

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF TEXAS**

\_\_\_\_\_, Individually and On  
Behalf of All Others Similarly Situated,

Plaintiff,

v.

ADDUS HOMECARE CORPORATION,  
R. DIRK ALLISON, DONALD KLINK,  
and BRIAN POFF,

Defendants.

Case No.: DRAFT

**CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**

**JURY TRIAL DEMANDED**

Law Offices of Howard G. Smith

Plaintiff \_\_\_\_\_ (“Plaintiff”), individually and on behalf of all others similarly situated, by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by Addus HomeCare Corporation (“Addus” or the “Company”) with the United States (“U.S.”) Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by Addus; and (c) review of other publicly available information concerning Addus.

### **NATURE OF THE ACTION AND OVERVIEW**

1. This is a class action on behalf of persons and entities that purchased or otherwise acquired Addus securities between March 11, 2016 and February 27, 2020, inclusive (the “Class Period”). Plaintiff pursues claims against the Defendants under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Addus is a home care services provider that operates in three segments: personal care; hospice; and home health. Its services are principally provided in the home under agreements with federal, state and local government agencies.

3. On February 27, 2020, after the market closed, Addus announced that it could not timely file its fiscal 2019 annual report because it needed to “to complete the valuation of a non-cash implicit price concession related to revenue and accounts receivable, including the periods to which it relates, and to perform the related internal controls assessment.”

4. On this news, the Company’s share price fell \$13.28 per share, or nearly 15%, to close at \$76.27 per share on February 28, 2020, on unusually heavy trading volume.

5. On March 17, 2020, Addus further delayed filing its 2019 annual report and disclosed that a “previously unrecorded adjustment in estimating the collectability of revenue” was not appropriate.

6. Throughout the Class Period, Defendants made materially false and/or misleading

statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that there was a material weakness in the Company's internal control over financial reporting related to the collectability of revenue; (2) that, as a result, Addus had overstated revenue for certain periods; and (3) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects, were materially misleading and/or lacked a reasonable basis.

7. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

### **JURISDICTION AND VENUE**

8. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

9. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

10. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. In addition, the Company's principal executive offices are located in this District.

11. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

### **PARTIES**

12. Plaintiff \_\_\_\_\_, as set forth in the accompanying certification,

incorporated by reference herein, purchased Addus securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

13. Defendant Addus is incorporated under the laws of Delaware with its principal executive offices located in Frisco, Texas. Addus's common stock trades on the NASDAQ exchange under the symbol "ADUS."

14. Defendant R. Dirk Allison ("Allison") was the Company's Chief Executive Officer ("CEO") at all relevant times.

15. Defendant Donald Klink ("Klink") was the Company's Chief Financial Officer ("CFO") from May 2015 to May 2016.

16. Defendant Brian Poff ("Poff") has been the CFO since May 2016.

17. Defendants Allison, Klink, and Poff (collectively the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

## **SUBSTANTIVE ALLEGATIONS**

### **Background**

18. Addus is a home care services provider that operates in three segments: personal care; hospice; and home health. Its services are principally provided in the home under

agreements with federal, state and local government agencies.

**Materially False and Misleading  
Statements Issued During the Class Period**

19. The Class Period begins on March 11, 2016. On that day, Addus filed its annual report on Form 10-K with the SEC for the period ended December 31, 2015. Therein, the Company reported revenue of approximately \$336.8 million. Regarding accounts receivable and allowance for doubtful accounts, Addus stated:

Gross accounts receivable as of December 31, 2015 and 2014 were \$89.8 million and \$72.2 million, respectively. Outstanding accounts receivable, net of the allowance for doubtful accounts, increased by \$16.6 million as of December 31, 2015 as compared to December 31, 2014. The increase in accounts receivable is primarily attributable to delay in payment from the State of Illinois during the second half of 2015, accounts receivable acquired as part of our acquisitions and the general increase in our overall business.

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. Our provision for doubtful accounts is estimated and recorded primarily by aging receivables utilizing eight aging categories and applying our historical collection rates to each aging category, taking into consideration factors that might impact the use of historical collection rates or payor groups, with certain large payors analyzed separately from other payor groups. In our evaluation of these estimates, we also consider other factors including: delays in payment trends in individual states due to budget or funding issues; billing conversions related to acquisitions or internal systems; resubmission of bills with required documentation and disputes with specific payors. An allowance for doubtful accounts is maintained at a level that our management believes is sufficient to cover potential losses. However, actual collections could differ from our estimates.

