carefully the two proposals for stockholder action described in the accompanying proxy materials. Whether or not you plan to attend, you can ensure that your shares are represented at the meeting by promptly completing, signing and dating your proxy form and returning it in the enclosed envelope. If you attend the meeting, you may revoke your proxy and vote your shares in person.

Your interest and participation in the affairs of the Company are greatly appreciated. Thank you for your continued support.

Sincerely,

William B. Yarmuth  
Chairman of the Board,  
President & CEO

**ALMOST FAMILY, INC.**  
9510 Ormsby Station Road, Suite 300  
Louisville, Kentucky 40223

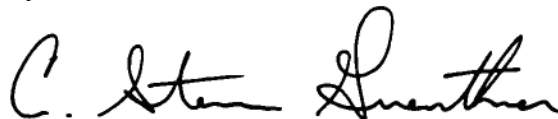
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

The Annual Meeting of Stockholders (the "Annual Meeting") of Almost Family, Inc. (the "Company"), will be held at the Company's headquarters, 9510 Ormsby Station Road, Suite 300, Louisville, Kentucky, on May 3, 2010, at 8:30 a.m. local time for the following purposes:

- (1) To elect a Board of seven directors to serve until the next annual meeting of stockholders;
- (2) To ratify the appointment of Ernst & Young LLP as the Company's independent auditor for the fiscal year ending December 31, 2010; and
- (3) To transact such other business as may properly come before the meeting or any adjournments thereof.

A Proxy Statement describing matters to be considered at the Annual Meeting is attached to this Notice. Only stockholders of record at the close of business on March 19, 2010, are entitled to receive notice of and to vote at the Annual Meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection for a period of ten days before the meeting at the Company's offices located at 9510 Ormsby Station Road, Suite 300, Louisville, Kentucky.

By Order of the Board of Directors



Louisville, Kentucky  
March 31, 2010

C. Steven Guenther  
Secretary

**PLEASE MARK, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT IN THE ENVELOPE WHICH HAS BEEN PROVIDED. IF YOU ARE A REGISTERED HOLDER, YOU MAY CHOOSE TO VOTE YOUR SHARES ONLINE AT [HTTPS://WWW.PROXYVOTENOW.COM/AFAM](https://www.proxyvotennow.com/afam) OR BY CALLING 1-866-593-3355. IF YOU ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 3, 2010:**

**This proxy statement and our annual report to stockholders are available on our website at <http://www.almostfamily.com/stockholdermeeting.php>**

**ALMOST FAMILY, INC.**  
9510 Ormsby Station Road, Suite 300  
Louisville, Kentucky 40223

**PROXY STATEMENT**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD MAY 3, 2010**

**Introduction**

This proxy statement and accompanying proxy are being furnished in connection with the solicitation of proxies by the board of directors (the "Board") of Almost Family, Inc., a Delaware corporation (the "Company"), to be voted on at the Annual Meeting of Stockholders (the "Annual Meeting") and any adjournments thereof. In this proxy statement, references to the "Company," "we," "us," or "our" refer to Almost Family, Inc. This proxy statement and accompanying proxy are first being mailed to stockholders on or about March 31, 2010.

**Date, Time and Place**

The Annual Meeting will be held at the Company's headquarters, at 9510 Ormsby Station Road, Suite 300, Louisville, Kentucky, on May 3, 2010, at 8:30 a.m., local time, for the purposes set forth in this proxy statement and the accompanying Notice of Annual Meeting.

**Record Date and Voting Securities**

The Board has fixed the record date (the "Record Date") for the Annual Meeting as the close of business on March 19, 2010. Only holders of record of shares of our common stock, par value \$.10 per share, (the "Common Stock") on the Record Date will be entitled to vote at the Annual Meeting and at any adjournment or postponement thereof. At the close of business on the Record Date, there were 9,154,741 shares of Common Stock outstanding and entitled to vote at the Annual Meeting. Each share of Common Stock is entitled to one vote. There is no cumulative voting.

The presence either in person or by proxy of the holders of a majority of the shares of Common Stock outstanding as of the Record Date will constitute a quorum and is required for the transaction of business at the Annual Meeting. You can vote either in person at the Annual Meeting or by proxy whether or not you attend the Annual Meeting. To vote by proxy, you can fill out the enclosed proxy card, date and sign it, and return it in the enclosed postage-paid envelope. If you want to vote in person at the Annual Meeting, and you hold your Common Stock through a securities broker (that is, in street name), you must obtain a proxy from your bank, broker or other holder of record and bring that proxy to the Annual Meeting.

## **Voting of Proxies**

Shares of Common Stock represented by properly executed proxies received before the close of voting at the Annual Meeting will be voted as directed by the stockholders, unless revoked as described below. Under Delaware law, proxies marked as abstentions are not counted as votes cast, but will be considered present and entitled to vote to determine if a quorum exists. In addition, shares held in street name that have been designated by brokers on proxy cards as not voted will not be counted as votes cast, but will be considered present and entitled to vote to determine if a quorum exists.

If you return a properly executed proxy card without indicating your vote, your shares will be counted as present for purposes of establishing a quorum and your shares will be voted for election of the individuals nominated as directors and for ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the current fiscal year.

If any other matter is brought before the Annual Meeting, shares represented by proxies will be voted by the proxy holders as directed by a majority of the Board.

## **Votes Required**

Each of the proposals will be considered separately.

### *Item 1—Election of Directors*

The affirmative vote of a plurality of the votes entitled to be cast by the holders of Common Stock present in person or represented by proxy is required to elect each director nominee. Proxies cannot be voted for a greater number of persons than are named. Abstentions from voting will have no effect on the election of directors.

### *Item 2—Ratification of the Appointment of the Independent Auditor*

The proposal to ratify the appointment of Ernst & Young LLP as the Company's independent auditor for the fiscal year ending December 31, 2010, is approved if the number of shares voted in favor exceeds the number of shares voted against.

### *Other Matters*

As of the date of this proxy statement, the Board knows of no matters that will be presented for consideration at the Annual Meeting other than those matters discussed in this proxy statement. If any other matters properly come before the Annual Meeting and call for a vote of stockholders, validly executed proxies in the enclosed form returned to us will be voted in accordance with the recommendation of the Board, or, in the absence of such a recommendation, in accordance with the judgment of the proxy holders.

## Revocability of Proxies

A stockholder who completes and returns the proxy that accompanies this proxy statement may revoke that proxy at any time before the closing of the polls at the Annual Meeting. A stockholder may revoke a proxy by filing a written notice of revocation with, or by delivering a duly executed proxy bearing a later date to, the Secretary of the Company at the Company's main office address at any time before the Annual Meeting. Stockholders may also revoke proxies by delivering a duly executed proxy bearing a later date to the inspector of election at the Annual Meeting before the close of voting, or by attending the Annual Meeting and voting in person. You may attend the Annual Meeting even though you have executed a proxy, but your presence at the Annual Meeting will not automatically revoke your proxy.

## Solicitation of Proxies

The original solicitation of proxies by mail may be supplemented by telephone and other means of communication and through personal solicitation by officers, directors and other employees of the Company, at no compensation. Proxy materials will also be distributed through brokers, custodians and other like parties to the beneficial owners of Common Stock, and the Company will reimburse such parties for their reasonable out-of-pocket and clerical expenses incurred in connection therewith. In addition, the Company may retain an outside proxy solicitation firm to assist the Company in the distribution of proxy materials and solicitation of votes, at an anticipated cost to the Company of approximately \$10,000 plus reasonable out-of-pocket expenses incurred by the proxy solicitor in connection with the proxy solicitation services.

## PROPOSAL 1 ELECTION OF DIRECTORS

At the Annual Meeting, seven directors will be elected to serve until the next annual meeting of stockholders. Although it is not anticipated that any of the nominees listed below will decline or be unable to serve, if that should occur, the proxy holders may, in their discretion, vote for substitute nominees.

### Nominees for Election as Directors

Set forth below is a list of Board members who will stand for re-election at the Annual Meeting, together with their ages, all Company positions and offices each person currently holds and the year in which each person joined the Board.

