FIRST FINANCIAL BANCORP /OH/
Form 424B3
May 01, 2014

Filed pursuant to Rule 424(b)(3)

Registration No. 333-195171

PROXY STATEMENT OF INSIGHT BANK

PROSPECTUS OF First Financial Bancorp.

Merger Proposal – Your Vote Is Important

DEAR Insight SHAREHOLDERS:

You are cordially invited to attend a special meeting of shareholders of Insight Bank ("Insight") which will be held on May 28, 2014, at 3:00 p.m., local time, at the offices of Insight, 150 W. Wilson Bridge Road, Worthington, Ohio 43085.

At the meeting, you will be asked to adopt an agreement and plan of merger (the "Merger Agreement") by and among Insight, First Financial Bancorp. ("Parent") and First Financial Bank, National Association, a national banking association and a wholly owned subsidiary of Parent ("First Financial"), that provides for First Financial's acquisition of Insight through the merger of Insight with and into First Financial (the "Merger"). Pursuant to the Merger, Insight shareholders will, in the aggregate, receive total merger consideration in the amount of $33,415,000 at the closing in exchange for outstanding shares of Insight common stock. Each share of common stock of Insight, par value $1.00 per share, that you own will be converted into a combination of cash and shares of common stock of Parent, without par value. In addition, all outstanding stock options of Insight will be cashed out at the closing of the Merger. Including payment to be made for cancelling the stock options, the fully diluted total merger consideration is valued at approximately $36.6 million as of December 19, 2013.

The number of outstanding shares of Insight common stock will change to the extent that outstanding options to acquire Insight common stock are exercised prior to the effective time of the Merger. Assuming the 1,630,000 shares of Insight common stock outstanding as of December 19, 2013 remain unchanged at the closing, for each of your shares of Insight common stock, you will receive the per share merger consideration equal to $20.50 in the form of a combination of cash and shares of Parent common stock to be calculated as set forth in the Merger Agreement. Of such per share merger consideration, 20%, or $4.10, will be paid in cash and 80%, or $16.40, will be paid in Parent common stock (including cash to be paid in lieu of any fractional shares), subject to certain adjustments depending upon changes in the market price of Parent common stock. The exchange ratio used to determine the number of shares of Parent common stock that you will be entitled to receive for each share of Insight common stock will be determined based on the average closing price (the "Parent Share Average Closing Price") on the NASDAQ Global Select Market ("NASDAQ") for the twenty trading days ending on the third business day prior to the effective time of the Merger, subject to a minimum and maximum price equal to $13.86 and $18.76, respectively, and certain further adjustments. **The per share merger consideration will not be determined until after the date of the special meeting. Therefore, at the time of the special meeting, you will not know the precise amount of cash or number of shares of Parent common stock you may receive on the date the Merger is completed. Moreover, as a result of the Collar Restriction (as defined herein) and potential exercise of Insight stock options, the actual value of the per share merger consideration received by Insight shareholders could be significantly less than $20.50 if no outstanding Insight stock options are exercised or $17.24 if all outstanding Insight stock options are exercised. Insight's board of directors has determined that, under certain circumstances where Insight is entitled to terminate the Merger Agreement upon the occurrence of either a Double Trigger (as defined herein) or a material adverse change with respect to Parent, Insight will not waive its termination right and proceed with the Merger without first obtaining the consent of the Insight shareholders in the event the actual value of total per share merger consideration as calculated based on the Parent Share Average Closing Price and including the effect of the exercise of Insight stock options, if any, would be less than $10.00.** **See "Description of the Merger Agreement – Consideration to be received in the Merger—Minimum Merger Consideration If the Merger Is Completed" on page 49.**

Assuming the 1,630,000 shares of Insight common stock outstanding remain unchanged at the closing, based on a Parent Share Average Closing Price of $17.57, which is equal to the Parent Share Average Closing Price if it were calculated as if the closing date was April 28, 2014, the latest practicable date prior to the date of this proxy statement/prospectus, the merger consideration that an Insight common shareholder would be entitled to receive for each share of Insight common stock is $4.10 in cash and 0.9334 shares of Parent common stock. If the Parent Share Average Closing Price were equal to the minimum of $13.86, each share of Insight common stock would instead be entitled to $4.10 in cash and 1.1833 shares of Parent common stock; if the Parent Share Average Closing Price were equal to the maximum of $18.76, each share of Insight common stock would be entitled to $4.10 in cash and 0.8742 shares of Parent common stock.

Parent common stock is traded on NASDAQ under the symbol "FFBC." The closing price of Parent common stock on April 28, 2014 was $16.46 per share.

The Merger cannot be completed unless the holders of at least two-thirds of the voting power of the outstanding shares of Insight capital stock vote in favor of the Merger Agreement. **Accordingly, our board of directors has unanimously approved the Merger Agreement and recommends that you vote "FOR" the adoption of the Merger Agreement at the special meeting. Our board of directors also unanimously recommends that you vote "FOR" the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares are present in person or by proxy to adopt the Merger Agreement and the transactions it contemplates and "FOR" the authorization of the proxies named in the proxy form to vote on such other matters as may properly come before the special meeting or any adjournment or postponement thereof.**

Additional information regarding the Merger, the Merger Agreement, Insight, First Financial and Parent is set forth in the attached proxy statement/prospectus. This document also serves as the prospectus for up to 1,928,715 shares of Parent common stock that may be issued by Parent in connection with the Merger. **We urge you to read this entire document carefully, including the section entitled "Risk Factors" beginning on page 16.**

Sincerely,

Harvey L. Glick
President and Chief Executive Officer
Insight Bank

Neither the Securities and Exchange Commission nor any state securities regulatory body has approved or disapproved of the securities to be issued under this proxy statement/prospectus or determined if this proxy

statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The securities to be issued in connection with the Merger are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This proxy statement/prospectus is dated April 30, 2014, and is first being mailed to Insight shareholders on or about May 1, 2014.

REFERENCES TO ADDITIONAL INFORMATION

As permitted by the rules of the Securities and Exchange Commission (the “SEC”), this proxy statement/prospectus incorporates important business and financial information about Parent from other documents that are not included in or delivered with this proxy statement/prospectus. These documents are available to you without charge upon your written or oral request. You can obtain documents incorporated by reference in this proxy statement/prospectus without charge through the SEC’s website at www.sec.gov, from Parent’s website at www.bankatfirst.com or by requesting them in writing or by telephone at the following address and telephone number:

First Financial Bancorp.

255 East Fifth Street, Suite 700

Cincinnati, Ohio 45202

Attention: Kenneth J. Lovik

Senior Vice President, Investor Relations & Corporate Development

(877) 322-9530

In order to ensure timely delivery of these documents, you should make your request by May 14, 2014 to receive them before the special meeting.

In addition, if you have questions about the merger or the special meeting, need additional copies of this proxy statement/prospectus or need to obtain proxy forms or other information related to the proxy solicitation, you may contact Harvey L. Glick, Insight’s President and Chief Executive Officer, at the following address or by calling the following telephone number:

Insight Bank

150 W. Wilson Bridge Road

Worthington, Ohio 43085

(614) 431-9400

(877) 963-9400

Insight is not subject to the reporting requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and accordingly does not file documents or reports with the SEC.

PLEASE NOTE

We have not authorized anyone to provide you with any information other than the information included in this document and the documents to which we refer you. If someone provides you with other information, please do not rely on it as being authorized by us.

See "Where You Can Find More Information" and "Incorporation of Certain Information by Reference" on page 69.

VOTING BY MAIL

As an Insight shareholder of record, you may submit your proxy by mail, by signing and dating each proxy form you receive, indicating your voting preference on each proposal and returning each proxy form in the prepaid envelope that accompanied that proxy form.

INSIGHT BANK

150 W. Wilson Bridge Road

Worthington, Ohio 43085

Notice of Special Meeting of Shareholders

Date: May 28, 2014
Time: 3:00 p.m., local time
Place: 150 W. Wilson Bridge Road, Worthington, Ohio 43085

TO INSIGHT BANK SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that Insight Bank ("Insight") will hold a special meeting of shareholders on May 28, 2014 at the offices of Insight, 150 W. Wilson Bridge Road, Worthington, Ohio 43085 at 3:00 p.m., local time. The purpose of the meeting is to consider and vote on the following matters:

- a proposal to adopt the Agreement and Plan of Merger (the "Merger Agreement"), dated as of December 19, 2013, by and among First Financial Bancorp., First Financial Bank, National Association, and Insight. A copy of the Merger Agreement is included as Annex A to the proxy statement/prospectus accompanying this notice;

- the approval to adjourn the special meeting to permit further solicitation in the event that there are not sufficient votes FOR adoption, for any reason, of the Merger Agreement and the transactions it contemplates at the time of the special meeting; and

- to transact any other business that properly comes before the special meeting, or any adjournments or postponements thereof.

Holders of record of Insight common stock at the close of business on April 24, 2014 are entitled to receive this notice and to vote at the special meeting and any adjournments or postponements thereof. Under the federal law applicable to

mergers of state banks into national banks, the Merger Agreement must be ratified and confirmed by the affirmative vote of Insight shareholders owning at least two-thirds of its capital stock outstanding. Approval of the proposal to adjourn the special meeting, if necessary or appropriate to solicit additional proxies, requires the affirmative vote of a majority of the shares of Insight common stock having voting power present in person or by proxy, whether or not there is a quorum.

Shareholders of Insight have the right to dissent from the merger contemplated by the Merger Agreement and obtain payment in cash of the appraised fair value of their shares of Insight common stock under applicable provisions of federal law and the Ohio Revised Code (“ORC”). In order for such a shareholder of Insight to perfect his or her right to dissent, the shareholder must carefully follow the procedures set forth under federal law and the ORC. A copy of the applicable federal statutory provisions and provisions of the ORC is included as Annex B to the accompanying proxy statement/prospectus and a summary of these provisions can be found under the caption “The Merger Agreement—Insight shareholder appraisal rights.”

The board of directors of Insight unanimously recommends that you vote “FOR” adoption of the Merger Agreement. The board of directors also unanimously recommends that you vote “FOR” approval to adjourn the special meeting to permit further solicitation in the event that there are not sufficient votes FOR adoption, for any reason, of the Merger Agreement and the transactions it contemplates at the time of the special meeting.

Your vote is important. To ensure that your shares are voted at the special meeting, please promptly complete, sign and return the proxy form in the enclosed, postage-prepaid envelope whether or not you plan to attend the meeting in person. If you attend the special meeting, you may revoke your proxy and vote in person, if you so desire.

Columbus, Ohio

April 30, 2014

By Order of the Board of Directors

Peter E. Geier

Chairman of the Board

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questions and answers about the Merger

Q: What am I being asked to vote on? What is the proposed transaction?

A: You are being asked to vote on the adoption of a merger agreement (the "Merger Agreement") that provides for the acquisition by First Financial Bank, National Association ("First Financial"), of Insight Bank ("Insight") through the merger (the "Merger") of Insight with and into First Financial, which is a national banking association and a wholly owned subsidiary of First Financial Bancorp. ("Parent"). You will become a shareholder of Parent as a result of the Merger.

Q: What will Insight shareholders be entitled to receive in the Merger?

A: If the Merger is completed, Insight shareholders will, in the aggregate, receive total merger consideration in the amount of $33,415,000. Each share of Insight common stock that you own immediately before the completion of the Merger will be converted into the right to receive a combination of cash and shares of Parent common stock. In addition, all outstanding stock options of Insight will be cashed out at the closing of the Merger. Including payment to be made for cancelling the stock options, the fully diluted total merger consideration is valued at approximately $36.6 million as of December 19, 2013.

The number of outstanding shares of Insight common stock will change to the extent that outstanding options to acquire Insight common stock are exercised prior to the effective time of the Merger. Assuming the 1,630,000 shares of Insight common stock outstanding as of December 19, 2013 remain unchanged at the closing, for each of your shares of Insight common stock, you will receive the per share merger consideration equal to $20.50 in the form of a combination of cash and shares of Parent common stock to be calculated as set forth in the Merger Agreement. Of such per share merger consideration, 20%, or $4.10, will be paid in cash and 80%, or $16.40, will be paid in Parent common stock (including cash to be paid in lieu of any fractional shares), subject to certain adjustments depending upon changes in the market price of Parent common stock. The exchange ratio used to determine the number of shares of Parent common stock that you will be entitled to receive for each share of Insight common stock will be determined based on the average closing price on the NASDAQ Global Select Market ("NASDAQ") for the twenty trading days ending on the third business day prior to the effective time of the Merger (the "Parent Share Average Closing Price"), subject to a minimum and maximum price equal to $13.86 and $18.76, respectively, and certain further adjustments.

Assuming the 1,630,000 shares of Insight common stock outstanding remain unchanged at the closing, based on a Parent Share Average Closing Price of $17.57, which is equal to the Parent Share Average Closing Price if it were calculated as if the closing date was April 28, 2014, the latest practicable date prior to the date of this proxy statement/prospectus, the merger consideration that an Insight common shareholder would be entitled to receive for each share of Insight common stock is $4.10 in cash and 0.9334 shares of Parent common stock. If the Parent Share Average Closing Price were equal to the minimum of $13.86, each share of Insight common stock would instead be entitled to $4.10 in cash and 1.1833 shares of Parent common stock; if the Parent Share Average Closing Price were equal to the maximum of $18.76, each share of Insight common stock would be entitled to $4.10 in cash and 0.8742

shares of Parent common stock. For a description of how the merger consideration will be calculated, see "Description of the Merger Agreement—Consideration to be received in the Merger" on page 47.

In addition, the ratio of the stock component of the merger consideration may be adjusted if the Parent Share Average Closing Price is less than $13.86 or more than $18.76. For a description of the possible adjustment of the merger consideration, see "Description of the Merger Agreement—Consideration to be received in the Merger—Stock Consideration Ratio Adjustment," "—Tax Adjustment" and "—Kill or Fill Adjustment" beginning on page 49.

Q: Can I make an election to select the form of merger consideration I desire to receive?

A: No. Each share of Insight common stock will be exchanged for the same combination of cash and shares of Parent common stock if the Merger closes.

Q: Why do Insight and Parent want to engage in the transaction?

A: Insight believes that the Merger will provide Insight shareholders and its customers with substantial benefits, including the opportunity to participate in a larger and more diversified organization, and Parent believes that the Merger will provide a platform for its continued strategic growth by entering the Columbus market. As a larger company, First Financial can provide Insight's associates with an expanded product set to serve commercial and consumer clients as well as adding wealth management capabilities to further enhance customer relationships. To review the reasons for the Merger in more detail, see "The Merger—Parent's reasons for the Merger" on page 27 and "The Merger—Recommendation of Insight's board of directors and its reasons for the Merger" on page 25.

Q: What does Insight's board of directors recommend?

A: Insight's board of directors unanimously recommends that you vote "FOR" adoption of the Merger Agreement and "FOR" the approval to adjourn the special meeting to permit further solicitation in the event that there are not sufficient votes FOR adoption, for any reason, of the Merger Agreement and the transactions it contemplates at the time of the special meeting. Insight's board of directors has determined that the Merger Agreement and the Merger are in the best interests of Insight and its shareholders. To review the background and reasons for the Merger in greater detail, see pages 23 to 27.

Q: What vote is required to adopt the Merger Agreement?

A: Under the federal law applicable to mergers of state banks into national banks, the Merger Agreement must be ratified and confirmed by the affirmative vote of Insight shareholders owning at least two-thirds of its capital stock outstanding. Abstentions and broker non-votes have the effect of votes against the adoption of the Merger Agreement. Certain Insight directors who own shares of Insight common stock and certain other shareholders have agreed to vote their shares in favor of the Merger at the special meeting. These shareholders owned 155,524 shares of Insight common stock, or approximately 9.5% of Insight common stock outstanding as of December 19, 2013. Parent's shareholders will not be voting on the Merger Agreement. See "The Merger—Interests of certain persons in the Merger" on page 41 and "The Merger—Voting agreement" on page 45.

Q: What vote is required to approve the proposal to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares of Insight common stock are present in person or by proxy to adopt the Merger Agreement and the transactions it contemplates?

A: Approval of the proposal to adjourn the special meeting, if necessary or appropriate to solicit additional proxies, requires the affirmative vote of a majority of the shares of Insight common stock having voting power present in person or by proxy, whether or not there is a quorum.

Q: Why is my vote important?

A: Insight shareholders are being asked to adopt the Merger Agreement and thereby approve the Merger. If you do not submit your proxy by mail or vote in person at the special meeting, it will be more difficult for Insight to obtain the necessary quorum to hold the special meeting. In addition, your failure to submit your proxy or attend the special meeting will have the same effect as a vote against the Merger Agreement and make it more difficult to obtain adoption of the Merger Agreement.

Q: What do I need to do now? How do I vote?

A: You may vote at the special meeting if you own shares of Insight common stock of record at the close of business on the record date for the special meeting, April 24, 2014. After you have carefully read and considered the information contained in this proxy statement/prospectus, please complete, sign, date and mail your proxy form in the enclosed, postage-prepaid return envelope as soon as possible. This will enable your shares to be represented at the special meeting. You may also vote in person at the special meeting. If you do not return a properly executed proxy form and do not vote at the special meeting, this will have the same effect as a vote against the adoption of the Merger Agreement.

Q: How will my proxy be voted?

A: If you complete, sign, date and mail your proxy form, your proxy will be voted in accordance with your instructions. If you sign, date and send in your proxy form, but you do not indicate how you want to vote, your proxy will be voted FOR adoption of the Merger Agreement and the other proposals in the notice.

Q: Can I revoke my proxy and change my vote?

A: You may change your vote or revoke your proxy prior to the special meeting by filing with the secretary of Insight a duly executed revocation of proxy or submitting a new proxy form with a later date. You may also revoke a prior proxy by voting in person at the special meeting.

Q: What if I oppose the Merger? Do I have appraisal rights?

A: Insight shareholders who do not vote in favor of adoption of the Merger Agreement and otherwise comply with all of the procedures of 12 U.S.C. Section 215a and Sections 1115.19 and 1701.85 of the Ohio Revised Code (the "ORC") will be entitled to receive payment in cash of the fair value of their shares of Insight common stock as ultimately determined under the statutory process. A copy of those sections of the federal statute and the ORC is attached as Annex B to this document. This value could be more than the merger consideration but could also be less.

Q: What are the material U.S. federal income tax consequences of the Merger to me?

A: The Merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). As a condition to the completion of the Merger, Vorys, Sater, Seymour and Pease LLP, tax counsel to Insight, must deliver an opinion to Insight, dated as of the closing date and based on facts, representations and assumptions described in such opinion, to the effect that the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. In addition, in connection with the filing of the registration statement of which this document is a part, Vorys, Sater, Seymour and Pease LLP has delivered an opinion to Insight to the same effect as the opinion described above. Accordingly, the conversion of your shares of Insight common stock into shares of Parent common stock in the Merger will be tax-free for U.S. federal income tax purposes. However, you generally will recognize gain (but not loss) in an amount not to exceed the amount of cash you receive in the Merger (other than any cash you receive in lieu of a fractional share of Parent common stock). You should consult with your tax advisor for the specific tax consequences of the Merger to you. For a more-detailed discussion of the material U.S. federal income tax consequences to you of the Merger, see "The Merger—Material U.S. federal income tax consequences of the Merger" on page 37.

Q: When and where is the special meeting?

A: The Insight special meeting will take place on May 28, 2014, at 3:00 p.m., local time, at the offices of Insight, located at 150 W. Wilson Bridge Road, Worthington, Ohio 43085.

Q: Who may attend the meeting?

A:

Only Insight shareholders on the record date may attend the special meeting. If you are a shareholder of record, you will need to present the proxy form that you received or a valid proof of identification to be admitted into the meeting.

Q: Should I send in my stock certificates now?

A: No. Either at the time of closing or shortly after the Merger is completed, the exchange agent for the Merger will send you a letter of transmittal with instructions informing you how to send in your stock certificates to the exchange agent. You should use the letter of transmittal to exchange your Insight stock certificates for the merger consideration. Do not send in your stock certificates with your proxy form or your stock election form.

Q: When is the Merger expected to be completed?

A: We will try to complete the Merger as soon as reasonably possible. Before that happens, the Merger and the Merger Agreement must be approved and adopted by Insight common shareholders and we must obtain the necessary regulatory approvals. Assuming Insight common shareholders vote to approve the Merger and adopt the Merger Agreement and we obtain the other necessary approvals and satisfaction or waiver of the other conditions to the closing described in the Merger Agreement, we expect to complete the Merger in the first half of 2014. See "Description of the Merger Agreement—Conditions to completion of the Merger" on page 56.

Q: Is completion of the Merger subject to any conditions besides shareholder approval?

A: Yes. The transaction must receive the required regulatory approvals, and there are other closing conditions that must be satisfied. See “Description of the Merger Agreement—Conditions to completion of the Merger” on page 56.

Q: Are there risks I should consider in deciding to vote on the adoption of the Merger Agreement?

A: Yes, in evaluating the Merger Agreement, you should read this proxy statement/prospectus carefully, including the factors discussed in the section entitled “Risk Factors” beginning on page 16.

Q: Who can answer my other questions?

A: If you have more questions about the Merger or how to submit your proxy, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy form, you should contact Harvey Glick, Insight’s President and Chief Executive Officer, at (614) 431-9401.

SUMMARY

This summary highlights selected information in this proxy statement/prospectus and may not contain all of the information that is important to you. To understand the Merger more fully, you should read this entire proxy statement/prospectus carefully, including the annexes and the documents referred to or incorporated in this proxy statement/prospectus. A copy of the Merger Agreement is attached as Annex A to this proxy statement/prospectus and is incorporated by reference herein. See "Where You Can Find More Information" beginning on page 69.

Information about Parent and Insight (See page 22)

First Financial Bancorp.

255 East Fifth Street, Suite 700

Cincinnati, Ohio 45202

(877) 322-9530

First Financial Bancorp., an Ohio corporation ("Parent," "we," "our" or "us") which was formed in 1982, is a mid-sized regional bank holding company headquartered in Cincinnati, Ohio. Parent engages in the business of commercial banking and other banking and banking-related activities through its wholly owned subsidiary, First Financial Bank, National Association ("First Financial"), which was founded in 1863.

As of December 31, 2013, Parent had total assets of approximately $6.4 billion, total loans of approximately $4.0 billion, total deposits of approximately $4.8 billion, and total shareholders' equity of approximately $682.2 million.

Parent common stock is traded on the NASDAQ Global Select Market ("NASDAQ") under the ticker symbol "FFBC." Parent's principal executive office is located at 255 East Fifth Street, Suite 700, Cincinnati, Ohio 45202, telephone number: (877) 322-9530.

First Financial Bank, National Association

300 High Street

Hamilton, Ohio 45011

(513) 867-4744

First Financial Bank, National Association, a national banking association, is a wholly owned subsidiary of Parent. First Financial is a commercial bank that operates primarily in Ohio, Indiana and Kentucky. The range of banking services provided by First Financial to individuals and businesses includes commercial lending, real estate lending, and consumer financing. Real estate loans are loans secured by a mortgage lien on the real property of the borrower, which may either be residential property (one to four family residential housing units) or commercial property (owner-occupied and/or investor income producing real estate, such as apartments, shopping centers, and office buildings). In addition, First Financial offers deposit products that include interest-bearing and noninterest-bearing accounts, time deposits, and cash management services for commercial customers. A full range of trust and wealth management services is also provided through First Financial's Wealth Management division. As of December 31, 2013, First Financial had 110 banking centers and 137 ATMs.