Our collection procedures include review of account aging and direct contact with our payors. We have historically not used collection agencies. An uncollectible amount is written off to the allowance account after reasonable collection efforts have been exhausted.

20. On March 15, 2017, Addus filed its annual report on Form 10-K with the SEC for the period ended December 31, 2016, reporting revenue of approximately \$400.68 million. Regarding accounts receivable and allowance for doubtful accounts, the report stated:

Gross accounts receivable as of December 31, 2016 and 2015 were \$124.4 million and \$89.8 million, respectively. Outstanding accounts receivable, net of the allowance for doubtful accounts, increased by \$32.0 million as of December 31,

2016 as compared to December 31, 2015. The increase in accounts receivable is primarily attributable to delay in both Medicaid and non-Medicaid payment from the State of Illinois for fiscal year 2017, accounts receivable acquired as part of our acquisitions and the general increase in our overall business.

21. On March 14, 2018, Addus filed its annual report on Form 10-K with the SEC for the period ended December 31, 2017, reporting revenue of approximately \$425.7 million. Regarding accounts receivable and allowance for doubtful accounts, the Company stated:

Gross accounts receivable as of December 31, 2017 and 2016 were \$99.7 million and \$124.4 million, respectively. Outstanding accounts receivable, net of the allowance for doubtful accounts, decreased by \$28.0 million as of December 31, 2017 as compared to December 31, 2016. The decrease in net accounts receivable was primarily due to significant receipts on accounts receivable from the State of Illinois for our services provided through June 30, 2017 under its budget passed on July 6, 2017.

22. On March 18, 2019, Addus filed its annual report on Form 10-K with the SEC for the period ended December 31, 2018 (“2018 10-K”), reporting revenue of \$518.1 million. Moreover, Addus stated that what was historically classified as provision for doubtful accounts would be reported as an implicit price concession due to adoption of a new accounting standard:

On January 1, 2018, we adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, (“ASU 2014-09”) which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. We adopted the standard using the modified retrospective approach and did not record a cumulative catch-up adjustment as the timing and measurement of revenue for our customers consistent with our prior revenue recognition model. ***However, the majority of what historically was classified as provision for doubtful accounts under operating expenses is now treated as an implicit price concession factored into net service revenues.***

23. The 2018 10-K also reported, as to doubtful accounts:

In 2018, subsequent adjustments that are determined to be the result of an adverse change in the payor’s ability to pay are recognized as provision for doubtful accounts with the adoption of ASU 2014-09, *Revenue from Contracts with Customers*. We adopted the standard using the modified retrospective approach and did not record a cumulative catch-up adjustment as the timing and measurement of revenue was consistent with its prior revenue recognition model. However, the majority of what historically was classified as provision for doubtful accounts under operating expenses is now treated as an implicit price concession factored into net service revenues. We recorded \$9.7 million for the

year ended December 31, 2018 as a reduction to revenue that would have been recorded as provision for doubtful accounts under the prior revenue recognition guidance. As of December 31, 2018 and 2017, the allowance for doubtful accounts balance was \$0.7 million and \$10.5 million, which is included in the account receivable, net of allowances on our Consolidated Balance Sheets.

24. The 2018 10-K also stated that the Company's "disclosure controls and procedures were not effective as of December 31, 2018 due to the material weakness in internal control over financial reporting described below":

As part of our system of controls related to the review and approval of hours worked and billed, we were unable to rely on internal controls within the software provided by our preferred electronic visit verification ("EVV") vendor because that vendor has not provided a third party attestation report with regard to those internal controls, which, in part because of the growth of our Company and the migration to EVV, we now believe is necessary. Our existing review controls did not have a sufficient level of precision to compensate for this deficiency. However, we believe that the financial statements included in this annual report fairly present in all material respects our financial condition, results of operations, and cash flows for the periods presented.

To remediate this issue, we have held discussions with our EVV vendor and received assurances that it will deliver a Service Organization Control 1 Type 2 ("SOC 1 Type 2") report with respect to 2019. We will monitor progress toward that delivery and, if necessary, consider alternative arrangements. In addition, we are reviewing related existing controls to consider additional and modified controls to increase our level of precision to further strengthen the control environment without regard to whether we obtain the SOC 1 Type 2 report from our EVV vendor.