<u>Name</u>	<u>Age</u>	<u>Position or Office</u>	<u>Director Since</u>
William B. Yarmuth	57	Chairman of the Board, President and Chief Executive Officer	1991
Steven B. Bing	63	Director	1992
Donald G. McClinton	76	Director	1994
Tyree G. Wilburn	57	Director	1996
Jonathan D. Goldberg	58	Director	1997
W. Earl Reed, III	58	Director	2000
Henry M. Altman, Jr.	73	Director	2004

*William B. Yarmuth.* Mr. Yarmuth has been a director of the Company since 1991, when the Company acquired National Health Industries, where Mr. Yarmuth was Chairman, President and Chief Executive Officer. After the acquisition, Mr. Yarmuth became the President and Chief Operating Officer of the Company. Mr. Yarmuth became Chairman and CEO in 1992. He was Chairman of the Board, President and Chief Executive Officer of National Health Industries from 1981 to 1991. Mr. Yarmuth brings to the Board extensive experience in the healthcare industry. Also, his intimate knowledge of the Company provides a unique understanding of Company operations to the Board.

*Steven B. Bing.* Mr. Bing was elected a director in 1992. From 1999 to 2007, Mr. Bing served with Prosperitas Investment Partners, L.P., a private investment company located in Louisville, Kentucky, most recently as its Chief Operating Officer. He is also a director of various closely-held business entities. Since 2005, Mr. Bing has served as Senior Vice President Business Development for National Rural Telecommunications Cooperative, a large member owned cooperative in Herndon, Virginia, serving in excess of 1,200 telephone and electric cooperatives across the country. Mr. Bing brings to the Board operational achievement outside of the healthcare industry. His successes, both as Chief Operating Officer of a private investment company and as Senior Vice President of a telecommunications cooperative, provide the Board with business acumen in a diversity of fields.

*Donald G. McClinton.* Mr. McClinton was elected a director in 1994. Mr. McClinton was President and part owner of Skylight Thoroughbred Training Center, Inc., a thoroughbred training center, until 2002, when it was sold. From 1986 to 1994, Mr. McClinton was co-chairman of Interlock Industries, a privately held conglomerate in the metals and transportation industries. Mr. McClinton has served on the board of directors of Jewish Hospital Healthcare Systems for over 25 years. Mr. McClinton brings healthcare industry experience and an entrepreneurial spirit to the Board. His service on the board of directors of a regional healthcare network and his experience as an owner of both a thoroughbred training center and a manufacturing/transportation company provides the Board a broad mixture of success.

*Tyree G. Wilburn.* Mr. Wilburn was elected a director in 1996. Since 2003, Mr. Wilburn has served as Chairman of the Board and Chief Executive Officer of Merit Health Systems, LLC, a private hospital management company. He was a private investor from 1996 to 2002. From 1992 to 1996, Mr. Wilburn was Chief Development Officer of Community Health Systems, Inc. (NYSE:CYH), and, most recently, Executive Vice President and Chief Financial and Development Officer and CEO-elect. He led the go-private sale of Community Health in 1996 to Forstmann Little. From 1974 to 1992, Mr. Wilburn was with Humana Inc. where he held senior and executive positions in mergers and acquisitions, finance, planning, hospital operations, audit and investor relations. He is also a director of several private companies. Mr. Wilburn brings to the Board a thorough understanding of the healthcare industry outside of the Company. His experience in all facets of hospital management gives the Company knowledge of various other aspects of our customer's needs and our competitive environment.

*Jonathan D. Goldberg.* Mr. Goldberg was elected a director in 1997. Mr. Goldberg is the managing partner of the law firm of Goldberg and Simpson in Louisville, Kentucky, and has served in that capacity since 1991. Mr. Goldberg's legal background brings a different perspective to the Board. His expertise in labor, employment and business law provides the Board important regulatory and governance experience.

*W. Earl Reed, III.* Mr. Reed was elected a director in 2000. Since 1998, Mr. Reed has served as Chief Executive Officer of The Allegro Group, a healthcare financial advisory that advises public and private healthcare organizations including providing interim management services. From August 2005 to September 2007, Mr. Reed served as Chief Executive Officer and Chairman of the Board of LifeCare Holdings, Inc., a privately owned operator of 18 long-term hospitals. From May 2000 to December 2001, Mr. Reed served as Chairman, President and Chief Executive Officer of Rehab Designs of America Corporation, a private venture capital backed orthotics and prosthetics healthcare company, as part of a turnaround project. From 1987 to 1998, Mr. Reed was Chief Financial Officer and member of the board of directors of Vencor, Inc. Rehab Designs of America Corporation filed a voluntary petition for protection under Chapter 11 of the federal bankruptcy code in February 2001 and emerged in December 2001 after successfully completing its financial restructuring. Mr. Reed brings financial experience to the Board, particularly in the healthcare industry. Also, his leadership experience in the healthcare field adds depth to the Board's understanding of our industry.

*Henry M. Altman, Jr.* Mr. Altman was elected a director in 2004. Mr. Altman retired in 2002 following over 40 years of experience in public accounting, most recently as the president and managing director of Deming, Malone, Livesay & Ostroff CPA firm. He is currently the owner of Altman Consulting, an independent business consulting firm. Mr. Altman currently serves on the boards of Jewish Hospital & St. Mary's Healthcare, The Cardiovascular Innovation Institute and The Community Foundation of Louisville of which he is Vice-Chair. In 2001, Mr. Altman was presented with the inaugural Kentucky Hospital Association Health Care Governance Award. Mr. Altman brings healthcare industry financial and governance experience to the Board. As a member of the boards of directors of several healthcare industry organizations, Mr. Altman provides insight into the inter-workings of the industry as a whole.

## **Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION OF EACH OF THE SEVEN NOMINEES FOR DIRECTOR OF THE COMPANY.**

## **Meetings of the Board of Directors**

The Board met on 7 occasions during the year ended December 31, 2009. Each incumbent director attended at least 75% of the aggregate number of meetings of the Board and its committees on which such director served during his period of service. In addition, all members of the Board are expected to attend the Annual Meeting and did so in 2009.

## Committees of the Board of Directors

The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. All members of these committees are "independent" as defined in rules and listing standards applicable to the Company.

*Audit Committee.* As described in its charter, the principal duties of the Audit Committee include appointing the Company's independent auditors, reviewing the scope of the audit, reviewing the corporate accounting practices and policies with the independent auditors, reviewing with the independent auditors their final report, reviewing with independent auditors overall accounting and financial controls and consulting with the independent auditors. The Audit Committee is also responsible for the review and approval of all related-party transactions required to be disclosed under the rules of the Securities and Exchange Commission; the Company is not currently a party to any such transactions. A copy of the Audit Committee charter is available in its entirety on the Company's website, [www.almostfamily.com](http://www.almostfamily.com). All of the members of the Audit Committee are "independent," as that term is defined in the applicable rules for companies traded on The NASDAQ Global Select Market and meet the criteria for independence under the Sarbanes-Oxley Act of 2002 and the rules adopted by the Securities and Exchange Commission. The members of the Audit Committee are Messrs. Altman, Goldberg, Reed (Chair), and Wilburn. The Board has designated Mr. Reed as the "audit committee financial expert" within the meaning of the SEC rules. The Audit Committee held 5 meetings during 2009.

*Compensation Committee.* The principal duties of the Compensation Committee are to review the compensation of directors and officers of the Company and to prepare recommendations and periodic reports to the Board concerning such matters. The Compensation Committee also administers the Company's employee stock incentive plans. The Compensation Committee does not have a written charter. The Compensation Committee makes all compensation decisions regarding the top three Named Executive Officers but has typically delegated to the CEO, subject to the committee's review, compensation decisions regarding the remaining Named Executive Officers. During 2008, the Committee engaged, on behalf of the Company, Mercer Human Resources Consulting to assist management and the Committee in evaluating the Company's executive compensation program. All of the members of the Compensation Committee are "independent," as that term is defined in the applicable rules for companies traded on The NASDAQ Global Select Market and meet the criteria for independence under the Sarbanes-Oxley Act of 2002 and the rules adopted by the Securities and Exchange Commission. The members of the Compensation Committee are Messrs. Altman, Bing, Goldberg (Chair), McClinton, Reed, and Wilburn. The Compensation Committee held 4 meetings during 2009.