Insight Bank

150 W. Wilson Bridge Road

Worthington, Ohio 43085

(614) 431-9400

(877) 963-9400

Insight Bank ("Insight") is an Ohio state-chartered bank founded in 2006. Insight provides banking and financial services to individuals and commercial customers in Franklin and Delaware Counties and their surrounding areas in central Ohio. Insight has one full-service banking location in Worthington, Ohio, and a mortgage origination office in Newark, Ohio. As of December 31, 2013, Insight had total assets of $213.6 million, total loans of $181.5 million, total deposits of $176.7 million and total shareholders' equity of approximately $24.5 million. Insight is not a public company and, accordingly, there is no established trading market for Insight common stock.

The Merger and the Merger Agreement (See pages 22, 47 and Annex A)

First Financial's acquisition of Insight is governed by the Merger Agreement. The Merger Agreement provides that, if all of the conditions set forth in the Merger Agreement are satisfied or waived, Insight will be merged with and into First Financial and will cease to exist. After the consummation of the Merger, First Financial will continue as the surviving bank and remain a wholly owned subsidiary of Parent. The Merger Agreement is included as Annex A to this proxy statement/prospectus and is incorporated by reference herein. We urge you to read the Merger Agreement carefully and fully, as it is the legal document that governs the Merger.

What Insight shareholders will receive (See page 47)

If the Merger is completed, Insight shareholders will, in the aggregate, receive total merger consideration in the amount of $33,415,000. Each share of Insight common stock that you own immediately before the completion of the Merger will be converted into the right to receive a combination of cash and shares of Parent common stock. In addition, all outstanding stock options of Insight will be cashed out at the closing of the Merger. Including payment to be made for cancelling the stock options, the fully diluted total Merger consideration is valued at approximately $36.6 million as of December 19, 2013.

The number of outstanding shares of Insight common stock will change to the extent that outstanding options to acquire Insight common stock are exercised prior to the effective time of the Merger. Assuming the 1,630,000 shares of Insight common stock outstanding as of December 19, 2013 remain unchanged at the closing, for each of your shares of Insight common stock, you will receive the per share Merger consideration equal to $20.50 in the form of a combination of cash and shares of Parent common stock to be calculated as set forth in the Merger Agreement. Of such per share merger consideration, 20%, or $4.10, will be paid in cash and 80%, or $16.40, will be paid in Parent common stock (including cash to be paid in lieu of any fractional shares), subject to certain adjustments depending upon changes in the market price of Parent common stock. The exchange ratio used to determine the number of shares of Parent common stock that you will be entitled to receive for each share of Insight common stock will be determined based on the average closing price on NASDAQ for the twenty trading days ending on the third business day prior to the effective time of the Merger (the "Parent Share Average Closing Price"), subject to a minimum and maximum price equal to $13.86 and $18.76 (the "Collar Restriction"), respectively, and certain further adjustments.

Assuming the 1,630,000 shares of Insight common stock outstanding remain unchanged at the closing, based on a Parent Share Average Closing Price of $17.57, which is equal to the Parent Share Average Closing Price if it were calculated as if the closing date was April 28, 2014, the latest practicable date prior to the date of this proxy statement/prospectus, the merger consideration that an Insight common shareholder would be entitled to receive for each share of Insight common stock is $4.10 in cash and 0.9334 shares of Parent common stock. If the Parent Share

Average Closing Price were equal to the minimum of $13.86, each share of Insight common stock would instead be entitled to $4.10 in cash and 1.1833 shares of Parent common stock; if the Parent Share Average Closing Price were equal to the maximum of $18.76, each share of Insight common stock would be entitled to $4.10 in cash and 0.8742 shares of Parent common stock. For a description of how the merger consideration will be calculated, see "Description of the Merger Agreement—Consideration to be received in the Merger" on page 47.

If the Parent Share Average Closing Price has declined by more than 25% from the average closing price on NASDAQ for the twenty trading days ending on the third business day prior to the date of the Merger Agreement, which is $16.31, and the Parent common stock underperforms the KBW Regional Banking Index by more than 25% during such period, Insight may terminate the Merger Agreement unless Parent removes the Collar Restriction in calculating the exchange ratio for the stock component of the merger consideration.

If the Parent Share Average Closing Price is less than $13.86, Insight may reduce the ratio of the stock component of the merger consideration from 80% to no less than 75%. On the other hand, if the Parent Share Average Closing Price is more than $18.76, First Financial may reduce the ratio of the stock component of the merger consideration from 80% to no less than 75%. However, no such reduction is permitted if it would result in a failure of the Merger to be a tax-free reorganization for U.S. federal income tax purposes.

In addition, in order to preserve the qualification of the Merger as a tax-free reorganization for U.S. federal income tax purposes, if the aggregate value of the shares of Parent common stock to be issued in connection with the Merger (excluding the value of fractional shares for which cash is to be paid) based upon the closing price of the Parent common stock as reported on NASDAQ on the trading day immediately preceding the closing date of the Merger (the "Tax-Adjuster Stock Consideration") would be less than 40% of the sum of the Tax-Adjuster Cash Consideration (as defined below) and the Tax-Adjuster Stock Consideration, then the exchange ratio for the stock component of the merger consideration will be adjusted, with a corresponding decrease of the total cash consideration, so that the Tax-Adjuster Stock Consideration is equal to 40% of the sum of the Tax-Adjuster Stock Consideration and the Tax-Adjuster Cash Consideration without changing the value of the total merger consideration. For purposes of the above, "Tax-Adjuster Cash Consideration" means the sum of (i) the aggregate cash consideration to be paid in exchange for the Insight common stock (including, without limitation, the amount of cash to be paid for appraisal shares), (ii) the aggregate cash consideration to be paid in lieu of fractional shares of Parent common stock, and (iii) the aggregate cash consideration to be paid in connection with the redemption, cancellation or other transaction that results in Insight's Senior Non-Cumulative Perpetual Preferred Shares, Series A, par value $1.00 per share ("Insight Series A Preferred Stock"), no longer being issued or outstanding as a result of the Merger. For example, if the 1,630,000 shares of Insight common stock outstanding remain unchanged at the closing and the Parent Share Average Closing Price is equal to or less than $13.86, each share of Insight common stock would be entitled to $4.10 in cash and 1.1833 shares of Parent common stock, assuming no adjustment needs to be made for the above tax purposes; however, if the closing price of the Parent common stock as reported on NASDAQ on the trading day immediately preceding the closing date of the Merger falls below $3.78, adjustment will be made to preserve the qualification of the Merger as a tax-free reorganization (assuming $4,250,000 to be paid for the redemption of Insight Series A Preferred Stock, no cash paid for appraisal shares and no other adjustment made by the parties, and disregarding the effect of cash consideration to be paid in lieu of fractional shares of Parent common stock, for purpose of illustration). Under these assumptions, if the above-referenced closing price of the Parent common stock falls to $3.00, each share of Insight common stock would be entitled to $3.06 in cash and 1.2586 shares of Parent common stock (with any small variance due to rounding).

Insight common shareholders will not receive fractional shares of Parent common stock. Instead, they will receive cash payments for any fractional shares based on the Parent Share Average Closing Price (as it may be adjusted).

Exchange of Insight common stock (See page 50)

Once the Merger is complete, U.S. Bank National Association, as exchange agent, will mail you transmittal materials and instructions for exchanging your Insight stock certificates for shares of Parent common stock to be issued by book-entry transfer.

Material U.S. federal income tax consequences of the Merger (See page 37)

The Merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code. As a condition to the completion of the Merger, Vorys, Sater, Seymour and Pease LLP, tax counsel to Insight, must deliver an opinion to Insight, dated as of the closing date and based on facts, representations and assumptions described in such opinion, to the effect that the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. Assuming the Merger qualifies as a tax-free reorganization, subject to the limitations and more-detailed discussion set forth below in the section entitled "The Merger—Material U.S. federal income tax consequences of the Merger, " an Insight common shareholder that is a U.S. holder (defined below in the section entitled "The Merger—Material U.S. federal income tax consequences of the Merger") and that exchanges all of such shareholder's shares of Insight common stock for shares of Parent common stock and cash pursuant to the Merger will recognize gain (but not loss) in an amount not to exceed the amount of cash received in the Merger (other than any cash received in lieu of a fractional share of Parent common stock).

Tax matters are complicated, and the tax consequences of the Merger to any particular Insight common shareholder will depend on that shareholder's particular facts and circumstances. Accordingly, you are urged to consult your tax advisor to determine the tax consequences of the Merger to you. For a more detailed discussion of the material U.S. federal income tax consequences of the Merger, see "The Merger—Material U.S. federal income tax consequences of the Merger" on page 37.

Reasons for the Merger (See page 25)

Insight's board of directors believes that the Merger is in the best interests of Insight and its shareholders, has unanimously adopted the Merger Agreement, and unanimously recommends that its shareholders vote "FOR" the adoption of the Merger Agreement.

In its deliberations and in making its determination, Insight's board of directors considered numerous factors, including the following:

- its knowledge of Insight's, First Financial's and Parent's businesses;
- its knowledge of the current environment in the financial services industry;
- its belief that combining the companies would create a larger and more diversified financial institution that is both better equipped to respond to economic and industry developments and better positioned to develop and build on its strong market share in Ohio;
- the complementary aspects of Insight's and First Financial's businesses;
- the potential expense-saving and revenue-enhancing opportunities in connection with the Merger, the related potential impact on the surviving bank's earnings and the fact that the nature of the merger consideration would give former Insight shareholders the opportunity to participate as Parent shareholders in the benefits of such savings opportunities and the future performance of the surviving bank;
- its assessment of the likelihood that the Merger would be completed in a timely manner and that the management team of the surviving bank would be able to successfully integrate and operate the businesses of the surviving bank after the Merger;

- the financial analyses presented by KBW to Insight's board of directors, and the opinion dated as of December 18, 2013, delivered to Insight by KBW;

- the financial terms of the Merger, including the fact that, based on Parent common stock's average closing price of $16.31 per share over the 20 consecutive trading day period ending on December 16, 2013 (the third business day prior to the execution of the Merger Agreement), the per share merger consideration represented a multiple to normalized tangible book value per share of 166%, a multiple to Insight's trailing 12 months earnings per share of 19.05 times, and a premium to core deposits of 20.1%;

- the structure of the Merger and the terms of the Merger Agreement, including the ability of Insight's board of directors, under certain circumstances, to withdraw or adversely modify its recommendation to Insight shareholders, and to terminate the Merger Agreement in order to enter into a definitive agreement with respect to a superior proposal;

- the expectation that the Merger would qualify as a tax-free reorganization for U.S. federal income tax purposes;

- the likelihood that regulatory approvals would be received in a timely manner and without unacceptable conditions;

- the fact that the approval of Parent shareholders would not be required for the transaction; and

- the belief that the Parent offer was the best offer that could be obtained at this time and was better than the stand-alone prospects for Insight.

The Insight board of directors also considered potential risks and a variety of potentially negative factors in connection with its deliberations concerning the Merger Agreement and the Merger, including the following material factors:

- the potential risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the Merger;
- the fact that the interests of some of the directors and officers of Insight may be different from those of Insight shareholders;
- the fact that the Merger Agreement provides that Insight may be required to pay a termination fee and expenses to First Financial;
- the fact that the Merger Agreement prohibits Insight from soliciting other acquisition proposals;
- the fact that there can be no assurance that all conditions to the parties' obligations to complete the Merger will be satisfied;
- the risk that the anticipated benefits of the Merger may not be realized or may take longer than expected to be realized;
- the restrictions on the conduct of Insight's business prior to the completion of the Merger; and
- the possible effects of the pendency or consummation of the transaction contemplated by the Merger Agreement, including any suit, action or proceeding initiated in respect of the Merger.

Opinion of Insight's Financial Advisor (see page 28 and Annex C)

On December 18, 2013, Keefe, Bruyette & Woods, Inc. ("KBW") rendered to Insight's board of directors KBW's opinion with respect to the fairness of the merger consideration to be received by Insight common shareholders, from a

financial point of view.

KBW's opinion is directed to Insight's board of directors and relates only to the fairness of the merger consideration to be received by Insight shareholders, from a financial point of view. KBW's opinion does not address any other aspect of the Merger and is not a recommendation to any Insight common shareholder as to how such shareholder should vote at the special meeting.

The full text of KBW's December 18, 2013 opinion is included as Annex C to this proxy statement/prospectus and is incorporated by reference herein. The opinion outlines the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. Insight common shareholders are urged to read the entire opinion carefully in connection with their consideration of the Merger Agreement.

Board recommendation to Insight shareholders (See page 25)

Insight's board of directors believes that the Merger of Insight with First Financial is in the best interests of Insight and its shareholders. **Insight's board of directors unanimously recommends that you vote "FOR" the Merger.**

Interests of officers and directors of Insight in the Merger may be different from, or in addition to, yours (See page 41)

When you consider Insight's board of directors' recommendation to vote in favor of the adoption of the Merger Agreement, you should be aware that some of Insight's directors and officers have interests in the Merger that are different from, or in addition to, your interests as shareholders. Insight's board of directors was aware of these interests and took them into account in approving the Merger. These interests include, among others, proposed employee benefits for those Insight employees who become employees of First Financial after the Merger, severance benefits for those Insight employees who are not covered by an employment agreement and do not become employees of First Financial after the Merger, retention bonuses for certain employees who remain in the employ of First Financial for a designated transition period, the appointment of one Insight director to serve on the boards of directors of First Financial and Parent (subject to the approval of Parent's Corporate Governance and Nominating Committee), the appointment of certain Insight director or directors to the Columbus advisory board of Parent, lump sum cash payments in exchange for the cancellation of outstanding Insight stock options, and an employment agreement that provide for payments and benefits in addition to the merger consideration.

First Financial has agreed to maintain in effect the current directors' and officers' liability insurance policies maintained by Insight or otherwise provide insurance policies of at least the same coverage, subject to limits on availability and cost, for six years. During the same period, First Financial and Parent have also agreed to indemnify and hold harmless the current and former directors, officers and employees of Insight and its subsidiaries for all actions taken by them in such capacities prior to the effective time of the Merger to the fullest extent permitted by law, and assume all obligations of Insight to such directors, officers and employees in respect of indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the effective time as provided in Insight's charter documents.

Insight common shareholders will have appraisal rights in connection with the Merger (See page 45)

Insight common shareholders may dissent from the Merger and upon complying with the requirements of 12 U.S.C. Section 215a and Sections 1115.9 and 1701.85 of the ORC will be entitled to receive the fair cash value of their shares instead of the merger consideration.

A copy of the sections of the federal statute and the ORC pertaining to appraisal rights is attached as Annex B to this proxy statement/prospectus. You should read the statutes carefully and consult with your legal counsel if you intend to exercise these rights.

The Merger and the performance of the surviving bank are subject to a number of risks (See page 16)

There are a number of risks relating to the Merger and to the businesses of First Financial, Insight and the surviving bank following the Merger. See “Risk Factors” beginning on page 16 of this proxy statement/prospectus for a discussion of these and other risks and see also the documents that Parent has filed with the SEC and which we have incorporated by reference into this proxy statement/prospectus.

Approval of Insight common shareholders will be required to complete the Merger and other transactions set forth in the notice (See page 20)

Under the federal law applicable to mergers of state banks into national banks, the Merger Agreement must be ratified and confirmed by the affirmative vote of Insight shareholders owning at least two-thirds of its capital stock outstanding. Approval of the proposal to adjourn the special meeting, if necessary or appropriate to solicit additional proxies, requires the affirmative vote of a majority of the shares of Insight common stock having voting power present in person or by proxy, whether or not there is a quorum. To satisfy the quorum requirements set forth in Insight’s regulations, shareholders holding at least a majority of the voting power of the outstanding shares of Insight common stock entitled to vote at the special meeting must be present in person or by proxy at the special meeting. Shareholders may vote their shares in person at the special meeting or by signing and returning the enclosed proxy form.

Certain shareholders of Insight have committed to vote their shares of Insight common stock in favor of the Merger. As of December 19, 2013, these shareholders owned 155,524 shares, constituting approximately 9.5% of the shares then outstanding. See “The Merger—Voting agreement” on page 45.

Insight special meeting (See page 20)

The special meeting of Insight common shareholders will be held at the offices of Insight, located at 150 W. Wilson Bridge Road, Worthington, Ohio 43085 on May 28, 2014 at 3:00 p.m., local time. Insight's board of directors is soliciting proxies for use at the special meeting. At the special meeting, Insight shareholders will be asked to vote on a proposal to adopt the Merger Agreement.

Record date for the special meeting; revocability of proxies (See pages 20 and 21)

You may vote at the special meeting if you own shares of Insight common stock of record at the close of business on April 24, 2014. You will have one vote for each share of Insight common stock you owned on that date. You may change your vote or revoke your proxy prior to the special meeting by filing with the secretary of Insight a duly executed revocation of proxy or submitting a new proxy form with a later date. You may also vote in person at the special meeting.

Completion of the Merger is subject to regulatory approvals (See page 41)

The Merger cannot be completed until First Financial receives the necessary regulatory approval of the Office of the Comptroller of the Currency (the "OCC"). First Financial submitted an application with the OCC on February 3, 2014. The Merger is also subject to the United States Department of Justice's competitive review process.

Conditions to the Merger (See page 56)

Closing Conditions for the Benefit of All Parties. Each of Parent, First Financial and Insight's obligations are subject to fulfillment of certain conditions, including:

- no applicable law or order by governmental authority making illegal or preventing or prohibiting the consummation of the Merger;

- receipt of all regulatory approvals containing no unduly burdensome conditions and expiration of all statutory waiting periods;
- all required consents, authorizations, waivers or approvals having been obtained; and
- the registration statement having been declared effective by the SEC and continuing to be effective, and all necessary approvals under securities laws relating to the issuance of the shares of Parent common stock pursuant to the Merger having been received.

Closing Conditions for the Benefit of Parent and First Financial. Parent and First Financial's obligations are subject to fulfillment of certain conditions, including:

- accuracy of representations and warranties of Insight in the Merger Agreement as of the closing date, except as otherwise set forth in the Merger Agreement;
- performance by Insight in all material respects of its agreements under the Merger Agreement;
- adoption of the Merger Agreement at the special meeting by Insight shareholders holding the requisite voting power under its charter documents and applicable law;
- delivery by Insight of a duly executed exchange agent agreement, option cash-out agreements, certificates and documents as provided in the Merger Agreement;
- Insight being well-capitalized;

- no new proceedings initiated against Insight since the execution of the Merger Agreement that, in the aggregate, would reasonably be expected to result in liabilities exceeding $500,000;

- no new enforcement actions initiated against Insight by any regulatory agency which, individually or in the aggregate, would reasonably be expected to materially affect Insight's ability to conduct its business as currently being conducted;

- holders of no more than 5% of the Insight common stock having taken the actions required under the ORC to qualify their Insight common stock as appraisal shares;

- Insight having duly entered into option cash-out agreements with all holders of Insight stock options to cash out such stock options; and

- Insight having duly redeemed all of its Series A Preferred Stock, except under certain circumstances set forth in the Merger Agreement.

Closing Conditions for the Benefit of Insight. Insight's obligations are subject to fulfillment of certain conditions, including:

- accuracy of representations and warranties of Parent in the Merger Agreement as of the closing date, except as otherwise set forth in the Merger Agreement;

- performance by Parent in all material respects of its agreements under the Merger Agreement;

- approval of the listing of the shares of Parent common stock issuable pursuant to the Merger Agreement on NASDAQ;

- receipt by Insight of an opinion of Vorys, Sater, Seymour and Pease LLP, tax counsel to Insight, to the effect that the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Code;

- no new enforcement action initiated by any regulatory agency which would reasonably be expected to materially affect First Financial's ability to conduct its business as currently being conducted; and

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delivery by First Financial of evidence of the payment of the merger consideration to the exchange agent, a duly executed exchange agent agreement, certificates and such other documents as provided in the Merger Agreement.

How the Merger Agreement may be terminated by Parent, First Financial and Insight (See page 57)

First Financial and Insight may mutually agree to terminate the Merger Agreement and abandon the Merger at any time. Subject to conditions and circumstances described in the Merger Agreement, Parent or First Financial, on the one hand, or Insight, on the other hand, as the case may be, may terminate the Merger Agreement as follows:

- by either party if the Merger is not completed by September 30, 2014;

- by either party in the event of a material breach by the other party of its representations or warranties or obligations contained in the Merger Agreement, which breach cannot be or has not been cured within 30 days after the giving of written notice to the breaching party of such breach, and which breach or breaches would result in a failure to satisfy any applicable closing condition;

- by either party if final action has been taken by a regulatory agency whose approval is required for the Merger, which final action has become final and nonappealable and does not approve the Merger;

- by either party if any governmental authority has enacted, issued, promulgated, enforced or entered any law, or final nonappealable judgment which has the effect of making illegal the consummation of the Merger;
- by Insight if the Parent Share Average Closing Price has declined by more than 25% from the average closing price on NASDAQ for the twenty trading days ending on the third business day prior to the date of the Merger Agreement, which is $16.31, and the Parent common stock underperforms the KBW Regional Banking Index by more than 25% during such period, unless Parent removes the Collar Restriction in calculating the exchange ratio for the stock component of the merger consideration;
- by First Financial if the board of directors of Insight fails to make recommendation to Insight shareholders to adopt the Merger Agreement, or Insight has materially breached its covenant not to solicit alternative acquisition proposals;
- in certain circumstances, by either party if Insight has received and would accept a superior acquisition proposal from a third party; or
- if the Insight common shareholders fail to adopt the Merger Agreement.

Termination fees and expenses may be payable under some circumstances (See page 58)

If the Merger Agreement is terminated (i) by First Financial because the board of directors of Insight fails to make a recommendation to Insight shareholders to adopt the Merger Agreement, or Insight has materially breached its covenant not to solicit alternative acquisition proposals, or (ii) by either party if Insight has received and would accept a superior alternative proposal from a third party, First Financial may be owed a termination fee from Insight equal to 5% of the sum of the total merger consideration and total cash consideration for cashing out Insight's stock options.

If the Merger Agreement is terminated by either party because Insight shareholders fail to adopt the Merger Agreement, Insight will reimburse First Financial for its out-of-pocket expenses incurred in connection with the proposed Merger. See "Description of the Merger Agreement—Termination fee" on page 58.

Voting agreement (See page 45)

Certain shareholders of Insight have agreed to vote all of their shares of Insight common stock in favor of the Merger Agreement at the special meeting. The voting agreement covers approximately 9.5% of Insight's outstanding shares of

common stock as of December 19, 2013. The voting agreement will terminate if the Merger Agreement is terminated or the Merger becomes effective, whichever is earlier, in accordance with the terms of the Merger Agreement.

Accounting treatment of the Merger

The Merger will be accounted for as a purchase transaction in accordance with accounting principles generally accepted in the United States.

