

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2019

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-34221

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**The Providence Service Corporation**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

86-0845127  
(I.R.S. Employer  
Identification No.)

1275 Peachtree Street

Sixth Floor

Atlanta

Georgia

30309

(Address of principal executive offices)

(Zip Code)

(404) 888-5800

(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, \$0.001 par value per share	PRSC	The NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 4, 2019, there were outstanding 12,899,438 shares (excluding treasury shares of 5,081,434) of the registrant’s Common Stock, \$0.001 par value per share.

## TABLE OF CONTENTS

	<u>Page</u>
PART I—FINANCIAL INFORMATION	
Item 1. Financial Statements	4
Condensed Consolidated Balance Sheets – September 30, 2019 (unaudited) and December 31, 2018	4
Unaudited Condensed Consolidated Statements of Operations – Three and nine months ended September 30, 2019 and 2018	5
Unaudited Condensed Consolidated Statements of Comprehensive Income – Three and nine months ended September 30, 2019 and 2018	6
Unaudited Condensed Consolidated Statements of Stockholders’ Equity – Three and nine months ended September 30, 2019 and 2018	7
Unaudited Condensed Consolidated Statements of Cash Flows – Nine months ended September 30, 2019 and 2018	9
Notes to the Unaudited Condensed Consolidated Financial Statements – September 30, 2019	11
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	29
Item 3. Quantitative and Qualitative Disclosures About Market Risk	38
Item 4. Controls and Procedures	38
PART II—OTHER INFORMATION	
Item 1. Legal Proceedings	40
Item 1A. Risk Factors	40
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	40
Item 6. Exhibits	42

**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**The Providence Service Corporation  
Condensed Consolidated Balance Sheets**  
(in thousands except share and per share data)

	September 30, 2019	December 31, 2018
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 40,637	\$ 5,678
Accounts receivable, net of allowance of \$3,516 in 2019 and \$1,854 in 2018	198,232	147,756
Other receivables	3,435	4,846
Prepaid expenses and other	11,435	44,167
Restricted cash	833	1,482
Current assets of discontinued operations	322	7,051
<b>Total current assets</b>	<b>254,894</b>	<b>210,980</b>
Operating lease right-of-use assets	20,266	—
Property and equipment, net	21,968	22,965
Goodwill	135,216	135,216
Intangible assets, net	21,470	26,146
Equity investment	154,532	161,503
Other assets	12,196	9,949
Restricted cash, less current portion	—	2,886
<b>Total assets</b>	<b>\$ 620,542</b>	<b>\$ 569,645</b>
<b>Liabilities, redeemable convertible preferred stock and stockholders' equity</b>		
Current liabilities:		
Current portion of operating lease liabilities	\$ 6,742	\$ —
Current portion of long-term obligations	308	718
Accounts payable	7,614	8,828
Accrued expenses	32,654	39,191
Accrued transportation costs	112,410	84,889
Deferred revenue	231	562
Reinsurance and related liability reserves	4,636	5,438
Current liabilities of discontinued operations	1,246	3,257
<b>Total current liabilities</b>	<b>165,841</b>	<b>142,883</b>
Long-term debt, less current portion	122	353
Operating lease liabilities, less current portion	14,786	—
Other long-term liabilities	17,926	14,970
Deferred tax liabilities	24,339	23,049
Long-term liabilities of discontinued operations	639	—
<b>Total liabilities</b>	<b>223,653</b>	<b>181,255</b>
Commitments and contingencies (Note 13)		
<b>Redeemable convertible preferred stock</b>		
Convertible preferred stock, net: Authorized 10,000,000 shares; \$0.001 par value; 799,969 and 801,606, respectively, issued and outstanding; 5.5%/8.5% dividend rate	77,234	77,392
<b>Stockholders' equity</b>		
Common stock: Authorized 40,000,000 shares; \$0.001 par value; 17,967,996 and 17,784,769, respectively, issued and outstanding (including treasury shares)	18	18
Additional paid-in capital	346,034	334,744
Retained earnings	190,857	187,127
Treasury shares, at cost, 5,081,434 and 4,970,093 shares, respectively	(217,254)	(210,891)
<b>Total stockholders' equity</b>	<b>319,655</b>	<b>310,998</b>
<b>Total liabilities, redeemable convertible preferred stock and stockholders' equity</b>	<b>\$ 620,542</b>	<b>\$ 569,645</b>

See accompanying notes to the unaudited condensed consolidated financial statements

**The Providence Service Corporation**  
**Unaudited Condensed Consolidated Statements of Operations**  
(in thousands except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Service revenue, net	\$ 393,385	\$ 343,771	\$ 1,125,111	\$ 1,024,203
<b>Operating expenses:</b>				
Service expense	356,271	313,511	1,042,717	934,367
General and administrative expense	15,979	17,045	52,241	53,081
Asset impairment charge	—	—	—	678
Depreciation and amortization	4,148	3,780	12,976	11,107
Total operating expenses	<u>376,398</u>	<u>334,336</u>	<u>1,107,934</u>	<u>999,233</u>
Operating income	16,987	9,435	17,177	24,970
<b>Other expenses (income):</b>				
Interest expense, net	188	250	793	808
Other income	(66)	—	(199)	—
Equity in net loss of investee	3,188	1,587	6,159	4,106
Gain on remeasurement of cost method investment	—	(6,577)	—	(6,577)
Income from continuing operations before income taxes	<u>13,677</u>	<u>14,175</u>	<u>10,424</u>	<u>26,633</u>
Provision for income taxes	<u>5,097</u>	<u>3,880</u>	<u>3,940</u>	<u>6,951</u>
Income from continuing operations, net of tax	8,580	10,295	6,484	19,682
(Loss) income from discontinued operations, net of tax	<u>(426)</u>	<u>(2,964)</u>	<u>540</u>	<u>(18,026)</u>
Net income	8,154	7,331	7,024	1,656
Net loss from discontinued operations attributable to non-controlling interest	—	(177)	—	(285)
Net income attributable to Providence	<u>\$ 8,154</u>	<u>\$ 7,154</u>	<u>\$ 7,024</u>	<u>\$ 1,371</u>
Net income (loss) available to common stockholders (Note 11)	<u>\$ 6,104</u>	<u>\$ 5,224</u>	<u>\$ 3,230</u>	<u>\$ (1,939)</u>
<b>Basic earnings (loss) per common share:</b>				
Continuing operations	\$ 0.50	\$ 0.61	\$ 0.21	\$ 1.24
Discontinued operations	(0.03)	(0.20)	0.04	(1.39)
Basic earnings (loss) per common share	<u>\$ 0.47</u>	<u>\$ 0.41</u>	<u>\$ 0.25</u>	<u>\$ (0.15)</u>
<b>Diluted earnings (loss) per common share:</b>				
Continuing operations	\$ 0.50	\$ 0.60	\$ 0.21	\$ 1.23
Discontinued operations	(0.03)	(0.20)	0.04	(1.38)
Diluted earnings (loss) per common share	<u>\$ 0.47</u>	<u>\$ 0.40</u>	<u>\$ 0.25</u>	<u>\$ (0.15)</u>
<b>Weighted-average number of common shares outstanding:</b>				
Basic	12,993,934	12,865,777	12,956,222	12,992,403
Diluted	13,004,449	12,927,122	12,977,598	13,069,140

See accompanying notes to the unaudited condensed consolidated financial statements

**The Providence Service Corporation**  
**Unaudited Condensed Consolidated Statements of Comprehensive Income**  
(in thousands)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net income	\$ 8,154	\$ 7,331	\$ 7,024	\$ 1,656
Net loss attributable to non-controlling interest	—	(177)	—	(285)
Net income attributable to Providence	<u>8,154</u>	<u>7,154</u>	<u>7,024</u>	<u>1,371</u>
Other comprehensive loss:				
Foreign currency translation adjustments, net of tax	—	(882)	—	(2,924)
Reclassification of translation loss realized upon sale of subsidiary and equity investment, respectively	—	627	—	627
Other comprehensive loss	<u>—</u>	<u>(255)</u>	<u>—</u>	<u>(2,297)</u>
Comprehensive income (loss)	8,154	7,076	7,024	(641)
Comprehensive loss attributable to non-controlling interest	—	(203)	—	(356)
Comprehensive income (loss) attributable to Providence	<u>\$ 8,154</u>	<u>\$ 6,873</u>	<u>\$ 7,024</u>	<u>\$ (997)</u>

See accompanying notes to the unaudited condensed consolidated financial statements

**The Providence Service Corporation**  
**Unaudited Condensed Consolidated Statements of Stockholders' Equity**  
(in thousands except share data)

**Nine Months Ended September 30, 2019**

	Common Stock		Additional	Retained	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Earnings	Shares	Amount	
Balance at December 31, 2018	17,784,769	\$ 18	\$ 334,744	\$ 187,127	4,970,093	\$ (210,891)	\$ 310,998
Stock-based compensation	—	—	2,103	—	—	—	2,103
Exercise of employee stock options	57,022	—	2,557	—	—	—	2,557
Restricted stock issued	25,357	—	—	—	3,459	(217)	(217)
Shares issued for bonus settlement and director stipends	599	—	—	—	—	—	—
Convertible preferred stock dividends <sup>(1)</sup>	—	—	—	(1,087)	—	—	(1,087)
Net income attributable to Providence	—	—	—	582	—	—	582
Balance at March 31, 2019	17,867,747	\$ 18	\$ 339,404	\$ 186,622	4,973,552	\$ (211,108)	\$ 314,936
Stock-based compensation	—	—	1,289	—	—	—	1,289
Exercise of employee stock options	67,931	—	3,826	—	—	—	3,826
Restricted stock issued	7,088	—	—	—	2,419	(155)	(155)
Shares issued for bonus settlement and director stipends	202	—	—	—	—	—	—
Preferred stock conversion	4,104	—	157	—	—	—	157
Convertible preferred stock dividends <sup>(1)</sup>	—	—	—	(1,098)	—	—	(1,098)
Net loss attributable to Providence	—	—	—	(1,712)	—	—	(1,712)
Balance at June 30, 2019	17,947,072	\$ 18	\$ 344,676	\$ 183,812	4,975,971	\$ (211,263)	\$ 317,243
Stock-based compensation	—	—	855	—	—	—	855
Exercise of employee stock options	17,755	—	503	—	—	—	503
Restricted stock issued	2,313	—	—	—	42	(3)	(3)
Shares issued for bonus settlement and director stipends	856	—	—	—	—	—	—
Stock repurchase plan	—	—	—	—	105,421	(5,988)	(5,988)
Preferred stock conversion	—	—	—	—	—	—	—
Convertible preferred stock dividends <sup>(1)</sup>	—	—	—	(1,109)	—	—	(1,109)
Net income attributable to Providence	—	—	—	8,154	—	—	8,154
Balance at September 30, 2019	17,967,996	\$ 18	\$ 346,034	\$ 190,857	5,081,434	\$ (217,254)	\$ 319,655

<sup>(1)</sup> Cash dividends on redeemable convertible preferred stock of \$1.36, \$1.37, and \$1.38 per share were distributed to convertible preferred stockholders for the three months ended March 31, 2019, June 30, 2019, and September 30, 2019, respectively.

**The Providence Service Corporation**  
**Unaudited Condensed Consolidated Statements of Stockholders' Equity - continued**  
(in thousands except share data)

Nine Months Ended September 30, 2018

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Treasury Stock		Non- Controlling Interest	Total
	Shares	Amount				Shares	Amount		
Balance at December 31, 2017	17,473,598	\$ 17	\$ 313,955	\$ 204,818	\$ (25,805)	4,126,132	\$ (154,803)	\$ (2,165)	\$ 336,017
Stock-based compensation	—	—	993	—	—	—	—	—	993
Exercise of employee stock options	212,789	1	8,819	—	—	—	—	—	8,820
Restricted stock issued	20,904	—	—	—	—	3,778	(237)	—	(237)
Shares issued for bonus settlement and director stipends	2,715	—	150	—	—	—	—	—	150
Stock repurchase plan	—	—	—	—	—	583,027	(36,930)	—	(36,930)
Convertible preferred stock dividends <sup>(2)</sup>	—	—	—	(1,089)	—	—	—	—	(1,089)
Foreign currency translation adjustments, net of tax	—	—	—	—	1,926	—	—	(81)	1,845
Non-controlling interest	—	—	—	—	—	—	—	296	296
Other	—	—	49	—	—	—	—	—	49
Net income attributable to Providence	—	—	—	5,430	—	—	—	—	5,430
Cumulative effect adjustment from change in accounting principle, net of tax	—	—	—	5,710	—	—	—	—	5,710
Balance at March 31, 2018	17,710,006	18	\$ 323,966	\$ 214,869	\$ (23,879)	4,712,937	\$ (191,970)	\$ (1,950)	\$ 321,054
Stock-based compensation	—	—	3,446	—	—	—	—	—	3,446
Exercise of employee stock options	53,004	—	2,842	—	—	—	—	—	2,842
Restricted stock issued	6,085	—	(320)	—	—	129	(9)	—	(329)
Performance restricted stock issued	3,110	—	(109)	—	—	—	—	—	(109)
Shares issued for bonus settlement and director stipends	318	—	—	—	—	—	—	—	—
Stock repurchase plan	—	—	—	—	—	255,692	(18,823)	—	(18,823)
Conversion of convertible preferred stock to common stock	2,608	—	105	(5)	—	—	—	—	100
Convertible preferred stock dividends <sup>(2)</sup>	—	—	—	(1,101)	—	—	—	—	(1,101)
Foreign currency translation adjustments, net of tax	—	—	—	—	(3,967)	—	—	126	(3,841)
Other	—	—	79	—	—	—	—	(188)	(109)
Net loss attributable to Providence	—	—	—	(11,215)	—	—	—	—	(11,215)
Balance at June 30, 2018	17,775,131	18	\$ 330,009	\$ 202,548	\$ (27,846)	4,968,758	\$ (210,802)	\$ (2,012)	\$ 291,915
Stock-based compensation	—	—	1,907	—	—	—	—	—	1,907
Exercise of employee stock options	500	—	8	—	—	—	—	—	8
Restricted stock issued	2,395	—	—	—	—	141	(10)	—	(10)
Shares issued for bonus settlement and director stipends	543	—	—	—	—	—	—	—	—
Conversion of convertible preferred stock to common stock	1,077	—	42	(2)	—	—	—	—	40
Convertible preferred stock dividends <sup>(2)</sup>	—	—	—	(1,111)	—	—	—	—	(1,111)
Foreign currency translation adjustments, net of tax	—	—	—	—	(883)	—	—	27	(856)
Reclassification of translation loss realized upon sale of foreign subsidiary	—	—	—	—	627	—	—	—	627
Other	—	—	(19)	—	—	—	—	176	157
Net income attributable to Providence	—	—	—	7,154	—	—	—	—	7,154
Balance at September 30, 2018	17,779,646	\$ 18	\$ 331,947	\$ 208,589	\$ (28,102)	4,968,899	\$ (210,812)	\$ (1,809)	\$ 299,831

<sup>(2)</sup> Cash dividends on redeemable convertible preferred stock of \$1.36, \$1.37, and \$1.37 per share were distributed to convertible preferred stockholders for the three months ended March 31, 2018, June 30, 2018, and September 30, 2018, respectively.