*Nominating and Corporate Governance Committee.* The Board has adopted a written charter for the Nominating and Corporate Governance Committee, which charter sets forth the functions and responsibilities of the Nominating and Corporate Governance Committee. A copy of the Nominating and Corporate Governance Committee charter is available in its entirety on the Company's website, [www.almostfamily.com](http://www.almostfamily.com). As described in its charter, the Nominating and Corporate Governance Committee exercises general oversight with respect to the governance of the Board, including with respect to the identification and recommendation to the

Board of proposed nominees for election to the Board. All of the members of the Nominating and Corporate Governance Committee are "independent," as that term is defined in the applicable rules for companies traded on The NASDAQ Global Select Market and meet the criteria for independence under the Sarbanes-Oxley Act of 2002 and the rules adopted by the Securities and Exchange Commission. The members of the Nominating and Corporate Governance Committee are Messrs. Bing, Goldberg (Chair), and Wilburn. The Nominating and Corporate Governance Committee held 1 meeting during 2009.

## **Policy Regarding Consideration of Candidates for Director**

### *Stockholder Nominees*

The Nominating and Corporate Governance Committee will consider stockholder recommendations for director nominees at the 2010 annual meeting if stockholders comply with the requirements of the Company's by-laws; a copy of the relevant section of the by-laws may be obtained from the Company's Secretary. To be considered timely for the 2010 annual meeting, stockholders should submit nominations, if any, not less than 30 days before the 2010 annual meeting, to the Company's Corporate Secretary, at 9510 Ormsby Station Road, Suite 300, Louisville, Kentucky 40223. Stockholder nominations should include, among other items, the name, age, business address and residence address of the nominee, the principal occupation or employment of the nominee, the class and number of shares of Common Stock which are beneficially owned by the nominee on the date such nomination is submitted, any other information relating to the nominee that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case, pursuant to Regulation 14A under the Securities Exchange Act of 1934. The stockholder nominating such nominee should also include the name and address of such stockholder and any other stockholders known by such stockholder to be supporting such nominee as they appear on the Company's books along with the class and number of shares of Common Stock which are beneficially owned on the date of the nomination by such stockholder and by any other stockholders known by such stockholder to be supporting such nominee.

### *Director Qualifications*

The Nominating and Corporate Governance Committee seeks to ensure that the majority of directors qualify as "independent," as that term is defined in the applicable rules for companies traded on The NASDAQ Global Select Market and meet the criteria for independence under the Sarbanes-Oxley Act of 2002 and the rules adopted by the Securities and Exchange Commission. The Nominating and Corporate Governance Committee will review with the Board the requisite skills and characteristics for potential nominees. In addition to board skill needs, this assessment will include the nominee's qualification as "independent" as well as the nominee's integrity, business acumen, experience, commitment, diligence, conflicts of interest and ability to act in the interests of all stockholders. While the Board does not prescribe diversity standards, as a matter of practice, it seeks nominees with a broad diversity of experience, professions, skills, and backgrounds.

The Nominating and Corporate Governance Committee may also consider such other factors as it may deem are in the best interest of the Company and its stockholders. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law.

The manner in which the Nominating and Corporate Governance Committee evaluates a potential nominee will not differ based on whether the nominee is recommended by a stockholder of the Company.

The Company does not pay a third party fee to assist in identifying and evaluating nominees, but the Company does not preclude the potential for using such services if needed as may be determined at the discretion of the Nominating and Corporate Governance Committee.

### **Code of Ethics**

The Board has approved and adopted a Code of Ethics and Business Conduct that applies to all directors, officers and employees, including the principal executive and financial officers, the controller and the principal accounting officer of the Company. The Code of Ethics and Business Conduct is available in its entirety on the Company's website, [www.almostfamily.com](http://www.almostfamily.com). The Company intends to post amendments to, or waivers from, its Code of Ethics and Business Conduct, if any, that apply to the principal executive and financial officers, the controller or the principal accounting officer on its website.

### **Board Leadership Structure**

The Board of Directors believes that Mr. Yarmuth's service as both Chairman of the Board and CEO is in the best interest of the Company and its stockholders. Mr. Yarmuth possesses detailed and in-depth knowledge of the issues, opportunities and challenges facing the Company and its businesses and is thus best positioned to develop agendas that ensure that the Board's time and attention are focused on the most critical matters. The Board does not have a lead independent director.

This combined role strengthens Mr. Yarmuth's ability to provide insight and direction on important strategic initiatives to both management and the independent directors. Additionally, it enables decisive leadership, ensures clear accountability, and enhances the Company's ability to communicate its message and strategy clearly and consistently to the Company's stockholders and employees, particularly during times of turbulent economic and industry conditions.

### **Board's Role in Risk Oversight**

The Board as a whole has responsibility for risk oversight. The oversight responsibility of the Board is enabled by management reporting processes that are designed to provide visibility to the Board about the identification, assessment and management of critical risks and management's risk mitigation strategies. These areas of focus include competitive, economic, operational, financial (accounting, credit, liquidity, and tax), legal, regulatory, compliance, health, safety and environment, political, and reputational risks.

Further, the Audit Committee is specifically charged with the responsibility of meeting periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures. The Audit Committee also reviews with the Company's legal counsel matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or government agencies. The role of the Compensation Committee in risk management is set forth in the Compensation Discussion and Analysis.

Finally, the Board believes that the Company's combined Chairman/CEO leadership structure strengthens the Chairman/CEO's ability to provide insight and direction with regard to the Board's risk oversight function.

## **PROPOSAL 2 RATIFICATION OF INDEPENDENT AUDITOR**

Pursuant to prior authorization of the Company's Board, the Audit Committee has appointed the firm of Ernst & Young LLP to serve as the independent public accountants to audit the financial statements of the Company for the year ended December 31, 2010. Accordingly, a resolution will be presented at the Annual Meeting to ratify the appointment of Ernst & Young LLP. If the stockholders fail to ratify the appointment of Ernst & Young LLP, the Audit Committee will reconsider such appointment. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different independent public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of the Company and its stockholders. One or more representatives of Ernst & Young LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to questions, as appropriate.

### **Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT AUDITOR FOR THE FISCAL YEAR ENDING DECEMBER 31, 2010.**

## **STOCK OWNERSHIP INFORMATION**

The following table sets forth as of the Record Date certain information with respect to the beneficial ownership of the Company's Common Stock of (i) the Named Executive Officers, as defined herein, (ii) each director or nominee for director of the Company, (iii) all directors and executive officers as a group and (iv) each person known to the Company to be the beneficial owner of more than 5% of the outstanding Common Stock. The Company has no shares of Preferred Stock outstanding.

**Shares of Common Stock Beneficially Owned (1)**

<b><u>Directors and Executive Officers</u></b>	<b><u>Amount and Nature of Beneficial Ownership</u></b>		<b><u>Percent of Class</u></b>
William B. Yarmuth	574,794	(2)	6.3%
C. Steven Guenther	202,895	(3)	2.2%
Steven B. Bing	4,055	(4)	*
Donald G. McClinton	68,569	(5)	*
Tyree G. Wilburn	39,375	(6)	*
Jonathan D. Goldberg	93,667	(7)	1.0%
W. Earl Reed, III	147,929	(8)	1.6%
Henry M. Altman, Jr.	20,875	(9)	*
Patrick T. Lyles	92,787	(10)	1.0%
Anne T. Liechty	20,015	(11)	*
Phyllis D. Montville	8,450	(12)	*
Cathy S. Newhouse	5,800	(13)	*
Carla Hengst	3,650	(14)	*
Directors and Named Executive Officers as a Group (13 persons)	1,282,861	(15)	13.6%

<b><u>5% Beneficial Owners</u></b>	<b><u>Amount and Nature of Beneficial Ownership</u></b>		<b><u>Percent of Class</u></b>
William B. Yarmuth	574,794	(2)	6.3%
Wellington Management Company, LLP	550,233	(16)	6.0%
Blackrock, Inc.	566,530	(17)	6.2%

\* Represents less than 1% of class.

- (1) Based upon information furnished to the Company by the named persons, information contained in filings with the Securities and Exchange Commission (the "Commission"), and on the 9,154,741 shares of common stock issued and outstanding as of the Record Date. Under the rules of the Commission, a person is deemed to beneficially own shares over which the person has or shares voting or investment power or has the right to acquire beneficial ownership within 60 days, and such shares are deemed to be outstanding for the purpose of computing the percentage beneficially owned by such person or group. Unless otherwise indicated, the named person has the sole voting and investment power with respect to the number of shares of Common Stock set forth opposite such person's name.
- (2) Includes 5,924 shares as to which Mr. Yarmuth shares voting and investment power pursuant to a family trust and 35,100 shares subject to currently exercisable options. Mr. Yarmuth's business address is 9510 Ormsby Station Road, Suite 300, Louisville, Kentucky 40223.
- (3) Includes 49,739 shares subject to currently exercisable options.
- (4) Includes 3,375 shares subject to currently exercisable options.
- (5) Includes 3,375 shares subject to currently exercisable options and 30,194 phantom shares within the Non-Employee Directors Deferred Compensation Plan.
- (6) Includes 15,375 shares subject to currently exercisable options.