Certain differences in Parent shareholder rights and Insight shareholder rights (See page 61)

Parent is an Ohio corporation and a bank holding company registered under the Bank Holding Company Act of 1956, as amended, while Insight is an Ohio state-chartered bank. Although the rights of the holders of Parent common shares and those of holders of Insight common shares are similar in many respects, there are some differences. These differences relate to differences between the provisions of Ohio law governing corporations and the provisions of Ohio law governing state-chartered banks, as well as differences between provisions of Parent's articles of incorporation and regulations and Insight's articles of incorporation and regulations. Certain of these differences are described in detail in the section entitled "Comparison of rights of Parent shareholders and Insight shareholders" beginning on page 61. After completion of the Merger, Insight shareholders who receive shares of Parent common stock in exchange for their shares of Insight common stock will become Parent shareholders and their rights will be governed by Parent's articles of incorporation and regulations, in addition to laws and requirements that apply to public companies.

Parent shares will be listed on NASDAQ (See page 59)

The shares of Parent common stock to be issued pursuant to the Merger will be listed on NASDAQ under the symbol "FFBC."

Per Share Market Price and Dividend Information

The table below shows, for the quarters indicated, based on published financial sources, the reported high and low sales prices of Parent common stock during the periods indicated and the cash dividends paid per share of Parent common stock.

	High	Low	Dividend Paid
Year Ended December 31, 2011			
First Quarter	$18.91	$15.65	$ 0.10
Second Quarter	17.20	15.04	0.12
Third Quarter	17.12	13.34	0.12
Fourth Quarter	17.06	13.40	0.27
Year Ended December 31, 2012			
First Quarter	$18.28	$16.11	$ 0.27
Second Quarter	17.70	14.88	0.31
Third Quarter	17.86	15.58	0.29
Fourth Quarter	16.95	13.90	0.30
Year Ended December 31, 2013			
First Quarter	$16.07	$14.46	$ 0.28
Second Quarter	16.05	14.52	0.28
Third Quarter	16.47	14.89	0.24
Fourth Quarter	17.59	14.56	0.27

Comparative Per Share Data

The following table presents selected comparative per share data for Parent common stock and Insight common stock. You should read this information in conjunction with the selected historical financial information included elsewhere in this proxy statement/prospectus, and the historical financial statements of Parent and related notes that are incorporated by reference in this proxy statement/prospectus by reference. The historical per share data is derived from audited financial statements as of and for the years ended December 31, 2012 and 2013.

	Year Ended December 31, 2013	Year Ended December 31, 2012
Parent:		
Diluted Earnings per common share	$ 0.83	$ 1.14
Cash dividends declared per common share	0.94	1.18
Book value per common share (at period end)	11.86	12.24
Insight:		
Diluted earnings per common share	$ 0.71	$ 1.03
Cash dividends declared per common share	0.00	0.00
Book value per common share (at period end)	12.40	11.64

Selected Historical Financial Data of Parent

The selected consolidated financial data presented below is being provided to assist you in your analysis of the financial aspects of the Merger. The annual Parent historical information as of and for each of the years in the five-year period ended December 31, 2013, are derived from Parent's audited historical financial statements. This information is only a summary and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes thereto incorporated by reference into this proxy statement/prospectus from Parent's Annual Report on Form 10-K for the fiscal year ended December 31, 2013. The historical results below or contained elsewhere in this proxy statement/prospectus are not necessarily indicative of the future performance of Parent or the surviving bank.

	Year Ended December 31,				
(Dollars in thousands, except per share data)	2013	2012	2011	2010	2009
Summary of operations					
Interest income	$245,208	$280,930	$308,817	$343,502	$233,228
Tax equivalent adjustment [1]	2,142	1,055	979	866	1,265
Interest income tax – equivalent [1]	247,350	281,985	309,796	344,368	234,493
Interest expense	16,888	27,589	44,921	67,992	57,245
Net interest income tax – equivalent [1]	$230,462	$254,396	$264,875	$276,376	$177,248
Interest income	$245,208	$280,930	$308,817	$343,502	$233,228
Interest expense	16,888	27,589	44,921	67,992	57,245
Net interest income	228,320	253,341	263,896	275,510	175,983
Provision for loan and lease losses – uncovered	8,714	19,117	19,210	33,564	56,084
Provision for loan and lease losses – covered	195	30,903	64,081	63,144	0
Noninterest income	73,647	122,421	142,531	146,831	404,715
Noninterest expenses	225,475	221,997	218,097	233,680	170,638
Income before income taxes	67,583	103,745	105,039	91,953	353,976
Income tax expense	19,234	36,442	38,300	32,702	132,639
Net income	48,349	67,303	66,739	59,251	221,337
Dividends on preferred stock	0	0	0	1,865	3,578
Income available to common shareholders	$48,349	$67,303	$66,739	$57,386	$217,759
Per share data					
Earnings per common share					
Basic	$0.84	$1.16	$1.16	$1.01	$4.84
Diluted	$0.83	$1.14	$1.14	$0.99	$4.78
Cash dividends declared per common share	$0.94	$1.18	$0.78	$0.40	$0.40
Average common shares outstanding–basic (in thousands)	57,270	57,877	57,692	56,969	45,029
Average common shares outstanding–diluted (in thousands)	58,073	58,869	58,693	57,993	45,557
Selected year-end balances					

Total assets	$6,417,213	$6,497,048	$6,671,511	$6,250,225	$6,657,593
Earning assets	5,840,849	5,961,727	6,110,934	5,741,683	5,964,853
Investment securities [2]	1,798,300	1,874,343	1,516,002	1,015,205	579,147
Loans, excluding covered loans	3,505,641	3,179,064	2,968,447	2,816,093	2,895,129
Covered loans	457,873	748,116	1,053,244	1,481,493	1,934,740
Total loans	3,963,514	3,927,180	4,021,691	4,297,586	4,829,869
FDIC indemnification asset	45,091	119,607	173,009	222,648	287,407
Interest-bearing demand deposits	1,125,723	1,160,815	1,317,339	1,111,877	1,060,383
Savings deposits	1,612,005	1,623,614	1,724,659	1,534,045	1,231,081
Time deposits	952,327	1,068,637	1,654,662	1,794,843	2,229,500
Noninterest-bearing demand deposits	1,147,452	1,102,774	946,180	705,484	829,676
Total deposits	4,837,507	4,955,840	5,642,840	5,146,249	5,350,640
Short-term borrowings	748,749	624,570	99,431	59,842	37,430
Long-term debt	60,780	75,202	76,544	128,880	404,716
Other long-term debt	0	0	0	20,620	20,620
Shareholders’ equity	682,161	710,425	712,221	697,394	649,958

Select Financial Ratios										
Average loans to average deposits [3]	82.12	%	75.66	%	78.53	%	86.43	%	92.56	%
Net charge-offs to average loans, excluding covered loans	0.38	%	0.79	%	0.84	%	1.27	%	1.16	%
Average shareholders’ equity to average total assets	11.17	%	11.30	%	11.33	%	10.53	%	9.85	%
Average common shareholders’ equity to average total assets	11.17	%	11.30	%	11.33	%	10.35	%	8.20	%
Return on average assets	0.77	%	1.07	%	1.06	%	0.91	%	4.67	%
Return on average common equity	6.89	%	9.43	%	9.37	%	8.55	%	56.07	%
Return on average equity	6.89	%	9.43	%	9.37	%	8.68	%	47.44	%
Net interest margin	3.97	%	4.37	%	4.55	%	4.66	%	4.05	%
Net interest margin (tax equivalent basis) [1]	4.01	%	4.39	%	4.57	%	4.68	%	4.08	%
Dividend payout	111.90	%	101.72	%	67.24	%	39.60	%	8.26	%

[1] Tax equivalent basis was calculated using a 35.00% tax rate in all years presented.

[2] Includes investment securities held-to-maturity, investment securities available-for-sale, investment securities trading, and other investments.

[3] Includes covered loans and loans held for sale.

RISK FACTORS

In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the caption "Special Notes Concerning Forward-Looking Statements" on page 18, you should consider the following risk factors carefully in deciding whether to vote for the adoption of the Merger Agreement. Additional risks and uncertainties not presently known to Parent and Insight or that are not currently believed to be important to you, if they materialize, also may adversely affect the Merger and Parent and First Financial as a surviving bank.

In addition, Parent's and Insight's respective businesses are subject to numerous risks and uncertainties, including the risks and uncertainties described, in the case of Parent, in its Annual Report on Form 10-K for the year ended December 31, 2013, which are incorporated by reference into this proxy statement/prospectus.

Risks relating to the Merger

Because the number of shares of Insight common stock will change if Insight stock options are exercised before closing and the market price of Parent common stock may fluctuate, you cannot be certain of the precise value of the per share merger consideration you may receive in the Merger.

At the time the Merger is completed, Insight shareholders will, in the aggregate, receive total merger consideration in the amount of $33,415,000. Each issued and outstanding share of Insight common stock (other than shares owned by Insight, Parent, First Financial or any of their subsidiaries and shares of Insight common stock in respect of which appraisal rights have been properly exercised and perfected) will be converted into the right to receive consideration in the form of a combination of Parent common stock and cash, subject to certain adjustments. The number of shares of Insight common stock will change if Insight stock options are exercised before closing. In addition, the exchange ratio for the Parent common stock with respect to the stock component of the merger consideration, as calculated in accordance with the formula set forth in the Merger Agreement, may fluctuate depending on the market price of Parent common stock during a reference period prior to the closing.

There will be a time lapse between each of the date on which Insight common shareholders vote to approve the Merger and the Merger Agreement at the special meeting, the date on which the number of shares of Insight common stock at closing is determined, the date on which the exchange ratio with respect to the stock component of the merger consideration is determined, and the date on which Insight common shareholders entitled to receive shares of Parent common stock actually receive such shares. The number of shares of Insight common stock may change and the market value of Parent common stock may fluctuate during these periods. Consequently, at the time Insight

shareholders must decide whether to approve the Merger and the Merger Agreement, they will not know the precise or actual value of the merger consideration they will receive when the Merger is completed. In particular, the actual value of the shares of Parent common stock received by the Insight shareholders will depend on the market value of shares of Parent common stock on that date. This market value may be less than the value used to determine the exchange ratio, as that determination will be made with respect to a reference period occurring prior to the consummation of the Merger.

Because there is no public market for the Insight common stock, it is difficult to determine how the fair value of Insight common stock compares with the merger consideration.

The outstanding shares of Insight common stock are privately held and are not traded in any public market. This lack of a public market makes it difficult to determine the fair value of Insight. Because the merger consideration was determined based on negotiations between the parties, it may not be indicative of the fair value of the shares of Insight common stock.

The opinion that Insight has obtained from Keefe, Bruyette & Woods, Inc. has not been, and is not expected to be, updated to reflect any changes in circumstances that may have occurred since the signing of the Merger Agreement.

The opinion issued to Insight's board of directors by Keefe, Bruyette & Woods, Inc. ("KBW"), financial advisor to Insight, with respect to the fairness of the merger consideration to be received by Insight common shareholders, from a financial point of view, speaks only as of December 18, 2013. Changes in the operations and prospects of Parent or Insight, general market and economic conditions and other factors which may be beyond the control of Parent and Insight, and on which the opinion was based, may have altered the value of Parent or Insight or the sale prices of shares of Parent common stock as of the date of this proxy statement/prospectus, or may alter such values and sale prices by the time the Merger is completed. KBW does not have any obligation to update, revise or reaffirm its opinion to reflect subsequent developments and has not done so. Because Insight does not currently anticipate asking KBW to update its opinion, the opinion will not address the fairness of the merger consideration from a financial point of view at the time the Merger is completed. The Insight board of directors' recommendation that Insight common shareholders vote "FOR" approval of the Merger Agreement, however, is made as of the date of this proxy statement/prospectus. See "The Merger — Opinion of Insight's Financial Advisor" on page 28 and Appendix C to this proxy statement/prospectus.

First Financial may be unable to successfully integrate Insight's operations and may not realize the anticipated benefits of acquiring Insight.

Parent, First Financial, and Insight entered into the Merger Agreement with the expectation that First Financial would be able to successfully integrate Insight's operations and that the Merger would result in various benefits, including, among other things, enhanced revenues and revenue synergies, an expanded market reach and operating efficiencies. Achieving the anticipated benefits of the Merger is subject to a number of uncertainties, including whether First Financial is able to integrate and operate Insight in an efficient and effective manner, and general competitive factors in the market place. The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of the surviving bank's businesses or the loss of key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with the Merger and the integration of the two banks' operations could have an adverse effect on the business, financial condition, operating results, and prospects of the surviving bank after the Merger. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues, and diversion of management's time and energy, and could have an adverse effect on the surviving bank's business, financial condition, operating results and prospects.

Among the factors considered by the boards of directors of Parent, First Financial, and Insight in connection with their respective approvals of the Merger Agreement were the benefits that could result from the Merger. We cannot give any assurance that these benefits will be realized within the time periods contemplated or even that they will be realized at all.

Insight will be subject to business uncertainties while the Merger is pending, which could adversely affect its business.

Uncertainty about the effect of the Merger on employees and customers may have an adverse effect on Insight, and, consequently, the surviving bank. Although Insight intends to take steps to reduce any adverse effects, these uncertainties may impair Insight's ability to attract, retain, and motivate key personnel until the Merger is consummated and for a period of time thereafter, and could cause customers and others that deal with Insight to seek to change their existing business relationships with Insight. Employee retention at Insight may be particularly challenging during the pendency of the Merger, as employees may experience uncertainty about their roles with the surviving bank following the Merger.

Risks relating to the businesses of Parent and the surviving bank

Insight shareholders will not control Parent's future operations.

Currently, Insight shareholders own 100% of Insight and have the power to approve or reject any matters requiring shareholder approval under Ohio law and Insight's articles of incorporation and code of regulations. After the Merger, absent any adjustment made to the ratio of the stock component of the merger consideration, Insight shareholders are expected to become owners of less than 4% of the outstanding shares of Parent common stock. Even if all former Insight common shareholders voted together on all matters presented to Parent's shareholders, from time to time, the former Insight common shareholders most likely would not have a significant impact on the approval or rejection of future Parent proposals submitted to a shareholder vote.

SPECIAL NOTES CONCERNING FORWARD-LOOKING STATEMENTS

This document contains, and the documents into which it may be incorporated by reference may contain, forward-looking statements within the meaning of federal securities laws. Examples of forward-looking statements include, but are not limited to, projections of revenues, income or loss, earnings or loss per share, the payment or non-payment of dividends, capital structure and other financial items, statements of plans and objectives of First Financial or its management or board of directors and statements of future economic performances and statements of assumptions underlying such statements. Words such as “believes,” “anticipates,” “likely,” “expected,” “intends,” and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements and information are not historical facts, are premised on many factors and assumptions, and represent only management’s expectations, estimates and projections regarding future events. Similarly, these statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict, which may include, but are not limited to, those listed below and the Risk Factors discussed under Item 1A of Parent’s 2013 Annual Report on Form 10-K and in any of Parent’s subsequent SEC filings. Parent intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. Management’s analysis contains forward-looking statements that are provided to assist in the understanding of anticipated future financial performance. However, such performance involves risks and uncertainties that may cause actual results to differ materially. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- management's ability to effectively execute its business plan;
- the risk that the strength of the United States economy in general and the strength of the local economies in which we conduct operations may continue to deteriorate resulting in, among other things, a further deterioration in credit quality or a reduced demand for credit, including the resultant effect on our loan portfolio, allowance for loan and lease losses and overall financial performance;
- U.S. fiscal debt and budget matters;
- the ability of financial institutions to access sources of liquidity at a reasonable cost;
- the impact of recent upheaval in the financial markets and the effectiveness of domestic and international governmental actions taken in response, and the effect of such governmental actions on us, our competitors and counterparties, financial markets generally and availability of credit specifically, and the U.S. and international economies, including potentially higher FDIC premiums arising from increased payments from FDIC insurance funds as a result of depository institution failures;
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- the effect of and changes in policies and laws or regulatory agencies (notably the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act and the new capital rules promulgated by federal banking regulators);

- the effect of the current low interest rate environment or changes in interest rates on our net interest margin and our loan originations and securities holdings;

- our ability to keep up with technological changes;

- failure or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers;

- our ability to comply with the terms of loss sharing agreements with the FDIC;
- the expiration of loss sharing agreements with the FDIC;
- mergers and acquisitions (including the acquisition of Insight pursuant to the Merger Agreement), including costs or difficulties related to the integration of acquired companies and the wind-down of non-strategic operations that may be greater than expected;
- the risk that exploring merger and acquisition opportunities may detract from management's time and ability to successfully manage our business;
- expected cost savings in connection with the consolidation of recent acquisitions may not be fully realized or realized within the expected time frames, and deposit attrition, customer loss, and revenue loss following completed acquisitions may be greater than expected;
- our ability to increase market share and control expenses;
- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies as well as the Financial Accounting Standards Board and the SEC;
- adverse changes in the creditworthiness of our borrowers and lessees, collateral values, the value of investment securities, and asset recovery values, including the value of the FDIC indemnification asset and related assets covered by FDIC loss sharing agreements;
- adverse changes in the securities, debt and/or derivatives markets;
- our success in recruiting and retaining the necessary personnel to support business growth and expansion and maintain sufficient expertise to support increasingly complex products and services;
- monetary and fiscal policies of the Board of Governors of the Federal Reserve System (Federal Reserve) and the U.S. government and other governmental initiatives affecting the financial services industry;
- unpredictable natural or other disasters could have an adverse effect on us in that such events could materially disrupt our operations or our vendors’ operations or willingness of our customers to access the financial services we offer;
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our ability to manage loan delinquency and charge-off rates and changes in estimation of the adequacy of the allowance for loan and lease losses; and

· the costs and effects of litigation and of unexpected or adverse outcomes in such litigation.

Therefore, there can be no assurances that future actual results will correspond to these forward-looking statements. The reader is cautioned not to place undue reliance on any forward-looking statement made by Parent. Forward-looking statements speak only as of the date they are made, and Parent undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made. Persons are advised, however, to consult further disclosures management makes on related subjects in its reports filed with the SEC and in its press releases.

INFORMATION ABOUT THE SPECIAL MEETING OF Insight SHAREHOLDERS

Insight's board of directors is using this proxy statement/prospectus to solicit proxies from the holders of Insight common stock for use at the special meeting of Insight common shareholders.

Date, time and place of the special meeting

The special meeting will be held at the offices of Insight, located at 150 W. Wilson Bridge Road, Worthington, Ohio 43085 on May 28, 2014 at 3:00 p.m., local time.

Purpose of the special meeting

At the special meeting, Insight's board of directors will ask you to vote upon the following:

- a proposal to adopt the Merger Agreement and thereby approve the Merger;
- a proposal to approve an adjournment of the special meeting to permit further solicitation in the event that there are not sufficient votes FOR adoption, for any reason, of the Merger Agreement and the transactions it contemplates at the time of the special meeting; and
- any other business that properly comes before the special meeting and any adjournment or postponement thereof.

Record date and voting rights for the special meeting

Insight has set the close of business on April 24, 2014, as the record date for determining the holders of its common stock entitled to notice of and to vote at the special meeting. Only Insight shareholders at the close of business on the record date are entitled to notice of and to vote at the special meeting. As of the record date, there were 1,630,000 shares of Insight common stock outstanding and entitled to vote at the special meeting. Insight intends to redeem all of its outstanding Insight Series A Preferred Stock in advance of the special meeting. As soon as Insight Series A Preferred Stock is redeemed, the shares will be retired by Insight and will no longer be issued and outstanding. Assuming the redemption of outstanding Insight Series A Preferred Stock is completed in advance of the special

meeting, as planned, no shares of Insight Series A Preferred Stock will exist for purposes of voting on the Merger Agreement.

Quorum

The presence in person or by proxy of at least a majority of Insight common shares issued and outstanding and entitled to vote at the special meeting is required for a quorum to be present at the special meeting. Abstentions and broker non-votes will count toward the establishment of a quorum.

Vote required

Under the federal law applicable to mergers of state banks into national banks, the Merger Agreement must be ratified and confirmed by the affirmative vote of Insight shareholders owning at least two-thirds of its capital stock outstanding. Approval of the proposal to adjourn the special meeting, if necessary or appropriate to solicit additional proxies, requires the affirmative vote of a majority of the shares of Insight common stock having voting power present in person or by proxy, whether or not there is a quorum.

The failure of an Insight common shareholder to vote or to instruct his or her broker, bank or nominee to vote if his or her shares are held in “street name”, which we refer to as a broker non-vote, will have the same effect as voting against the proposals to adopt the Merger Agreement and the meeting adjournment proposal. For purposes of the shareholder vote, an abstention, which occurs when a shareholder attends a meeting, either in person or by proxy, but abstains from voting, will have the same effect as voting against the proposals to adopt the Merger Agreement and to adjourn the special meeting.

Shares held by Insight directors; voting agreements

Certain Insight directors who own shares of Insight common stock and certain other shareholders of Insight, whose aggregate ownership represents approximately 9.5% of the outstanding shares of Insight common stock as of December 19, 2013, have committed to vote their shares in favor of the Merger. Parent does not own any shares of Insight common stock. See "The Merger—Voting agreement" on page 45 for a description of the provisions of the voting agreement.

How to vote

You may vote in person at the special meeting or by proxy. To ensure your representation at the special meeting, we recommend you vote by proxy even if you plan to attend the special meeting. You can change your vote at the special meeting if you so desire.

Voting instructions are included on your proxy form, which should be returned in the enclosed, postage-prepaid envelope. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against, or abstain with respect to the approval of the Merger and the other proposals. If you are the record holder of your shares and submit your proxy without specifying a voting instruction, your shares will be voted as Insight's board of directors recommends and will be voted "FOR" adoption of the Merger Agreement and "FOR" the adjournment of the special meeting to permit further solicitation in the event that an insufficient number of shares are present in person or by proxy to adopt the Merger Agreement and the transactions it contemplates.

Revocability of proxies

You may revoke your proxy at any time before it is voted by:

- filing with Insight's secretary a duly executed revocation of proxy;
- submitting a new proxy with a later date; or
- voting in person at the special meeting.

Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to: Insight Bank, 150 W. Wilson Bridge Road, Worthington, Ohio 43085, Attention: Harvey Glick, President and Chief Executive Officer.

Proxy solicitation

In addition to this mailing, proxies may be solicited by directors, officers or employees of Insight in person or by telephone or electronic transmission. None of such directors, officers or employees will be directly compensated for such services. Insight will pay the costs associated with the solicitation of proxies for the special meeting.

Other business; adjournments

Insight is not currently aware of any other business to be acted upon at the Insight special meeting. If, however, other matters are properly brought before the special meeting, or any adjournment or postponement thereof, your proxy includes discretionary authority on the part of the individuals appointed to vote your shares to act on those matters according to their best judgment.

Adjournments may be made for the purpose of, among other things, soliciting additional proxies. Any adjournment may be made from time to time by the affirmative vote of a majority of the shares of Insight common stock having voting power present in person or by proxy, whether or not there is a quorum, without further notice other than by announcement at the special meeting.

THE MERGER

This section of the proxy statement/prospectus describes the material aspects of the Merger. While Parent and Insight believe that the description covers the material terms of the Merger and the related transactions, this summary may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus, the attached Annexes, and the other documents to which this proxy statement/prospectus refers for a more complete understanding of the Merger. The Merger Agreement attached hereto as Annex A, not this summary, is the legal document which governs the Merger.