See accompanying notes to the unaudited condensed consolidated financial statements



**The Providence Service Corporation**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
(in thousands)

	<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
Net income	\$ 7,024	\$ 1,656
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,300	14,217
Amortization	4,676	6,100
Asset impairment charge	—	9,881
Provision for doubtful accounts	533	1,615
Stock-based compensation	4,247	6,209
Deferred income taxes	1,993	(602)
Amortization of deferred financing costs and debt discount	272	408
Equity in net loss of investee	6,159	4,026
Gain on remeasurement of cost method investment	—	(6,577)
Other non-cash charges (credits)	—	(115)
Changes in operating assets and liabilities:		
Accounts receivable	(44,374)	(31,514)
Prepaid expenses and other	27,669	14,243
Reinsurance and related liability reserve	2,511	(548)
Accounts payable and accrued expenses	(9,384)	(26,251)
Accrued transportation costs	27,522	30,888
Deferred revenue	(486)	(1,468)
Operating lease and other long-term liabilities	3,407	304
Net cash provided by operating activities	40,069	22,472
<b>Investing activities</b>		
Purchase of property and equipment	(7,302)	(13,194)
Acquisition, net of cash acquired	—	(42,067)
Dispositions, net of cash sold	—	(5,862)
Proceeds from note receivable	—	3,130
Net cash used in investing activities	(7,302)	(57,993)
<b>Financing activities</b>		
Preferred stock dividends	(3,295)	(3,302)
Repurchase of common stock, for treasury	(6,363)	(56,009)
Proceeds from common stock issued pursuant to stock option exercise	6,885	12,413
Performance restricted stock surrendered for employee tax payment	—	(429)
Repayment of debt	(12,000)	—
Proceeds from debt	12,000	36,000
Capital lease payments and other	(641)	(2,529)
Net cash used in financing activities	(3,414)	(13,856)
Effect of exchange rate changes on cash	—	19
Net change in cash, cash equivalents and restricted cash	29,353	(49,358)
Cash, cash equivalents and restricted cash at beginning of period	12,367	101,606
Cash, cash equivalents and restricted cash at end of period	\$ 41,720	\$ 52,248

See accompanying notes to the unaudited condensed consolidated financial statements

**The Providence Service Corporation**  
**Supplemental Cash Flow Information**  
(in thousands)

<b>Supplemental cash flow information</b>	<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
Cash paid for interest	\$ 1,090	\$ 767
Cash (received) paid for income taxes, net of refunds	\$ (30,456)	\$ 11,477
Purchase of equipment through capital lease obligation	\$ —	\$ 724
Acquisitions:		
Purchase price	\$ —	\$ 54,700
Less:		
Cash acquired	—	(1,302)
Restricted cash acquired	—	(110)
Value of existing ownership in Circulation	—	(9,577)
Purchase consideration payable	—	(1,644)
Acquisitions, net of cash acquired	\$ —	\$ 42,067

See accompanying notes to the unaudited condensed consolidated financial statements

**The Providence Service Corporation**  
**Notes to the Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2019**

(in thousands except years, share and per share data)

**1. Organization and Basis of Presentation**

***Description of Business***

The Providence Service Corporation (“we”, the “Company” or “Providence”) is the largest manager of non-emergency medical transportation (“NET”) programs for state governments and managed care organizations (“MCOs”) in the United States (“U.S.”). The Company’s NET Services segment operates under the brands LogistiCare and Circulation. Additionally, the Company owns a minority investment in CCHN Group Holdings, Inc. and its subsidiaries (“Matrix”). Matrix provides a broad array of assessment and care management services that improve health outcomes for individuals and financial performance for health plans. Matrix’s national network of community-based clinicians delivers in-home services while its fleet of mobile health clinics provide community-based care with advance diagnostic capabilities. These solutions combined with Matrix’s advanced engagement approach, helps health plans manage risks, close care gaps and connect members to care.

During 2018, the Company announced an organizational consolidation plan (“Organizational Consolidation”) to integrate substantially all activities and functions performed at the corporate holding company level into its NET Services segment. As the Organizational Consolidation was substantially complete beginning January 1, 2019, our former Corporate and Other segment was combined with the NET Services segment. See Note 8, *Restructuring and Related Reorganization Costs*, and Note 16, *Segments*, for further information.

***Basis of Presentation***

The Company follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB establishes accounting principles generally accepted in the United States (“GAAP”). Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. References to GAAP issued by the FASB in these footnotes are to the FASB *Accounting Standards Codification* (“ASC”), which serves as the single source of authoritative accounting and applicable reporting standards to be applied for non-governmental entities. All amounts are presented in U.S. dollars, unless otherwise noted.

The Company’s condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information, and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for the fair presentation of the results of the interim periods have been included.

The Company has made estimates relating to the reporting of assets and liabilities, revenues and expenses and certain disclosures in the preparation of these condensed consolidated financial statements in conformity with GAAP. Actual results could differ from those estimates. Operating results for the three and nine months ended September 30, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2019. Management has evaluated events and transactions that occurred after the balance sheet date and through the date these condensed consolidated financial statements were filed with the SEC and considered the effect of such events in the preparation of these condensed consolidated financial statements.

The condensed consolidated balance sheet at December 31, 2018 has been derived from audited financial statements at that date but does not include all the information and footnotes required by GAAP for complete financial statements. The condensed consolidated financial statements contained herein should be read in conjunction with the audited financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

The Company accounts for its investment in Matrix using the equity method, as the Company does not control the decision-making process or business management practices of Matrix. While the Company has access to certain information and performs certain procedures to review the reasonableness of information, the Company relies on the management of Matrix to provide accurate financial information prepared in accordance with GAAP. The Company receives audit reports relating to such financial information from Matrix’s independent auditors on an annual basis. The Company is not aware of any errors in or possible misstatements of the financial information provided by Matrix that would have a material effect on the Company’s consolidated financial statements. See Note 5, *Equity Investments*, for further information.

## Reclassifications

In conjunction with the change in the Company's organizational structure as described in Note 16, *Segments*, we reclassified certain costs between "General and administrative expense" and "Service expense" on our accompanying condensed consolidated statements of operations as summarized below:

	Three Months Ended September 30, 2018		
	As Previously Reported <sup>(1)</sup>	Reclassifications	As Reported
Service expense	\$ 320,697	\$ (7,186)	\$ 313,511
General and administrative expense	9,859	7,186	17,045

	Nine Months Ended September 30, 2018		
	As Previously Reported <sup>(1)</sup>	Reclassifications	As Reported
Service expense	\$ 955,523	\$ (21,156)	\$ 934,367
General and administrative expense	31,925	21,156	53,081

<sup>(1)</sup> Adjusted for discontinued operations, as described in Note 15.

## 2. Significant Accounting Policies and Recent Accounting Pronouncements

The Company adopted the following accounting pronouncements during the nine months ended September 30, 2019:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 introduced FASB Accounting Standards Codification Topic 842 ("ASC 842"), which replaced ASC 840, *Leases*. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842 (Leases)* ("ASU 2018-10"), which provides narrow amendments to clarify how to apply certain aspects of the new lease standard. Additionally, in July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements* ("ASU 2018-11"). ASU 2018-11 provides a new transition method and a practical expedient for separating components of a leasing contract.

The Company has not entered into significant lease agreements in which it is the lessor; however, the Company does have lease agreements in which it is the lessee. Under ASC 842, lessees are required to recognize a lease liability and right-of-use ("ROU") asset for all leases (with the exception of short-term leases) at the lease commencement date. Effective January 1, 2019, the Company adopted this guidance, applied the modified retrospective transition method and elected the transition option to use the effective date as the date of initial application. The Company recognized the cumulative effect of the transition adjustment on the condensed consolidated balance sheet as of the effective date and did not provide any new lease disclosures for periods before the effective date. With respect to the practical expedients, the Company elected the package of transitional-related practical expedients and the practical expedient not to separate lease and non-lease components. At January 1, 2019, the Company recorded \$23,165 and \$24,491 of additional ROU leased assets and liabilities, respectively, on its condensed consolidated balance sheet. The adoption did not have a material impact on the statement of operations. See Note 9, *Leases*, for further information.

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. The Company adopted this new rule in the quarter ended March 31, 2019 by including the condensed consolidated statements of stockholders' equity.

Recent accounting pronouncements that the Company has yet to adopt are as follows:

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("ASU 2016-13"). The amendments in ASU 2016-13 will supersede or clarify much of the existing guidance for reporting credit losses for assets held at amortized cost basis and available for sale debt securities. The amendments in ASU 2016-13 affect loans, debt

securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. ASU 2016-13 is effective for financial statements issued for fiscal years beginning after December 15, 2019, with early adoption permitted for fiscal years beginning after December 15, 2018. The Company does not expect the adoption of this guidance will have a material impact on its consolidated financial statements or disclosures.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). ASU 2018-13 removes certain disclosures, modifies certain disclosures and added additional disclosures. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. ASU 2018-13 requires certain disclosures to be applied on a retrospective basis and others on a prospective basis. The Company does not expect the adoption of this guidance will have a material impact on its consolidated financial statements or disclosures.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software: Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* (“ASU 2018-15”). ASU 2018-15 will align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company has elected to apply a prospective transition approach and will therefore apply the transition requirements to any eligible costs incurred after adoption. The Company is not aware of any material costs to be incurred subsequent to the adoption date. However, the Company will continue to evaluate the impact of ASU 2018-15 on its consolidated financial statements until adoption.

### 3. Revenue Recognition

#### *Disaggregation of Revenue*

The following table summarizes disaggregated revenue from contracts with customers by contract type for NET Services:

	<b>Three months ended September 30, 2019</b>	<b>Three Months Ended September 30, 2018</b>
State Medicaid agency contracts	\$ 196,891	\$ 183,661
Managed care organization contracts	196,494	160,110
Total Service revenue, net	<u>\$ 393,385</u>	<u>\$ 343,771</u>
Capitated contracts	\$ 334,549	\$ 297,808
Non-capitated contracts	58,836	45,963
Total Service revenue, net	<u>\$ 393,385</u>	<u>\$ 343,771</u>
	<b>Nine months ended September 30, 2019</b>	<b>Nine months ended September 30, 2018</b>
State Medicaid agency contracts	\$ 551,632	\$ 544,409
Managed care organization contracts	573,479	479,794
Total Service revenue, net	<u>\$ 1,125,111</u>	<u>\$ 1,024,203</u>
Capitated contracts	\$ 947,811	\$ 869,203
Non-capitated contracts	177,300	155,000
Total Service revenue, net	<u>\$ 1,125,111</u>	<u>\$ 1,024,203</u>

During the three months ended September 30, 2019 and 2018, NET Services recognized \$15,332 and \$1,956, respectively, from contractual adjustments relating to performance obligations satisfied in previous periods to which the customer agreed. During the nine months ended September 30, 2019 and 2018, NET Services recognized \$8,460 and \$5,685, respectively, from contractual adjustments relating to performance obligations satisfied in previous periods to which the customer agreed.

***Related Balance Sheet Accounts***

The following table provides information about accounts receivable, net:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Accounts receivable	\$ 139,897	\$ 101,340
NET Services' reconciliation contract receivable	61,851	48,270
Allowance for doubtful accounts	(3,516)	(1,854)
	<u>\$ 198,232</u>	<u>\$ 147,756</u>

The following table provides information about other accounts included on the accompanying condensed consolidated balance sheets:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Accrued contract payments, included in "accrued expenses"	\$ 7,672	\$ 9,756
Deferred revenue, current	231	562
Deferred revenue, long-term, included in "other long-term liabilities"	808	963

During the nine months ended September 30, 2019 and 2018, \$434 and \$11,602 of deferred revenue, respectively, was recognized.