- (7) Includes 3,375 shares subject to currently exercisable options, 51,692 phantom shares within the Non-Employee Directors Deferred Compensation Plan and includes 2,000 shares held by spouse's self-directed 401(k) plan over which Mr. Goldberg disclaims any beneficial interest. 31,100 shares of common stock have been pledged as loan security.
- (8) Includes 35,375 shares subject to currently exercisable options and 12,554 phantom shares within the Non-Employee Directors Deferred Compensation Plan.
- (9) Includes 13,375 shares subject to currently exercisable options.
- (10) Includes 30,175 shares subject to currently exercisable options.
- (11) Includes 5,825 shares subject to currently exercisable options.
- (12) Includes 5,450 shares subject to currently exercisable options.
- (13) Includes 2,900 shares subject to currently exercisable options.
- (14) Includes 950 shares subject to currently exercisable options.
- (15) Includes currently exercisable options held by all directors and executive officers as a group to purchase 204,389 shares of Common Stock and 94,440 phantom shares held by Non-Employee Directors within the Non-Employee Directors Deferred Compensation Plan.
- (16) The information concerning Wellington Management Company, LLP ("WMC") is based solely upon a Schedule 13G filed with the SEC on February 12, 2010. The address of WMC is 75 State Street, Boston, Massachusetts 02109. WMC, in its capacity as investment adviser, may be deemed to beneficially own 550,233 shares which are held of record by clients of WMC.
- (17) The information concerning Blackrock, Inc. ("Blackrock") is based solely upon a Schedule 13G filed with the SEC on January 29, 2010. The address of Blackrock is 40 East 52<sup>nd</sup> Street, New York, NY 10022. Blackrock reported beneficial ownership of the shares as the parent holding company of the following subsidiaries: BlackRock Asset Management Japan Limited, BlackRock Advisors (UK) Limited, BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, and BlackRock Investment Management, LLC.

## EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the Company's executive officers.

<u>Name</u>	<u>Age</u>	<u>Position or Office</u>
William B. Yarmuth	57	Chairman of the Board, President and Chief Executive Officer
C. Steven Guenther	49	Senior Vice President and Chief Financial Officer
P. Todd Lyles	48	Senior Vice President – Administration
Anne T. Liechty	57	Senior Vice President – VN Operations
Phyllis D. Montville	61	Senior Vice President – VN Operations
Cathy S. Newhouse	48	Senior Vice President – Sales and Clinical Programs
Carla Hengst	54	Vice President – Personal Care Operations

Executive officers of the Company are elected by the Board of Directors for one year and serve at the pleasure of the Board of Directors with the exception of William B. Yarmuth who has an employment agreement with the Company. There are no family relationships between any director or executive officer.

*William B. Yarmuth.* Mr. Yarmuth has been a director of the Company since 1991, when the Company acquired National Health Industries (National"), where Mr. Yarmuth was Chairman, President and Chief Executive Officer. After the acquisition, Mr. Yarmuth became the President and Chief Operating Officer of the Company. Mr. Yarmuth became Chairman and CEO in 1992. He was Chairman of the Board, President and Chief Executive Officer of National from 1981 to 1991.

*C. Steven Guenther.* Mr. Guenther has been Senior Vice President and Chief Financial Officer of the Company since 1992. From 1983 through 1992 Mr. Guenther was employed as a C.P.A. with Arthur Andersen LLP. Before joining the Company, he served as a Senior Manager in the firm's Accounting and Audit division specializing in mergers and acquisitions, public companies and the healthcare industry.

*P. Todd Lyles.* Mr. Lyles joined the Company as Senior Vice President Planning and Development in 1997 and now serves as Senior Vice President - Administration. Before joining the Company Mr. Lyles was Vice President Development for the Kentucky Division of Columbia/HCA, a position he had held since 1993. Mr. Lyles experience also includes 8 years with Humana Inc. in various financial and hospital management positions.

*Anne T. Liechty.* Ms. Liechty became Senior Vice President - VN Operations in 2001. Ms. Liechty has been employed by the Company since 1986 in various capacities including Vice President of Operations for the Company's VN segment and its Product segment.

*Phyllis D. Montville.* Ms. Montville became Senior Vice President - VN Operations in 2007. Ms. Montville came to the Company in 2005 as Vice President of VN Operations in Florida. Before coming to the Company, she served as President with Best Choice Home Health from November, 2004 through December, 2005. She has 24 years experience in home care management, most of which is in the Florida market. Ms. Montville owned and operated her own franchise for 10 years. She started in the home care field as a branch manager and home care nurse.

*Cathy S. Newhouse.* Ms. Newhouse became Senior Vice President - Sales and Clinical Programs in 2008 after joining the Company in 2007 as Vice President of Clinical Programs. During 2006 and 2007, she was Chief Operations and Clinical Officer with US Medical Management. From 1983 to 2006, she was with Gentiva Health Services, Inc. in progressive leadership roles. Her last position was Vice President of Specialty Programs. She has over 25 years experience in home care management focused on business development.

*Carla J. Hengst.* Ms. Hengst joined the Company in June of 2008 as Vice President and now serves as the Vice President of Personal Care Operations. Prior to joining the Company, Ms. Hengst was a Vice President of Operations for US Medical Management for two years. Ms. Hengst's experience also includes 17 years with Gentiva Health Services in various management positions.

## EXECUTIVE COMPENSATION

The following Summary Compensation Table shows the compensation earned for the time period served as an executive officer during the last three fiscal years by: (1) the President and Chief Executive Officer, (2) the Chief Financial Officer, and (3) each of the three other highest compensated executive officers of the Company serving at December 31, 2009 (collectively, the "Named Executive Officers").

### Summary Compensation Table

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards (\$)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
William B. Yarmuth	2009	510,625	372,632	326,256	714,150		1,923,664
Chairman of the Board, President & CEO	2008	421,418	102,448	182,160	515,000	162	1,221,188
	2007	408,369	-	256,110	400,530	1,242	1,066,251
	2009	289,989	167,779	173,680	315,000		946,448
C. Steven Guenther, Sr. Vice President Secretary/Treasurer & CFO	2008	240,772	40,979	68,310	250,000	-	600,061
	2007	233,316	-	128,055	176,029	-	537,400
	2009	232,037	101,239	100,207	176,250		609,732
Patrick T. Lyles Senior Vice President Administration	2008	216,580	27,319	45,540	190,000	-	479,439
	2007	209,874	-	76,833	142,508	-	429,215
	2009	206,106	71,312	67,972	210,000		555,390
Anne T. Liechty Senior Vice President Visiting Nurse Operations	2008	184,135	13,660	27,324	150,000	1,006	376,125
	2007	168,986	-	42,685	102,000	1,175	314,846
	2009	197,019	50,300	47,535	80,000		364,855
Cathy S. Newhouse Senior Vice President Sales & Clinical Programs	2008	182,116	13,660	45,540	110,000		351,315
	2007	85,000	-	-	75,000	-	160,000

In 2009, the fair value of each option award is estimated on the date of grant using the Monte Carlo option valuation model with suboptimal exercise behavior. The Company has adopted the Monte Carlo option valuation pricing model in 2007. This lattice model places greater emphasis on market evidence and predicts more realistic results, because it considers open form information including volatility, employee exercise behaviors and turnover. The following assumptions were used for the February 12 and December 14, 2009 grants, respectively: equivalent interest rate of 2.60% and 3.05%, equivalent volatility of approximately 61.05% and 41.47%, implied expected lives of 4.4 years and 2.9 years, and expected lives of 5.1 and 5.4 years.

The following table provides information about equity and non-equity awards granted to the Named Executive Officers in 2009. Options and restricted stock were granted pursuant to the Company's 2007 Stock and Incentive Compensation Plan. Options vest ratably over 4 years and will be fully vested on 02/09/13 and 12/13/2013. Restricted stock vests on the third anniversary of the grant date.