General

The Insight board of directors is using this proxy statement/prospectus to solicit proxies from the holders of Insight common stock for use at the Insight special meeting, at which Insight common shareholders will be asked to vote on the adoption of the Merger Agreement and thereby approve the Merger. When the Merger is consummated, Insight will merge with and into First Financial and will cease to exist. First Financial will survive the Merger and remain a wholly owned subsidiary of Parent. At the effective time of the Merger, holders of Insight common stock will exchange their shares for a combination of cash and shares of Parent common stock, subject to certain adjustments depending upon changes in the market price of Parent common stock. Each share of Insight common stock will be exchanged for the per share merger consideration, the stock component of which cannot be determined until the third business day prior to the effective time of the Merger. See “Description of the Merger Agreement—Consideration to be received in the Merger” on page 47 for a detailed description of the method for determining the per share merger consideration.

Only whole shares of Parent common stock will be issued in the Merger. As a result, cash will be paid instead of any fractional shares based on the Parent Share Average Closing Price of Parent common stock, which will be calculated by reference to the twenty trading days ending on the third business day prior to the effective time of the Merger. Shares of Insight common stock held by Insight shareholders who elect to exercise their appraisal rights will not be converted into merger consideration.

The companies

Parent

First Financial Bancorp., an Ohio corporation which was formed in 1982, is a mid-sized regional bank holding company headquartered in Cincinnati, Ohio. Parent engages in the business of commercial banking and other banking and banking-related activities through its wholly owned subsidiary, First Financial Bank, National Association ("First Financial"), which was founded in 1863.

As of December 31, 2013, Parent had total assets of approximately $6.4 billion, total loans of approximately $4.0 billion, total deposits of approximately $4.8 billion, and total shareholders' equity of approximately $682.2 million.

Parent common stock is traded on NASDAQ under the ticker symbol "FFBC."

Financial and other information relating to Parent, including information relating to Parent's current directors and executive officers, is set forth in Parent's 2013 Annual Report on Form 10-K and Parent's Current Reports on Form 8-K filed during 2014 (other than information in such documents that are deemed not to have been filed), which are incorporated by reference into this proxy statement/prospectus. Copies of these documents may be obtained from Parent as indicated under "Where You Can Find More Information" on page 69. See "Incorporation of Certain Information by Reference" on page 69.

First Financial Bank, National Association

First Financial Bank, National Association, a national banking association, is a wholly owned subsidiary of Parent. First Financial is a commercial bank that operates primarily in Ohio, Indiana and Kentucky. The range of banking services provided by First Financial to individuals and businesses includes commercial lending, real estate lending, and consumer financing. Real estate loans are loans secured by a mortgage lien on the real property of the borrower, which may either be residential property (one to four family residential housing units) or commercial property (owner-occupied and/or investor income producing real estate, such as apartments, shopping centers, and office buildings). In addition, First Financial offers deposit products that include interest-bearing and noninterest-bearing accounts, time deposits, and cash management services for commercial customers. A full range of trust and wealth management services is also provided through First Financial's Wealth Management division**.** As of December 31, 2013, First Financial had 110 banking centers and 137 ATMs.

Insight Bank

Insight Bank ("Insight") is an Ohio state-chartered bank founded in 2006. Insight provides banking and financial services to individuals and commercial customers in Franklin and Delaware Counties and their surrounding areas in central Ohio. Insight has one full-service banking location in Worthington, Ohio, and a mortgage origination office in Newark, Ohio. As of December 31, 2013, Insight had total assets of $213.6 million, total loans of $181.5 million, total deposits of $176.7 million and total shareholders' equity of approximately $24.5 million.

Insight's proposals

At the Insight special meeting, holders of shares of Insight common stock will be asked to vote on the adoption of the Merger Agreement and thereby approve the Merger. **The Merger will not be completed unless Insight shareholders adopt the Merger Agreement and thereby approve the Merger.**

Background of the Merger

Management of Insight has from time to time explored and assessed, and has discussed with Insight's board of directors, various strategic options potentially available to Insight. These strategic discussions have focused on, among other things, the business environment facing financial institutions in general and Insight in particular, as well as conditions and ongoing consolidation in the financial services industry and ways in which to enhance Insight's competitive position, including through the possible acquisition of another financial institution.

Since completing its second capital raise of $3,990,000 in 2010, Insight has embarked on a process to deploy the capital successfully through strategic growth and dividends.

In December 2010, the Small Business Lending Fund ("SBLF") was introduced by the U.S. Treasury. The SBLF program allowed Insight to issue Insight Series A Preferred Stock to the U.S. Treasury, adding $4,250,000 in capital in July 2011. The plan of the board and management was to replace this capital no later than the first quarter of 2016. Insight's present intention is to redeem Insight Series A Preferred Stock prior to the date of the special meeting of Insight shareholders on the Merger. The parties of the Merger presently intend for First Financial to fund the redemption. Insight and First Financial anticipate entering into a reimbursement agreement pursuant to which Insight will be obligated to reimburse First Financial for such redemption funds if the Merger Agreement is terminated. Insight will pay First Financial a market rate of interest on funds used to redeem Insight Series A Preferred Stock if the Merger Agreement is terminated. Insight believes it would continue to be well-capitalized in the event it reimbursed First Financial for the funds used to redeem Insight Series A Preferred Stock.

As the sluggish economy continued into 2012, and faced with the prospect of increasing costs in order to comply with regulatory reform, Insight's board of directors considered the outlook for long-term organic growth and acquisition strategies for Insight. In August 2012, in anticipation of raising additional capital to fund future growth opportunities, Harvey Glick, Insight's President and Chief Executive Officer, contacted the investment banking firm of KBW to secure advice with regard to potential pricing of a capital issue by Insight. On August 29, 2012, Mr. Glick and Peter Geier, Chairman of the Board of Insight, met with a representative of KBW and reviewed a peer valuation of Insight as prepared by KBW as well as merger and acquisition activity in the marketplace. The KBW representative also indicated that certain institutions may be interested in the Columbus, Ohio, market, and suggested that Messrs. Geier and Glick consider meeting with them.

From August 2012 to November 2012, meetings were held with various parties that had expressed an interest in a potential strategic combination with Insight.

KBW and Insight continued discussions regarding strategic alternatives into 2013, and met various times from February through March of 2013. In March 2013, KBW had discussions with various other financial institutions with an interest in entering the Columbus, Ohio market, including through a possible combination with Insight, and in August 2013, KBW received an unsolicited indication of interest from a party that had previously expressed an interest in Insight in the range of $13.00 per share, which was rejected.

Later that month, KBW met with Insight to discuss the potential value of Insight to prospective acquirers and to identify potential strategic partners for Insight. Those conversations continued into September 2013.

On September 24, 2013, Messrs. Glick and Geier met with Messrs. Claude Davis and Anthony Stollings, President and Chief Executive Officer and Chief Financial Officer, respectively, of First Financial, as well as other representatives of First Financial and of KBW, and discussed their respective institutions and future plans, including First Financial’s interest in a banking presence in the Columbus, Ohio market. Over the next several weeks it became clear through a number of conversations that First Financial was interested in further discussions with Insight, and Messrs. Geier and Glick discussed the interest of First Financial with the Executive Committee of Insight’s board of directors, composed of Messrs. Peter Geier, Harvey Glick, Donald Kenney, Sr., Donald Shackelford and Randy Wilcox. The Executive Committee authorized and directed Messrs. Geier and Glick to proceed with informal discussions with First Financial, and to enter into a confidentiality agreement with First Financial in order for the parties to share information of interest.

On October 10, 2013, First Financial and Insight entered into a confidentiality agreement and began the process of sharing information. On October 30, 2013, Messrs. Kenney and Wilcox met with Messrs. Davis and Stollings together with a representative of KBW, and later certain other members of the Executive Committee of Insight’s board of directors joined the meeting. First Financial expressed a strong interest in a strategic combination with Insight, and the parties decided to explore matters further.

In October and November, First Financial and Parent performed preliminary due diligence to determine the terms it would offer in its non-binding indication of interest to Insight.

On November 7, 2013, the Executive Committee of Insight’s board of directors met again with Messrs. Davis and Stollings as well as a representative of KBW and outlined the terms of a potential transaction. Also discussed was a potential non-binding indication of interest to permit the parties to proceed with further conversations to narrow the terms of a proposed combination. The Executive Committee met on November 11, 2013 and on November 12, 2013,

to discuss a response to the indication of interest by First Financial. Various drafts of an indication of interest were exchanged between Insight and First Financial during the period ending November 21, 2013, at which time the full board of directors of Insight was presented with detailed information concerning the proposal. The board of directors of Insight then authorized management of Insight to pursue and to negotiate a further non-binding indication of interest with First Financial.

In November 2013, First Financial and Insight continued negotiations and increased the price range of a potential transaction from approximately $19.50 to $20.50 per common share. On November 18, 2013, KBW contacted various potential acquirers to perform a limited “market check” on a confidential basis to ascertain any interest in a possible transaction with Insight.

At a meeting of the full board of directors of Insight held on November 21, 2013, Messrs. Geier and Glick and a representative from KBW reviewed the activities of KBW with Insight since 2012, including a recent “market check” and its results. At that meeting, KBW advised the board that a market check of other potential acquirers indicated that there was not an interest in a potential combination with Insight by other likely potential acquirers, and that the proposal by First Financial would provide a very attractive opportunity for Insight shareholders. Upon the recommendations of management of Insight and KBW, the board of directors unanimously authorized management to execute and deliver a nonbinding indication of interest as presented to the meeting, and further authorized the Executive Committee to pursue further negotiations with First Financial toward a potential definitive agreement.

From December 5, 2013 through December 18, 2013, Insight’s management, KBW and Insight’s legal counsel, Vorys, Sater, Seymour and Pease LLP, conducted due diligence of Parent and First Financial, including both external and on-site due diligence. First Financial and Parent conducted further due diligence on Insight in November and December 2013. The parties concurrently worked to finalize the drafting of the definitive merger agreement in December 2013.

Negotiations continued between management of Insight and First Financial and legal counsel for the respective organizations, and a proposed definitive agreement was presented to the full board of directors of Insight at a meeting held on December 18, 2013. Legal counsel for Insight as well as representatives of KBW attended that meeting, and KBW indicated that it was prepared to provide a fairness opinion with regard to the agreement as proposed. During the meeting, legal counsel for Insight discussed the board’s fiduciary obligations in considering the proposal both with the whole board and in executive session, and KBW provided a comprehensive review of the performance of Parent stock as well as pro forma projections and anticipated values and expense reductions as a result of the proposed transaction. KBW further provided a detailed review of the consideration formula for the transaction and the impact of the cuffs and collars provided by the formula. KBW also reviewed other recently completed transactions of similar size and consideration of other potential acquirers of Insight. Management of Insight as well as KBW and Insight’s legal counsel also reviewed the results of due diligence performed on First Financial and Parent to date and responded to questions with regard to various terms of the proposed agreement, including those related to the price as well as the termination fee in the event that the agreement was terminated by Insight as the result of a subsequent offer.

The board of directors of Insight authorized management to proceed with execution and delivery of the Merger Agreement. The board of directors also agreed to recommend to the shareholders of Insight that they approve and adopt the Merger Agreement at a meeting to be held at a time to be determined.

Recommendation of Insight’s board of directors and its reasons for the Merger

In reaching its decision to adopt and approve the Merger Agreement and recommend that Insight shareholders approve the Merger Agreement, Insight’s board of directors consulted with Insight’s management, as well as its legal and financial advisors, and considered a number of factors, including:

- its knowledge of Insight’s business, operations, financial condition, asset quality, earnings and prospects, and of First Financial and Parent’s business, operations, financial condition, asset quality, earnings and prospects, taking into account the presentations made by the officers of First Financial and Parent, the results of Insight’s due diligence review of First Financial and Parent, and information provided by Insight’s financial advisor;

- its knowledge of the current environment in the financial services industry, including national, regional and local economic conditions and the interest rate environment, continued consolidation, increased operating costs resulting

from regulatory initiatives and compliance mandates, increasing competition, the current environment for community banks and current financial market conditions and the likely effects of these factors on the companies' potential growth, development, productivity and strategic options;

- its belief that combining the companies would create a larger and more diversified financial institution that is both better equipped to respond to economic and industry developments and better positioned to develop and build on its strong market share in Ohio;

- the complementary aspects of Insight's and First Financial's businesses, including customer focus, geographic coverage and business orientation;

- the potential expense-saving and revenue-enhancing opportunities in connection with the Merger, the related potential impact on the surviving bank's earnings and the fact that the nature of the merger consideration would give former Insight shareholders the opportunity to participate as Parent shareholders in the benefits of such savings opportunities and the future performance of the surviving bank;

- its assessment of the likelihood that the Merger would be completed in a timely manner and that the management team of the surviving bank would be able to successfully integrate and operate the businesses of the surviving bank after the Merger;

- the financial analyses presented by KBW to Insight's board of directors, and the opinion dated as of December 18, 2013, delivered to Insight by KBW to the effect that, as of that date, and subject to and based on the qualifications and assumptions set forth in the opinion, the consideration to be received by the Insight shareholders in the Merger was fair, from a financial point of view, to such shareholders;

- the financial terms of the Merger, including the fact that, based on Parent common stock's average closing price of $16.31 per share over the 20 consecutive trading day period ending on December 16, 2013 (the third business day prior to the execution of the Merger Agreement), the per share merger consideration represented a multiple to normalized tangible book value per share of 166%, a multiple to Insight's trailing 12 months earnings per share of 19.05 times, and a premium to core deposits of 20.1%;

- the structure of the Merger and the terms of the Merger Agreement, including the no-solicitation and shareholder approval covenants, the termination fee provisions, and the ability of Insight's board of directors, under certain circumstances, to withdraw or adversely modify its recommendation to Insight shareholders, and to terminate the Merger Agreement in order to enter into a definitive agreement with respect to a superior proposal (subject to payment of a termination fee plus an amount equal to First Financial's out-of-pocket expenses incurred in connection with the proposed Merger);

- the expectation that the Merger would qualify as a tax-free reorganization for U.S. federal income tax purposes;

- the regulatory and other approvals required in connection with the Merger and the likelihood that such approvals would be received in a timely manner and without unacceptable conditions;

- the fact that the approval of Parent shareholders would not be required for the transaction; and

- the belief that the Parent offer was the best offer that could be obtained at this time and was better than the stand-alone prospects for Insight.

The Insight board of directors also considered potential risks and a variety of potentially negative factors in connection with its deliberations concerning the Merger Agreement and the Merger, including the following material factors:

- the potential risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the Merger;

- the fact that the interests of some of the directors and officers of Insight may be different from those of Insight shareholders, and directors and officers of Insight may be participants in arrangements that are different from, or are in addition to, those of Insight shareholders;

- the fact that the Merger Agreement provides that Insight may be required to pay a termination fee to First Financial plus an amount equal to First Financial's out-of-pocket expenses incurred in connection with the proposed Merger;

- the fact that the Merger Agreement prohibits Insight and its officers, directors, agents, advisors and affiliates from soliciting acquisition proposals or, subject to certain exceptions, engaging in negotiations concerning or providing nonpublic information to any person relating to an acquisition proposal;

- the fact that there can be no assurance that all conditions to the parties' obligations to complete the Merger will be satisfied, including the risk that certain requisite regulatory approvals might not be obtained, and, as a result, the Merger may not be consummated, or that governmental entities may impose conditions on the granting of such approvals that could have the effect of delaying completion of the Merger or imposing additional costs or limiting the revenues of the surviving bank following the Merger;

- the risk that the anticipated benefits of the Merger may not be realized or may take longer than expected to be realized;

- the restrictions on the conduct of Insight's business prior to the completion of the Merger, which, subject to specific exceptions, could delay or prevent Insight from undertaking business opportunities that may arise or from taking other actions it would otherwise take with respect to the operations of Insight absent the pending completion of the Merger; and

- the possible effects of the pendency or consummation of the transaction contemplated by the Merger Agreement, including any suit, action or proceeding initiated in respect of the Merger.

The foregoing discussion of the factors considered by Insight's board of directors is not intended to be exhaustive, but, rather, includes the material factors considered by Insight's board of directors. In reaching its decision to adopt and approve the Merger Agreement, and the other transactions contemplated by the Merger Agreement, Insight's board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The Insight board of directors considered all these factors as a whole, including discussions with, and questioning of, Insight management and Insight's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination. The Insight board of directors also relied on the experience of KBW, its financial advisor, for analyses of the financial terms of the Merger and for its opinion as to the fairness from a financial point of view of the consideration in the Merger to Insight common shareholders.

For the reasons set forth above, Insight's board of directors unanimously determined that the Merger, the Merger Agreement and the transactions contemplated by the Merger Agreement are advisable and in the best interests of Insight and its shareholders, and unanimously approved and adopted the Merger Agreement. The Insight board of directors unanimously recommends that the Insight shareholders vote "FOR" the approval of the Merger Agreement.

Insight's board of directors believes that the Merger is fair to, and in the best interests of, Insight and its shareholders. Insight's board of directors unanimously approved the Merger Agreement and recommends that shareholders vote "FOR" adoption of the Merger Agreement.

Certain directors and officers of Insight have interests in the Merger different from or in addition to their interests as shareholders generally. You may wish to consider these interests in evaluating Insight's board of directors' recommendation that you vote in favor of the Merger. See "The Merger—Interests of certain persons in the Merger" on page 41. Certain Insight directors who own shares of Insight common stock have agreed to vote their shares in favor of the Merger at the special meeting.

Parent's reasons for the Merger

Parent's board of directors believes that the Merger is in the best interests of Parent and its shareholders. In deciding to approve the Merger, Parent's board of directors considered a number of factors, including:

- management's view that the acquisition of Insight by First Financial provides a strong entrance to the attractive Columbus, Ohio market;
- Insight's successful and profitable operations with values and a client-focused approach similar to First Financial's, as well as strong asset generation capabilities with a platform for deposit growth;

- efficiencies to come from integrating Insight's operations into First Financial's existing operations, including the potential to leverage First Financial's brand, product set and capabilities to accelerate growth;

- Insight's straight-forward community bank operations, solid asset quality profiles and credit discipline, strong management team and scale of operations, which, together with continued director participation, would result in low operational risk after the completion of the Merger;

- Parent management's review of Insight's business, operations, earnings and financial condition, including its management, capital levels and asset quality;

- a review of the demographic, economic and financial characteristics of the markets in which Insight operates, including existing and potential competition and history of the market areas with respect to financial institutions; and

- the likelihood that the Merger will be approved by the relevant bank regulatory authorities without undue burden and in a timely manner.

The above discussion of the information and factors considered by Parent's board of directors is not intended to be exhaustive, but includes a description of all material factors considered by Parent's board. In view of the wide variety of factors considered by Parent's board of directors in connection with its evaluation of the Merger, Parent's board did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered. In considering the factors described above, individual directors may have given differing weights to different factors. Parent's board of directors collectively made its determination with respect to the Merger based on the conclusion reached by its members, based on the factors that each of them considered appropriate, that the Merger is in the best interests of Parent's shareholders.

Opinion of Insight's Financial Advisor

Insight engaged Keefe, Bruyette & Woods, Inc. ("KBW") to render an opinion to Insight's board of directors as to the fairness, from a financial point of view, to the shareholders of Insight of the merger consideration in the proposed Merger of Insight with and into First Financial, a wholly owned subsidiary of Parent. Insight selected KBW because KBW is a nationally recognized investment banking firm with substantial experience in transactions similar to the Merger and is familiar with Insight and its business. As part of its investment banking business, KBW is continually engaged in the valuation of financial businesses and their securities in connection with mergers and acquisitions.

As part of its engagement, representatives of KBW attended the meeting of Insight's board of directors held on December 18, 2013, at which Insight's board of directors evaluated the proposed Merger. At this meeting, KBW reviewed the financial aspects of the proposed Merger and rendered an opinion to the effect that, as of such date and

subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW set forth in such opinion, the merger consideration in the proposed Merger was fair, from a financial point of view, to the shareholders of Insight. For purposes of KBW's opinion and with the consent of Insight's board of directors, the merger consideration was assumed to be equal to $20.50 per share of Insight common stock. The Insight board of directors unanimously approved the Merger Agreement at this meeting.

The description of the opinion set forth herein is qualified in its entirety by reference to the full text of the opinion, which is attached as Annex C to this document and is incorporated herein by reference, and describes the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW in preparing the opinion.

KBW's opinion speaks only as of the date of the opinion. The opinion was for the information of, and was directed to, Insight's board of directors (in its capacity as such) in connection with its consideration of the financial terms of the Merger. The opinion addressed only the fairness, from a financial point of view, of the merger consideration in the Merger to the shareholders of Insight. It did not address the underlying business decision to proceed with the Merger or constitute a recommendation to Insight's board of directors in connection with the Merger, and it does not constitute a recommendation to any Insight shareholder as to how such shareholder should vote at the Insight special meeting on the Merger or on any related matter.

KBW's opinion was reviewed and approved by KBW's Fairness Opinion Committee in conformity with its policies and procedures established under the requirements of Rule 5150 of the Financial Industry Regulatory Authority.

In rendering its opinion, KBW reviewed, among other things:

· a draft, dated December 17, 2013, of the Merger Agreement (the most recent draft made available to KBW);

· the quarterly call reports for the last three years ended September 30, 2013 for both Insight and Parent;

· the audited financial statements and annual reports for the three years ended December 31, 2012 of Insight and Parent;

· the 2013 quarterly reports on Form 10-Q for the quarters ended March 31, June 30, and September 30 of Parent;

· certain other interim reports to shareholders and other communications from Insight and Parent to their respective shareholders; and

· other financial information concerning the businesses and operations of Insight, First Financial and Parent furnished to KBW by Insight and Parent.

KBW's consideration of financial information and other factors that it deemed appropriate under the circumstances or relevant to its analyses included, among others, the following:

· the D VALIGN="bottom">$ 227.1 $ 296.8 $ 84.8 $ 381.6

Our net service revenue increased $154.5 million primarily as a result of our internal growth and acquisitions. Our internal growth from our base business, inclusive of start-ups, increased $69.7 million, primarily as a result of increased admissions. In addition, our acquisitions, as detailed in Note 2 to our consolidated financial statements, added $84.8 million in revenue.

The following table summarizes our growth in home health patient admissions:

	Year ended December 31, 2004	Year ended December 31, 2005		
		Base/Start-ups	Acquisitions	Total
Admissions:				
Medicare	51,400	60,867	19,841	80,708
Non-Medicare	10,300	10,701	8,233	18,934
	61,700	71,568	28,074	99,642

Cost of Service

Our cost of service consists of salaries and related payroll tax expenses, transportation expenses (primarily reimbursed mileage), and supplies and services expenses (including payments to contract therapists) associated with our direct care employees in our agencies. The following summarizes our visit and cost per visit information (Amounts in millions):

	Year ended December 31, 2004	Year ended December 31, 2005		
		Base/Start-ups	Acquisitions	Total
Cost of service, excluding depreciation and amortization:				
Home health	$ 93.0	$ 116.3	$ 34.9	$ 151.2
Hospice	3.1	4.3	7.5	11.8
Total	$ 96.1	$ 120.6	$ 42.4	$ 163.0
Home health:				
Visits during the period:				
Medicare	1,349,936	1,749,168	340,356	2,089,524
Non-Medicare	164,064	171,167	104,196	275,363
Total	1,514,000	1,920,335	444,552	2,364,887
Home health cost per visit (1)	$ 61.43	$ 60.56	$ 78.51	$ 63.94

(1) We calculate home health cost per visit as home health cost of service divided by total home health visits during the period.