#### 4. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows:

	September 30, 2019	September 30, 2018
Cash and cash equivalents	\$ 40,637	\$ 47,492
Restricted cash, current	833	1,624
Current assets of discontinued operations	250	—
Restricted cash, less current portion	—	3,132
Cash, cash equivalents and restricted cash	<u>\$ 41,720</u>	<u>\$ 52,248</u>

Restricted cash primarily relates to amounts held in trusts for reinsurance claims losses under the Company's captive insurance operation for historical workers' compensation, general and professional liability and auto liability reinsurance programs. Current assets of discontinued operations principally reflect the cash position of WD Services operations in Saudi Arabia, which was not sold as part of the WD Services sale. Such cash will be used to fund the shut-down costs of this operation as needed. See Note 15, *Discontinued Operations*, for further information on the WD Services sale.

#### 5. Equity Investment

As of both September 30, 2019 and December 31, 2018, the Company owned a 43.6% non-controlling interest in Matrix. Pursuant to a shareholder's agreement, affiliates of Frazier Healthcare Partners hold rights necessary to control the fundamental operations of Matrix. The Company accounts for this investment in Matrix under the equity method of accounting with the Company's share of Matrix's income or loss recorded as "Equity in net loss of investee" in the accompanying condensed consolidated statements of operations.

The carrying amount of the assets included in the Company's condensed consolidated balance sheets and the maximum loss exposure related to the Company's interest in Matrix as of September 30, 2019 and December 31, 2018 totaled \$154,532 and \$161,503, respectively.

Summary financial information for Matrix on a standalone basis is as follows:

	September 30, 2019	December 31, 2018
Current assets	\$ 70,888	\$ 61,565
Long-term assets	694,604	719,450
Current liabilities	31,342	27,619
Long-term liabilities	366,491	373,159

	Three Months ended September 30, 2019	Three months ended September 30, 2018
Revenue	\$ 71,663	\$ 70,522
Operating (loss) income	(2,640)	1,492
Net loss	(6,906)	(4,351)

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenue	\$ 210,807	\$ 216,361
Operating (loss) income	(542)	5,330
Net loss	(15,054)	(13,736)

## 6. Prepaid Expenses and Other

Prepaid expenses and other were comprised of the following:

	September 30, 2019	December 31, 2018
Prepaid income taxes	\$ 2,488	\$ 35,207
Prepaid insurance	1,862	1,308
Prepaid rent	861	828
Other prepaid expenses	6,224	6,824
Total prepaid expenses and other	<u>\$ 11,435</u>	<u>\$ 44,167</u>

## 7. Accrued Expenses

Accrued expenses consisted of the following:

	September 30, 2019	December 31, 2018
Accrued compensation	\$ 10,076	\$ 11,050
NET Services accrued contract payments	7,672	9,756
Accrued cash settled stock-based compensation	3,325	3,719
Other accrued expenses	11,581	14,666
Total accrued expenses	<u>\$ 32,654</u>	<u>\$ 39,191</u>

## 8. Restructuring and Related Reorganization Costs

On April 11, 2018, the Company announced the Organizational Consolidation to transfer all job responsibilities previously performed by employees of the holding company to LogistiCare and to close the corporate offices in Stamford, Connecticut and Tucson, Arizona. The Company adopted an employee retention plan designed to retain the holding company level employees during the transition. The employee retention plan became effective on April 9, 2018 and provided for certain payments and benefits to those employees if they remained employed with the Company through a retention date established for each individual, subject to a fully executed retention letter. The Organizational Consolidation was completed during the second quarter of 2019.

A total of \$613 and \$3,714 in restructuring and related costs was incurred during the three and nine months ended September 30, 2019, respectively, related to the Organizational Consolidation. These costs include, respectively, \$145 and \$2,356 of retention and personnel costs, \$0 and \$282 of stock-based compensation expense, \$0 and \$237 of depreciation and \$468 and \$839 of other costs, primarily related to recruiting and legal costs. These costs are recorded as "General and administrative expense" and "Depreciation and amortization" in the accompanying condensed consolidated statements of operations.

A total of \$12,522 in restructuring and related costs was incurred on a cumulative basis through September 30, 2019 related to the Organizational Consolidation. These costs include \$7,454 of retention and personnel costs, \$2,013 of stock-based compensation expense, \$673 of depreciation and \$2,382 of other costs, primarily related to recruiting and legal costs. The current year restructuring and related costs are recorded as "General and administrative expense" and "Depreciation and amortization" in the accompanying condensed consolidated statements of operations.

The summary of the liability for restructuring and related reorganization costs is as follows:



	<u>January 1, 2019</u>	<u>Costs Incurred</u>	<u>Cash Payments and Adjustments</u>	<u>September 30, 2019</u>
Retention and personnel liability	\$ 1,956	\$ 2,356	\$ (4,312)	\$ —
Other liability	398	842	(1,240)	—
Total	<u>\$ 2,354</u>	<u>\$ 3,198</u>	<u>\$ (5,552)</u>	<u>\$ —</u>

	<u>January 1, 2018</u>	<u>Costs Incurred</u>	<u>Cash Payments</u>	<u>September 30, 2018</u>
Retention and personnel liability	\$ —	\$ 2,038	\$ (111)	\$ 1,927
Other liability	—	1,265	(786)	479
Total	<u>\$ —</u>	<u>\$ 3,303</u>	<u>\$ (897)</u>	<u>\$ 2,406</u>

The total restructuring liability at December 31, 2018 includes \$2,124 classified as “Accrued expenses” and \$230 classified as “Accounts payable” in the condensed consolidated balance sheets.

## 9. Leases

Effective January 1, 2019, as described more fully in Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*, the Company adopted ASC 842 and recognized lease obligations and associated ROU assets for its existing non-cancelable operating leases. The Company has non-cancelable operating leases primarily associated with office space, related office equipment and other facilities.

The leases expire in various years and generally provide for renewal options. In the normal course of business, management expects that these leases will be renewed or replaced by leases on other properties.

Certain operating leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Several of these lease agreements contain provisions for periods in which rent payments are reduced. The total amount of rental payments due over the lease term is recorded as rent expense on a straight-line basis over the term of the lease.

A summary of all lease classifications in our condensed consolidated balance sheet is as follows:

<b>Leases</b>	<b>Classification</b>	<b>September 30, 2019</b>
<b>Assets</b>		
Operating lease assets	Operating lease ROU assets	\$ 20,266
Finance lease assets	Property and equipment, net <sup>(1)</sup>	603
Total leased assets		<u>\$ 20,869</u>
<b>Liabilities</b>		
Current:		
Operating	Current portion of operating lease liabilities	\$ 6,742
Finance	Current portion of long-term obligations	308
Long-term:		
Operating	Operating lease liabilities, less current portion	14,786
Finance	Long-term obligations, less current portion	122
Total lease liabilities		<u>\$ 21,958</u>

<sup>(1)</sup> Finance leased assets have an accumulated amortization of \$338.

As of September 30, 2019, maturities of lease liabilities are as follows:

	Operating Leases	Finance Leases	Total
Remainder of 2019	\$ 2,715	\$ 81	\$ 2,796
2020	8,452	322	8,774
2021	5,845	27	5,872
2022	4,869	—	4,869
2023	2,891	—	2,891
Thereafter	2,215	\$ —	2,215
Total lease payments	\$ 26,987	\$ 430	\$ 27,417
Less: interest and accretion	(5,459)	—	(5,459)
Present value of minimum lease payments	\$ 21,528	\$ 430	\$ 21,958
Less: current portion	(6,742)	(308)	(7,050)
Long-term portion	\$ 14,786	\$ 122	\$ 14,908

As of December 31, 2018, maturities of lease liabilities are as follows:

	Operating Leases	Finance Leases	Total
2019	\$ 8,825	\$ 718	\$ 9,543
2020	6,452	308	6,760
2021	4,594	45	4,639
2022	3,801	—	3,801
2023	1,767	—	1,767
Thereafter	1,600	—	1,600
Total lease payments	\$ 27,039	\$ 1,071	\$ 28,110

Lease terms and discount rates are as follows:

	September 30, 2019
Weighted-average remaining lease term (years):	
Operating lease costs	3.68
Finance lease cost	1.34
Weighted-average discount rate:	
Operating lease costs	5.3 %
Finance lease cost	3.3 %

For the three and nine months ended September 30, 2019, our operating lease costs were \$2,674 and \$7,877 and are included in "General and administrative expense" on our accompanying condensed consolidated statements of operations. A summary of other lease information is as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Financing cash flows from finance leases	\$ (75)	\$ (641)
Operating cash flows from operating leases	(2,753)	(7,956)
Amortization of operating leased ROU assets to the operating lease liability	2,523	7,986
ROU assets obtained through operating lease liabilities	3,488	4,770

## 10. Stock-Based Compensation and Similar Arrangements

The Company provides stock-based compensation to employees and non-employee directors under the Company's 2006 Long-Term Incentive Plan ("2006 Plan"). Typical awards issued under this plan include stock option awards, restricted stock awards ("RSAs"), restricted stock units ("RSUs") and performance based restricted stock units ("PRSU\$").

The following table reflects the amount of stock-based compensation for continuing operations, for share settled awards, recorded in each financial statement line item for the three and nine months ended September 30, 2019 and 2018:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
General and administrative expense	\$ 855	\$ 1,927	\$ 4,247	\$ 6,209
Equity in net loss (income) of investee	—	(24)	—	137
Total stock-based compensation	\$ 855	\$ 1,903	\$ 4,247	\$ 6,346

On September 20, 2019, the Company granted 46,865 RSUs and 88,264 stock options to executive management and key employees of the Company at a price of \$58.84, which was the closing price of the Company's common stock on the grant date. The RSUs and options will vest over 3.5 years with (i) 33.3% of the options vesting on March 15, 2021, (ii) 33.3% of the options vesting on March 15, 2022, and (iii) 33.4% of the options vesting on March 15, 2023. There are a few employee exceptions to the vesting schedule. For these employees, the RSUs and options are subject to vesting over the period designated in the respective employee's agreements. As there is no expiration date, the RSUs can be exercised at any point in the future subject to the vesting period designation in the employee's agreements. The options have an expiration date of September 20, 2024.

At September 30, 2019, the Company had 620,859 stock options outstanding with a weighted-average exercise price of \$62.72. The Company also had 49,295 unvested RSAs and 46,865 RSUs outstanding at September 30, 2019 with a weighted-average grant date fair value of \$61.95 and \$58.84, respectively.

### *Awards Granted to the Interim Chief Executive Officer*

On February 1, 2019, the Company entered into an agreement for a base salary and the eligibility of a cash bonus with R. Carter Pate for his continued employment as the Company's Interim CEO through December 31, 2019. In addition, the agreement granted Mr. Pate an award of 23,317 shares of restricted stock (the "Restricted Shares"), representing a value of \$1,500 based on the closing price per share of the Company's stock on the grant date. The Restricted Shares will vest if Mr. Pate remains employed with the Company through December 31, 2019. If the Company terminates Mr. Pate's employment during 2019 because his services are no longer required, the Restricted Shares will vest and Mr. Pate will be entitled to the remaining unpaid portion of his 2019 base salary and payment of the 2019 bonus in an amount based on actual achievement of the performance measures. If a change in control of the Company occurs during 2019, the Restricted Shares will vest and Mr. Pate will be entitled to the remaining unpaid portion of his 2019 base salary and payment of the 2019 bonus at the target level.

### *Cash-Settled Awards*

The Company also grants stock equivalent unit awards ("SEUs") and stock option equivalent units that are cash-settled awards and are not included as part of the 2006 Plan. During the three months ended September 30, 2019 and September 30, 2018, the Company recorded \$371 of stock-based compensation expense and recorded a benefit of \$2,191 for cash-settled awards, respectively. During the nine months ended September 30, 2019 and September 30, 2018, the Company recorded \$203 of stock-based compensation benefit and recorded expense of \$1,435 for cash-settled awards, respectively. The expense and benefit for cash-settled awards is included as "General and administrative expense" in the accompanying condensed consolidated statements of operations. As the instruments are accounted for as liability awards, the income or expense recorded for the three and nine months ended September 30, 2019 and 2018 is almost entirely attributable to the Company's change in stock price from the previous reporting period. The liability for unexercised cash-settled share-based payment awards of \$3,325 and \$3,719 at September 30, 2019 and December 31, 2018, respectively, is reflected in "Accrued expenses" in the condensed consolidated balance sheets. At September 30, 2019, the Company had 4,234 SEUs and 200,000 stock option equivalent units outstanding.

### *Long-Term Incentive Plans*

In connection with the acquisition of Circulation during 2018, the Company established a management incentive plan (“MIP”) intended to motivate key employees of Circulation. During the three months ended March 31, 2019, the MIP was amended to remove the previously included performance requirements and to provide for a total fixed payment of \$12,000 to the group of MIP participants. The payout date is within 30 days following the finalization of the Company’s audited financial statements for the fiscal year ending December 31, 2021 and the payout is subject to the participant remaining employed by the Company through December 31, 2021, except for certain termination scenarios. As of September 30, 2019 and December 31, 2018, the Company has accrued \$3,769 and \$1,441, respectively, related to the MIP and reflected in “Other long-term liabilities” in the condensed consolidated balance sheets.