## Grants of Plan-Based Awards

<u>Name</u>	<u>Grant Date</u>	<u>All Other Stock Awards: Number of Shares of Stock or Units (#)</u>	<u>All Other Option Awards: Number of Securities Underlying Options (#)</u>	<u>Exercise or Base Price of Option Awards (\$/Sh)</u>	<u>Grant Date Fair Value of Stock and Option Awards</u>
	2/9/2009	6,000	10,400	\$ 33.27	\$ 330,404
William Yarmuth	12/14/2009	7,900	9,000	40.13	368,484
	2/9/2009	4,000	6,900	33.27	219,639
C. Steven Guenther	12/14/2009	2,600	3,000	40.13	121,820
	2/9/2009	2,100	3,700	33.27	116,776
Patrick T. Lyles	12/14/2009	1,800	2,100	40.13	84,669
	2/9/2009	1,300	2,300	33.27	72,470
Anne T. Liechty	12/14/2009	1,400	1,700	40.13	66,814
	2/9/2009	900	1,600	33.27	50,317
Cathy S. Newhouse	12/14/2009	1,000	1,200	40.13	47,518

The following table provides information on the outstanding equity awards as of December 31, 2009, for the Named Executive Officers.

## Outstanding Equity Awards at Fiscal Year-End

<u>Name</u>	<u>Option Awards</u>					<u>Stock Awards</u>	
	<u>Number of Securities Underlying Unexercised Options (#) Exercisable</u>	<u>(#)</u>	<u>Number of Securities Underlying Unexercised Options (#) Unexercisable</u>	<u>Option Exercise Price (\$)</u>	<u>Option Expiration Date</u>	<u>Number of Shares or Units of Stock That Have Not Vested (#)</u>	<u>Market Value of Shares or Units of Stock That Have Not Vested (\$)</u>
William Yarmuth	15,000	(2)	15,000	19.40	02/11/17		-
	5,000	(3)	15,000	22.18	03/07/18	7,500	296,475
			10,400	(4) 33.27	02/09/19	6,000	237,180
			9,000	(5) 40.13	12/14/19	7,900	312,287
C. Steven Guenther	33,014	(1)	-	2.13	02/03/11		-
	7,500	(2)	7,500	19.40	02/11/17		-
	1,875	(3)	5,625	22.18	03/07/18	3,000	118,590
			6,900	(4) 33.27	02/09/19	4,000	158,120
			3,000	(5) 40.13	12/14/19	2,600	102,778
Patrick T. Lyles	20,000	(1)	-	2.13	02/03/11		-
	4,500	(2)	4,500	19.40	02/11/17		-
	1,250	(3)	3,750	22.18	03/07/18	2,000	79,060
			3,700	(4) 33.27	02/09/19	2,100	83,013
			2,100	(5) 40.13	12/14/19	1,800	71,154
Anne T. Liechty	2,500	(2)	2,500	19.40	02/11/17		-
	750	(3)	2,250	22.18	03/07/18	1,000	39,530
			2,300	(4) 33.27	02/09/19	1,300	51,389
			1,700	(5) 40.13	12/14/19	1,400	55,342
Cathy S. Newhouse	1,250	(3)	3,750	22.18	03/07/18	1,000	39,530
		(4)	1,600	(4) 33.27	02/09/19	900	35,577
		(5)	1,200	(5) 40.13	12/14/19	1,000	39,530

- (1) Options granted pursuant to the Company's Amended and Restated 2000 Stock Option Plan. On the effective date of the January 2007 2-for-1 stock split the number of shares was multiplied by two and the exercise price was divided by two. Information is presented as adjusted for the 2-for-1 stock split. Options vest over 3 years and were fully vested on 2/5/2004.
- (2) Options granted pursuant to the Company's Amended and Restated 2000 Stock Option Plan. Options vest ratably over 4 years and will be fully vested on 2/10/2011.
- (3) Options and restricted stock were granted pursuant to the Company's 2007 Stock and Incentive Compensation Plan. Options vest ratably over 4 years and will be fully vested on 3/07/2012. Restricted stock vests on the third anniversary of the grant date.
- (4) Options and restricted stock were granted pursuant to the Company's 2007 Stock and Incentive Compensation Plan. Options vest ratably over 4 years and will be fully vested on 2/8/2013. Restricted stock vests on the third anniversary of the grant date.
- (5) Options and restricted stock were granted pursuant to the Company's 2007 Stock and Incentive Compensation Plan. Options vest ratably over 4 years and will be fully vested on 12/13/2013. Restricted stock vests on the third anniversary of the grant date.

### **Potential Payments Under Termination or Change in Control of the Company**

The Company has a year-to-year employment agreement with William B. Yarmuth, its Chairman of the Board, President and Chief Executive Officer. The agreement had an initial term of two years and provides that it will automatically be renewed for successive one-year terms. Either the Company or Mr. Yarmuth may terminate the agreement as of the last day of any renewal term by giving at least 60 days' prior written notice of termination. In addition, the Company may by decision of the Board of Directors terminate the agreement at any time by written notice to Mr. Yarmuth. Mr. Yarmuth is entitled to certain payments upon termination of employment with the Company. If Mr. Yarmuth's employment is terminated under either provision stated above, he would be entitled to a payment equal to two times the base salary earned by him during the preceding twelve months, payable within 30 days following termination. As of December 31, 2009, this amount would have been \$847,891. If Mr. Yarmuth's employment is terminated by reason of his death or disability, he would be entitled to an amount equal to the excess of (i) 200% of his base salary over (ii) the present value of the disability payments to be received by him under any disability insurance policy maintained and paid for by the Company, if any, during the first two years in which such payments are to be received. This amount is payable within 90 days following the date of his death or disability. As of January 1, 2009, the employment agreement was amended to provide that payments upon termination (including following a change in control as described below) will not be made until Mr. Yarmuth has terminated employment within the meaning of the Internal Revenue Code Section 409A, and that to the extent payments are not exempt from 409A and are triggered by termination, payments will be delayed for six months following termination as required by Code Section 409A.

Following a "change of control," as defined in the employment agreement, if Mr. Yarmuth's employment with the Company is terminated for any reason (including cause, as defined) other than death or disability, he would be entitled to 290% of the base salary and bonus payments paid to him during the one-year period immediately preceding termination. This payment would be in a lump sum on the date of termination. As of December 31, 2009, this amount would have been \$2,722,942. For purposes of the agreement, a "change of control"

includes (i) any person's acquisition of 50% or more of the Company's common stock, (ii) 75% or more of the Company's directors being replaced, unless the current directors approved of the replacements, and (iii) stockholder approval of a merger or consolidation of the Company or its complete liquidation. If any of the above payments would be subject to excise taxes, then Mr. Yarmuth would be entitled to receive a payment for the purpose of assuring that he receives all compensation to which the excise tax applies absolutely net of the excise tax.

The agreement includes a covenant not to compete that prohibits Mr. Yarmuth from competing with the Company within any county of any state in which the Company was at the time of termination conducting business or had a bona fide plan to begin conducting business.

No other Named Executive Officer has termination or change in control arrangements.

### Directors' Compensation

The following table summarizes compensation paid to non-employee directors for 2009. Mr. Yarmuth is the only employee director and he does not receive any additional compensation for his service on the board of directors.

**Director Compensation Table**

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards (\$)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
William B. Yarmuth	-	-	-	-	-	-	-
Steven B. Bing	40,500	-	52,290	-	-	-	92,790
Donald G. McClinton	39,500	-	52,290	-	-	-	91,790
Tyree G. Wilburn	50,500	-	52,290	-	-	-	102,790
Jonathan D. Goldberg	-	-	52,290	-	-	61,593	113,883
W. Earl Reed, III	52,000	-	52,290	-	-	-	104,290
Henry M. Altman, Jr.	49,500	-	52,290	-	-	-	101,790

The Option Awards column reflects the grant date fair value, in accordance with Accounting Standards Codification (ASC) Topic 718, Compensation – Stock Compensation (formerly Statement of Financial Accounting Standards (SFAS) No. 123R) for awards pursuant to the Company's equity incentive program. Assumptions used in the calculation of these amounts for the fiscal year ended December 31, 2009 are included in Footnote 1 "Summary of Significant Accounting Policies – Stock-Based Compensation" to the Company's audited financial statements for the fiscal year ended December 31, 2009, included in the Company's Annual Report on Form 10-K filed with the SEC on February 25, 2010.