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Cost of service revenue for the year ended December 31, 2005 increased by $66.9 million as compared to the same period in 2004. Of this increase, $8.7 million is attributable to the hospice business. The balance of the increase, $58.2 million, is attributable to an increase of approximately 0.9 million home health visits in 2005 to a total of approximately 2.4 million, representing a 55.9% increase over the prior year, and by a 4.1% increase in the cost per visit. The 4.1% increase in the cost per visit is attributable to higher rates of pay and benefits for visiting staff, including those at the acquired locations. Typically, our acquisitions take up to 18 to 24 months to reach the labor efficiencies of existing operations.

Excluding the hospice business, cost of service revenue as a percent of net service revenue, increased approximately 0.1%, in large part due to the increased cost per visit as described above.

General and Administrative Expenses, Depreciation and Amortization, and Non-Cash Compensation

Our general and administrative expenses include salaries and related payroll tax expenses for all non-direct care employees, benefits expense and non-cash compensation for all employees, rent and utilities, supplies and services, deprecation and amortization and our provision for bad debts.General and administrative expenses, inclusive of depreciation and amortization and non-cash compensation, was $168.4 million for the year ended December 31, 2005 as compared to $97.6 million during the year ended December 31, 2004, representing an increase of $70.8 million. This increase is primarily attributable to $35.6 million of general and administrative expenses incurred by our acquisitions finalized since January 1, 2005. The remaining balance of $35.2 million includes: increased personnel costs of $14.9 million related to additional operational and corporate staff necessitated by our internal growth and acquisitions; other increases of $7.8 million, including increases with respect to supplies, rent, and professional fees; a $2.4 million increase in depreciation and amortization, primarily as a result of higher amortization associated with intangible assets attributable to the acquisitions; and an increase in travel and related costs of $5.5 million, particularly with respect to operational and corporate training meetings and new employee orientation sessions undertaken for all employees. Non-cash compensation expense was $0.4 million in the year ended December 31, 2005 as compared to $31,000 during the year ended December 31, 2004, representing an increase of $0.4 million and related primarily to the number of options that we issued in each of the years. Depreciation and amortization increased to $7.0 million in the year ended December 31, 2005 from $4.1 million during the year ended December 31, 2004, representing an increase of $2.9 million and is primarily growth related.

Other Expense, Net

Net other expense increased to $1.4 million for the twelve months ended December 31, 2005 as compared to $19,000 in 2004. This increase in net other income and expense is primarily attributable to a $2.4 million current year increase in interest expense due to increased levels of debt offset by a $0.9 million increase in interest income from increased levels of cash and cash equivalents and a $0.1 million increase in miscellaneous expense.

Income Tax Expense

Income tax expense of $18.6 million and $12.9 million was recorded for the twelve months ended December 31, 2005 and 2004, respectively. An effective income tax rate of approximately 38.24% and 38.5% was recorded for the years ended December 31, 2005 and 2004, respectively.

Liquidity and Capital Resources

Cash Flows

Operating Activities. Cash provided by operating activities was $43.1 million in 2006. This primarily consisted of net income of $38.3 million that was increased by $16.5 million in deferred income taxes, $11.4 million in bad debts, $10.1 million in depreciation and amortization, $2.6 million in non-cash compensation, $1.7 million related to the amortization and write-off of debt issuance costs associated with the retirement of our senior credit facility and $0.4 million of other increases. This was partially offset by a decrease of $37.9 million

in working capital that included a $18.6 million growth related increase in accounts receivable and the payment of $18.8 million of 2005 Hurricane Katrina related payroll tax deferrals paid in 2006. Cash provided by operations was $43.5 million and $29.7 million for 2005 and 2004, respectively.

Investing Activities. Cash used in investing activities was $48.1 million for 2006. This primarily consisted of $14.1 million related to our acquisitions, $29.3 million in capital asset purchases including our new corporate headquarters ($13.8 million) and PoC system ($3.4 million), and $4.8 million in restricted cash that is related to workers compensation letters of credit. Cash used in investing activities was $132.7 million and $67.0 million for 2005 and 2004, respectively.

Financing Activities. Cash provided by financing activities was $72.0 million for 2006. Increases were primarily related to $118.0 million raised through our equity offering, net of issuance costs, and $6.0 million related to the issuance of stock options, warrants and employee stock purchases, inclusive of tax benefits. This was partially offset by the payment of $52.0 million for long-term obligations that included the payment in full and termination of our senior credit facility that occurred in conjunction with our equity offering. Cash provided by financing activities was $48.7 million and $65.7 million for 2005 and 2004, respectively.

Liquidity

As of December 31, 2006, we had $89.0 million in cash and cash equivalents inclusive of $4.8 million in restricted cash primarily related to workers compensation letters of credit and owed $4.6 million in promissory notes that we incurred as a result of our acquisitions, as discussed in Recent Developments.

On November 22, 2006, we sold, through a public offering, 3.0 million shares of our common stock at a per common share price of $41.50 (before giving effect for our four-for-three stock split). Our net proceeds from this offering were approximately $118.0 million, after deducting estimated underwriting discounts and offering expenses of approximately $6.5 million. We used $43.1 million of the proceeds to pay down and extinguish the term loan portion of our senior secured credit facility. We plan to use the remaining proceeds for general corporate purposes, including working capital and possible acquisitions.

On December 20, 2006, we terminated our revolving credit facility with Wachovia that consisted of a $25.0 million revolving credit facility and up to $5.0 million in letters of credit. We incurred no penalties as a result of the termination. As of the date of termination, we had no borrowings against our revolver and $4.8 million in letters of credit outstanding that were primarily associated with our workers compensation self-insurance. Upon termination of the credit facility, we entered into a separate agreement with Wachovia to retain our letters of credit.

Based on operating forecasts, we believe that we will have sufficient cash to fund our operations, debt service and capital requirements over the next twelve months.

Contractual Obligations and Medicare Liabilities

Our future contractual obligations at December 31, 2006 were as follows:

		Payments due by period			
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
		(Amounts in thousands)			
Promissory notes	$ 4,934	$ 3,124	$ 1,810	$	$
Capital leases	810	364	399	47	
Operating leases	33,951	11,796	20,651	1,504	
Medicare liabilities	6,139	6,139			
	$ 45,834	$ 21,423	$ 22,860	$ 1,551	$

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Prior to the implementation of PPS on October 1, 2000, we recorded Medicare revenue at the lower of actual costs that considered per visit cost limit or a per beneficiary cost limit on an individual provider basis. Under the previous Medicare cost-based reimbursement system, ultimate reimbursement under the Medicare program was determined upon final settlement of the annual cost reports. As of December 31, 2006, we estimate an aggregate payable to Medicare of $6.1 million for these cost reports for periods prior to October 1, 2000 that have not been settled, all of which is reflected as a current liability. Included in our Medicare payable is a $3.1 million obligation of a subsidiary that is being liquidated under bankruptcy. We continue to evaluate whether we will have any responsibility for the payment of the $3.1 million if the debt of the subsidiary is discharged in bankruptcy, but have been unable to arrive at a definitive determination.

Inflation

We believe that inflation has not significantly impact our results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements are listed under Item 15(a) of this annual report and are filed as part of this report on the pages indicated.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to our Company, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and the Board of Directors.

In connection with the preparation of this Annual Report on Form 10-K, as of December 31, 2006, we conducted an evaluation under the supervision and with the participation of our management, including our principal executive and principal financial officers, of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the Exchange Act).

Based on this evaluation, our principal executive and principal financial officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act. Under the supervision and with the participation of our management, including our principal executive and principal financial officers, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring

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Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2006.

Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Changes in Internal Controls

There have been no changes in our internal control procedures over financial reporting that have occurred during the quarter ended December 31, 2006 that have materially affected, or are likely to materially affect, our internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Amedisys, Inc.:

We have audited management s assessment, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting, that Amedisys, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Amedisys, Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that Amedisys, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Amedisys, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Amedisys, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated income statements, statements of stockholders equity, and statements of cash flows for each of the years in the three-year period ended December 31, 2006, and our report dated February 19, 2007, expressed an unqualified opinion on those consolidated financial statements. Our report contains an explanatory paragraph that states that effective January 1, 2006, Amedisys, Inc. adopted Statement of Financial Accounting Standards No. 123 (revised), *Share-Based Payment*.

/s/ KPMG LLP

Baton Rouge, Louisiana

February 19, 2007

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PART III

Certain information required by Part III is omitted from this Report and incorporated herein by reference to our definitive Proxy Statement under Regulation 14A of the Securities Exchange Act of 1934 (the Proxy Statement) for our 2006 Annual Meeting of Stockholders to be held June 7, 2007. We anticipate that we will file our Proxy Statement no later than 120 days after the end of the year covered by this Report.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table presents information with respect to our executive officers:

Name	Age	Capacity
William F. Borne	49	Chief Executive Officer
Larry R. Graham	41	President and Chief Operating Officer
John F. Giblin	50	Chief Financial Officer
Donald Loverich, Jr.	55	Principal Accounting Officer and Treasurer/Senior Vice President
Alice A. Schwartz	39	Chief Information Officer
Jeffrey D. Jeter	35	Chief Compliance Officer/ Senior Vice President

William F. Borne founded the Company in 1982 and has been Chief Executive Officer and a director since then.

Larry R. Graham was named President in August 2004. He became Chief Operating Officer in January 1999 and continues to serve in that capacity.

John F. Giblin was appointed Chief Financial Officer in October 2006. For more than five years before then, he was Executive Vice President and Chief Financial Officer of Crawford & Company, Inc., an international insurance services firm.

Donald Loverich, Jr. was appointed Principal Accounting Officer and Treasurer in September 2006. He joined the Company in October 2005 as Senior Vice President of Finance. For more than five years before then, he served as Principal Accounting Officer for US Unwired, Inc., a Sprint affiliate and provider of PCS mobile telephone service.

Alice A. Schwartz became Chief Information Officer in September 2004 and also served as a Senior Vice President of Clinical Operations from 2003 to 2004. She joined the Company in 1998 where she served in various leadership roles, including Administrator and Regional Director of Clinical Services.

Jeffrey D. Jeter joined the Company in April 2001 as Vice President of Compliance/Corporate Counsel. In March 2004, he was appointed Senior Vice President of Compliance. Prior to joining the Company he served as an Assistant Attorney General for the Louisiana Department of Justice from 1996 where he prosecuted health care fraud and nursing home abuse.

Code of Ethics

We have adopted a code of ethics that applies to all of our employees, including our Chief Executive Officer (principal executive officer), President and Chief Operating Officer, Chief Financial Officer (principal financial officer) and Principal Accounting Officer. This code of ethics, which is entitled Code of Ethical Business Conduct, is posted at our website, *www.amedisys.com*. We intend to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address, and location previously specified.

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Our Board of Directors has determined that Jake L. Netterville, Chairman of the Audit Committee, meets the definition of Audit Committee Financial Expert within the meaning of that term as defined by the SEC, and that he is otherwise independent within the meaning of applicable rules of the NASDAQ Global Select Market.

ITEM 11. EXECUTIVE COMPENSATION

The section of our Proxy Statement entitled Executive Compensation is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The section of our Proxy Statement entitled Stock Ownership of Directors and Officers and Stock Ownership of Certain Beneficial Owners is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The section of our Proxy Statement entitled Certain Transactions is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The section of our Proxy Statement entitled Accounting Fees and Services is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

Listed in the Index to Consolidated Financial Statements provided in response to Item 8 hereof (see page F-1 for Index).

2. Financial Statement Schedules

Listed in the Index to Consolidated Financial Statements provided in response to Item 8 hereof (see page F-1 for Index). All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. Management Contracts, Compensatory Plans and Arrangements

Management contracts, compensatory plans and arrangements are listed as Exhibits 10.3.1 through 10.11 included in Item 15(b) of this annual report.

(b) Exhibits

Exhibit Number	Description of Document
2.1	Stock Purchase Agreement dated as of June 30, 2005, by and among Amedisys Holding, L.L.C., Amedisys, Inc., HMR Acquisition, Inc. and the Stockholders and Option Holders set forth on the Stockholder Signature Page and Option Holder Signature Page attached thereto (previously filed as Exhibit 2.1 to the Current Report on Form 8-K filed July 12, 2005)
2.2	Asset Purchase Agreement dated between Amedisys SC, L.L.C. and Winyah Health Care Group, LLC, Winyah Home Health Care-Midlands, Inc., Winyah Home Health Care of the Lowcountry, LLC, Winyah Home Health Care of the Grand Strand, LLC, and Winyah Home Health Care, Inc. (previously filed as Exhibit 2.1 to the Quarterly Report on Form 10-Q for the period ended March 31, 2005)
3.1	Composite Certificate of Incorporation (previously filed as Exhibit 3.1 to the Quarterly Report on Form 10-Q for the period ended March 31, 2002)
3.2	Composite By-Laws (previously filed as Exhibit 3.2 to the Annual Report on Form 10-K for the year ended December 31, 2004)
4.1	Common Stock Specimen (previously filed as an exhibit to the Annual Report on Form 10-KSB for the year ended December 31, 1994)
4.2.1	Shareholder Rights Agreement (previously filed as Exhibit 4 to the Current Report on Form 8-K filed June 16, 2000, and as Exhibit 4 to the Registration Statement on Form 8-A12G filed June 16, 2000)
4.2.2	Amendment No. 1 to Shareholder Rights Agreement, dated as of July 26, 2006 (previously filed as Exhibit 4.1 to the Quarterly Report on Form 10-Q for the period ended June 30, 2006)
4.3	Form of Warrants issued by Amedisys, Inc. to Raymond James & Associates, Inc. (previously filed as Exhibit 10.3 to the Current Report on Form 8-K filed December 10, 2003)
4.4	Registration Rights Agreement dated as of April 23, 2002 between Amedisys, Inc. and the investors listed on Schedule I thereto (previously filed as Exhibit 4.4 to the Registration Statement on Form S-3 filed May 23, 2002)

4.5	Registration Rights Agreement dated as of December 1997 between the person whose name and address appears on the signature page thereto and Amedisys, Inc. (previously filed as Exhibit 10.5 to the Registration Statement on Form S-3 filed March 11, 1998)

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Exhibit Number	Description of Document
4.6.1	Credit Agreement with Wachovia Bank, National Association, as Administrative Agent, and General Electric Capital Corporation, as Syndication Agent, dated as of July 11, 2005 (previously filed as Exhibit 4.1 to the Quarterly Report on Form 10-Q for the period ended June 30, 3005)
4.6.2	Amendment No. 1 to Credit Agreement with Wachovia Bank, National Association, as Administrative Agent, and General Electric Capital Corporation, as Syndication Agent, dated as of August 31, 2005 (previously filed as Exhibit 4.6.2 to the Annual Report on Form 10-K for the year ended December 31, 2005)
4.6.3	Amendment No. 2 and Waiver to Credit Agreement with Wachovia Bank, National Association, as Administrative Agent, and General Electric Capital Corporation, as Syndication Agent, dated as of February 16, 2006 (previously filed as Exhibit 4.6.3 to the Annual Report on Form 10-K for the year ended December 31, 2005)
4.6.4	Amendment No. 3 to Credit Agreement with Wachovia Bank, National Association, as Administrative Agent, and General Electric Capital Corporation, as Syndication Agent, dated as of February 16, 2006 (previously filed as Exhibit 4.2 to the Quarterly Report on Form 10-Q for the period ended June 30, 2006)
10.1	Settlement Agreement between the Office of Inspector General of the Department of Health and Human Services and Amedisys Specialized Medical Services and Amedisys, Inc. (previously filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the period ended September 30, 2003)
10.2	Corporate Integrity Agreement between the Office of Inspector General of the Department of Health and Human Services and Amedisys Specialized Medical Services and Amedisys, Inc. (previously filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the period ended September 30, 2003)
10.3.1	Composite Amended and Restated Amedisys, Inc. 1998 Stock Option Plan, as amended (Encompassing Plan amendments dated June 10, 2004, and the full text of the 1998 Amedisys, Inc. Amended and Restated Stock Option Plan) (previously filed as Exhibit 10.3 to the Annual Report on Form 10-K for the year ended December 31, 2005)
10.3.2	Amendments dated June 8, 2006 and June 22, 2006 to the Amended and Restated Amedisys, Inc. 1998 Stock Option Plan (previously filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the period ended June 30, 2006)
10.4	Composite Director s Stock Option Plan, as amended (Encompassing Plan amendments dated June 10, 2004, and the full text of the Directors Stock Option Plan) (previously filed as Exhibit 10.4 to the Annual Report on Form 10-K for the year ended December 31, 2005)
10.5	Employment Agreement between Amedisys, Inc. and William F. Borne (previously filed as Exhibit 10.8 to the Quarterly Report for the period ended March 31, 2005)
10.6.1	Employment Agreement between Amedisys, Inc. and Larry Graham (previously filed as Exhibit 10.9 to the Annual Report on Form 10-K for the year ended December 31, 2000)
10.6.2	Amendment to Employment Agreement between Amedisys, Inc. and Larry Graham (previously filed as Exhibit 10.10 to the Annual Report on Form 10-K for the year ended December 31, 2000)
10.6.3	Second Amendment to Employment Agreement between Amedisys, Inc. and Larry Graham (previously filed as Exhibit 10.9.3 to the Registration Statement on Form S-3 filed August 18, 2004)
10.7.1	Employment Agreement between Amedisys Inc. and Gregory H. Browne (previously filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the period ended June 30, 2002)
10.7.2	Amendment to Employment Agreement between Amedisys Inc. and Gregory H. Browne (previously filed as Exhibit 10.10.2 to the Registration Statement on Form S-3 filed August 18, 2004)
10.7.3	Supplemental Employment Agreement between Amedisys, Inc. and Gregory H. Browne (previously filed as Exhibit 10.7.3 to the Annual Report on Form 10-K for the year ended December 31, 2005)

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Exhibit Number	**Description of Document**
10.7.4	Amended and Restated Supplemental Employment Agreement between Amedisys, Inc. and Gregory H. Browne (previously filed as Exhibit 10.2 to the Current Report on Form 8-K filed June 7, 2006)
10.8	Employment Agreement between Amedisys, Inc. and John Giblin (previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed October 26, 2006)
10.9	Employment Agreement between Amedisys, Inc. and Donald Loverich, Jr. (previously filed as Exhibit 10.1 to the Current Report on Form 8-K dated June 7, 2006)
10.10	Amended and Restated Employment Agreement between Amedisys, Inc. and Alice Ann Schwartz (previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed October 26, 2006)
10.11	Employment Agreement between Amedisys, Inc. and Jeffrey Jeter (previously filed as Exhibit 10.2 to the Current Report on Form 8-K filed October 26, 2006)
10.12.1	Agreement to Purchase Real Estate between Amedisys, Inc. and Sherwood Investment Partners, LLC (previously filed as Exhibit 10.1.1 to the Quarterly Report on Form 10-Q for the period ended March 31, 2005)
10.12.2	Act of Cash Sale of Real Estate between Amedisys, Inc. and Sherwood Investment Partners, LLC (previously filed as Exhibit 10.1.2 to the Quarterly Report on Form 10-Q for the period ended March 31, 2005)
21.1	List of Subsidiaries (filed herewith)
23.1	Consent of KPMG LLP (filed herewith)
31.1	Certification under Rule 13a-14(a)/15d-14(a) of William F. Borne, Principal Executive Officer (filed herewith)
31.2	Certification under Rule 13a-14(a)/15d-14(a) of John F. Giblin, Principal Financial Officer (filed herewith)
32.1	Certification under 18 U.S.C §1350 of William F. Borne, Principal Executive Officer (filed herewith)
32.2	Certification under Section 18 U.S.C §1350 of John F. Giblin, Principal Financial Officer (filed herewith)

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 16, 2007.

AMEDISYS, INC.

By: /s/ WILLIAM F. BORNE
William F. Borne,
Chief Executive Officer and
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on behalf of the registrant and in the capacities and on the date indicated:

Signature	Title	Date
/s/ WILLIAM F. BORNE **William F. Borne**	Chief Executive Officer and Chairman of the Board	February 16, 2007
/s/ JOHN F. GIBLIN **John F. Giblin**	Chief Financial Officer and Principal Financial Officer	February 16, 2007
/s/ DONALD LOVERICH, JR. **Donald Loverich, Jr.**	Principal Accounting Officer and Treasurer	February 16, 2007
/s/ JAKE L. NETTERVILLE **Jake L. Netterville**	Director	February 16, 2007
/s/ DAVID R. PITTS **David R. Pitts**	Director	February 16, 2007
/s/ PETER F. RICCHIUTI **Peter F. Ricchiuti**	Director	February 16, 2007
/s/ RONALD A. LABORDE **Ronald A. Laborde**	Director	February 16, 2007
/s/ DONALD WASHBURN **Donald Washburn**	Director	February 16, 2007

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FINANCIAL STATEMENT SCHEDULES

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For each of the years in the three-year period ended December 31, 2006:	
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Amedisys, Inc.:

We have audited the accompanying consolidated balance sheets of Amedisys, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated income statements, statements of stockholders equity, and statements of cash flows for each of the years in the three-year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Amedisys, Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in notes 1 and 7 to the consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised), *Share-Based Payment.*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Amedisys, Inc. s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 19, 2007, expressed an unqualified opinion on management s assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

Baton Rouge, Louisiana

February 19, 2007

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AMEDISYS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share data)

	As of December 31,	
	2006	**2005**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 84,221	$ 17,231
Restricted cash	4,797	
Patient accounts receivable, net of allowance for doubtful accounts of $9,870 and $12,387 at December 31, 2006 and 2005, respectively	74,929	68,139
Prepaid expenses	4,133	2,693
Other current assets	11,125	4,277
Total current assets	179,205	92,340
Property and equipment, net	52,960	27,389
Goodwill	213,032	197,002
Intangible assets, net of accumulated amortization of $4,899 and $3,108 at December 31, 2006 and 2005, respectively	12,733	11,447
Other assets, net	5,826	11,819
Total assets	$ 463,756	$ 339,997
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 14,339	$ 29,922
Accrued expenses	46,587	41,948
Obligations due Medicare	6,139	10,551
Current portion of long-term obligations	3,223	10,144
Current portion of deferred income taxes	11,630	4,173
Total current liabilities	81,918	96,738
Long-term obligations, less current portion	2,114	43,063
Deferred income taxes	10,781	3,556
Other long-term obligations	4,936	4,041
Total liabilities	99,749	147,398
Stockholders equity:		
Preferred stock, $0.001 par value, 5,000,000 shares authorized; none issued or outstanding		
Common stock, $0.001 par value, 30,000,000 shares authorized; 25,902,210 and 15,881,691 issued and 25,798,723 and 15,877,524 shares outstanding at December 31, 2006 and 2005, respectively	26	16
Additional paid-in capital	279,553	146,684
Treasury stock at cost, 103,487 and 4,167 shares of common stock held at December 31, 2006 and 2005, respectively	(379)	(25)
Unearned compensation		(628)
Retained earnings	84,807	46,552
Total stockholders equity	364,007	192,599

Total liabilities and stockholders equity	$ 463,756	$ 339,997

The accompanying notes are an integral part of these consolidated financial statements.