## 11. Earnings (Loss) Per Share

The following table details the computation of basic and diluted earnings (loss) per share:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Numerator:</b>				
Net income attributable to Providence	\$ 8,154	\$ 7,154	\$ 7,024	\$ 1,371
Less dividends on convertible preferred stock	(1,109)	(1,113)	(3,295)	(3,310)
Less income allocated to participating securities	(941)	(817)	(499)	—
Net income (loss) available to common stockholders	<u>\$ 6,104</u>	<u>\$ 5,224</u>	<u>\$ 3,230</u>	<u>\$ (1,939)</u>
<b>Continuing operations</b>				
	\$ 6,473	\$ 7,787	\$ 2,762	\$ 16,087
<b>Discontinued operations</b>				
	(369)	(2,563)	468	(18,026)
Net income (loss) available to common stockholders	<u>\$ 6,104</u>	<u>\$ 5,224</u>	<u>\$ 3,230</u>	<u>\$ (1,939)</u>
<b>Denominator:</b>				
Denominator for basic earnings per share -- weighted-average shares	12,993,934	12,865,777	12,956,222	12,992,403
<b>Effect of dilutive securities:</b>				
Common stock options	10,515	61,345	21,376	76,737
Denominator for diluted earnings per share -- adjusted weighted-average shares assumed conversion	<u>13,004,449</u>	<u>12,927,122</u>	<u>12,977,598</u>	<u>13,069,140</u>
<b>Basic earnings (loss) per share:</b>				
Continuing operations	\$ 0.50	\$ 0.61	\$ 0.21	\$ 1.24
Discontinued operations	(0.03)	(0.20)	0.04	(1.39)
Basic earnings (loss) per share	<u>\$ 0.47</u>	<u>\$ 0.41</u>	<u>\$ 0.25</u>	<u>\$ (0.15)</u>
<b>Diluted earnings (loss) per share:</b>				
Continuing operations	\$ 0.50	\$ 0.60	\$ 0.21	\$ 1.23
Discontinued operations	(0.03)	(0.20)	0.04	(1.38)
Diluted earnings (loss) per share	<u>\$ 0.47</u>	<u>\$ 0.40</u>	<u>\$ 0.25</u>	<u>\$ (0.15)</u>

Income allocated to participating securities is calculated by allocating a portion of net income attributable to Providence, less dividends on convertible stock, to the convertible preferred stockholders on a pro-rata, as converted basis; however, the convertible preferred stockholders are not allocated losses.

The following weighted-average shares were not included in the computation of diluted earnings per share as the effect of their inclusion would have been anti-dilutive:

	<b>Three months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
Stock options to purchase common stock	420,846	358,310
Convertible preferred stock	799,969	801,935

	<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
Stock options to purchase common stock	499,611	333,030
Convertible preferred stock	800,983	802,762

## 12. Income Taxes

The Company's effective tax rate from continuing operations for the three and nine months ended September 30, 2019 was 37.3% and 37.8%, respectively. The effective tax rate from continuing operations for the three and nine months ended September 30, 2018 was 27.4% and 26.1%, respectively. These effective tax rates were higher than the U.S. federal statutory rate of 21.0% primarily due to state income taxes and certain non-deductible expenses offset, in part, by the favorable impact of stock option deductions. For 2018, the impact of these items was partially offset by no income tax provision being recorded on the gain on remeasurement of cost method investment of \$6,577.

During 2019, the Company received refunds from the Internal Revenue Service ("IRS") totaling \$0,756 resulting from the carryback of losses from the 2018 sale of its workforce development segment. The IRS subsequently informed the Company that its 2015-2018 tax returns will be examined. This examination began in October 2019 and will include a mandated review by a joint committee of Congress due to the size of the refund received.

As discussed in Note 15, *Discontinued Operations*, the Company transferred its operations in Saudi Arabia to its contractual counterparties on January 1, 2019. In connection with the dissolution of its Saudi Arabia legal entity, the Company is protesting withholding tax and income tax assessments for the years 2012 through 2017. The Company does not believe this will have a material adverse effect on its financial condition or results of discontinued operations.

## 13. Commitments and Contingencies

### *Debt*

On July 12, 2019, the Company and certain of its subsidiaries entered into the Sixth Amendment to the Amended and Restated Credit and Guaranty Agreement (the "Amendment"), amending the Amended and Restated Credit and Guaranty Agreement dated as of August 2, 2013 (as amended to date, the "Credit Agreement"), by and among the Company, the guarantors from time to time party thereto, the lenders from time to time party thereto and Bank of America, N.A. as administrative agent. The Amendment extended the maturity date of the Credit Agreement to August 2, 2020. As of September 30, 2019, the Company had no amounts outstanding under the Credit Agreement.

### *Legal proceedings*

In the ordinary course of business, the Company is a party to various lawsuits. Management does not expect these lawsuits to have a material impact on the liquidity, results of operations, or financial condition of the Company.

On January 21, 2019, the United States District Court for the Southern District of Ohio unsealed a qui tam complaint, filed in December 2015, against Mobile Care Group, Inc., Mobile Care Group of Ohio, LLC, Mobile Care EMS & Transport, Inc. and LogistiCare Solutions, LLC ("LogistiCare") by Brandee White, Laura Cunningham, and Jeffery Wisier (the "Relators") alleging violations of the federal False Claims Act by presenting claims for payment to government healthcare programs knowing that the prerequisites for such claims to be paid had not been met. The Relators seek to recover damages,

fees and costs under the federal False Claims Act including treble damages, civil penalties and attorneys' fees. In addition, the Relators seek reinstatement to their jobs with the Mobile Care entities. None of the Relators was employed by LogistiCare. Prior to January 21, 2019, LogistiCare had no knowledge of the complaint. The federal government has declined to intervene against LogistiCare. The Company filed a motion to dismiss the Complaint on April 22, 2019, and believes that the case will not have a material adverse effect on its business, financial condition or results of operations.

On March 1, 2019, Meher Patel filed suit against the Company in the Superior Court of the State of California, Tuolumne County, on behalf of herself and as a class action on behalf of others similarly situated, asserting violations under the California Labor Code relating to the alleged failure by LogistiCare to comply with certain applicable state wage and related employment requirements, as well as claims of breach of contract and breach of the implied covenant of good faith and fair dealing. The plaintiff seeks to recover an unspecified amount of damages and penalties, as well as certification as a class action. On September 6, 2019, Ms. Patel amended her complaint to add Provado Mobile Health, a Company subsidiary, as a party to the suit. No amounts have been accrued for any potential losses under this matter, as management cannot reasonably predict the outcome of the litigation or any potential losses. The Company and its subsidiary intend to defend the litigation vigorously. Although the outcome of such matter is inherently uncertain and may be materially adverse, based on current information, the Company does not expect the case to have a material adverse effect on the Company's business, financial condition or results of operations.

In *Lynch v. Ride Plus et al.*, a putative class action lawsuit pending in the Superior Court for the County of San Diego, California, a former Ride Plus driver has sought to represent all Ride Plus drivers in California on claims that they were misclassified as independent contractors and that, among other things, they were not paid minimum wages, overtime wages, meal period premiums and rest period premiums. The Company has not yet been served with the complaint but intends to vigorously defend the claims. At this early stage in the litigation, it is impossible to predict with any certainty whether plaintiff will succeed in getting the court to certify a class, whether she and the class will prevail on their claims, or what they might recover.

### **Indemnifications**

The Company provided certain standard indemnifications in connection with the sale of the Human Services segment to Molina Healthcare Inc. ("Molina") effective November 1, 2015. Certain representations made by the Company in the related Membership Interest Purchase Agreement (the "Purchase Agreement") including tax representations, survive until the expiration of applicable statutes of limitation. Molina and the Company entered into a settlement agreement regarding indemnification claims by Molina with respect to *Rodriguez v. Providence Community Corrections* (the "Rodriguez Litigation"), a complaint filed in the District Court for the Middle District of Tennessee, Nashville Division, against Providence Community Corrections, Inc. ("PCC"), an entity sold under the Purchase Agreement. The Company expects to recover a portion of the settlement through insurance coverage, although this cannot be assured.

The Company has provided certain standard indemnifications in connection with its Matrix stock subscription transaction whereby Mercury Fortuna Buyer, LLC ("Subscriber"), Providence and Matrix entered into a stock subscription agreement (the "Subscription Agreement"), dated August 28, 2016. The representations and warranties made by the Company in the Subscription Agreement ended January 19, 2018; however, certain fundamental representations survive through the 36th month following the closing date. The covenants and agreements of the parties to be performed prior to the closing ended January 19, 2018, and all other covenants and agreements survive until the expiration of the applicable statute of limitations in the event of a breach, or for such lesser periods specified therein. The Company is not aware of any indemnification liabilities with respect to Matrix that require accrual at September 30, 2019.

The Company has provided certain standard indemnifications in connection with the sale of substantially all of its WD Services segment to Advanced Personnel Management Global Pty Ltd of Australia ("APM"), which closed on December 21, 2018. The non-title warranties made by the Company in the related Share Purchase Agreement survive for 18 months following the closing date, and the title-related warranties and tax warranties survive five years from the closing date. The Company is not aware of any indemnification liabilities with respect to the former WD Services segment that require accrual at September 30, 2019.

On May 9, 2018, the Company entered into a registration indemnification agreement with Coliseum Capital Partners, L.P., Coliseum Capital Partners II, L.P., Blackwell Partners, LLC - Series A and Coliseum Capital Co-Invest, L.P. (collectively, the "Coliseum Stockholders"), who as of September 30, 2019 collectively held approximately 9.5% of the Company's outstanding common stock and approximately 95.7% of the Company's outstanding Preferred Stock, pursuant to which the Company has agreed to indemnify the Coliseum Stockholders, and the Coliseum Stockholders have agreed to indemnify the

Company, against certain matters relating to the registration of the selling stockholders' securities for resale under the Securities Act of 1933, as amended (the "Securities Act").

#### 14. Transactions with Related Parties

Convertible preferred stock dividends earned by the Coliseum Stockholders during the three months ended September 30, 2019 and 2018 totaled \$1,062 in both periods. Convertible preferred stock dividends earned by the Coliseum Stockholders during the nine months ended September 30, 2019 and 2018 totaled \$3,151 in both periods.

#### 15. Discontinued Operations

On December 21, 2018, the Company completed the sale of substantially all of the operating subsidiaries of its WD Services segment to APM and APM UK Holdings Limited, an affiliate of APM, except for the segment's employment services operations in Saudi Arabia. The Company's contractual counterparties in Saudi Arabia, including an entity owned by the Saudi Arabian government, assumed these operations beginning January 1, 2019.

On June 11, 2018, the Company entered into a Share Purchase Agreement to sell the shares of Ingeus France, its WD Services operation in France, for a de minimis amount. The sale was effective on July 17, 2018.

On November 1, 2015, the Company completed the sale of its Human Services segment. During the three and nine months ended September 30, 2019 and 2018, the Company recorded additional expenses related to the Human Services segment, principally related to previously disclosed legal proceedings.

##### Results of Operations

The following tables summarize the results of operations classified as discontinued operations, net of tax, for the three and nine months ended September 30, 2019 and 2018:

	<b>Three Months Ended September 30, 2019</b>		
	<b>Human Services Segment</b>	<b>WD Services Segment</b>	<b>Total Discontinued Operations</b>
Operating expenses:			
General and administrative (income) expense	\$ (12)	\$ 480	\$ 468
Total operating (income) expense	(12)	480	468
Operating income (loss)	12	(480)	(468)
Income (loss) from discontinued operations before income taxes	12	(480)	(468)
(Provision) benefit for income taxes	(3)	45	42
Income (loss) from discontinued operations, net of tax	<u>\$ 9</u>	<u>\$ (435)</u>	<u>\$ (426)</u>

	<b>Nine Months Ended September 30, 2019</b>		
	<b>Human Services Segment</b>	<b>WD Services Segment</b>	<b>Total Discontinued Operations</b>
Operating expenses:			
General and administrative expense (income)	\$ 205	\$ (1,617)	\$ (1,412)
Total operating expense (income)	205	(1,617)	(1,412)
Operating (loss) income	(205)	1,617	1,412
(Loss) income from discontinued operations before income taxes	(205)	1,617	1,412
Benefit (provision) for income taxes	50	(922)	(872)
(Loss) income from discontinued operations, net of tax	<u>\$ (155)</u>	<u>\$ 695</u>	<u>\$ 540</u>

**Three Months Ended September 30, 2018**

	<b>Human Services Segment</b>	<b>WD Services Segment</b>	<b>Total Discontinued Operations</b>
Service revenue, net	\$ —	\$ 77,548	\$ 77,548
<b>Operating expenses:</b>			
Service expense	—	70,911	70,911
General and administrative expense	(721)	6,344	5,623
Depreciation and amortization	—	2,861	2,861
Total operating (income) expenses	(721)	80,116	79,395
Operating income (loss)	721	(2,568)	(1,847)
<b>Other income (expense):</b>			
Other expense	—	(669)	(669)
Interest expense, net	—	(97)	(97)
Gain on foreign currency transactions	—	178	178
Equity in net gain of investee	—	29	29
Income (loss) from discontinued operations before income taxes	721	(3,127)	(2,406)
Provision for income taxes	(179)	(379)	(558)
Income (loss) from discontinued operations, net of tax	\$ 542	\$ (3,506)	\$ (2,964)

**Nine Months Ended September 30, 2018**

	<b>Human Services Segment</b>	<b>WD Services Segment</b>	<b>Total Discontinued Operations</b>
Service revenue, net	\$ —	\$ 214,956	\$ 214,956
<b>Operating expenses:</b>			
Service expense	—	192,390	192,390
General and administrative expense	(645)	21,969	21,324
Asset impairment charge	—	9,203	9,203
Depreciation and amortization	—	9,210	9,210
Total operating (income) expenses	(645)	232,772	232,127
Operating income (loss)	645	(17,816)	(17,171)
<b>Other income (expense):</b>			
Other expense	—	(669)	(669)
Interest expense, net	—	(109)	(109)
Gain on foreign currency transactions	—	807	807
Equity in net gain of investee	—	80	80
Income (loss) from discontinued operations before income taxes	645	(17,707)	(17,062)
Provision for income taxes	(160)	(804)	(964)
Income (loss) from discontinued operations, net of tax	\$ 485	\$ (18,511)	\$ (18,026)



### Assets and liabilities

The following table summarizes the carrying amounts of the major classes of assets and liabilities of discontinued operations in the condensed consolidated balance sheets as of September 30, 2019 and December 31, 2018. Amounts represent the accounts of WD Services operations in Saudi Arabia, which were not sold as part of the WD Services sale.