The Company cautions that the amounts reported in the Director Compensation Table for these awards may not represent the amounts that the directors will actually realize from the awards. Whether, and to what extent, a director realizes value will depend on the Company's actual operating performance, stock price fluctuations and the director's continued service.

At December 31, 2009, the aggregate number of option awards outstanding held by each director was as follows: Mr. Bing: 7,500; Mr. McClinton: 7,500; Mr. Wilburn: 19,500; Mr. Goldberg: 7,500; Mr. Reed: 39,500; and Mr. Altman: 17,500.

The Company has a Non-Employee Directors Deferred Compensation Plan which allows directors to elect to receive fees for Board services in the form of shares of the Company's common stock. The Plan authorized 200,000 shares for such use. As of December 31, 2009, 94,440 shares have been allocated in deferred accounts, 35,262 have been issued to previous directors and 70,298 remain available for future allocation. Allocated shares are to be issued to directors when they cease to be directors or upon a change in control. Directors' fees are expensed as incurred whether paid in cash or deferred into the Plan. Amounts shown in the column "All Other Compensation" above represent 2009 fees deferred into the Non-Employee Directors Deferred Compensation Plan by Mr. Goldberg.

In February 2007, the Company implemented the recommendations of Mercer regarding compensation of non-employee directors. As a result, the Company has targeted cash compensation between the 25<sup>th</sup> and 50<sup>th</sup> percentile of the peer group. For 2009, directors received cash compensation according to the following table:

Annual Retainer	\$	25,000
Chair of audit committee additional retainer	\$	7,500
Chair of compensation committee additional retainer	\$	5,000
Non-chair audit committee member additional retainer	\$	5,000
Meeting fee per board meeting attended	\$	1,500
Meeting fee per committee meeting attended	\$	1,000

The Company also reimburses directors for the reasonable expenses they incur to attend board of directors, board committee and stockholder meetings. For 2010, the annual retainer is \$25,000.

## **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The Compensation Committee of the Board is comprised of Messrs. Altman, Bing, Goldberg (chair), McClinton, Reed and Wilburn, each a non-employee director of the Company. None of our executive officers serves on the Compensation Committee or board of directors of any other company of which any members of our Compensation Committee or any of our directors is an executive officer.

## **COMPENSATION DISCUSSION AND ANALYSIS**

### **Overview**

The Company's executive compensation program is designed to (1) motivate and retain executive officers, (2) reward the achievement of short-term and long-term performance goals, (3) establish an appropriate relationship between executive pay and short-term and long-term performance and (4) align executive officers' interests with those of the Company's stockholders. The primary elements of the Company's compensation program are base salary, annual cash incentive awards and equity-based compensation. The Company believes that each element supports one or more of the objectives of the Company's compensation program and provides sufficient flexibility to the Compensation Committee (the "Committee") to structure future awards to address new issues and challenges facing the Company. The Company's executive compensation program attempts to target total direct compensation for the Named Executive Officers (as defined herein) between the 50<sup>th</sup> and 75<sup>th</sup> percentiles of the healthcare industry, depending upon the individual performance of the Named Executive Officer, the officer's level of responsibility, and the performance of the Company. The Company believes that this range of compensation allows it to attract and retain qualified and experienced healthcare executives.

### **Performance Measures**

The primary elements of the Company's executive compensation program are designed to promote the achievement of financial operating goals established by the Committee and to increase stockholder value. The Company uses a cash incentive plan providing annual short-term incentives for achievement of goals. These plans provide certain of the Named Executive Officers with the opportunity to earn cash awards for achieving financial operating goals primarily related to targeted levels of earnings per share. The Company believes that this measure is generally used by investors to value the Company's Common Stock.

The equity-based component of the Company's executive compensation program is designed to incentivize the Named Executive Officers to increase the value of the Company's Common Stock. As such, equity-based compensation directly links the total direct compensation of the Named Executive Officers to increases in stock price appreciation and stockholder value.

### **The Executive Compensation Process**

The Committee is comprised of six directors, each of whom is independent as defined under the Nasdaq listing standards and qualifies as an outside director within the meaning of Section 162(m) of the Code and a non-employee director within the meaning of Rule 16b-3 under the Exchange Act. The Committee meets periodically to review and oversee the Company's executive compensation program. The Committee makes all compensation decisions regarding the top three Named Executive Officers but has typically delegated to the CEO subject to the Committee's review, compensation decisions regarding the remaining Named Executive Officers. On an annual basis, the Committee reviews base salaries and incentive compensation targets for the Named Executive Officers for the upcoming fiscal year. The Committee also

determines whether performance targets under each of the cash incentive plans were achieved for the prior fiscal year.

During 2006 and again in December 2008, the Committee engaged Mercer Human Resources Consulting (“Mercer”), a global human resources consulting firm, to assist the Committee in a comprehensive evaluation of the Company’s executive compensation program. Mercer assisted the Committee by reviewing the Company’s executive compensation strategy and providing compensation benchmarks to the Committee for each Named Executive Officer, including comparisons of base salary, cash incentives and equity-based compensation. Mercer also provided the Committee with other relevant market data and alternatives to consider when making compensation decisions for the Named Executive Officers.

The Committee made no grants of equity-based awards to the Named Executive Officers from 2002 through 2006 although the Committee has made grants of equity-based awards in 2007, 2008 and 2009. The Committee currently plans to consider additional grants on an annual basis in conjunction with its review and approval of annual salaries, short-term cash incentives and financial operating goals. The Committee may grant equity-based awards on a periodic basis, particularly in connection with promotions, exceptional performance or changes in a Named Executive Officer’s level of responsibility. In 2009, the Committee made its annual grants in February 2009 in accordance with past practice. In December 2009, the Committee determined to make additional awards so that the equity-based incentives would be in place at the beginning of 2010; these awards will be discussed in the 2011 proxy statement as they relate to 2010 compensation.

During its comprehensive review in 2008, the Committee compared each element of compensation for the Named Executive Officers against a peer group of companies in the healthcare industry. The Company used the following companies for compensation benchmarking purposes: 1) its publicly reported industry peer group: Amedisys, Inc., Gentiva Health Services, Inc., LHC Group Inc., and 2) a health care industry survey group compiled by Mercer so that market conditions could also be appropriately considered. These peer groups may be periodically reviewed and updated by the Committee based upon recommendations from Mercer. The Committee believes these peer companies have competed for executives with similar talents and expertise to those of the Named Executive Officers.

### **Components of Executive Compensation**

The Company’s executive compensation program uses the following elements to structure the total direct compensation for the Named Executive Officers:

- base salary;
- annual cash incentives; and
- equity-based incentive compensation.

The Company believes that the combination of these elements enables the Committee to award competitive total direct compensation between the 50<sup>th</sup> and 75<sup>th</sup> percentiles in the healthcare industry.

The Committee does not have a pre-established policy for the allocation between fixed compensation, such as base salary, and variable or “at risk” compensation, such as short-term cash incentives and equity. However, the Committee places a significant portion of total direct compensation for the Named Executive Officers at risk. At risk compensation under the Company’s cash incentive plans incentivizes the Named Executive Officers to reach or exceed desired financial operating goals. Moreover, at risk compensation under the Company’s equity incentive plans incentivizes the Named Executive Officers since the full benefit of equity-based compensation cannot be realized unless the Named Executive Officers are able to grow the value of the Common Stock over several years.

### **Base Salary**

Base salaries are provided to the Named Executive Officers to compensate them for their services performed during the year. As part of its 2008 analysis, the Committee considered salary comparisons prepared by Mercer to determine if base salaries for the Named Executive Officers were competitive with similarly situated executives in the peer group and the healthcare industry generally. The Committee then undertook to generally structure base salaries to be in the range of the 50<sup>th</sup> to 75<sup>th</sup> percentile of its peer group, with the intent to move base salary closer to the 75<sup>th</sup> percentile of the peer group.