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AMEDISYS, INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

(Amounts in thousands, except per share data)

	For the Year Ended December 31,		
	2006	**2005**	**2004**
Net service revenue	$ 541,148	$ 381,558	$ 227,089
Cost of service, excluding depreciation and amortization	235,458	163,032	96,078
General and administrative expenses:			
Salaries and benefits	133,315	93,116	56,885
Non-cash compensation	2,560	369	31
Other	94,053	67,966	36,591
Depreciation and amortization	10,106	6,973	4,126
Operating expenses	475,492	331,456	193,711
Operating income	65,656	50,102	33,378
Other income (expense):			
Interest income	1,197	1,464	550
Interest expense	(4,907)	(2,932)	(510)
Miscellaneous, net	(49)	106	(59)
Total other (expense)	(3,759)	(1,362)	(19)
Income before income taxes	61,897	48,740	33,359
Income tax expense	(23,642)	(18,638)	(12,855)
Net income	$ 38,255	$ 30,102	$ 20,504
Net income per common share (1):			
Basic	$ 1.75	$ 1.45	$ 1.18
Diluted	$ 1.72	$ 1.41	$ 1.14
Weighted average shares outstanding (1):			
Basic	21,809	20,808	17,409
Diluted	22,289	21,293	18,057

(1) The share and net income per share information presented above for the years ended December 31, 2005 and 2004 have been adjusted to reflect the four-for-three stock split effected in the form of a 33 1/3% stock dividend for holders of record as of November 27, 2006.

The accompanying notes are an integral part of these consolidated financial statements.

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AMEDISYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Amounts in thousands, except common stock shares)

	Common Stock		Additional				
	Shares	Amount	Paid-in Capital	Treasury Stock	Unearned Compensation	Retained Earnings (Deficit)	Total Stockholders Equity
Balance, December 31, 2003	11,908,146	$ 12	$ 55,465	$ (25)	$	$ (4,053)	$ 51,399
Issuance of stock for employee stock purchase plan	54,219		823				823
Issuance of stock in connection with 401(k) plan	55,085		1,290				1,290
Exercise of stock options	390,828		1,843				1,843
Issuance of stock options as compensation	1,700		31				31
Tax benefit from stock option exercises			2,433				2,433
Issuance of stock in connection with public offering, net	2,610,000	3	67,422				67,425
Exercise of warrants	266,343		2,068				2,068
Issuance of options in conjunction with acquisitions	24,226		657				657
Net income						20,504	20,504
Balance, December 31, 2004	15,310,547	15	132,032	(25)		16,451	148,473
Issuance of stock for employee stock purchase plan	53,022		1,472				1,472
Issuance of stock in connection with 401(k) plan	100,135	1	3,370				3,371
Exercise of stock options	331,928		4,026				4,026
Issuance of stock options as compensation	384		13				13
Tax benefit from stock option exercises			3,308				3,308
Other offering costs			(21)			(1)	(22)
Issuance of options in conjunction with acquisitions	50,744		1,500				1,500
Issuance of non-vested stock	30,764		984				984
Unearned compensation					(628)		(628)
Net income						30,102	30,102
Balance, December 31, 2005	15,877,524	16	146,684	(25)	(628)	46,552	192,599
Issuance of stock for employee stock purchase plan	64,623		1,988				1,988
Issuance of stock in connection with 401(k) plan	181,594		6,955				6,955
Exercise of stock options	160,026		2,812				2,812
Issuance of non-vested stock	60,500						
Stock option compensation			1,248				1,248
ESPP compensation expense			499				499
Tax benefit from stock option exercises			1,238				1,238
Reclassification of unearned compensation to additional paid-in capital			(628)		628		
Non-vested stock compensation			813				813

Surrendered shares				(27)			(27)
Release of shares from escrow				(327)			(327)
Issuance of stock in connection with public offering, net	3,000,000	3	117,951				117,954
Four-for-three stock split	6,454,456	7	(7)				
Net income						38,255	38,255
Balance, December 31, 2006	25,798,723	$ 26	$ 279,553	$ (379)	$	$ 84,807	$ 364,007

The accompanying notes are an integral part of these consolidated financial statements.

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AMEDISYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	For the Year Ended December 31,		
	2006	**2005**	**2004**
Cash Flows from Operating Activities:			
Net income	$ 38,255	$ 30,102	$ 20,504
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,106	6,973	4,126
Provision for bad debts	11,390	5,093	3,055
Non-cash compensation expense	2,560	369	31
Loss on disposal of property and equipment	596	15	
Deferred income taxes	16,499	7,425	6,996
Write-off of deferred debt issuance costs	1,297		
Amortization of deferred debt issuance costs	452	818	
Tax benefit from stock option exercises		3,308	2,433
Impairment of intangible assets	125		
Release of shares from escrow	(327)		
Write-off of medical supplies		1,063	
Changes in assets and liabilities, net of impact of acquisitions:			
(Increase) in patient accounts receivable	(18,564)	(34,616)	(12,348)
(Increase) in other current assets	(7,803)	(2,012)	(1,134)
Decrease (increase) in other assets	692	(2,710)	(4,357)
(Decrease) increase in accounts payable	(16,531)	20,135	3,341
Increase in accrued expenses	6,685	7,603	7,084
Increase in other long-term obligations	892	3,217	
(Decrease) in Medicare liabilities	(3,244)	(3,243)	(20)
Net cash provided by operating activities	43,080	43,540	29,711
Cash Flows from Investing Activities:			
Proceeds from the sale of property and equipment	85	209	102
Deposits into restricted cash	(4,797)		
Acquisitions of businesses, net	(14,077)	(144,517)	(29,822)
Purchases of property and equipment	(29,271)	(20,393)	(5,231)
Proceeds from sales and maturities of short-term investments		32,000	
Purchases of short-term investments			(32,000)
Net cash used in investing activities	(48,060)	(132,701)	(66,951)
Cash Flows from Financing Activities:			
Proceeds from equity offering	124,500		71,898
Proceeds from short-term revolving line of credit	10,000	20,000	
Proceeds from issuance of stock upon exercise of stock options and warrants	2,812	4,026	3,911
Proceeds from issuance of stock to employee stock purchase plan	1,988	1,472	823
Tax benefit from stock option exercises	1,238		
Issuance cost related to equity offering	(6,546)		(4,473)
Principal payments of short-term revolving line of credit	(10,000)	(20,000)	
Principal payments of long-term obligations	(52,022)	(5,016)	(6,951)
Proceeds from issuance of long-term obligations, net of issuance cost		48,251	872
Other (decreases)		(20)	(390)
Net cash provided by financing activities	71,970	48,713	65,690
Net increase (decrease) in cash and cash equivalents	66,990	(40,448)	28,450

Cash and cash equivalents at beginning of year	17,231	57,679	29,229
Cash and cash equivalents at end of year	$ 84,221	$ 17,231	$ 57,679
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	$ 3,990	$ 1,687	$ 353
Cash paid for 2005 payroll taxes under Hurricane Relief Act extended deadlines	18,773		
Cash paid for income taxes, net of refunds received	10,027	7,101	2,730
Supplemental Disclosures of Non Cash Financing and Investing Activities:			
Stock issued for 401(k) Plan	$ 6,955	$ 3,371	$ 1,290
Notes payable issued for acquisitions	3,770	4,100	1,315
Stock issued for acquisitions		1,500	657

The accompanying notes are an integral part of these consolidated financial statements.

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AMEDISYS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Amedisys, Inc., a Delaware corporation, is a multi-state provider of home health and hospice services with approximately 93% of its net service revenue derived from Medicare. At December 31, 2006, the Company operated 261 Medicare-certified home health agencies and 14 Medicare-certified hospice agencies in 19 states primarily located in the Southern and Southeastern United States. During 2006, the Company added 17 home health agencies through acquisition, initiated operations at 36 new home health agencies and closed 5 home health agencies. The Company also initiated operations at 2 hospice agencies and closed one hospice agency.

In the opinion of management of the Company, the accompanying consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly the Company s financial position at December 31, 2006 and 2005, the results of operations for the years ended December 31, 2006, 2005 and 2004 and cash flows for the years ended December 31, 2006, 2005 and 2004. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in these consolidated financial statements. Business combinations accounted for as purchases are included in the consolidated financial statements from the respective dates of acquisition.

The accounting and reporting policies of the Company conform with U.S. generally accepted accounting principles (GAAP). In preparing the consolidated financial statements, the Company is required to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In addition, certain reclassifications have been made to prior year balances to conform to the current year presentation. As a result of the Company s rapid growth through acquisition, operating results may not be comparable for the periods that are presented.

Stock Split

On October 24, 2006, the Company s Board of Directors approved a four-for-three stock split of its common stock effected in the form of a 33 $^{1}/3$% stock dividend that was paid on December 4, 2006 to holders of record as of November 27, 2006. Each stockholder of record at the close of business on November 27, 2006, received one additional share for every three outstanding shares held. Any fractional shares resulting from the stock split were rounded up such that one whole share of common stock was delivered to any stockholder of record in lieu of a fractional share.

The Company retained the current par value of $0.001 per share for all shares of common stock. All references in the financial statements regarding share data and stockholders equity have been adjusted to reflect the effect of the stock split for all periods presented, except those on the Company s consolidated balance sheets as of December 31, 2005 and the consolidated statements of stockholders equity, where it is reflected in the current period. As of December 31, 2006, Stockholders equity reflects the stock split by a reduction in Additional paid-in capital and an increase to Common stock.

Revenues

The Company earns revenues through its home health and hospice agencies by providing a variety of services in the homes of its patients. The Company is dependent on reimbursement from Medicare for a significant portion of its revenues. It derived approximately 93% of its net service revenue from the Medicare system and the remaining 7% from Medicaid, private insurance companies and private payors for each of the years ended December 31, 2006, 2005 and 2004.

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AMEDISYS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2006

Medicare Revenue Recognition

On October 1, 2000, Medicare began paying home health providers at fixed, predetermined rates for services and supplies bundled into 60-day episodes of home health care. An episode of home health care spans a 60-day period, starting with the first day a billable visit is furnished to a Medicare beneficiary and ending 60 days later. If a patient is still in treatment on the 60th day, a new episode begins on the 61st day regardless of whether a billable visit is rendered on that day and ends 60 days later. The first day of a consecutive episode, therefore, is not necessarily the new episode s first billable visit. A base episode payment is established by the Medicare Program through federal legislation for all episodes of care, as follows:

Period	Base episode payment (1)
October 1, 2003 through March 31, 2004	$ 2,231
April 1, 2004 through December 31, 2004	2,213
January 1, 2005 through December 31, 2006 (2)	2,264
January 1, 2007 through December 31, 2007	2,339

(1) The actual episode payment rates, as presented in the table, vary depending on the home health resource groups (HHRGs) to which Medicare patients are assigned and the per episode payment is typically reduced or increased by such factors as the patient s clinical, functional, and services utilization characteristics.

(2) On November 9, 2006, CMS announced a 3.3% increase to Medicare home health rates for episodes ending on or after January 1, 2007 and before January 1, 2008. Episodes that began prior to December 31, 2006 but will not conclude until subsequent to December 31, 2006 will be reimbursed at the rate in effect for 2007.

Under the Prospective Payment System (PPS) for Medicare reimbursement, net revenues are recorded based on a reimbursement rate that varies based on the severity of the patient s condition, service needs and other factors. Net revenues are recorded as services are rendered to patients over the 60-day episode period. At the end of each month, a portion of the Company s revenue is estimated for episodes in progress.

Medicare reimbursement, on an episodic basis, is subject to adjustment if there are significant changes in the patient s condition during the treatment period or if the patient is discharged but readmitted to another agency within the same 60-day episodic period. Revenue recognition under the Medicare reimbursement program is based on certain variables including, but not limited, to: (i) changes in the base episode payments established by the Medicare Program; (ii) adjustments to the base episode payments for partial episodes and for other factors, such as case mix, geographic wages, low utilization and intervening events; and, (iii) recoveries of overpayments. Adjustments to revenue result from differences between estimated and actual reimbursement amounts, an inability to obtain appropriate billing documentation or authorizations acceptable to the payor and other reasons unrelated to credit risk.

Revenue recognition for episodes in progress is estimated based upon historical trends. The Company continuously compares the estimated Medicare reimbursement amounts recorded to the actual Medicare reimbursement received. Historically, any difference between estimated amounts recorded and actual amounts received from Medicare has been immaterial. Management believes based on information available and its judgment that changes to one or more of the factors that impact the accounting estimate, which are reasonably likely to occur from period to period, will not materially impact either its reported financial results, its liquidity or its future financial results.

AMEDISYS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2006

Deferred revenue of approximately $26.1 million and $26.9 million relating to the Medicare PPS program was included as a reduction to the Company s accounts receivable in the consolidated balance sheets as of December 31, 2006 and December 31, 2005, respectively, since only a nominal amount of deferred revenue represents cash collected in advance of providing services.

Hospice Revenue Recognition

Hospice services are generally billed to Medicare weekly for discharged patients and monthly for ongoing care. Each hospice provider is subject to payment caps for inpatient services, and the cap is based on inpatient days that cannot exceed 20% of all Medicare hospice days.

Overall Medicare reimbursement is also subject to a cap amount calculated by the Medicare fiscal intermediary at the end of each hospice cap period. On a monthly and quarterly basis, management estimates the Company s potential cap exposure using information available for both inpatient day limits as well as per beneficiary cap amounts. The total cap amount for each provider is calculated by multiplying the number of beneficiaries electing hospice care during the period by a statutory amount that is indexed for inflation. The per beneficiary cap amount was $20,585 for the twelve month period ending October 31, 2006. In August 2006, CMS announced a 3.4% rate increase for the twelve-month period beginning November 1, 2006. Any amounts received in excess of the beneficiary cap must be refunded to Medicare within fifteen days.

The Company has settled all years through October 31, 2005 without exceeding any of the cap limits and management believes that, based upon its calculations and historical experience, the Company has not exceeded any of the cap limits and will have no amounts due the fiscal intermediary for the cap period ending October 31, 2006, which is expected to be settled in mid-2007.

Management believes that changes to one or more of the factors that impact the accounting estimate for hospice revenue, which are reasonably likely to occur from period to period, will not materially impact either the Company s reported financial results, its liquidity or its future financial results.

Medicaid Revenue Recognition

Medicaid, a program jointly funded by federal, state, and local governmental health care programs, is designed to pay for certain health care and medical services provided to low income individuals without regard to age. Revenue is recognized ratably over the period in which services are provided.

Private Insurance Companies and Private Payor Revenue Recognition

The Company has entered into agreements with third party payors that provide payments for services rendered at amounts different from established rates. Gross revenue is recorded on an accrual basis based upon the date of service at amounts equal to the Company s established rates or estimated reimbursement rates, as applicable. Allowances and contractual adjustments are recorded for the difference between the established rates and the amounts estimated to be payable by third parties and are deducted from gross revenue to determine net service revenue. Net service revenue is the estimated net amounts realizable from patients, third party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements. Revenue is recorded as services are rendered and is based upon discounts from established rates. The Company receives less than one percent of its net revenues from patients who are either self-insured or are obligated for an insurance co-payment.

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December 31, 2006

Cash and Cash Equivalents

Cash equivalents include certificates of deposit and all highly liquid debt instruments with maturities of three months or less when purchased.

Restricted Cash

As of December 31, 2006, the Company maintained letters of credit totaling $4.8 million. As a result of the payment in full and termination of its senior credit facility and revolving loan agreement, the Company agreed to maintain on deposit a compensating balance, restricted as to use, equal to 102% of the outstanding face amount of the letters of credit. At December 31, 2006, the $4.8 million deposit was included in Restricted cash on the Company s consolidated balance sheet.

Collectibility of Accounts Receivable

In the year ended December 31, 2006, the Company s accounts receivable increased, net of the allowance for doubtful accounts, from $68.1 million at December 31, 2005 to $74.9 million, and days revenue outstanding decreased from 62.3 days at December 31, 2005 to 52.9 days. The improvement in days revenue outstanding was due primarily to the collection of $5.1 million in Medicare payments that had been delayed due to pending Changes of Ownership requirements related to acquired businesses and the write-off of approximately $13.8 million in uncollectible accounts that was fully reserved in the allowance for doubtful accounts. This was partially offset by collection efforts related to hospice reimbursement, which is now a larger portion of its outstanding accounts receivable and is generally subject to slower cash collections in comparison to the Company s home health agencies.

The following schedule details the accounts receivable by payor class, aged based upon initial date of service:

	Current	31-60	61-90	91-120	Over 120	Total
December 31, 2006 (1)						
Medicare	$ 4,155	$ 21,941	$ 15,708	$ 6,678	$ 13,377	$ 61,859
Medicaid	1,433	1,588	797	516	2,377	6,711
Private	1,884	2,451	2,280	1,513	8,101	16,229
Total	$ 7,472	$ 25,980	$ 18,785	$ 8,707	$ 23,855	84,799
Allowance for doubtful accounts						(9,870)
Net accounts receivable						$ 74,929
Days revenue outstanding (2)						52.9
December 31, 2005 (1)						
Medicare	$ 10,112	$ 17,894	$ 11,541	$ 5,581	$ 11,608	$ 56,736
Medicaid	1,528	1,467	1,468	746	2,433	7,642
Private	3,537	1,284	1,222	1,090	9,015	16,148

Total	$ 15,177	$ 20,645	$ 14,231	$ 7,417	$ 23,056	80,526
Allowance for doubtful accounts						(12,387)
Net accounts receivable						$ 68,139
Days revenue outstanding (2)						62.3

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(1) Accounts receivable includes final unbilled amounts of $24.9 million and $15.0 million as of December 31, 2006 and December 31, 2005, respectively, that have been aged based upon initial service date.
(2) Due to the Company s significant acquisitions and its internal growth, the calculation for days revenue outstanding is derived by dividing the ending gross accounts receivable, net of contractual allowances, at December 31, 2006 and 2005 by the average daily net patient revenues for the three-month periods ended December 31, 2006 and 2005, respectively.

The process for estimating the ultimate realization of accounts receivable involves judgment, with the greatest subjectivity relating to non-Medicare accounts receivable. The collection process begins with a concerted effort to ensure that the billings are accurate.

Medicare

The Company derives approximately 93% of its net service revenue from Medicare. The pre-billing process includes an electronic Medicare claim review referred to as a scrubber to improve the quality of filed claims data in an effort to reduce the volume of collection effort on these accounts. A portion of the estimated Medicare prospective payment system reimbursement from each submitted home health episode is received in the form of a request for accelerated payment (RAP). The Company submits a RAP for 60% of the estimated reimbursement for the initial episode at the start of care. The full amount of the episode is billed after the episode has been completed (final billed). The RAP received for that particular episode is deducted from the final payment. If a final bill is not submitted within the greater of 120 days from the start of the episode, or 60 days from the date the RAP was paid, any RAPs received for that episode will be recouped by Medicare from any other claims in process for that particular provider. The RAP and final claim must then be re-submitted. For any subsequent episodes of care contiguous with the first episode for a particular patient, the Company submits a RAP for 50% instead of 60% of the estimated reimbursement. Final payments from Medicare may reflect one of five retroactive adjustments: (a) an outlier payment if the patient s care was unusually costly; (b) a low utilization adjustment if the number of visits was fewer than five; (c) a partial payment if the patient transferred to another provider before completing the episode; (d) a change-in-condition adjustment if the patient s medical status changes significantly, resulting in the need for more or less care; or (e) a payment adjustment based upon the level of therapy services required in the population base. Management estimates the impact of these payment adjustments based on historical experience and records this estimate during the period that the services are rendered as a contractual adjustment to revenue. As such, management believes that the amount that is reflected in accounts receivable accurately represents the amount that management believes will be reimbursed by Medicare.

Non-Medicare

The Company derives approximately 7% of its net service revenue from non-Medicare providers. Non-Medicare accounts are billed based upon payor requirements and include multiple third party payors. Management routinely performs pre-billing reviews to improve the quality of filed claims and in 2006 purchased and is in the process of implementing new software to assist in improving the quality of electronically submitted claims. To provide for accounts receivable that could become uncollectible in the future, management establishes an allowance for uncollectible accounts to reduce the carrying amount of such receivables to their estimated net realizable value. The review and evaluation of non-Medicare accounts includes a detailed review of outstanding balances and special consideration to concentrations of receivables from particular payors or groups of payors with similar characteristics that would subject the Company to any significant credit risk. Where such groups have been identified, management has given special consideration to both the billing methodology and evaluation

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of the ultimate collectibility of such accounts. In addition, the amount of the provision for bad debts is based upon management s assessment of historical and expected net collections, business and economic conditions, trends in reimbursement and an evaluation of collectibility based upon the date that the service was provided. Uncollectible accounts are written off when management has determined the account will not be collected. As of December 31, 2006, the provision for uncollectible accounts was $9.9 million. Based upon management s best judgment, it believes that this amount adequately provides for accounts that will not be collected.

Property and Equipment

Property and equipment is stated at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. Additions and improvements (including interest costs for construction of qualifying long-lived assets) are capitalized. Maintenance and repair expenses are charged to expense as incurred. The cost of property and equipment sold or otherwise disposed of and the related accumulated depreciation are eliminated from the property and related accumulated depreciation accounts, and any gain or loss is credited or charged to Other income (expense).

Depreciation is generally provided over the following estimated useful service lives:

	Years
Buildings	39
Leasehold improvements	Lesser of life of lease or expected useful life
Equipment and furniture	3 to 7
Vehicles	5
Computer software	3

Depreciation expense, including amortization of assets related to capital leases for the years ended December 31, 2006, 2005 and 2004 was $8.3 million, $5.0 million and $3.0 million, respectively. In addition, the Company capitalized $0.5 million in interest costs related to the construction of its new corporate facility located in Baton Rouge, Louisiana during 2006.

Capital leases, primarily consisting of software, computer equipment, and phone systems, are included in property and equipment. Capital leases are recorded at the present value of the future rentals at lease inception and are amortized over the shorter of the applicable lease term or the useful life of the equipment.

Long-Lived Assets

The Company assesses the impairment of long-lived assets and goodwill in accordance with the provisions of Statement of Financial Accounting Standards Board (SFAS) No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142), and SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 141). SFAS No. 144 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. SFAS No. 142 requires annual tests for impairment of goodwill and intangible assets that have indefinite useful lives and interim tests when an event has occurred that more likely than not has reduced the fair value of such assets.

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Deferred Financing Costs

Deferred financing costs include costs incurred in connection with the issuance of the Company s long-term debt. These costs are amortized over the terms of the related debt. In the fourth quarter of 2006, the Company paid in full and terminated its senior credit facility and revolving credit agreement. In conjunction with this, the Company recorded a charge of $1.3 million of unamortized financing fees related to the initial borrowing. As a result, there was no accumulated amortization as of December 31, 2006 and the balance at December 31, 2005 was $0.8 million.

Stock-Based Compensation

On January 1, 2006, the Company adopted SFAS No. 123 (revised), *Share-Based Payment* (SFAS No. 123(R)) utilizing the modified prospective approach. Prior to the adoption of SFAS No. 123(R), the Company accounted for stock option grants in accordance with Accounting Principles Board Opinion No. 25 *Accounting for Stock Issued to Employees (the intrinsic value method)* (APB No. 25), and accordingly, recognized no compensation expense for stock option grants when the exercise price equaled the market value of common stock on the date of grant.