	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 250	\$ 2,321
Accounts receivable, net of allowance of \$0 in 2019 and \$3,460 in 2018	—	4,316
Prepaid expenses and other	72	414
<b>Current assets of discontinued operations</b>	<b>\$ 322</b>	<b>\$ 7,051</b>
Accounts payable	\$ 22	\$ 486
Accrued expenses	1,224	2,771
<b>Current liabilities of discontinued operations</b>	<b>\$ 1,246</b>	<b>\$ 3,257</b>
Deferred tax liabilities	\$ 639	\$ —
<b>Noncurrent liabilities of discontinued operations</b>	<b>\$ 639</b>	<b>\$ —</b>

### Cash Flow Information

The following table presents cash flow information of the discontinued operations for the nine months ended September 30, 2019 and 2018:

	<b>Nine Months Ended September 30, 2019</b>
	<b>WD Services Segment</b>
Cash flow information from discontinued operating activities:	
Deferred income taxes	\$ 639
	<b>Nine Months Ended September 30, 2018</b>
	<b>WD Services Segment</b>
Cash flow information from discontinued operating activities:	
Depreciation	\$ 5,300
Amortization	3,910
Stock-based compensation	6
Deferred income taxes	(1,256)
Cash flows from discontinued investing activities:	
Purchase of property and equipment	\$ 4,611

### 16. Segments

Effective January 1, 2019, the Company substantially completed its Organizational Consolidation changing from a holding company that previously owned a portfolio of companies to an operating company structure that provides NET services and has an investment in Matrix. As a result, beginning January 1, 2019, the Company's chief operating decision maker reviews financial performance and allocates resources based on two segments as follows:

- NET Services - which operates primarily under the brands LogistiCare and Circulation, is the largest manager of NET programs for state governments and MCOs in the U.S and includes the Company's activities for executive, accounting, finance, internal audit, tax, legal, certain strategic and development functions and the Company's captive insurance company.
- Matrix Investment - which consists of a minority investment in Matrix, provides a broad array of assessment and care management services that improve health outcomes for individuals and financial performance for health plans. Matrix's national network of community-based clinicians deliver in-home services while its fleet of mobile health clinics provide community-based care with advance diagnostic capabilities.

We have reclassified prior period segment amounts to conform to the current presentation, which are summarized as follows:

	<b>Three Months Ended September 30, 2018</b>			
	As Previously Reported <sup>(1)</sup>	Segment Reclassification	Other Reclassification (Note 1)	As Reported
<b>General and administrative:</b>				
NET Services	\$ 3,904	\$ 5,955	\$ 7,186	\$ 17,045
Corporate and Other	5,955	(5,955)	—	—
<b>Depreciation and amortization:</b>				
NET Services	3,543	237	—	3,780
Corporate and Other	237	(237)	—	—
<b>Operating income (loss):</b>				
NET Services	15,627	(6,192)	—	9,435
Corporate and Other	(6,192)	6,192	—	—

<sup>(1)</sup> Adjusted for discontinued operations, as described in Note 15.

	<b>Nine Months Ended September 30, 2018</b>			
	As Previously Reported <sup>(1)</sup>	Segment Reclassification	Other Reclassification (Note 1)	As Reported
<b>General and administrative:</b>				
NET Services	\$ 9,121	\$ 22,802	\$ 21,158	\$ 53,081
Corporate and Other	22,802	(22,802)	—	—
<b>Service expense</b>				
Net Services	955,796	(271)	(21,158)	934,367
Corporate and Other	(271)	271	—	—
<b>Depreciation and amortization:</b>				
NET Services	10,548	559	—	11,107
Corporate and Other	559	(559)	—	—
<b>Operating income (loss):</b>				
NET Services	48,060	(23,090)	—	24,970
Corporate and Other	(23,090)	23,090	—	—

The following tables set forth certain financial information from continuing operations attributable to the Company's business segments:

**Three months ended September 30, 2019**

	NET Services	Matrix Investment	Total
Service revenue, net	\$ 393,385	\$ —	\$ 393,385
Service expense	356,271	—	356,271
General and administrative expense	15,979	—	15,979
Depreciation and amortization	4,148	—	4,148
Operating income	<u>\$ 16,987</u>	<u>\$ —</u>	<u>\$ 16,987</u>
Equity in net loss of investee	\$ —	\$ (3,188)	\$ (3,188)

**September 30, 2019**

Total assets (continuing operations)	\$ 465,688	\$ 154,532	\$ 620,220
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**Nine Months Ended September 30, 2019**

	NET Services	Matrix Investment	Total
Service revenue, net	\$ 1,125,111	\$ —	\$ 1,125,111
Service expense	1,042,717	—	1,042,717
General and administrative expense	52,241	—	52,241
Asset impairment charge	—	—	—
Depreciation and amortization	12,976	—	12,976
Operating income	<u>\$ 17,177</u>	<u>\$ —</u>	<u>\$ 17,177</u>
Equity in net loss of investee	\$ —	\$ (6,159)	\$ (6,159)

**Three months ended September 30, 2018**

	NET Services	Matrix Investment	Total
Service revenue, net	\$ 343,771	\$ —	\$ 343,771
Service expense	313,511	—	313,511
General and administrative expense	17,045	—	17,045
Asset impairment charge	—	—	—
Depreciation and amortization	3,780	—	3,780
Operating income	<u>\$ 9,435</u>	<u>\$ —</u>	<u>\$ 9,435</u>
Equity in net loss of investee	\$ —	\$ (1,587)	\$ (1,587)

**Nine Months Ended September 30, 2018**

	NET Services	Matrix Investment	Total
Service revenue, net	\$ 1,024,203	\$ —	\$ 1,024,203
Service expense	934,367	—	934,367
General and administrative expense	53,081	—	53,081
Asset impairment charge	678	—	678
Depreciation and amortization	11,107	—	11,107
Operating income	<u>\$ 24,970</u>	<u>\$ —</u>	<u>\$ 24,970</u>
Equity in net loss of investee	\$ —	\$ (4,106)	\$ (4,106)

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our condensed consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2019 and 2018, as well as our consolidated financial statements and accompanying notes and management’s discussion and analysis of financial condition and results of operations included in our Form 10-K for the year ended December 31, 2018. For purposes of “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” references to Q3 2019 and Q3 2018 mean the three months ended September 30, 2019 and the three months ended September 30, 2018, respectively, and references to YTD 2019 and YTD 2018 mean the nine months ended September 30, 2019 and the nine months ended September 30, 2018, respectively.

### Overview of Our Business

We own a subsidiary and an investment primarily engaged in the provision of healthcare services in the United States. The Company’s NET Services segment, which primarily operates under the brands LogistiCare and Circulation, is the largest manager of non-emergency medical transportation (“NET”) programs for state governments and managed care organizations (“MCOs”) in the United States (“U.S.”). In addition, the NET Services segment includes the Company’s activities related to executive, accounting, finance, internal audit, tax, legal, certain strategic and corporate development functions and the results of the Company’s captive insurance company. During 2018, the Company announced an Organizational Consolidation plan (“Organizational Consolidation”) to integrate substantially all activities and functions performed at the corporate holding company level into its wholly-owned subsidiary, LogistiCare Solutions LLC (“LogistiCare”). Effective January 1, 2019, the consolidation was substantially complete. LogistiCare will retain its name and continue to be headquartered in Atlanta, GA, and the Company will continue to be named The Providence Service Corporation and be listed on NASDAQ under the ticker symbol “PRSC”. See Note 8, *Restructuring and Related Reorganization Costs*, and Note 16, *Segments*, in our condensed consolidated financial statements for further information on the Organizational Consolidation.

Our Matrix Investment segment consists of a minority investment in CCHN Group Holdings, Inc. and its subsidiaries (“Matrix”). Matrix is a nationwide provider of a broad array of assessment and care management services that improve health outcomes for individuals and financial performance for health plans. Matrix’s national network of community-based clinicians deliver in-home services while its fleet of mobile health clinics provide community-based care with advance diagnostic capabilities. These solutions combined with Matrix’s advanced engagement approach, helps health plans manage risks, close care gaps and connect members to care.

### Business Outlook and Trends

Our performance is affected by a number of trends that drive the demand for our services. In particular, the markets in which we operate are exposed to various trends such as healthcare industry and demographic dynamics. Over the long term, we believe there are numerous factors that could affect growth within the industries in which we operate, including:

- an aging population, which will increase demand for healthcare services and transportation;
- a movement towards value-based versus fee for service care and budget pressure on governments, both of which may increase the use of private corporations to provide necessary and innovative services;
- increasing demand for in-home care provision, driven by cost pressures on traditional reimbursement models and technological advances enabling remote engagement;
- technological advancements, which may be utilized by us to improve service and lower costs, but also by others which may increase industry competitiveness;
- MCOs that provide Medicare Advantage plans are increasingly offering non-emergency medical transportation services as a supplemental benefit in accordance with current social trends;
- proposals by the President of the United States and Congress to change the Medicaid program, including considering regulatory changes to make the non-emergency medical transportation benefit optional for states, and the Centers for Medicare & Medicaid Services’ grant of waivers to states relative to the parameters of their Medicaid programs. Enactment of adverse legislation, regulation or agency guidance, or litigation challenges to the Patient Protection and Affordable Care Act, state Medicaid programs, or other governmental programs may reduce the eligibility or demand for our services, our ability to conduct some or all of our business and/or reimbursement rates for services performed within our segments; and

- a trend among MCO Medicaid and Medicare plans to offer value-add transportation benefits in order to promote social determinants of health.

### **Critical Accounting Estimates and Policies**

As discussed in Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*, and Note 9, *Leases*, in our condensed consolidated financial statements, as of January 1, 2019, the Company adopted a new standard on leases. Other than this standard, there have been no significant changes in our critical accounting policies to our condensed consolidated financial statements. For further discussion of our critical accounting policies, see management's discussion and analysis of financial condition and results of operations contained in our Form 10-K for the year ended December 31, 2018.

### **Results of Operations**

*Segment reporting.* Our segments reflect the manner in which our operations are organized and reviewed by management.

We operate in one principal business segment, NET Services. Our investment in Matrix is also a reportable segment referred to as the "Matrix Investment". Segment results are based on how our chief operating decision maker manages our business, makes operating decisions and evaluates operating performance. The operating results of our principal business segment include revenue and expenses incurred by the segment, as well as, effective January 1, 2019, the Company's activities that include executive, accounting, finance, internal audit, tax, legal, certain strategic and corporate development functions and the results of the Company's captive insurance company. See Note 16, *Segments*, in our condensed consolidated financial statements for further information on our change in segments.

*Discontinued operations.* During prior years, the Company completed the following transactions, which resulted in the presentation of the related operations as Discontinued Operations.

- On December 21, 2018, the Company completed the sale of substantially all of the operating subsidiaries of its WD Services segment to Advanced Personnel Management Global Pty Ltd of Australia ("APM") and APM UK Holdings Limited, an affiliate of APM, except for the segment's employment services operations in Saudi Arabia. The Company's contractual counterparties in Saudi Arabia, including an entity owned by the Saudi Arabian government, assumed these operations beginning January 1, 2019. Additionally, on June 11, 2018, the Company entered into a Share Purchase Agreement to sell Ingeus France for a de minimis amount. The sale was effective on July 17, 2018.
- On November 1, 2015, the Company completed the sale of its Human Services segment. In addition to the results through the sale date, the Company has recorded additional expenses related to legal proceedings associated with an indemnified legal matter.

Q3 2019 compared to Q3 2018

*Consolidated Results.* The following table sets forth results of operations and the percentage of consolidated total revenues represented by items in our condensed consolidated statements of operations for Q3 2019 and Q3 2018 (in thousands):

	Three months ended September 30,			
	2019		2018	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Service revenue, net	393,385	100.0 %	343,771	100.0 %
Operating expenses:				
Service expense	356,271	90.6 %	313,511	91.2 %
General and administrative expense	15,979	4.1 %	17,045	5.0 %
Depreciation and amortization	4,148	1.1 %	3,780	1.1 %
Total operating expenses	376,398	95.7 %	334,336	97.3 %
Operating income	16,987	4.3 %	9,435	2.7 %
Other expenses (income):				
Interest expense, net	188	— %	250	0.1 %
Other income	(66)	— %	—	— %
Equity in net loss of investee	3,188	0.8 %	1,587	0.5 %
Gain on remeasurement of cost method investment	—	— %	(6,577)	-1.9 %
Income from continuing operations before income taxes	13,677	3.5 %	14,175	4.1 %
Provision for income taxes	5,097	1.3 %	3,880	1.1 %
Income from continuing operations, net of tax	8,580	2.2 %	10,295	3.0 %
Loss from discontinued operations, net of tax	(426)	(0.1) %	(2,964)	(0.9) %
Net income	8,154	2.1 %	7,331	2.1 %
Net income from discontinued operations attributable to non-controlling interest	—	— %	(177)	(0.1) %
Net income attributable to Providence	8,154	2.1 %	7,154	2.1 %

*Service revenue, net.* Service revenue, net for NET Services for Q3 2019 increased \$49.6 million, or 14.4%, compared to Q3 2018. The increase in Q3 2019 was primarily related to secured rate adjustments which included retroactive revenue benefits, a new state contract in West Virginia and new MCO contracts in Minnesota and Louisiana, and higher utilization across multiple not at-risk and reconciliation contracts. These increases were partially offset by the impact of contracts we no longer serve, including a state contract in Rhode Island and an MCO contract in California.