In setting the base salaries for 2009, the Committee approved the recommendation of Mr. Yarmuth with respect to each of the Named Executive Officers other than himself. With respect to Mr. Yarmuth, the Committee set his base salary at an annual rate of approximately \$15,000 more than he had recommended. While certain aspects of performance of the Named Executive Officers can be measured in financial operating metrics, the Committee and Mr. Yarmuth also evaluate the Named Executive Officers in other performance areas that are more subjective. These areas include the success of the Named Executive Officer in developing and executing the Company’s strategic objectives, capitalizing on growth opportunities, addressing significant challenges affecting the Company, developing key employees and exercising leadership.

### **Cash Incentives**

Under the Company’s executive compensation program, a significant portion of total cash compensation for the Named Executive Officers is subject to the attainment of measurable financial operating goals. This approach creates a direct incentive for the Named Executive Officers to achieve pre-established performance objectives and places a significant percentage of each Named Executive Officer’s total direct compensation at risk.

The Company maintains an annual cash incentive plan under which the Committee establishes annual financial operating goals for the Company’s key employees, including the Named Executive Officers. For 2009, if the targeted level of earnings per share of \$2.60 were achieved, the Committee would award a target bonus amount to Messrs. Yarmuth, Guenther and Lyles based on a targeted percentage of their base salary. If earnings per share of \$2.30 were achieved, the Committee would award a bonus equal to 50% of the target bonus amount. If earnings per share of \$2.90 or greater were achieved, the Committee would award a bonus equal to 150% of the target bonus amount. The target bonus amounts as a percent of base salary for 2009 for these persons were based upon their respective levels of management responsibility and the recommendations in the 2008 Mercer analysis. The target bonus amounts as a percent of base

salary were as follows: Mr. Yarmuth - 90%; Mr. Guenther - 70%; and Mr. Lyles - 50%. The awards under these plans are formulaic, based upon the achievement of financial operating goals established by the Committee. Nevertheless, the Committee retains the discretion to increase or decrease cash incentive awards for unforeseen events or circumstances, including restatements to the Company's financial statements.

In establishing the amounts of the cash incentive plan awards actually awarded for 2009, the Committee considered that the Company had exceeded the maximum net income target on an aggregate basis by \$305,000 after accrual of the bonus provision at the maximum level. The Committee noted, however, that because of the common stock issued in the third quarter of 2009 to delever the company's balance sheet in the face of significant health care reform uncertainties, the Company's EPS of \$2.86 for 2009 was slightly less than the maximum target of \$2.90. In accordance with the discretion retained by the Committee to consider unforeseen events or circumstances, the Committee determined to award the cash incentive bonus amounts at the maximum level. The Committee delegated to Mr. Yarmuth discretion in the payment of cash bonus amounts to Ms. Liechty and Ms. Newhouse. Based on the Company's 2009 earnings and his review of their performance and management responsibilities, Ms. Liechty was awarded a cash bonus of \$210,000 and Ms. Newhouse was awarded a cash bonus of \$80,000.

## **Risk Management and Compensation**

The Compensation Committee believes that the Company's compensation policies and practices are an integral part of the Board's risk management. The Committee considers various features of our compensation policies and practices that discourage excessive or unnecessary risk taking, including but not limited to the following:

- Appropriate pay philosophy, peer group and other market comparability data and market positioning to align with and support business objectives;
- Effective balance in:
  - Cash and equity pay mix, including the use of restricted stock and stock options, used to focus employees on mitigating downside risk while generating long-term gains;
  - Short- and longer-term performance focus, including caps on annual cash incentive awards; and,
  - Management and Board discretion to manage pay appropriately; and,
- Compensation Committee oversight of our compensation policies and practices.

## **Equity-Based Compensation**

Although no equity-based awards were made to the Named Executive Officers from 2002 to 2006, the Committee granted equity-based awards in 2007, 2008 and 2009 and plans to use equity-based compensation as a key component of its overall executive compensation strategy in the future. Such awards provide a direct and long-term link between the results achieved for the Company's stockholders and the total direct compensation provided to the Named Executive Officers. Stock-based compensation is designed to retain the Named Executive Officers through time-based vesting conditions and to motivate them to enhance the value of the Common Stock by aligning the financial interests of the Named Executive Officers with those of the Company's stockholders. Equity-based compensation also provides an effective incentive for management to

create stockholder value over several years since the full benefit of this element of compensation is primarily realized as a result of the appreciation in the price of the Common Stock.

The Company does not currently have a security ownership policy for its Named Executive Officers or its directors. The Committee generally does not take into consideration equity awards granted in previous years when evaluating awards for the current year.

The Committee does not grant options with an exercise price that is less than the closing price of the Common Stock on the Nasdaq on the grant date (fair market value) and it does not grant stock options that are priced on a date other than the grant date.

The amount of equity awarded to the Named Executive Officers is based upon a number of factors. First, the Committee considers an overall assessment of the Company's performance and the equity granting practices of other companies in the healthcare industry and its peer group. In addition, the Committee considers information prepared by Mercer with respect to the equity awards and considers the relative costs. In making equity awards for 2009, the Committee considered Mercer's recommendation to frame the awards by creating a "target value" of the award by multiplying a market based percentage for equity compensation times the executive's annual base salary. (The 2009 equity awards were based on the following percentage targets for Messrs. Yarmuth, Guenther and Lyles: 114%, 55% and 62%, as adjusted by the Committee.) The Committee then considered the overall performance of each of Messrs. Yarmuth, Guenther and Lyles and his actual and potential contribution to the Company's growth and long-term performance in determining individual awards. The Chief Executive Officer also provided an assessment of the overall level of performance for the other Named Executive Officers. The assessment of actual and potential contribution is based upon the Committee's subjective evaluation of each Named Executive Officer. Based on these assessments, the Committee determined the actual award for each of Messrs. Yarmuth, Guenther and Lyles. The number of options and restricted shares was then rounded to the nearest thousand share number. The Committee followed the recommendation of Mr. Yarmuth with respect to the award of stock options and restricted shares to Ms. Liechty and Ms. Newhouse in 2009; these amounts were based upon their relative management responsibility within the Company and a 41% and 35% of salary target values, as adjusted, respectively. The Committee chose to use a mix of stock options and restricted shares, viewing stock options as effective in focusing management on share-price appreciation and restricted shares as encouraging ownership of Company shares while using fewer shares eligible for issuance under the Company's equity incentive plan. The Committee chose to target approximately one-half of the value of the equity award as stock options, with the other half of the value as restricted shares. For this purpose, the Committee valued the option shares using the Monte Carlo option valuation model; the restricted shares were valued at the fair market value as reflected on the NASDAQ Global Select Market. All options awarded in 2009 will vest in four equal annual installments beginning on the first anniversary of the date of grant; all restricted shares vest in full on the third anniversary of the date of grant.

## **Section 401(k) Plan and Other Perquisites and Benefits**

The Company maintains a Section 401(k) plan (the “401(k) Plan”) that is a tax-qualified defined contribution retirement savings plan under which all eligible employees may contribute up to the limit prescribed by the IRS, on a pre-tax basis. The Named Executive Officers are eligible to contribute on a pre-tax basis at a discretionary level, which varies annually based upon results of the Plan’s prior year non-discrimination testing. After one year of service, the Company matches 25% of the first 5% of pay that a participant contributes to the 401(k) Plan and may also provide additional profit sharing contributions based upon the Company’s achievement of financial goals established by the Committee. All employee contributions to the 401(k) Plan are fully vested upon contribution and the Company’s matching contribution vests in full immediately once the employee has three years of service. Contributions to the 401(k) Plan by the Named Executive Officers are usually limited by IRS rules.

## **Employment and Other Agreements**

The Company has a year-to-year employment agreement with William B. Yarmuth, its Chairman of the Board, President and Chief Executive Officer. The parties entered into the agreement effective January 1, 1996. The agreement includes a covenant not to compete for a period of two years following Mr. Yarmuth’s termination as an employee of the Company. With respect to Mr. Yarmuth’s employment agreement, he and the Company entered into an amendment to ensure that the Employment Agreement complies with Section 409A of the Internal Revenue Code of 1986, as amended, and the final Treasury Regulations promulgated thereunder. As described elsewhere herein, the agreement also provides for payments to be made to Mr. Yarmuth under certain circumstances upon his termination of employment.

The Company has no other employment agreements.