The following table illustrates the effect on operating results and per share information had the Company accounted for share based compensation in accordance with SFAS No. 123(R) for the periods indicated (Amounts in thousands, except per share data):

	For the Year Ended December 31,	
	2005	**2004**
Net income	$ 30,102	$ 20,504
As reported		
Add: Share based employee compensation expense included in reported net income, net of taxes	227	16
Deduct: Total share-based employee compensation determined under fair value based method for all awards, net of taxes	(4,544)	(1,899)
Pro forma	$ 25,785	$ 18,621
Basic net income per share (1):		
As reported	$ 1.45	$ 1.18
Add: Share based employee compensation expense included in reported net income, net of taxes	0.01	
Deduct: Total share-based employee compensation determined under fair value based method for all awards, net of taxes	(0.22)	(0.11)
Pro forma	$ 1.24	$ 1.07
Diluted net income per share (1):		
As reported	$ 1.41	$ 1.14
Add: Share based employee compensation expense included in reported net income, net of taxes	0.01	
	(0.21)	(0.11)

Deduct: Total share-based employee compensation determined under fair value based method for all awards, net of taxes		
Pro forma	$ 1.21	$ 1.03

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(1) The per share information presented above has been adjusted to reflect the four-for-three stock split effected in the form of a 33 1/3% stock dividend for holders of record as of November 27, 2006.

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December 31, 2006

Segments

The Company and its subsidiaries have been operated and are evaluated by management as a single operating segment in accordance with the provisions of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information.*

Net Income Per Common Share

Earnings per common share, calculated on the treasury stock method, are based on the weighted average number of shares outstanding during the period. The following table sets forth shares used in the computation of basic and diluted net income per common share (Amounts in thousands):

	Year ended December 31,		
	2006	**2005**	**2004**
Weighted average number of shares outstanding for basic net income per share (1)	21,809	20,808	17,409
Effect of dilutive securities:			
Stock options	426	444	516
Restricted stock	22	11	
Warrants	32	30	132
Adjusted weighted average shares for diluted net income per share	22,289	21,293	18,057

(1) The share information presented above for the years ended December 31, 2005 and 2004 has been adjusted to reflect the four-for-three stock split effected in the form of a 33 $^{1}/3$% stock dividend for holders of record as of November 27, 2006.

The following table set forth shares that were anti-dilutive to the computation of diluted net income per common share (Amounts in thousands):

	Year ended December 31,		
	2006	**2005**	**2004**
Anti-dilutive securities	50	39	

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2006, 2005 and 2004 were $3.9 million, $3.8 million, and $2.1 million, respectively.

New Accounting Pronouncements

In October 2006, the Financial Accounting Standard Board (FASB) issued Staff Position No. FAS 123(R)-5, *Amendment of FASB Staff Position 123(R)-1* (FSP 123(R)-5). FSP 123(R)-5, which amends FSP 123(R)-1, addresses instruments originally issued as employee compensation and later modified solely to reflect an equity restructuring that occurs when the holders are no longer employees. In that situation, no change in the recognition or measurement (due to change in classification) of those instruments will result if (i) there is no increase in the fair value of the

awards or an antidilution provision is not added to the terms of the award in contemplation of an equity restructuring; and (ii) all holders of the same class of equity instruments are treated in the same manner. The guidance in FSP 123(R)-5 is to be applied in the first reporting period beginning after October 15, 2006 with early adoption allowed for periods for which financial statements have not been issued. The Company does not believe that the application of this guidance will have a material effect on the Company s consolidated financial statements.

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In September 2006, the U.S. Securities and Exchange Commission (SEC) adopted Staff Accounting Bulletin No. 108 (SAB No. 108), which expresses the SEC s staff views on the process of quantifying financial statement misstatements. SAB 108 requires that registrants consider evaluating errors under both the rollover and iron curtain approaches to determine if such errors are material, thus requiring a restatement to prior period financial statements. SAB 108 is effective for fiscal years ending on or after November 15, 2006 and allowed the registrant to avoid restating prior period financial statements for such errors that are governed by SAB 108 if the registrant properly disclosed such errors in its financial statement during the period of adoption. The Company adopted this new standard as of December 31, 2006 and it did not have an impact on the Company s consolidated financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS No. 157 will be effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the requirements of this new standard and has not concluded its analysis on the impact to the Company s consolidated financial position or results of operations.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes* (SFAS No. 109). This Statement is effective for fiscal years beginning after December 15, 2006, and thus will be adopted by the Company during the first quarter of 2007. FIN 48 provides a two-step approach to recognize and measure tax benefits when the benefits realization is uncertain. The first step is to determine whether the benefit is to be recognized; the second step is to determine the amount to be recognized. Income tax benefits should be recognized when, based on the technical merits of a tax position, the entity believes that if a dispute arose with the taxing authority and were taken to a court of last resort, it is more likely than not (i.e. a probability of greater than 50 percent) that the tax position would be sustained as filed. If a position is determined to be more likely-than not of being sustained, the reporting enterprise should recognize the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with the taxing authority. The cumulative effect of applying the provisions of FIN 48 upon adoption will be reported as an adjustment to beginning retained earnings. Management has assessed the effect of the adoption of FIN 48 and has concluded that the effect of the adoption will not have a material impact on its consolidated financial statements.

2. ACQUISITIONS AND DISPOSITIONS

Acquisitions:

Each of the following acquisitions was completed in order to pursue the Company s strategy of achieving market presence in the Southern and Southeastern United States by expanding its service base and enhancing its position in certain geographic areas as a leading provider of home health services. The purchase price of each acquisition was determined based on the Company s analysis of comparable acquisitions and expected cash flows. Goodwill generated from the acquisitions was recognized given the expected contributions of each acquisition to the overall corporate strategy. For acquisitions with a purchase price in excess of $10.0 million, the Company employs an independent valuation firm to assist in the determination of the fair value of the acquired assets and liabilities. Each of the acquisitions completed was accounted for as a purchase and are included in the Company s financial statements from the respective acquisition date.

AMEDISYS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2006

Summary of 2006 Acquisitions

On November 1, 2006, the Company acquired certain assets and certain liabilities of a home health agency in Arizona for a total cash purchase price of $2.0 million. In connection with the acquisition, the Company recorded substantially the entire purchase price as goodwill ($1.9 million) and other intangibles ($0.1 million).

On October 1, 2006, the Company acquired certain assets and certain liabilities of two home health agencies in Missouri for a total purchase price of $2.9 million ($1.6 million in cash and a promissory note of $1.3 million payable in quarterly installments over a three-year period) and one home health agency in Ohio for a total cash purchase price of $0.2 million. In connection with these acquisitions, the Company recorded substantially the entire purchase price as goodwill ($2.8 million) and other intangibles ($0.3 million).

On August 8, 2006, the Company acquired certain assets and certain liabilities of a home health agency in North Carolina for a total cash purchase price of $1.5 million. In connection with this acquisition, the Company recorded substantially the entire purchase price as goodwill ($1.3 million) and other intangibles ($0.2 million).

On June 1, 2006, the Company acquired certain assets and certain liabilities of three home health agencies in West Virginia for a total purchase price of $3.3 million ($2.6 million in cash and a promissory note of $0.7 million payable in four semi-annual installments with the final payment due January 1, 2008) which was recorded as goodwill ($2.6 million) and other intangible ($0.7 million).

On April 1, 2006, the Company acquired certain assets and certain liabilities of one home health agency in South Carolina for a total purchase price of $3.2 million ($2.7 million in cash and a promissory note of $0.5 million payable in quarterly installments over a one-year period). The Company recorded substantially the entire purchase price as goodwill ($2.8 million) and other intangibles ($0.4 million).

On February 1, 2006, the Company acquired the certificate of need (CON) of a single home health agency in South Carolina for a total cash purchase price of $0.2 million. On January 5, 2006, the Company acquired certain assets of seven home health agencies in central Oklahoma for a total purchase price of $2.7 million that included $2.1 million in cash and a three-year promissory note of $0.6 million. On January 5, 2006, the Company also acquired certain assets of an Oklahoma-based therapy-staffing agency for a total purchase price of $2.5 million that included $1.75 million in cash and a three-year promissory note of $0.75 million. In connection with the acquisitions, the Company recorded substantially the total aggregated purchase price as goodwill ($4.8 million) and other intangibles ($0.2 million).

Summary of 2005 Acquisitions

In November 2005, the Company acquired certain assets and certain liabilities of a single home health agency in Lexington, North Carolina for $2.2 million in cash. In connection with the acquisition, the Company recorded substantially the entire purchase price as goodwill ($1.9 million) and other intangibles ($0.3 million).

In August 2005, the Company acquired certain assets and certain liabilities of SpectraCare Home Health Services, Inc. (SpectraCare), a home health provider with nine agencies in Ohio, Indiana and the CON states of Kentucky and Tennessee, for $13.0 million in cash. As a part of the purchase agreement, $2.0 million of the total purchase price was placed in escrow for a period up to two years. The Company is not aware of any items that have or would impact the escrowed funds. During the third quarter of 2006, the Company finalized its purchase price accounting for the acquisition, which resulted in recording the entire purchase price as goodwill ($13.2 million) and other intangibles ($0.3 million).

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In August 2005, the Company acquired certain assets and certain liabilities of NCARE, Inc., a home health provider with two agencies in Newport News and Chesapeake Virginia, for $1.5 million in cash and the issuance of a $0.7 million note payable to the seller. The Company recorded substantially the entire purchase price as goodwill ($2.0 million) and other intangibles ($0.2 million).

In July 2005, the Company acquired the stock of HMR Acquisition, Inc., the parent holding company of Housecall Medical Resources, Inc. (Housecall), a privately-held provider of home care services with 57 home health agencies and nine hospice agencies in the states of Tennessee, Florida, Kentucky, Indiana and Virginia for a total purchase price of $106.8 million, of which $11.0 million was placed in escrow for a two-year period from the date of the acquisition. The acquisition was completed on July 11, 2005, and the Company incurred approximately $1.8 million in closing costs associated with the acquisition. The aggregate purchase price was allocated to the assets acquired and liabilities assumed based upon a preliminary estimate of their fair values as determined by a valuation performed by an independent national firm. The Company finalized its purchase price accounting for Housecall during the second quarter of 2006 based upon information provided in a final valuation as performed by an independent national firm, which the Company subsequentially adjusted during the fourth quarter of 2006 due to a change in income tax uncertainties existing as of the acquisition date. The results of the final valuation and the income tax adjustment are detailed in the table below. The excess of the purchase price over the fair value of the net identifiable tangible and intangible assets was allocated to goodwill. The Company believes that the acquisition provides a market presence complementary to existing geographic markets for its home health business as well as establishes a meaningful entry into the hospice business with an assembled work force, which is included as a component of goodwill. The following table summarizes the estimated fair values of the Housecall assets acquired and liabilities assumed in July 2005 (Amounts in thousands):

Accounts receivable, net	$ 13,752
Property and equipment	1,674
Goodwill	95,150
Intangible assets	5,600
Deferred taxes	12,440
Other assets	3,455
Current liabilities	(20,472)
Long-term obligations	(3,040)
	$ 108,559

In June 2005, the Company acquired certain assets and certain liabilities of two Tennessee-based home health agencies from Saint Thomas Health Services for $3.0 million in cash and the issuance of a $0.5 million note payable to the seller. The Company recorded substantially the entire purchase price as goodwill ($2.8 million) and other intangibles ($0.6 million).

In May 2005, the Company acquired certain assets and certain liabilities of a single home health agency in Collins, Mississippi from Covington County Hospital for $1.0 million in cash. The Company recorded substantially the entire purchase price as goodwill ($0.8 million) and other intangibles ($0.2 million).

In March 2005, the Company acquired certain assets and certain liabilities of a single home health agency from the North Arundel Hospital Association in Maryland for $3.0 million in cash and the issuance of a $0.9 million note payable to the seller. In connection with the acquisition, the Company recorded substantially the entire purchase price as goodwill ($3.5 million) and other intangibles ($0.4 million).

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December 31, 2006

In February 2005, the Company acquired certain assets and certain liabilities of 10 home health agencies from several affiliated companies operating as Winyah Health Care Group in South Carolina for $13.0 million in cash, 67,659 shares of Amedisys restricted stock valued at $1.5 million, and the issuance of a $2.0 million note payable to the seller. In connection with the acquisition, the Company recorded substantially the entire purchase price as goodwill ($14.0 million) and other intangibles ($2.2 million).

3. GOODWILL, OTHER INTANGIBLE ASSETS AND OTHER ASSETS:

The following table summarizes the activity related to goodwill and other intangible assets for the years ended December 31, 2006, 2005 and 2004.

	Goodwill	Certificates of Need	Acquired Name of Business	Non-Compete Agreements (1)
Balances at December 31, 2003	$ 35,448	$	$	$
Additions	27,089	2,525	200	2,899
Amortization				(1,177)
Balances at December 31, 2004	62,537	2,525	200	1,722
Additions	134,465	4,625	1,111	3,195
Amortization				(1,931)
Balances at December 31, 2005	197,002	7,150	1,311	2,986
Additions	16,317	1,200		1,063
Adjustments related to acquisitions	(287)	(575)	1,989	(475)
Amortization				(1,791)
Impairment		(125)		
Balances at December 31, 2006	$ 213,032	$ 7,650	$ 3,300	$ 1,783

(1) The weighted-average amortization period of non-compete agreements is 1.9 years.

The estimated aggregate amortization expense for each of the three succeeding years is as follows (Amounts in thousands):

2007	$ 1,010
2008	631
2009	142
	$ 1,783

The Company completed its annual impairment test during the fourth quarter of 2006 in accordance with SFAS No. 142. The Company engaged American Appraisal Associates, an independent national valuation firm, to assist with its annual testing. As a result of the annual impairment valuation as of October 31, 2006, the Company s management believes that the goodwill of the Company is not impaired. However, the Company believes that there was an impairment of one of its Certificates of Need in the amount of $0.1 million and recorded the charge in other expenses on the consolidated income statement. As of December 31, 2006, there were no indicators noted that would require the Company to re-evaluate its annual impairment test, which was completed as of October 31, 2006.

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4. DETAILS OF CERTAIN BALANCE SHEET ACCOUNTS

Additional information regarding certain balance sheet accounts is presented below:

	December 31,	
	2006	2005
	(Amounts in thousands)	
Property and equipment:		
Land	$ 2,507	$ 2,532
Building and leasehold improvements	21,157	568
Equipment and furniture	40,390	29,740
Computer software	10,413	8,843
Construction in progress	535	2,754
	75,002	44,437
Less: accumulated depreciation	(22,042)	(17,048)
	$ 52,960	$ 27,389
Other assets:		
Workers compensation deposits	$ 3,155	$ 9,000
Health insurance deposits	811	
Other miscellaneous deposits	769	828
Other	1,091	242
Deferred financing fees		1,749
	$ 5,826	$ 11,819
Accrued expenses:		
Payroll and payroll taxes	$ 27,346	$ 23,262
Self insurance	7,856	7,736
Legal and other settlements	1,234	1,517
Other	10,151	9,433
	$ 46,587	$ 41,948
Current portion of long-term obligations:		
Long-term debt	$ 2,901	$ 9,841
Capital leases	322	303
	$ 3,223	$ 10,144

5. LONG-TERM DEBT:

Long-term debt, including capital lease obligations, consisted of the following:

	December 31, 2006	December 31, 2005
	(Amounts in thousands)	
Promissory notes	$ 4,620	$ 5,127
Capital leases	717	580
Senior secured credit facility		47,500
	5,337	53,207
Less: current portion	(3,223)	(10,144)
Total	$ 2,114	$ 43,063

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On July 11, 2005, the Company entered into a financing arrangement for a five year Senior Secured Credit Facility (senior credit facility). The senior credit facility was comprised of a Term Loan of $50.0 million, fully drawn at closing, and a Revolving Credit Facility (revolver) of up to $25.0 million, of which $20.0 million was drawn at closing and subsequently repaid in 2005.

On November 22, 2006, the Company paid in full and terminated the term loan portion of its senior secured credit facility. The Company did not incur any penalties as a result of the termination. In conjunction with this event, management expensed $1.0 million in unamortized deferred financing fees.

On December 20, 2006, the Company terminated its revolver, and it incurred no penalties as a result of the termination. As of the date of termination, the Company had no borrowings against its revolver and $4.8 million in letters of credit outstanding that were primarily associated with its workers compensation self-insurance. Upon termination of the credit facility, the Company entered into a separate agreement to retain its letters of credit. Under the terms of this arrangement, the Company is required to maintain on deposit a compensating balance, restricted as to use, an amount equal to 102% of the outstanding face amount of the letters of credit. In conjunction with this event, management expensed $0.3 million in unamortized deferred financing fees.

From time to time, the Company has elected to issue promissory notes in conjunction with an acquisition for a portion of the purchase price. The notes that were outstanding as of December 31, 2006 were generally issued for three-year periods, range in amounts between $0.1 million and $2.0 million and bear interest in a range of 6.00% to 9.25%. In certain instances, the notes are paid periodically and in other instances, at maturity. The Company issued $3.8 million in promissory notes during 2006 related to its acquisitions. As of December 31, 2006, the Company had $4.6 million in promissory notes outstanding.

The Company has acquired certain equipment under capital leases for which the related liabilities have been recorded at the present value of future minimum lease payments due under the leases.

Maturities of debt as of December 31, 2006 are as follows (Amounts in thousands):

	Promissory notes	Capital leases	Total
2007	$ 2,902	$ 364	$ 3,266
2008	1,265	185	1,450
2009	453	119	572
2010		95	95
2011		47	47
Total	4,620	810	5,430
Less amounts representing interest		(93)	(93)
Long-term obligations and present value of future lease payments	$ 4,620	$ 717	$ 5,337

6. INCOME TAXES:

The Company utilizes the asset and liability approach for measuring deferred tax assets and liabilities based on temporary differences existing at each balance sheet date using currently enacted tax rates in accordance with SFAS No. 109. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

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The total provision for income taxes consists of the following for the years ended December 31, 2006, 2005 and 2004 (Amounts in thousands):

	2006	2005	2004
Current income tax expense:			
Federal	$ 5,659	$ 9,032	$ 4,874
State and local	1,484	2,181	985
	7,143	11,213	5,859
Deferred income tax expense:			
Federal	15,216	5,977	6,443
State and local	1,283	1,448	553
	16,499	7,425	6,996
Income tax expense	$ 23,642	$ 18,638	$ 12,855

Net deferred tax liabilities consist of the following components as of December 31, 2006 and 2005 (Amounts in thousands):

	2006	2005
Current portion of deferred tax assets (liabilities):		
Net operating loss (NOL) carry forward, expiring beginning in 2010	$	$ 1,441
Allowance for doubtful accounts	3,849	4,833
Accrued expenses	2,914	728
Prepaid expenses		(432)
Tax basis revenue adjustment	(18,428)	(11,879)
Other	35	1,136
Current portion of deferred tax assets (liabilities)	(11,630)	(4,173)
Noncurrent portion of deferred tax assets (liabilities):		
Amortization of intangible assets	(9,974)	(6,203)
Property and equipment	(8,222)	(2,646)
Losses of consolidated subsidiaries not consolidated for tax purposes, expiring beginning in 2010	132	144
Other	3,713	3,645
Capital loss carry forward	9,091	9,183
NOL carry forward, expiring beginning in 2010	9,360	26,394
Less: valuation allowance	(14,881)	(34,073)
Noncurrent portion of deferred tax assets (liabilities)	(10,781)	(3,556)
Net deferred tax liabilities	$ (22,411)	$ (7,729)

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to net income before taxes.

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The sources of the tax effects of the differences are as follows:

	2006	2005	2004
Income taxes computed on federal statutory rate	35.0%	35.0%	35.0%
State income taxes and other, net of federal benefit	4.1	4.8	2.5
Valuation allowance	0.5	(0.7)	
Tax credit	(2.0)	(1.5)	
Nondeductible expenses and other, net	0.6	0.6	1.0
Total	38.2%	38.2%	38.5%

On July 1, 2005, the Company acquired the stock of Housecall. The financial statements reflect the acquisition under the purchase method of accounting. The Company recorded an additional net deferred tax asset of approximately $0.3 million related to additional purchase accounting adjustments during 2006.

As of December 31, 2006, the Company had a federal net operating loss carry forward of $0.4 million and a capital loss carry forward of $23.3 million, both of which may be available to offset future taxable income. The use of the pre-2002 federal net operating losses acquired in the Housecall acquisition may be fully limited under Internal Revenue Code section 382. Thus, the Company has adjusted the net operating loss deferred tax asset and related valuation allowance against goodwill. The capital loss carry forward will expire in 2010.

The Company also has state net operating loss carry forwards of approximately $153 million.

Valuation allowances have been established against the deferred tax assets to the extent it has been determined realization of these deferred tax assets is not more likely than. Deferred tax assets related to the Housecall acquisition were established through purchase accounting. Any future changes in these determinations could result in either a decrease or increase in the provision for income taxes or goodwill to the extent the change in valuation allowance is attributable to a change in realizability of deferred tax assets existing and acquired under purchase accounting.

The valuation allowance decreased $19.2 million from the prior year, composed of an increase of $4.9 million related to the Housecall acquisition, which was accounted for through purchase accounting, the write-off of $22.4 million related to the pre-2002 Housecall federal net operating losses that are fully limited under Internal Revenue Code Section 382 and $1.7 million due to a change in estimate related to utilization of state net operating losses. The $1.7 million valuation allowance release due to a change in estimate related to utilization of state net operating loses consists of a $2.0 million decrease in the established reserve through the purchase accounting of Housecall, offset by a $0.3 million increase in the current year provision for income taxes.

The Company received a current year benefit of $1.1 million related to federal income tax credits of approximately $1.7 million as a result of Federal tax relief legislation enacted as a result of Hurricanes Katrina, Rita and Wilma. This amount has been reflected as a reduction to the estimated income tax expense in 2006.

7. CAPITAL STOCK:

The Company is authorized by its Articles of Incorporation to issue 30,000,000 shares of common stock, $0.001 par value and 5,000,000 shares of preferred stock, $0.001 par value, of which 25,798,723 shares of common stock and no shares of preferred stock are issued and outstanding at December 31, 2006. The Board of Directors is authorized to fix the dividend rights and terms, conversion and voting rights, redemption rights

and other privileges and restrictions applicable to the preferred stock.

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On October 24, 2006, the Company s Board of Directors approved a four-for-three stock split of its common stock effected in the form of a 33 1/3% stock dividend that was paid on December 4, 2006 to holders of record as of November 27, 2006. Each stockholder of record at the close of business on November 27, 2006, received one additional share for every three outstanding shares held. Any fractional shares resulting from the stock split were rounded up such that one whole share of common stock was delivered to any stockholder of record in lieu of a fractional share. The Company retained the current par value of $0.001 per share for all shares of common stock. All references in this note regarding share data have been adjusted to reflect the effect of the stock split for all periods presented.

On October 4, 2006, the Company and the former owners of a group of home health agencies purchased by the Company, entered into a settlement agreement related to 163,809 shares of Company common stock that were placed in escrow in 1998 as a part of the original purchase price. As designated in the settlement agreement, 60,167 shares were released to the former owners; 6,666 shares were released to a third party in full settlement of a related lawsuit where both the former owners and the Company were named defendants; and 96,976 shares were released back to the Company. The Company recognized the 96,976 shares as Treasury stock and approximately $0.3 million as Other income in the fourth quarter of 2006 as a result of the settlement.

On November 22, 2006, the Company sold, through a public offering, 3.0 million shares of its common stock at a per common share price of $41.50 (before giving effect for the four-for-three stock split). The net proceeds from this offering were approximately $118.0 million, after deducting estimated underwriting discounts and offering expenses of approximately $6.5 million.