*Service expense, net.* Service expense for our NET Services segment included the following for Q3 2019 and Q3 2018 (in thousands):

	Three Months Ended September 30,			
	2019		2018	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Purchased services	303,840	77.2 %	262,669	76.4 %
Payroll and related costs	40,531	10.3 %	39,033	11.4 %
Other operating expenses	11,900	3.0 %	11,809	3.4 %
Total service expense	356,271	90.6 %	313,511	91.2 %

Service expense for Q3 2019 increased \$42.8 million, or 13.6%, compared to Q3 2018 due primarily to higher purchased transportation costs. Transportation costs increased as a result of both higher utilization across multiple contracts and higher per unit cost.

*General and administrative expense.* General and administrative expense for Q3 2019 decreased \$1.1 million, or 6.3%, compared to Q3 2018. The decrease was primarily due to retention expense associated with the Organizational Consolidation recorded in Q3 2018 and cost savings generated as part of the Organizational Consolidation. These decreases were partially offset by an increase in cash settled stock-based compensation expense of \$2.6 million, primarily as a result of an increase in the Company's stock price during the comparative periods.

*Depreciation and amortization.* Depreciation and amortization for Q3 2019 increased \$0.4 million compared to Q3 2018 primarily due to an increase in intangible assets associated with the Circulation acquisition and fixed assets, partially offset by lower depreciation at NET services.

*Interest expense, net.* Consolidated interest expense for Q3 2019 and Q3 2018 was \$0.2 million and \$0.3 million, respectively, primarily as a result of credit facility administration costs.

*Equity in net loss of investee.* Our equity in net loss of investee for Q3 2019 of \$3.2 million was a result of our proportional share of the net loss of Matrix. During Q3 2019, Matrix had a standalone net loss of \$6.9 million, which included \$11.3 million of depreciation and amortization, \$6.2 million of interest expense, and \$2.0 million of an income tax benefit.

For Q3 2018, our equity in net loss of investee of \$1.6 million was a result of our proportional share of the net loss of Matrix. Included in Matrix's standalone Q3 2018 results were depreciation and amortization of \$9.6 million, interest expense of \$6.2 million, and an income tax benefit of \$0.4 million.

*Provision for income taxes.* The Company's effective tax rate from continuing operations for Q3 2019 and Q3 2018 was 37.3% and 27.4%, respectively. These effective tax rates from continuing operations were higher than the U.S. federal statutory rate of 21.0% primarily due to state income taxes, and certain non-deductible expenses offset, in part, by the favorable impact of stock option deductions, and no income tax provision in 2018 on the gain on remeasurement of cost method investment of \$6.6 million.

*Loss from discontinued operations, net of tax.* Loss from discontinued operations, net of tax, includes the activity related to our former WD Services and Human Services segments. See Note 15, *Discontinued Operations*, to our condensed consolidated financial statements for additional information.

For Q3 2019, the loss from discontinued operations, net of tax, for our former WD Services segment was \$0.4 million, which includes the income and expense related to the wind-down of the WD Services entity in Saudi Arabia. The operations in Saudi Arabia, including personnel, leased facilities and certain assets necessary to provide the employment services, were transferred to a third party as of January 1, 2019, and thus the Company is no longer providing services in Saudi Arabia. For Q3 2019, the loss from discontinued operations, net of tax, for our former Human Services segment was nil.

For Q3 2018, the loss on discontinued operations, net of tax, primarily for our former WD Services segment was \$3.5 million, which was offset by income, net of tax, for our former Human Services segment of \$0.5 million.

*Net loss attributable to non-controlling interests.* For Q3 2018, net loss from discontinued operations attributable to non-controlling interests primarily related to a minority interest held by a third-party operating partner in our company servicing the offender rehabilitation contract within our historical WD Services segment.



YTD 2019 compared to YTD 2018

The following table sets forth results of operations and the percentage of consolidated total revenues represented by items in our condensed consolidated statements of operations for YTD 2019 and YTD 2018 (in thousands):

	Nine months ended September 30,			
	2019		2018	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Service revenue, net	1,125,111	100.0 %	1,024,203	100.0 %
Operating expenses:				
Service expense	1,042,717	92.7 %	934,367	91.2 %
General and administrative expense	52,241	4.6 %	53,081	5.2 %
Asset impairment charge	—	— %	678	0.1 %
Depreciation and amortization	12,976	1.2 %	11,107	1.1 %
Total operating expenses	1,107,934	98.5 %	999,233	97.6 %
Operating income	17,177	1.5 %	24,970	2.4 %
Other expenses (income):				
Interest expense, net	793	0.1 %	808	0.1 %
Other income	(199)	— %	—	— %
Equity in net loss of investee	6,159	0.5 %	4,106	0.4 %
Gain on remeasurement of cost method investment	—	— %	(6,577)	(0.6) %
Income from continuing operations before income taxes	10,424	0.9 %	26,633	2.6 %
Provision for income taxes	3,940	0.4 %	6,951	0.7 %
Income from continuing operations, net of tax	6,484	0.6 %	19,682	1.9 %
Income (loss) from discontinued operations, net of tax	540	— %	(18,026)	(1.8) %
Net income	7,024	0.6 %	1,656	0.2 %
Net loss attributable to noncontrolling interest	—	— %	(285)	— %
Net income attributable to Providence	7,024	0.6 %	1,371	0.1 %

*Service revenue, net.* Consolidated service revenue, net for YTD 2019 increased \$100.9 million, or 9.9%, compared to YTD 2018. The increase in YTD 2019 was primarily related to secured rate adjustments which included retroactive revenue benefits, a new state contract in West Virginia and new MCO contracts in Minnesota and Louisiana, and higher utilization across multiple not at-risk and reconciliation contracts. These increases were partially offset by the impact of contracts we no longer serve, including a state contract in Rhode Island and an MCO contract in California.

*Service expense, net.* Service expense for our NET Services segment included the following for YTD 2019 and YTD 2018 (in thousands):

	Nine Months Ended September 30,			
	2019		2018	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Purchased services	890,039	79.1 %	785,513	76.7 %
Payroll and related costs	119,100	10.6 %	114,682	11.2 %
Other operating expenses	33,578	3.0 %	34,172	3.3 %
Total service expense	1,042,717	92.7 %	934,367	91.2 %

Service expense for YTD 2019 increased \$108.4 million, or 11.6%, compared to YTD 2018 due primarily to higher purchased transportation costs and operational payroll and related costs. Transportation costs increased as a result of both higher utilization across multiple contracts and higher per unit cost.

*General and administrative expense.* General and administrative expense for YTD 2019 decreased \$0.8 million or 1.6%, compared to YTD 2018. The decrease was due primarily to less retention expense and cost savings as a result of Organizational Consolidation.

*Asset impairment charge.* During YTD 2018, the Company incurred an asset impairment charge of \$0.7 million in relation to the decision to abandon specific development work intended to synchronize data across applications of the proprietary LCAD Nextgen system as a result of the acquisition of Circulation and its technology platform.

*Depreciation and amortization.* Depreciation and amortization for YTD 2019 increased \$1.9 million or 16.8% compared to YTD 2018 primarily due to an increase in intangibles associated with the Circulation acquisition and fixed assets, partially offset by lower depreciation on fixed assets of legacy NET services.

*Interest expense, net.* Consolidated interest expense, net was \$0.8 million for both YTD 2019 and YTD 2018, as a result of borrowing and credit facility administration costs.

*Equity in net loss of investee.* Our equity in net loss of investee for YTD 2019 of \$6.2 million includes our proportional share of the net loss of Matrix. During YTD 2019, Matrix had a standalone net loss of \$15.1 million, which included \$33.7 million of depreciation and amortization, \$19.0 million of interest expense, and \$4.5 million of a tax benefit.

Our equity in net loss of investee for YTD 2018 of \$4.1 million includes our proportional share of the net loss of Matrix. During YTD 2018, Matrix had a standalone net loss of \$13.7 million, which included depreciation and amortization of \$28.0 million, interest expense of \$22.5 million, and an income tax benefit of \$3.4 million.

*Provision for income taxes.* Our effective tax rates from continuing operations for YTD 2019 and YTD 2018 were 37.8% and 26.1%, respectively. These effective tax rates from continuing operations were higher than the U.S. federal statutory rate of 21.0% primarily due to, state income taxes and certain non-deductible expenses offset, in part, by the favorable impact of stock option deductions, and no income tax provision in 2018 on the gain on remeasurement of cost method investment of \$6.6 million.

*Income (loss) from discontinued operations, net of tax.* Income (loss) from discontinued operations, net of tax, includes the activity related to our former WD Services and Human Services segments. See Note 15, *Discontinued Operations*, to our condensed consolidated financial statements for additional information.

For YTD 2019, the income from discontinued operations, net of tax, for our former WD Services segment was \$0.7 million as a result of cash distribution from WD Services to the Company, partially offset by costs related to the wind-down of the WD Services entity in Saudi Arabia. The operations in Saudi Arabia, including personnel, leased facilities and certain assets necessary to provide the employment services, were transferred to a third party as of January 1, 2019, and thus the Company is no longer providing services in Saudi Arabia. Loss from discontinued operations, net of tax, for our former Human Services segment was \$0.2 million.

For YTD 2018, the loss from discontinued operations, net of tax, primarily for our former WD Services segment was \$18.5 million, which was offset by income, net of tax, for our former Human Services segment of \$0.5 million.

*Net loss attributable to non-controlling interests.* For YTD 2018, net loss attributable to non-controlling interests related to a minority interest held by a third-party operating partner in our company servicing the offender rehabilitation contract within our historical WD Services segment. There was no such loss in YTD 2019.

## **Seasonality**

While revenue is generally fixed, primarily as a result of the capitated nature of the majority of our contracts, service expense varies based on the utilization of our services. The quarterly operating income and cash flows of NET Services normally fluctuate as a result of seasonal variations in the business, principally due to lower transportation demand during the winter season and higher demand during the summer season.

## **Liquidity and capital resources**

Short-term capital requirements consist primarily of recurring operating expenses, new contract start-up costs and costs associated with our Organizational Consolidation and other strategic initiatives. We expect to meet our cash requirements through available cash on hand, cash generated from NET Services, and borrowing capacity under our Credit Facility (as defined below).

Our balance of cash and cash equivalents was \$40.6 million and \$5.7 million at September 30, 2019 and December 31, 2018, respectively. Additionally, we had restricted cash of \$0.8 million and \$4.4 million at September 30, 2019 and December 31, 2018, respectively, primarily related to contractual obligations and activities of our captive insurance subsidiary. As we wind down our captive insurance subsidiary our restricted cash balance has declined over time. Restricted cash amounts are not included in our balance of cash and cash equivalents in the condensed consolidated balance sheets, although they are included in the cash, cash equivalents and restricted cash balance on the accompanying condensed consolidated statements of cash flows. At both September 30, 2019 and December 31, 2018, we had no amounts outstanding under our Credit Facility.

We may, from time to time, access capital markets to raise equity or debt financing for various business reasons, including acquisitions. We may also raise debt financing to fund future repurchases of our common stock. The timing, term, size, and pricing of any such financing will depend on investor interest and market conditions, and there can be no assurance that we will be able to obtain any such financing.

The cash flow statements for all periods presented include both continuing and discontinued operations. Discontinued operations include the activity of our historical WD Services and Human Services segments. The income from discontinued operations, net of tax, was \$0.5 million for YTD 2019 and the loss from discontinued operations, net of tax, was \$18.0 million for YTD 2018.

#### **YTD 2019 cash flows compared to YTD 2018**

*Operating activities.* Cash provided by operating activities was \$40.1 million for YTD 2019, an increase of \$17.6 million as compared with YTD 2018. YTD 2019 and YTD 2018 cash flow from operations were driven by net income of \$7.0 million and \$1.7 million, respectively, non-cash adjustments to reconcile net income to net cash provided by operating activities of \$26.2 million and \$35.2 million, respectively, and changes in working capital of positive \$6.9 million and negative \$14.3 million, respectively. The change in working capital was primarily driven by the following:

- Accounts receivable required a cash outflow for YTD 2019 of \$44.4 million as compared to an outflow of \$31.5 million for YTD 2018. The increase in cash outflow of \$12.9 million was primarily attributable to an increase in revenue and in the timing of collections from a limited number of payers.
- Prepaid expense and other required a cash inflow for YTD 2019 of \$27.7 million as compared to an inflow of \$14.2 million for YTD 2018. The increase in cash inflow of \$13.4 million is primarily due to refunds received from the Internal Revenue Service (“IRS”) totaling \$30.8 million resulting from the carryback of losses from the 2018 sale of its workforce development segment for U.S. tax payments made previously in 2015 and 2018. This was offset by a decrease in cash flow due to our discontinued WD Services segment whereby our YTD 2019 cash flows do not include cash inflows for WD Services' contract assets and costs to fulfill contracts.
- Accounts payable and accrued expenses required a cash outflow for YTD 2019 of \$9.4 million as compared to an outflow of \$26.3 million for YTD 2018. The decrease in cash outflow of \$16.9 million is due primarily to the timing of vendor payments and also because YTD 2018 does not include cash inflows for WD Services' accounts payable and accrued expenses to be paid.
- Accrued transportation costs of NET Services generated a cash inflow of \$27.5 million in YTD 2019, as compared to a cash inflow of \$30.9 million in YTD 2018. The decrease in cash inflow of \$3.4 million is due primarily to higher purchased service expense and timing of payments.