## **Executive Compensation Tax Deductibility**

Section 162(m) of the Code generally provides that the compensation paid by publicly held corporations to the chief executive officer and the four most highly paid senior executive officers in excess of \$1,000,000 per executive will be deductible by the Company only if paid pursuant to qualifying performance-based compensation plans approved by stockholders of the Company. Compensation as defined by the Code includes, among other things, base salary, incentive compensation and gains on stock options and restricted Common Stock. Although the Company currently attempts to structure all incentive compensation to be deductible for federal income tax purposes, the Company’s primary policy is to maximize the effectiveness of the Company’s executive compensation program. In that regard, the Committee intends to remain flexible to take actions which are deemed to be in the best interests of the Company and its stockholders. Such actions have not always qualified for tax deductibility under the Code and may not do so in the future.

Beginning on January 1, 2006, the Company began accounting for equity-based incentive compensation in accordance with the requirements of ASC Topic 718, Compensation - Stock Compensation.

## COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board is composed entirely of independent directors satisfying the requirements of the Nasdaq listing standards. The Committee is composed of Messrs. Jonathan D. Goldberg (Chair), Henry M Altman, Jr., Steven B. Bing, Donald G. McClinton, W. Earl Reed, III, and Tyree G. Wilburn. The Compensation Committee is responsible for establishing and administering the policies and programs that govern both annual cash compensation and stock-based incentive compensation plans for the executive officers of the Company.

The Compensation Committee has reviewed and discussed the "Compensation Discussion and Analysis" section with management. Based upon the foregoing review and discussion with management, the Compensation Committee recommended to the Board that the "Compensation Discussion and Analysis" section be included in this proxy statement.

All members of the Compensation Committee of the Company listed below submit the foregoing report.

COMPENSATION COMMITTEE:

Jonathan D. Goldberg, Chair  
Henry M. Altman, Jr.  
Steven B. Bing  
Donald G. McClinton  
W. Earl Reed, III  
Tyree G. Wilburn

## AUDIT COMMITTEE REPORT

The Audit Committee of the Board is composed of four directors, all of whom meet the current NASDAQ Marketplace Rules test for independence. The Committee acts under a written charter adopted by the Board. The Audit Committee has prepared the following report on its activities with respect to the Company's audited financial statements for the fiscal year ended December 31, 2009 (the "Audited Financial Statements").

- The Audit Committee reviewed and discussed the Company's Audited Financial Statements with management;
- The Audit Committee discussed with Ernst & Young LLP, the Company's independent auditors for fiscal 2009, the matters required to be discussed by Statements on Auditing Standards No. 61 (*Codification of Statements on Auditing Standards, AU §380*);
- The Audit Committee received from the independent auditors the written disclosures regarding auditor independence and the letter required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), discussed with Ernst & Young LLP its independence from the Company and its management, and considered whether Ernst & Young LLP's provision of non-audit services to the Company was compatible with the auditor's independence; and
- Based on the review and discussion referred to above, and in reliance thereon, the Audit Committee recommended to the Board that the Audited Financial Statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, for filing with the U.S. Securities and Exchange Commission.

All members of the Audit Committee concur in this report.

AUDIT COMMITTEE:

Jonathan D. Goldberg  
W. Earl Reed, III  
Tyree G. Wilburn  
Henry M. Altman, Jr.

### Fees Paid to the Independent Auditors

#### *Audit Fees*

Ernst & Young LLP charged to the Company an aggregate amount of \$498,000 and \$610,000 for professional services rendered for fiscal year 2009 and fiscal year 2008, respectively, for the audit of the Company's annual financial statements, the reviews of the Company's financial statements included in the Company's reports on Form 10-Q, the review of internal control over financial reporting and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

### *Audit-Related Fees*

Ernst & Young LLP charged to the Company an aggregate amount of \$80,000 and \$162,000 for assurance and related services rendered for fiscal year 2009 and fiscal year 2008, respectively, that are primarily related to the audit of the Company's 401(k) employee benefit plan.

### *Tax Fees*

Ernst & Young LLP charged to the Company an aggregate amount of \$160,000 and \$178,000 for professional services rendered for fiscal year 2009 and fiscal year 2008, respectively, for tax compliance, tax advice, and tax planning.

### *All Other Fees*

There were no other services or fees provided by Ernst & Young LLP in 2009 and 2008.

### *Pre-Approval Policies and Procedures*

During fiscal year 2009, the Audit Committee approved all audit, audit-related and non-audit services provided to the Company by Ernst & Young LLP before management engaged the auditor for those purposes. The Audit Committee's current practice is to consider for pre-approval all audit, audit-related, tax and non-audit services proposed to be provided by our independent auditors for the fiscal year.

## **STOCKHOLDER PROPOSALS**

Under Rule 14a-8 promulgated under the Securities Exchange Act of 1934, stockholders may present proposals to be included in the Company proxy statement for consideration at the next annual meeting of its stockholders by submitting their proposals to the Company in a timely manner. Any such proposal must comply with Rule 14a-8.

The Company's by-laws, copies of which are available from the Company's Secretary, require stockholders who intend to propose business for consideration by stockholders at an annual meeting, other than stockholder proposals that are included in the proxy statement, to give written notice to the President or Secretary of the Company not less than thirty days before the annual meeting. This notice must include a brief description of the business desired to be brought before the annual meeting, the name and address, as they appear on the Company's books, of the stockholder proposing such business and any other stockholders known to support such business, the class and number of shares of the Company which are beneficially owned by such stockholder on the date of such stockholder's notice and by any other stockholders known by such stockholder to support such business on the date of such notice and any material interest the stockholder has in such business. Similar requirements are set forth in the Company's by-laws with respect to stockholders desiring to nominate candidates for election as director. See "Policy Regarding Consideration of Candidates for Director" in this proxy statement for more information. If a stockholder submitting a matter to be raised at the Company's next annual meeting desires that such matter be included in the Company's proxy statement, such matter must be submitted to the Company no later than December 1, 2010.

SEC rules set forth standards for what stockholder proposals the Company is required to include in a proxy statement for an annual meeting.

### **STOCKHOLDERS' COMMUNICATIONS WITH THE BOARD**

Stockholders that want to communicate in writing with the Board, or specified directors individually, may send proposed communications to the Company's Secretary, C. Steven Guenther, Almost Family, Inc., 9510 Ormsby Station Road, Suite 300, Louisville, Kentucky 40223. The proposed communication will be reviewed by the Audit Committee and legal counsel. If the communication is appropriate and serves to advance or improve the Company or its performance, contains no objectionable material or language, is not unreasonable in length, is directly applicable to the business of the Company, it is expected that the communication will receive favorable consideration for presentation to the Board or appropriate director(s).

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who beneficially own more than ten percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission initial reports of stock ownership and reports of changes in stock ownership and to provide the Company with copies of all such filed forms. Section 16(a) of the Securities Exchange Act of 1934 provides that any profit realized by an insider from any purchase and sale, or sale and purchase, of the Company's equity securities within less than six months must be disgorged to the Company. Based solely on its review of such copies or written representations from reporting persons, the Company believes that all Section 16(a) reports were filed on a timely basis during fiscal 2009, except William Yarmuth filed a Form 5 reporting one transaction (a gift) in 2009 late by one day.

### **FORM 10-K**

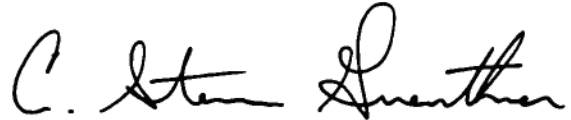
The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed on February 25, 2010, accompanies this proxy statement. The Company's Annual Report does not form any part of the material for solicitation of proxies.

**Any stockholder who wishes to obtain a copy of the Company's Annual Report on Form 10-K for fiscal 2009, which includes financial statements and financial statement schedules, and is required to be filed with the Securities and Exchange Commission, may send a written request to C. Steven Guenther, Almost Family, Inc., 9510 Ormsby Station Road, Suite 300, Louisville, Kentucky 40223. The Company charges \$0.25 per page for exhibits to cover the Company's costs in furnishing such copies.**

## OTHER BUSINESS

The Board is not aware of any other matters to be presented at the Annual Meeting other than those set forth herein and routine matters incident to the conduct of the meeting. If any other matters should properly come before the Annual Meeting or any adjournment or postponement thereof, the persons named in the proxy, or their substitutes, intend to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read "C. Steven Guenther". The signature is written in a cursive style with a large initial "C" and a long, sweeping underline.

C. Steven Guenther  
Secretary

Louisville, Kentucky  
March 31, 2010