Stock Options, Warrants and Non-vested Stock

The Company s Statutory Stock Option Plan (the Plan) provides stock options to key employees. The Plan is administered by the Compensation Committee that determines, within the provisions of the Plan, those eligible employees to whom, and the times at which, options shall be granted. Each option granted under the Plan is exercisable for one share of common stock, unless adjusted in accordance with the provisions of the Plan. Options may be granted for a number of shares not to exceed, in the aggregate, approximately 4.1 million shares of common stock at an option price per share of no less than the greater of (a) 100% of the fair value of a share of common stock on the date the option is granted or (b) the aggregate par value of the shares of common stock on the date the option is granted. If a stock option is granted to any owner of 10% or more of the total combined voting power of the Company and its subsidiaries, the option price is to be at least 110% of the fair value of a share of common stock on the date the option is granted. Each option vests ratably over an 18 month-to-three year period, with the exception of those issued under contractual arrangements that specify otherwise, and may be exercised during a period as determined by the Compensation Committee or as otherwise approved by the Compensation Committee, not to exceed ten years from the date such option is granted.

The Company s Directors Stock Option Plan (the Directors Plan) provides stock options to directors. The Directors Plan is administered by the Board of Directors in accordance with the provisions of the Directors Plan. Each option granted under the Directors Plan is exercisable for one share of common stock, unless adjusted in accordance with the provisions of the Directors Plan. Options may be granted for a number of shares not to exceed, in the aggregate, 0.5 million shares of common stock. The option price is to be the fair value, which is the closing price of a share of common stock on the last preceding business day prior to the date as to which fair value is being determined, or on the next preceding business day on which such common stock is traded, if no shares of common stock were traded on such date. Each option vests ratably over an eighteen month-to-three year period and may be exercised during a period not to exceed ten years from the date such option is granted.

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At December 31, 2006, the Company had 50,667 warrants outstanding with an exercise price of $10.80 per share. The warrants were issued in connection with a November 2003 private placement.

During 2006, the Company issued 80,667 shares of non-vested stock with vesting terms ranging from one to five years. All shares were outstanding as of December 31, 2006.

Employee Stock Purchase Plan (ESPP)

The Company has a plan whereby eligible employees may purchase the Company s common stock at 85% of the market price at the time of purchase. There are approximately 1.3 million shares reserved for this plan and, as of December 31, 2006, there were 64,144 shares available for future issuance. The following is a detail of the purchases that were made under the plan:

Employee Stock Purchase Plan Period	Shares Issued	Price
2004 and Prior	1,105,256	$ 3.45
January 1, 2005 to March 31, 2005	15,477	19.28
April 1, 2005 to June 30, 2005	17,245	18.44
July 1, 2005 to September 30, 2005	15,928	24.04
October 1, 2005 to December 31, 2005	19,183	24.86
January 1, 2006 to March 31, 2006	24,341	22.15
April 1, 2006 to June 30, 2006	29,277	21.53
July 1, 2006 to September 30, 2006	20,687	25.29
October 1, 2006 to December 31, 2006	21,795	27.94
	1,269,189	

Share-Based Compensation

On January 1, 2006, the Company adopted SFAS No. 123(R), using the modified prospective approach. Prior to the adoption of SFAS No. 123(R), the Company accounted for stock option grants in accordance with APB No. 25 and, accordingly, recognized no compensation expense for stock option grants when the issuance price of the options was equal to or above the market value of the stock on the date of grant.

Under the modified prospective approach, SFAS No. 123(R) applies to new awards issued on or after January 1, 2006, as well as awards that were outstanding and unvested as of December 31, 2005, including those that are subsequently modified, repurchased or cancelled. Under the modified prospective approach, compensation cost recognized for the year ended December 31, 2006, includes compensation cost for all share-based payments granted prior to, but not yet vested as of December 31, 2005, in accordance with the original provisions of SFAS No. 123. Prior periods were not restated to reflect the impact of adopting the new standard. During the year ended December 31, 2006, the Company granted no stock option shares.

As a result of adopting SFAS No. 123(R), the Company s income before taxes, net income and basic and diluted earnings per share for the year ended December 31, 2006 were $2.6 million, $1.6 million, $.07 and $.07 lower, respectively, than if the Company had continued to account for share based compensation under APB No. 25 for its stock option grants. The Company also reclassified unearned share-based compensation to Additional paid-in capital in the accompanying consolidated balance sheet as of January 1, 2006 as a result of this standard.

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The Company receives a tax deduction for certain stock option exercises during the period in which the options are exercised, generally for the excess of the price at which the stock is sold over the exercise price of the options. In addition, the Company receives an additional tax deduction when non-vested stock vests at a higher value than the value used to recognize compensation expense at the date of grant. Prior to adoption of SFAS No. 123(R), the Company reported all tax benefits resulting from the award of equity instruments as operating cash flows in its consolidated statements of cash flows. In accordance with SFAS No. 123(R), the Company is required to report excess tax benefits from the award of equity instruments as financing cash flows. Excess tax benefits will be recorded when a deduction reported for tax return purposes for an award of equity instruments exceeds the cumulative compensation cost for the instruments recognized for financial reporting purposes. For the year ended December 31, 2006, net cash proceeds from the exercise of stock options was $2.8 million for the year ended December 31, 2006, and the tax benefit that was reported as financing cash flows rather than operating cash flows, as required by SFAS No. 123(R), was $1.2 million.

Stock Options

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based awards with the following weighted-average assumptions for the indicated periods. There were no stock options granted during 2006.

	For the Year Ended December 31,	
	2005	2004
Risk-free interest rates	3.53-5.16%	3.53-5.16%
Expected life of options (in years)	5-10	5-10
Expected volatility	41.19-105.71%	42.88-105.71%
Dividend yield		

The assumptions above are based on multiple factors, including historical exercise patterns of employees in relatively homogeneous groups with respect to exercise and post-vesting employment termination behaviors, expected future exercise patterns for these same homogeneous groups and the implied volatility of the Company s stock price.

At December 31, 2006, there was $1.0 million of unrecognized compensation cost related to share-based payments that is expected to be recognized over a weighted-average period of 1.8 years.

The following table represents stock option activity for the year ended December 31, 2006:

	Number of Shares	Weighted average exercise price	Weighted average contractual life
Outstanding options at beginning of period	1,397,700	$ 16.18	
Granted			
Exercised	(213,077)	13.19	
Canceled, forfeited or expired	(77,392)	23.30	
Outstanding options at end of period	1,107,231	$ 16.29	6.81

Outstanding exercisable at end of period	934,648	$ 15.24	6.60

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Options available for future stock option grants to employees and directors under existing plans were 1,664,687 and 224,800, respectively, at December 31, 2006. The aggregate intrinsic value of options outstanding at December 31, 2006 was $18.4 million and the aggregate intrinsic value of options exercisable was $16.5 million. The intrinsic value of options exercised was $3.4 million for the year ended December 31, 2006. The weighted-average grant date fair value of options granted was $13.36 and $12.21 for the years ended December 31, 2005 and 2004, respectively. In addition, the intrinsic value of options exercised was $8.6 million and $7.4 million for the years ended December 31, 2005 and 2004, respectively.

The following table summarizes non-vested stock option activity for the year ended December 31, 2006:

	Number of shares	Weighted average grant date fair value
Non-vested stock options at beginning of period	433,576	$ 12.65
Granted		
Vested	(193,655)	16.86
Forfeited	(67,338)	22.87
Non-vested stock options at end of period	172,583	$ 10.42

Non-vested Stock

From time to time, the Company issues shares of non-vested stock with vesting terms ranging from one to five years. The following table summarizes the compensation expense that was included in general and administrative expenses in the accompanying consolidated income statements related to these non-vested stock grants (Amounts in thousands):

	For the Year Ended December 31,		
	2006	2005	2004
Compensation expense	$ 813	$ 334	$ 22

The following table presents the shares that were granted and outstanding as of December 31, 2006:

	Number of shares	Weighted average grant date fair value
Non-vested stock at beginning of period	41,018	$ 23.99
Granted	80,667	28.95
Vested	(11,585)	26.48
Forfeited		

Non-vested stock at end of period	110,100	$	27.36

At December 31, 2006, there was $2.1 million of unrecognized compensation cost related to non-vested stock that is expected to be recognized over a weighted-average period of 3.8 years.

8. COMMITMENTS AND CONTINGENCIES:

Legal Proceedings

From time to time, the Company and its subsidiaries are defendants in lawsuits arising in the ordinary course of the Company s business. Management believes that the resolution of these matters will not have a material adverse effect on the Company s financial condition, results of operations or cash flows.

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Alliance Home Health, Inc. (Alliance), a wholly owned subsidiary of the Company (which was acquired in 1998 and ceased operations in 1999), filed for Chapter 7 federal bankruptcy protection with the United States Bankruptcy Court in the Northern District of Oklahoma in September 2000. A trustee was appointed for Alliance in 2001. The accompanying consolidated financial statements continue to include the net liabilities of Alliance of $4.2 million until the contingencies associated with the liabilities are resolved.

Legislation

Federal and State Anti-Kickback Laws

As a provider under the Medicare and Medicaid systems, the Company is subject to the various anti-fraud and abuse laws, including the federal health care programs anti-kickback statute and, where applicable, their state law counterparts. These laws prohibit any offer, payment, solicitation or receipt of any form of remuneration to induce or reward the referral of business reimbursable under a federal health care program or in return for the purchase, lease, order, arranging for, or recommendation of items or services covered by any federal health care programs or any health care plans or programs that are funded by the United States government (other than certain federal employee health insurance benefits) and certain state health care programs that receive federal funds under various programs, such as Medicaid. A related law forbids the offer or transfer of any item or service for less than fair market value, or certain waivers of co-payment obligations, to a beneficiary of Medicare or a state health care program that is likely to influence the beneficiary s selection of health care providers. Violations of the anti-fraud and abuse laws can result in the imposition of substantial civil and criminal penalties and, potentially, exclusion from furnishing services under any federal health care programs. In addition, the states in which the Company operates generally have laws that prohibit certain direct or indirect payments or fee-splitting arrangements between health care providers where they are designed to obtain the referral of patients from a particular provider.

Stark Laws

Congress adopted legislation in 1989, known as the Stark law, that generally prohibits a physician from ordering clinical laboratory services for a Medicare beneficiary where the entity providing that service has a financial relationship (including direct or indirect ownership or compensation relationships) with the physician (or a member of his/her immediate family), and prohibits such entity from billing for or receiving reimbursement for such services, unless a specified exception is available. Additional legislation, known as Stark II, became effective January 1, 1993. That legislation extends the Stark law prohibitions to services under state Medicaid programs and beyond clinical laboratory services to all designated health services, including, but not limited to, home health services, durable medical equipment and supplies, parenteral and enteral nutrients, equipment and supplies. Violations of the Stark laws may also trigger civil monetary penalties and program exclusion. Pursuant to Stark II, physicians who are compensated by the Company will be prohibited from seeking reimbursement for designated health services rendered to such patients unless an exception applies. One such exception management uses is a safe harbor that allows the Company to contract with certain physicians at fair market value to provide consulting work to its agencies. Another such exception that management makes use of is a safe harbor allowing the Company to lease office space from certain physicians at fair market value for legitimate and commercially reasonable business purposes. Several of the states in which the Company conducts business have also enacted statutes similar in scope and purpose to the federal fraud and abuse laws and the Stark laws.

HIPAA

The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996 to assure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health

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December 31, 2006

information and enforce standards for health information. Organizations were required to be in compliance with certain HIPAA provisions relating to security and privacy beginning April 14, 2003. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Regulations issued pursuant to HIPAA impose ongoing obligations relative to training, monitoring and enforcement and management has implemented processes and procedures to ensure continued compliance with these regulations.

Pursuant to the provisions of HIPAA, covered health care providers are required to be compliant with the regulation s electronic Health Care Transactions and Code Sets Requirements. In conformity with these federal regulations, the Company is now capable of transmitting data in the new standard format.

Operating Leases

The Company and its subsidiaries have leased office space at various locations under non-cancelable agreements that expire between 2007 and 2011, and require various minimum annual rentals. The Company s typical operating leases are for lease terms of three to five years and may include, in addition to base rental amounts, certain landlord pass-thru costs for the Company s pro-rata share of the lessor s real estate taxes, utilities and common area maintenance costs. Some of the Company s operating leases contain escalation clauses, in which annual minimum base rentals increase over the term of the lease.

Total minimum rental commitments at December 31, 2006 are as follows (Amounts in thousands):

Year ended December 31,	
2007	$ 11,796
2008	9,238
2009	7,128
2010	4,285
2011	1,504
Total	$ 33,951

Rent expense for non-cancelable operating leases was $14.7 million, $11.6 million, and $5.0 million, for the years ended December 31, 2006, 2005, and 2004, respectively.

Guarantees

As of December 31, 2006, the Company had issued guarantees totaling $3.2 million related to office leases of subsidiaries.

Insurance

The Company is obligated for certain costs under various insurance programs, including employee health, workers compensation and professional liability, and while it maintains various insurance programs to cover these risks, the Company is self-insured for a substantial portion of its potential claims. Management recognizes the Company s obligations associated with these costs in the period in which a claim is incurred, including with respect to both reported claims and claims incurred but not reported, up to specified deductible limits. These costs have generally been estimated based on independent actuarial analysis and historical data of the Company s claims experience. Such estimates, and the

resulting reserves, are reviewed and updated on a quarterly basis.

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December 31, 2006

The Company is self-insured for employee health claims up to contractual policy limits. Claims in excess of $150,000 are insured by a third party insurance carrier. As of both December 31, 2006 and 2005, the Company s accrual for both outstanding and incurred but not reported claims was $2.5 million based upon independent actuarial estimates. As of December 31, 2006 these obligations were partially collateralized by deposits of $0.8 million.

The Company is self-insured for workers compensation claims up to $250,000. Claims in excess of $250,000 are insured by a third party insurance carrier. The Company has elected to either fund its carrier with a letter of credit or a deposit for the purpose of guaranteeing the payment of claims. Deposits may be depleting or non-depleting. A depleting deposit allows the carrier to draw upon the funds in order to pay the claims. Where a non-depleting deposit has been provided, the carrier invoices the Company each month for reimbursement of claims that it has paid. As of December 31, 2006 and 2005, the Company s accrual for both outstanding and incurred but not reported claims, as determined by an independent actuarial estimate, was $8.7 million and $8.4 million, respectively, of which $3.4 million and $3.2 million, respectively, is included in Other long-term obligations on the Company s consolidated balance sheet. As of December 31, 2006 and 2005, the Company s obligations were partially collateralized by deposits with the carriers net of claims already paid of $3.2 million and $9.0 million, respectively and outstanding letters of credit totaled $4.8 million and $0.1 million, respectively.

The Company maintains insurance coverage with per case deductible limits of $100,000 with respect to professional liability. As of December 31, 2006 and 2005 the accrual for both outstanding claims and incurred but not reported claims was $1.2 million and $1.5 million, respectively, based upon actual claims outstanding and actuarial estimates.

In the case of potential liability with respect to employment and other matters where litigation may be involved, or where no insurance coverage is available, the Company s policy is to use advice from both internal and external counsel as to the likelihood and amount of any potential cost. Such estimates, and the resulting reserves, are reviewed and updated on a quarterly basis. The Company maintained reserves of $0.1 million and $0.8 million for all such claims as of December 31, 2006 and 2005, respectively.

The estimate for claims incurred under certain employee-related liabilities has been discounted at the prevailing risk-free rate for government issues of an appropriate duration as of December 31, 2006. All other self-insured liabilities are undiscounted. The Company maintains directors and officers insurance with an aggregate annual limit of $15.0 million.

Employment Contracts

The Company has commitments related to employment contracts with a number of its senior executives. Such contracts generally commit the Company to pay bonuses upon the attainment of certain operating goals and severance benefits under certain circumstances.

Other

The Company is subject to various other types of claims and disputes arising in the ordinary course of its business. While the resolution of such issues is not presently determinable, management believes that the ultimate resolution of such matters will not have a significant effect on the Company s financial position, results of operations, or cash flows.

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9. 401(k) BENEFIT PLAN:

The Company maintains a plan qualified under Section 401(k) of the Internal Revenue Code for all employees who have reached 21 years of age, effective the first month after hire date. Under the plan, eligible employees may elect to defer a portion of their compensation, subject to Internal Revenue Service limits. The Company may make matching contributions equal to a discretionary percentage of the employee s salary deductions. Such contributions are made in the form of common stock of the Company, valued based upon the fair value of the stock as of the end of each calendar quarter end. The Company contributed approximately $7.0 million, $3.4 million and $1.3 million for the years ended December 31, 2006, 2005 and 2004, respectively.

The Company s accounting policy has been to recognize a benefit cost reduction upon completion of its 401(k) plan annual audit. This benefit cost reduction is related to forfeitures from the previous calendar year, for unvested employer matching contributions where former employees are no longer participating in the Company s 401(k) plan. However, management determined that it could rely on the interim reporting of the 401(k) plan administrator as of December 31, 2006, thus management elected to change its accounting policy to recognize the forfeitures in each interim period in which they occur.

10. AMOUNTS DUE TO AND DUE FROM MEDICARE:

Prior to the implementation of the Prospective Payment System (PPS) on October 1, 2000, the Company recorded Medicare revenue at the lower of actual costs, the per visit cost limit or a per beneficiary cost limit on an individual provider basis. Under this previous Medicare cost-based reimbursement system, ultimate reimbursement under the Medicare program was determined upon review of annual cost reports by the fiscal intermediary as appointed by the Centers for Medicare and Medicaid Services (CMS).

As of December 31, 2006, the Company estimates an aggregate payable to Medicare of $6.1 million, all of which is reflected as a current liability in the accompanying consolidated balance sheet. The Company does not expect to fully liquidate in cash the entire $6.1 million due Medicare in 2006 but may be obligated to do so if mandated by Medicare. The $6.1 million payable to Medicare is comprised of $5.1 million of cost report reserves and $1.0 million of PPS related reserves as more fully described below.

Cost Report Reserves

The fiscal intermediary, acting on behalf of Medicare, has finalized its audits with respect to 1999 and 2000 for Housecall, which the Company acquired on July 1, 2005. The Company agreed to pay approximately $3.3 million in full settlement of cost reports related to these years, of which $3.2 million had been paid as of December 31, 2006, with the remainder expected to be paid in the near future. The Company had originally estimated its liability at $4.5 million and reduced reserves in excess of the actual settlement by approximately $1.2 million as an adjustment to Goodwill. The reduction had no impact on the Company s net income, earnings per share or cash flow for the year ended December 31, 2006.

A balance of approximately $5.1 million as of December 31, 2006, is reserved for open cost reports through October 2000 that have not been settled. At the time when these audits are completed and final assessments are issued, the Company may apply to Medicare for repayment over a thirty-six month period, although there is no assurance that such applications will be agreed to, if sought. These amounts relate to the Medicare payment system in effect until October 2000, under which Medicare provided periodic interim payments to the Company, subject to audit of cost reports submitted by the Company and repayment of any overpayments by Medicare to the Company.

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Included in cost report reserves is a $3.1 million Medicare settlement obligation of a wholly owned subsidiary of the Company that is currently in bankruptcy, and it is not clear whether the Company will have any responsibility for that amount if the debt of the subsidiary is discharged in bankruptcy.

The following table summarizes the cost report activity included in the amounts due to/from Medicare related to Cost Reports (Amounts in thousands):

	Cost report reserves
Amounts recorded at December 31, 2003	$ 6,843
Settlements received	29
Amounts recorded at December 31, 2004	6,872
Cash payments made in settlement of Medicare claims	(733)
Assumed estimated liabilities of acquired companies	4,468
Change in estimated amounts owed to Medicare included in net service revenue	(1,100)
Amounts recorded at December 31, 2005	9,507
Cash payments made in settlement of Medicare claims	(3,238)
Change in estimated liabilities of acquired companies (recorded to Goodwill)	(1,169)
Change in estimated amounts owed to Medicare included in net service revenue	(5)
Amounts recorded at December 31, 2006	$ 5,095

Medicare PPS Reserves

The remaining balance of approximately $1.0 million as of December 31, 2006, which is unchanged from December 31, 2005, is related to a notification from CMS that it intended to make certain recoveries of amounts overpaid to providers for the periods dating from the inception of PPS on October 1, 2000 through particular dates in 2003 and 2004. CMS advised the industry that it would seek recovery of overpayments that were made for patients who had, within 14 days of admission, been discharged from inpatient facilities, including hospitals, rehabilitation centers and skilled nursing units. The Company continues to evaluate this liability and has estimated a reserve of approximately $1.0 million as of December 31, 2006. These reserves are included in the current portion of Medicare liabilities.

The following table summarizes the PPS activity included in the amounts due to/from Medicare (Amounts in thousands):

Amounts recorded at December 31, 2004	$ 2,453
Cash payments made to Medicare	(535)
Net reduction in reserves	(874)
Amounts recorded at December 31, 2005	1,044

Cash payments made to Medicare	
Net reduction in reserves	
Amounts recorded at December 31, 2006	$ 1,044

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11. VALUATION AND QUALIFYING ACCOUNTS:

The following table summarizes the activity and ending balances in the allowance for doubtful accounts (Amounts in thousands):

Year ended December 31,	Balance at beginning of Year	Acquired through acquisition	Costs and expenses	Deductions	Balance at end of Year
2006	$ 12,387	$ 82	$ 11,390	$ (13,989)	$ 9,870
2005	3,751	4,220	5,093	(677)	12,387
2004	3,008		3,055	(2,312)	3,751

12. UNAUDITED SUMMARIZED QUARTERLY FINANCIAL INFORMATION:

The following is a summary of the unaudited quarterly results of operations. See accompanying accountants review report on unaudited information included in this filing (Amounts in thousands, except per share data):

	Revenue	Net income	Net income per share (1) (2) Basic	Diluted
2006:				
1st Quarter	$ 127,187	$ 7,284	$ 0.34	$ 0.34
2nd Quarter	132,910	9,053	0.43	0.42
3rd Quarter	137,041	10,559	0.49	0.48
4th Quarter	144,010	11,359	0.49	0.48
	$ 541,148	$ 38,255	1.75	1.72
2005:				
1st Quarter	$ 70,437	$ 7,110	$ 0.35	$ 0.34
2nd Quarter	80,061	7,930	0.38	0.38
3rd Quarter	112,166	7,760	0.37	0.36
4th Quarter	118,894	7,302	0.35	0.34
	$ 381,558	$ 30,102	1.45	1.41

(1) The per share information presented above for the first three quarters of 2006 and all periods for the year ended December 31, 2005 have been adjusted to reflect the four-for-three stock split effected in the form of a 33 1/3% stock dividend for holders of record as of November 27, 2006.

(2) Because of the method used in calculating per share data, the quarterly per share data may not necessarily total to the per share data as computed for the entire year.

13. SUBSEQUENT EVENTS:

On January 29, 2007, a federal judge from the United States Bankruptcy Court in the Northern District of Oklahoma (bankruptcy court) overseeing the 1998 Chapter 7 federal bankruptcy protection proceedings for Alliance Home Health, Inc. issued an order approving a proposed distribution of funds to creditors. The case is still subject to the issuance of a final closing order, at which time the Company will be informed of its final obligation, if any. Until such time as the final closing order is issued, the Company will continue to consolidate the Alliance contingencies that net to a $4.2 million dollar liability.