*Investing activities.* Net cash used in investing activities of \$7.3 million in YTD 2019 decreased by \$50.7 million as compared to YTD 2018. The decrease was primarily attributable to the \$42.1 million cash outflow for the acquisition of Circulation in 2018 and a decrease in the purchase of property and equipment in 2019 of \$5.9 million as compared to 2018. Also, YTD 2018 included proceeds received on a note receivable related to the sale of a building in 2016.

*Financing activities.* Net cash used in financing activities of \$3.4 million in YTD 2019 decreased \$10.4 million as compared to YTD 2018. During YTD 2018, we repurchased \$56.0 million of our common stock compared to \$6.4 million in YTD 2019. There was also repayment of debt in YTD 2019 of \$12 million and \$24 million less borrowings in YTD 2019 as

compared to YTD 2018. Additionally, as a partial offset, in YTD 2018, proceeds from common stock issued pursuant to stock option exercises was \$5.5 million more than in YTD 2019.

### ***Obligations and commitments***

*Credit Facility.* We are party to the amended and restated credit and guaranty agreement, dated as of August 2, 2013 (as amended, the “Credit Agreement”), with Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer, and the other lenders party thereto. The Credit Agreement provides us with a \$200.0 million revolving credit facility (the “Credit Facility”), including a sub-facility of \$25.0 million for letters of credit. As of September 30, 2019, we had no borrowings outstanding; however, we had letters of credit outstanding in the amount of \$13.0 million. As of September 30, 2019, our available credit under the Credit Facility was \$187.0 million.

On July 12, 2019, the Company and certain of its subsidiaries entered into an amendment to the Credit Agreement, by and among the Company, the guarantors from time to time party thereto, the lenders from time to time party thereto and Bank of America, N.A. as administrative agent. The Amendment extended the maturity date of the Credit Agreement to August 2, 2020.

Under the Credit Agreement, the Company has an option to request an increase in the amount of the revolving credit facility or in a term loan facility from time to time (on substantially the same terms as apply to the existing facility) in an aggregate amount of up to \$75.0 million with either additional commitments from lenders under the Credit Agreement at such time or new commitments from financial institutions acceptable to the administrative agent in its reasonable discretion, so long as no default or event of default exists at the time of any such increase. The Company may not be able to access additional funds under this increase option as no lender is obligated to participate in any such increase under the Credit Facility. We may from time to time incur additional indebtedness, obtain additional financing or refinance existing indebtedness subject to market conditions and our financial condition.

We may prepay any outstanding principal under the Credit Facility in whole or in part, at any time without premium or penalty, subject to reimbursement of the lenders’ breakage and redeployment costs in connection with prepayments of London Interbank Offered Rate, or LIBOR, loans. The unutilized portion of the commitments under the Credit Facility may be irrevocably reduced or terminated by us at any time without penalty.

Interest on the outstanding principal amount of any loans accrues, at our election, at a per annum rate equal to LIBOR, plus an applicable margin or the base rate plus an applicable margin. The applicable margin ranges from 2.25% to 3.25% in the case of LIBOR loans and 1.25% to 2.25% in the case of the base rate loans, in each case, based on our consolidated leverage ratio as defined in the Credit Agreement. Interest on any loans is payable quarterly in arrears. In addition, we are obligated to pay a quarterly commitment fee based on a percentage of the unused portion of each lender’s commitment under the Credit Facility and quarterly letter of credit fees based on a percentage of the maximum amount available to be drawn under each outstanding letter of credit. The commitment fee and letter of credit fee range from 0.25% to 0.50% and 2.25% to 3.25%, respectively, in each case, based on our consolidated leverage ratio. Our current commitment fee and letter of credit rates are 0.25% and 2.25%, respectively.

The Credit Facility also requires us (subject to certain exceptions as set forth in the Amended and Restated Credit Agreement) to prepay the outstanding loans in an aggregate amount equal to 100% of the net cash proceeds received from certain asset dispositions, debt issuances, insurance and casualty awards and other extraordinary receipts.

Our obligations under the Credit Facility are guaranteed by all of our present and future domestic subsidiaries, excluding certain domestic subsidiaries, such as, our insurance captive. Our obligations under, and each guarantor’s obligations under its guaranty of, the Credit Facility are secured by a first priority lien on substantially all of our respective assets, other than our equity investment in Matrix, including a pledge of 100% of the issued and outstanding stock of our domestic subsidiaries, excluding our insurance captive.

The Credit Agreement contains customary affirmative and negative covenants and events of default. The negative covenants include restrictions on our ability to, among other things, incur additional indebtedness, create liens, make investments, give guarantees, pay dividends, repurchase shares, sell assets, and merge and consolidate. We are subject to financial covenants, including consolidated net leverage and consolidated interest coverage covenants. The Company’s consolidated net leverage ratio may not be greater than 3.00:1.00 as of the end of any fiscal quarter and the Company’s consolidated interest coverage ratio may not be less than 3.00:1.00 as of the end of any fiscal quarter. We were in compliance with all covenants as of September 30, 2019.

*Preferred Stock.* Following (i) the completion of a rights offering in February 2015, under which certain holders of our Common Stock exercised subscription rights to purchase Preferred Stock, and (ii) the purchase of Preferred Stock by Coliseum Capital Partners, L.P., Coliseum Capital Partners II, L.P., Blackwell Partners, LLC - Series A and Coliseum Capital Co-Invest, L.P. (collectively, the “Coliseum Stockholders”), pursuant to the Standby Purchase Agreement between the Coliseum Stockholders and the Company, the Company issued 805,000 shares of Preferred Stock, of which 799,969 shares are outstanding as of September 30, 2019. For further information regarding these transactions, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and capital resources – Obligations and commitments – Rights Offering” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. We may pay a noncumulative cash dividend on each share of Preferred Stock, when, as and if declared by a committee of our Board of Directors (“Board”), at the rate of 5.5% per annum on the liquidation preference then in effect. On or before the third business day immediately preceding each fiscal quarter, we determine our intention whether or not to pay a cash dividend with respect to that ensuing quarter and give notice of our intention to each holder of Preferred Stock as soon as practicable thereafter.

In the event we do not declare and pay a cash dividend, the liquidation preference will be increased to an amount equal to the liquidation preference in effect at the start of the applicable dividend period, plus an amount equal to such then applicable liquidation preference multiplied by 8.5% per annum, computed on the basis of a 365-day year and the actual number of days elapsed from the start of the applicable dividend period to the applicable date of determination.

Cash dividends are payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, and, if declared, will begin to accrue on the first day of the applicable dividend period. Paid-in-kind (“PIK”) dividends, if applicable, will accrue and be cumulative on the same schedule as set forth above for cash dividends and will also be compounded at the applicable annual rate on each applicable subsequent dividend date. PIK dividends are paid upon the occurrence of a liquidation event, conversion or redemption in accordance with the terms of the Preferred Stock. Cash dividends were declared for the nine months ended September 30, 2019 and 2018 totaled \$3.3 million in both periods.

### ***Reinsurance and Self-Funded Insurance Programs***

#### *Reinsurance*

We historically reinsured a substantial portion of our automobile, general and professional liability and workers’ compensation costs under reinsurance programs through our wholly-owned captive insurance subsidiary, Social Services Providers Captive Insurance Company, or SPCIC. As of May 16, 2017, SPCIC did not renew the expiring reinsurance policies. SPCIC will continue to resolve claims under the historical policy years.

At September 30, 2019, the cumulative reserve for expected losses since inception of these historical automobile, general and professional liability and workers’ compensation reinsurance programs was \$0.1 million, \$0.4 million and \$1.6 million, respectively. Based on an independent actuarial report, our expected losses related to workers’ compensation, automobile and general and professional liability in excess of our liability under our associated historical reinsurance programs at September 30, 2019 was \$2.7 million. We recorded a corresponding receivable from third-party insurers and liability at September 30, 2019 for these expected losses, which would be paid by third-party insurers to the extent losses are incurred.

Further, we had restricted cash of \$0.8 million and \$4.4 million at September 30, 2019 and December 31, 2018, respectively, which was restricted to secure the reinsured claims losses under the historical automobile, general and professional liability and workers’ compensation reinsurance programs.

#### *Health Insurance*

We offer our employees an option to participate in a self-funded health insurance program. The liability for the self-funded health plan of \$2.1 million and \$2.2 million as of September 30, 2019 and December 31, 2018, respectively, was recorded in “Reinsurance and related liability reserves” in our condensed consolidated balance sheets.

### **Off-Balance Sheet Arrangements**

There have been no material changes to the Off-Balance Sheet Arrangements discussion previously disclosed in our audited consolidated financial statements contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 other than the adoption of ASC 842, effective January 1, 2019, whereby the Company recorded \$23.2

million and \$24.5 million of additional leased assets and liabilities, respectively, on its condensed consolidated balance sheet. The adoption did not have a material impact on the statement of operations. See Note 9, *Leases*, for further information.

### **Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains certain statements that may be deemed “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including statements related to the Company’s strategies or expectations about revenues, liabilities, results of operations, cash flows, ability to fund operations, profitability, ability to meet financial covenants, contracts or market opportunities. The Company may also make forward-looking statements in other reports filed with the Securities and Exchange Commission (the “SEC”), in materials delivered to stockholders and in press releases. In addition, the Company’s representatives may from time to time make oral forward-looking statements. In certain cases, you may identify forward looking-statements by words such as “may”, “will”, “should”, “could”, “expect”, “plan”, “project”, “intend”, “anticipate”, “believe”, “seek”, “estimate”, “predict”, “potential”, “target”, “forecast”, “likely”, the negative of such terms or comparable terminology. In addition, statements that are not historical statements of fact should also be considered forward-looking statements. These forward-looking statements are based on the Company’s current expectations, assumptions, estimates and projections about its business and industry, and involve risks, uncertainties and other factors that may cause actual events to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the risks disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018 and our other filings with the SEC.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. The Company is under no obligation to (and expressly disclaims any such obligation to) update any of the information in any forward-looking statement if such forward-looking statement later turns out to be inaccurate, whether as a result of new information, future events or otherwise.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We have exposure to interest rate risk mainly related to our Credit Facility, which has variable interest rates that may increase. We did not have any amounts outstanding on our Credit Facility at September 30, 2019.

### **Item 4. Controls and Procedures.**

#### *(a) Evaluation of disclosure controls and procedures*

The Company, under the supervision and with the participation of its management (including its principal executive officer and principal financial officer), evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act as of September 30, 2019. Based upon this evaluation, the Company’s principal executive and financial officers have concluded that such disclosure controls and procedures were effective to provide reasonable assurance that (i) information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### *(b) Changes in internal control over financial reporting*

The principal executive and financial officers also conducted an evaluation of whether any changes in the Company’s internal control over financial reporting occurred during the quarter ended September 30, 2019 that have materially affected or which are reasonably likely to materially affect such control. Except as set forth below, there were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financing reporting.

During the first quarter of 2019, the Company implemented new internal controls and processes related to its adoption of ASC 842.

#### *(c) Limitations on the effectiveness of controls*

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. 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. The Company conducts periodic evaluations of its internal controls to enhance, where necessary, its procedures and controls.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

From time-to-time, we may become involved in legal proceedings arising in the ordinary course of our business. We cannot predict with certainty the potential for or outcome of any future litigation. Regardless of the outcome of any particular litigation and the merits of any particular claim, litigation can have a material adverse impact on our company due to, among other reasons, any injunctive relief granted which could inhibit our ability to operate our business, amounts paid as damages or in settlement of any such matter, diversion of management resources and defense costs.

On January 21, 2019, the United States District Court for the Southern District of Ohio unsealed a qui tam complaint, filed in December 2015, against Mobile Care Group, Inc., Mobile Care Group of Ohio, LLC, Mobile Care EMS & Transport, Inc. and LogistiCare Solutions, LLC (“LogistiCare”) by Brandee White, Laura Cunningham, and Jeffery Wisier (the “Relators”) alleging violations of the federal False Claims Act by presenting claims for payment to government healthcare programs knowing that the prerequisites for such claims to be paid had not been met. The Relators seek to recover damages, fees and costs under the federal False Claims Act including treble damages, civil penalties and attorneys’ fees. In addition, the Relators seek reinstatement to their jobs with the Mobile Care entities. None of the Relators was employed by LogistiCare. Prior to January 21, 2019, LogistiCare had no knowledge of the complaint. The federal government has declined to intervene against LogistiCare. The Company filed a motion to dismiss the Complaint on April 22, 2019. Although the outcome of such matter is inherently uncertain and may be materially adverse, based on current information, we do not expect the case to have a material adverse effect on its business, financial condition or results of operations.

On March 1, 2019, Meher Patel filed suit against the Company in the Superior Court of the State of California, Tuolumne County, on behalf of herself and as a class action on behalf of others similarly situated, asserting violations under the California Labor Code relating to the alleged failure by LogistiCare to comply with certain applicable state wage and related employment requirements, as well as claims of breach of contract and breach of the implied covenant of good faith and fair dealing. The plaintiff seeks to recover an unspecified amount of damages and penalties, as well as certification as a class action. On September 6, 2019, Ms. Patel amended her complaint to add Provado Mobile Health, a Company subsidiary, as a party to the suit. No amounts have been accrued for any potential losses under this matter, as management cannot reasonably predict the outcome of the litigation or any potential losses. The Company and its subsidiary intend to defend the litigation vigorously. Although the outcome of such matter is inherently uncertain and may be materially adverse, based on current information, we do not expect the case to have a material adverse effect on our business, financial condition or results of operations.