\* \* \*

Except as mentioned above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the fiscal quarter ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

25. On May 5, 2019, Addus filed its quarterly report on Form 10-Q for the period ended March 31, 2019, reporting revenue of approximately \$139.2 million. Regarding implicit price concessions, the Company stated:

Implicit Price Concessions

We record estimated implicit price concessions (based primarily on historical

collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts we expect to collect. The estimates for implicit price concessions are based upon management's assessment of historical write offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. The Company recorded \$2.2 million and \$2.0 million for the three months ended March 31, 2019 and 2018, respectively, as a reduction to revenue.

26. Regarding disclosure controls and procedures, the report stated, in relevant part:

Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2019 due to a material weakness in internal controls within the software provided by our preferred electronic visit verification ("EVV") vendor that was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018:

As part of our system of controls related to the review and approval of hours worked and billed, we were unable to rely on internal controls within the software provided by our preferred electronic visit verification ("EVV") vendor because that vendor has not provided a third party attestation report with regard to those internal controls, which, in part because of the growth of our Company and the migration to EVV, we now believe is necessary. Our existing review controls did not have a sufficient level of precision to compensate for this deficiency.

***However, we believe that the financial statements included in this quarterly report fairly present in all material respects our financial condition, results of operations, and cash flows for the periods presented.***

(Emphasis added.)

27. On August 8, 2019, Addus filed its quarterly report on Form 10-Q for the period ended June 30, 2019, reporting revenue of approximately revenue of \$149.69 million. Under "Net service revenues," Addus stated that it "records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts we expect to collect." The Company did not report a reduction to revenue for the quarter attributable to "implicit price concessions." The report also stated that, due to the previously reported material weakness, the Company's disclosure controls and procedures were not effective. It further stated: "However, we believe that the financial statements included in this quarterly report fairly present in all material respects our financial condition, results of operations, and cash flows for the periods presented."

28. On November 8, 2019, Addus filed its quarterly report on Form 10-Q for the period ended September 30, 2019, reporting revenue of approximately \$169.8 million. Under “Net service revenues,” Addus stated that it “records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts we expect to collect.” The Company did not report a reduction to revenue for the quarter attributable to “implicit price concessions.” The report also stated that, due to the previously reported material weakness, the Company’s disclosure controls and procedures were not effective. It further stated: “However, we believe that the financial statements included in this quarterly report fairly present in all material respects our financial condition, results of operations, and cash flows for the periods presented.”

29. The above statements identified in ¶¶ 19-28 were materially false and/or misleading, and failed to disclose material adverse facts about the Company’s business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that there was a material weakness in the Company’s internal control over financial reporting related to the collectability of revenue; (2) that, as a result, Addus had overstated revenue for certain periods; and (3) that, as a result of the foregoing, Defendants’ positive statements about the Company’s business, operations, and prospects, were materially misleading and/or lacked a reasonable basis.

#### **Disclosures at the End of the Class Period**

30. On February 27, 2020, after the market closed, Addus announced that it could not timely file its fiscal 2019 annual report. In a Form 12b-25 filed with the SEC, the Company stated that it needed to “to complete the valuation of a non-cash implicit price concession related to revenue and accounts receivable, including the periods to which it relates, and to perform the related internal controls assessment.”

31. On this news, the Company’s share price fell \$13.28 per share, or nearly 15%, to close at \$76.27 per share on February 28, 2020, on unusually heavy trading volume.

32. On March 17, 2020, Addus further delayed filing its 2019 annual report. The Company also disclosed that a “previously unrecorded adjustment in estimating the collectability

of revenue” was not appropriate. In a press release, the Company stated, in relevant part:

Commenting on the delay and results, Dirk Allison, President and Chief Executive Officer of Addus, stated, “Obviously, we are disappointed that we are unable to file our 2019 Form 10-K today, but we could not convince our prior audit firm that a previously unrecorded adjustment in estimating the collectability of our revenue was appropriate. ***In total, the adjustment will result in a total revenue reduction (or, for years prior to 2018, expense increase) of approximately \$10 million to \$12 million, in the aggregate, for periods 2009 to 2018,*** during which total revenues were in excess of \$2 billion. In addition, the adjustment will have no impact on reported cash flow from operations for these years. We believe that this situation resulted from an honest difference of opinion between us, with concurrence from our current auditor, PricewaterhouseCoopers (PwC), on one hand, and our prior audit firm. However, ***our prior audit firm has informed us that they are unwilling to consent to the inclusion of their opinion on our prior-year audited financial statements if the Company were to make these previously unrecorded adjustments in prior periods rather than in the current period.*** Without their consent, the Company cannot include those required historical financial statements in our Form 10-K filing. PwC has agreed, subject to completing their customary engagement acceptance and independence procedures, to independently re-audit our financial statements for the years ended December 31, 2017 and 2018, so that we may comply with the financial statements filing requirements of the Form 10-K.”

(Emphases added.)

### **CLASS ACTION ALLEGATIONS**

33. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that purchased or otherwise acquired Addus securities between March 11, 2016 and February 27, 2020, inclusive, and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a controlling interest.

34. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Addus’s common shares actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least

hundreds or thousands of members in the proposed Class. Millions of Addus common stock were traded publicly during the Class Period on the NASDAQ. Record owners and other members of the Class may be identified from records maintained by Addus or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

35. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

36. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

37. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of Addus; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

38. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

### **UNDISCLOSED ADVERSE FACTS**

39. The market for Addus's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, Addus's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Addus's securities relying upon the integrity of the market price of the Company's securities and market information relating to Addus, and have been damaged thereby.

40. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Addus's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. The statements and omissions were materially false and/or misleading because they failed to disclose material adverse information and/or misrepresented the truth about Addus's business, operations, and prospects as alleged herein.

41. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Addus's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein when the truth was revealed.

### **LOSS CAUSATION**

42. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

43. During the Class Period, Plaintiff and the Class purchased Addus's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

### **SCIENTER ALLEGATIONS**

44. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding Addus, their control over, and/or receipt and/or modification of Addus's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Addus, participated in the fraudulent scheme alleged herein.

### **APPLICABILITY OF PRESUMPTION OF RELIANCE (FRAUD-ON-THE-MARKET DOCTRINE)**

45. The market for Addus's securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, Addus's securities traded at artificially inflated prices during the Class Period. On February 14, 2020, the Company's share price closed at a Class Period high of \$103.82 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of Addus's securities and market

information relating to Addus, and have been damaged thereby.

46. During the Class Period, the artificial inflation of Addus's shares was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Addus's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of Addus and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company shares. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

47. At all relevant times, the market for Addus's securities was an efficient market for the following reasons, among others:

(a) Addus shares met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, Addus filed periodic public reports with the SEC and/or the NASDAQ;

(c) Addus regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) Addus was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and

certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

48. As a result of the foregoing, the market for Addus's securities promptly digested current information regarding Addus from all publicly available sources and reflected such information in Addus's share price. Under these circumstances, all purchasers of Addus's securities during the Class Period suffered similar injury through their purchase of Addus's securities at artificially inflated prices and a presumption of reliance applies.

49. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or omissions. Because this action involves Defendants' failure to disclose material adverse information regarding the Company's business operations and financial prospects—information that Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

#### **NO SAFE HARBOR**

50. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-

looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Addus who knew that the statement was false when made.

**FIRST CLAIM**  
**Violation of Section 10(b) of The Exchange Act and**  
**Rule 10b-5 Promulgated Thereunder**  
**Against All Defendants**

51. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

52. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Addus's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

53. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Addus's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

54. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about Addus's financial well-being and prospects, as specified herein.

55. Defendants employed devices, schemes and artifices to defraud, while in

possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Addus's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about Addus and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

56. Each of the Individual Defendants' primary liability and controlling person liability arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

57. Defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Addus's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by

Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

58. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of Addus's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Addus's securities during the Class Period at artificially high prices and were damaged thereby.

59. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Addus was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Addus securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

60. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

61. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

**SECOND CLAIM**  
**Violation of Section 20(a) of The Exchange Act**  
**Against the Individual Defendants**

62. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

63. Individual Defendants acted as controlling persons of Addus within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and their ownership and contractual rights, participation in, and/or awareness of the Company's operations and intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings, and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

64. In particular, Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

65. As set forth above, Addus and Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position as controlling persons, Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

Dated: \_\_\_\_\_, 2020

By: DRAFT

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