In *Lynch v. Ride Plus et al.*, a putative class action lawsuit pending in the Superior Court for the County of San Diego, California, a former Ride Plus driver has sought to represent all Ride Plus drivers in California on claims that they were misclassified as independent contractors and that, among other things, they were not paid minimum wages, overtime wages, meal period premiums and rest period premiums. The Company has not yet been served with the complaint but intends to vigorously defending the claims. At this early stage in the litigation, it is impossible to predict with any certainty whether plaintiff will succeed in getting the court to certify a class, either she and the class will prevail in their claims, or what they might recover.

### Item 1A. Risk Factors.

There have been no material changes from the risk factors disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

#### *Issuer Purchases of Equity Securities*

The following table provides information with respect to common stock repurchased by us during the three months ended September 30, 2019:



Period	Total Number of Shares (or Units) of Common Stock Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) of Common Stock Purchased as Part of Publicly Announced Plans or Program	Maximum Dollar Value (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Program (000's) (2)
<b>Month 1:</b>				
July 1, 2019				
to				
July 31, 2019		\$ —	—	\$ —
<b>Month 2:</b>				
August 1, 2019				
to				
August 31, 2019	69,113	\$ 57.06	69,113	\$ 96,043
<b>Month 3:</b>				
September 1, 2019				
to				
September 30, 2019	36,308	\$ 55.96	36,308	\$ 94,012
Total	<u>105,421</u>		<u>105,421</u>	

(1) Includes shares repurchased from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting of restricted stock grants.

(2) On October 26, 2016, our Board authorized a repurchase program, under which the Company may repurchase up to \$100.0 million in aggregate value of the Company's Common Stock during the twelve-month period following October 26, 2016. On November 2, 2017, our Board approved the extension of the Company's prior stock repurchase program, authorizing the Company to engage in a repurchase program to repurchase up to \$69.6 million (the amount remaining from the \$100.0 million repurchase amount authorized in 2016) in aggregate value of our Common Stock through December 31, 2018. Subsequently, on March 29, 2018, our Board authorized an increase in the amount available for stock repurchases under the Company's existing stock repurchase program by \$77.8 million, and extended the existing stock repurchase program through June 30, 2019.

A total of 1.8 million shares have been repurchased since the Board originally approved the repurchase program on October 26, 2016. The share repurchases were made through a combination of open market repurchases (including Rule 10b5-1 plans), privately negotiated transactions, accelerated share repurchase transactions and other derivative transactions. As of June 30, 2019, this repurchase program expired.

On August 6, 2019, the Board authorized a new stock repurchase program under which the Company may repurchase up to \$100.0 million in aggregate value of the Company's Common Stock, subject to the consent of the holders of a majority of the Company's Series A convertible preferred stock, through December 31, 2019, unless terminated earlier. Since August 6, 2019, an additional 105,421 shares were repurchased.

Item 6. Exhibits.

EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description</b>
10.1+	<a href="#">Form of Restricted Stock Agreements.</a>
10.2+	<a href="#">Form of Stock Option Agreements.</a>
10.3+	<a href="#">Employment Agreement, dated August 8, 2019, by and among The Providence Service Corporation, Logisticare Solutions, LLC and Kathryn Stalmack</a>
31.1*	<a href="#">Certification pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 of the Chief Executive Officer</a>
31.2*	<a href="#">Certification pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 of the Chief Financial Officer.</a>
32.1*	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer.</a>
32.2*	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer.</a>
101.INS	XBR Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

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+ Management contract of compensatory plan or arrangement.  
\* Filed herewith.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE PROVIDENCE SERVICE CORPORATION

Date: November 7, 2019

By: \_\_\_\_\_  
/s/ R. Carter Pate  
**R. Carter Pate**  
**Interim Chief Executive Officer**  
*(Principal Executive Officer)*

Date: November 7, 2019

By: \_\_\_\_\_  
/s/ Kevin Dotts  
**Kevin Dotts**  
**Chief Financial Officer**  
*(Principal Financial Officer)*

PROVIDENCE  
SERVICE  
CORPORATION

PROVIDENCE RESTRICTED STOCK AGREEMENT

To: [●]

Award Date: [●]

You are hereby awarded, effective as of the date hereof, [●] shares (the "Shares") of common stock, \$.001 par value ("Common Stock"), of The Providence Service Corporation, a Delaware corporation (the "Company"), the closing stock price as of the date hereof was \$[●] (the "Grant Price"), pursuant to the Company's 2006 Long-Term Incentive Plan, as amended in 2016 (the "Plan"), subject to certain Restrictions (as defined and specified below). While subject to the Restrictions, this Agreement refers to the Shares as "Restricted Shares."

During the period commencing on the Award Date and terminating as provided under the section below entitled "Vesting Schedule" (the "Restriction Period"), except as expressly provided herein, the Shares may not be sold, assigned or transferred, except by will or the laws of descent, and may not be pledged, or otherwise encumbered and are subject to forfeiture (the "Restrictions").

In addition to the terms, conditions, and restrictions set forth in the Plan, the following terms, conditions, and restrictions apply to the Restricted Shares:

**Restrictions and Forfeiture**

You may not sell, assign, pledge, encumber, or otherwise transfer any interest in the Restricted Shares until the dates set forth in the Vesting Schedule set forth below, at which point the Restricted Shares will be referred to as "Vested." A Restricted Share shall not be subject to execution, attachment or similar process.

If your Employment terminates for any reason other than death or Disability (as defined in the Plan), the Company will have the right to reacquire your unvested Restricted Shares at the lower of your original purchase price, if any, for such Shares, and the fair market value of the Shares on your date of termination. If there was no purchase price, your Restricted Shares will be forfeited.

Subject to the restrictions set forth in the Plan, the Administrator (as defined in the Plan) shall have the authority, in its discretion, to accelerate the time at which any or all of the restrictions shall lapse with respect to any Shares thereto, or to remove any or all of such restriction, whenever the Administrator may determine that such action is appropriate by reason of changes in applicable tax or other laws, or other changes in circumstances occurring after the commencement of the Restriction Period.

**Vesting Schedule**

Assuming you provide Continuous Service as an Employee (as defined in the Plan) of the Company or an Affiliate of the Company through the applicable Vesting Date, all Restrictions will lapse on the Restricted Shares on the Vesting Dates set forth in the schedule below for the applicable Restricted Shares and they will become Vested, the Company will transfer the Vested Shares to you once all of the Additional Conditions to Transfer described below have been satisfied, and you will be able, subject to federal, state or foreign securities law limitations and any other

applicable shareholders agreements or other agreements, to sell the Shares.

<u>Vesting Dates</u>	<u>Vesting Schedule</u>
	<u>Number of Restricted Shares that Vest</u>
[•]	[•]
[•]	[•]
[•]	[•]

**Change in Control** Notwithstanding the Plan and the Vesting Schedule set forth above, in the event of a Change in Control, any unvested portion of your Restricted Shares only become vested upon the occurrence of a Change in Control Termination, such Restricted Shares shall become fully vested upon the occurrence of such Change in Control Termination. As used herein, "Change in Control Termination" means a termination of your Employment by the Company or its successor without Cause 30 days prior to, or one year following a Change in Control.

**Continuous Service** "Continuous Service," as used herein, means the absence of any interruption or termination of your service as an Employee (as defined in the Plan), of the Company or any Affiliate. If you are an Employee of an Affiliate of the Company, your Employment shall be deemed to have terminated on the date the Affiliate to which you are an Employee ceases to be an Affiliate of the Company, unless on that date you become an Employee of the Company or another Affiliate of the Company. Service shall not be considered interrupted in the case of sick leave, military leave or any other leave of absence approved by the Company or any then Affiliate of the Company. Your Employment shall not be deemed to have terminated if you are transferred from the Company to an Affiliate of the Company, or vice versa, or from one Company Affiliate to another Company Affiliate.

**Additional Conditions to Transfer** The Company will retain the Restricted Shares until the Shares become Vested. After becoming Vested, the Company will transfer the Shares to you, either in book entry form or by share certificate.

You will not receive the Shares unless and until all of the following events occur and during the following periods of time:

- (a) Until the Shares are approved, registered and listed with such federal, state, local and foreign regulatory bodies or agencies and securities exchanges as the Company may deem necessary or desirable, or the Company deems such Shares to be exempted therefrom;
- (b) During any period of time which the Company deems that the issuance of the Shares may violate a federal, state, local, or foreign law, rule or regulation, or any applicable securities exchange or listing rule or agreement, or may cause the Company to be legally obligated to issue or sell more shares than the Company is legally entitled to issue or sell; or
- (c) Until you have paid or made suitable arrangements to pay (which may include payment through the surrender of Common Stock, unless

prohibited by the Administrator) (i) all federal, state, local and foreign tax withholding required by the Company in connection with the issuance or the vesting of the Shares and (ii) the employee's portion of other federal, state, local and foreign payroll and other taxes due in connection with the issuance or the vesting of the Shares.

<b>Dividend Equivalents and Voting</b>	The Company will pay you additional compensation when it pays dividends with respect to its Shares. Under this additional compensation, you will receive the same amount, reduced by withholding, as though you had owned the Restricted Shares and received dividends on those Shares. You will receive dividend equivalents only with respect to record dates that follow the Date of Grant. You will not receive dividend equivalents if you have made a dividend reinvestment election (in the manner specified by the Administrator). You will not receive dividend equivalents on any Restricted Shares after you forfeit them. You will not have any voting rights on any Restricted Shares.
<b>Tax Withholdings</b>	Unless you make an 83(b) election and pay taxes in accordance with that election, you will be taxed on the Shares as they become Vested and must arrange to pay the taxes on this income. If the Administrator so determines, arrangements paying the taxes may include your surrendering Shares that otherwise would be released to you upon becoming Vested or your surrendering Shares you already own. The fair market value of the Shares you surrender, determined as of the date when taxes otherwise would have been withheld in case, will be applied as a credit against the withholding taxes.
<b>Representation</b>	<p>The Participant hereby agrees, warrants and represents that he will acquire the Shares to be issued hereunder for his own account for investment purposes only, and not with a view to, or in connection with, any resale or other distribution of any of such shares, except as hereafter permitted. The Participant further agrees that he will not at any time make any offer, sale, transfer, pledge or other disposition of such Shares to be issues hereunder without an effective registration statement under the Securities Act of 1933, as amended, and under any applicable state securities laws or an opinion of counsel acceptable to the Company to the effect that the proposed transaction will be exempt from such registration. The Participant shall execute such instruments, representations, acknowledgements and agreements as the Company may, in its sole discretion, deem advisable to avoid any violation of federal, state, local or foreign law, rule or regulation, or any securities exchange rule or listing agreement.</p> <p>The sole purpose of the agreements, warranties and representations set forth in the immediately preceding paragraph is to prevent violations of the Securities Act of 1933, as amended, and any applicable state securities laws.</p>
<b>Stock Dividend, Stock Split and Similar Capital Changes</b>	In the event of any change in the outstanding shares of the Common Stock of the consolidation, transfer of assets, conversion or what the Administrator deems in its sole discretion to be similar circumstances, the number of kind of shares subject to this Agreement shall be appropriately adjusted in a manner to be determined in the sole discretion of the Administrator, whose decision shall be final, binding and conclusive in the absence of clear and convincing evidence of bad faith.

<b>Non-Transferability</b>	Restricted Shares are not transferable.
<b>No Effect on Status as an Employee</b>	<b>Further, nothing herein guarantees your status as an Employee for any specified period of time. You recognize that, for instance, you may terminate your Employment or the Company or any of its Affiliates may terminate your Employment prior to the date on which your Shares become vested.</b>
<b>No Effect on Corporate Authority</b>	You understand and agree that the existence of this Agreement will not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the common shares or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.
<b>Arbitration</b>	<p>Any dispute or disagreement between you and the Company with respect to any portion of this Agreement or its validity, construction, meaning, performance or your rights hereunder shall be settled by arbitration, at a location designated by the Company, in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor, as amended from time to time. However, prior to submission to arbitration you will attempt to resolve any disputes or disagreements with the Company over this Agreement amicably and informally, in good faith, for a period not to exceed two weeks. Thereafter, the dispute or disagreement will be submitted to arbitration. At any time prior to a decision from the arbitrator(s) being rendered, you and the Company may resolve the dispute by settlement. You and the Company shall equally share the costs charged by the American Arbitration Association or its successor, but you and the Company shall otherwise be solely responsible for your own respective counsel fees and expenses. The decision of the arbitrator(s) shall be made in writing, setting forth the award, the reasons for the decision and award and shall be binding and conclusive on you and the Company.</p> <p>Further, neither you nor the Company shall appeal any such award. Judgment of a court of competent jurisdiction may be entered upon the award and may be enforced as such in accordance with the provisions of the award.</p>
<b>Governing Law</b>	The laws of the State of Delaware will govern all matters relating to this Agreement, without regard to the principles of conflict of laws.
<b>Notices</b>	Any notice you give to the Company must be in writing and either hand-delivered or mailed to the office of the General Counsel of the Company. If mailed, it should be addressed to the General Counsel of the Company at its then main headquarters. Any notice given to you will be addressed to you at your address as reflected on the personnel records of the Company. You and the Company may change the address for notice by like notice to the other. Notice will be deemed to have been duly delivered when hand-delivered or, if mailed, on the day such notice is postmarked.

**Conflicting Terms**

Wherever a conflict may arise between the terms of this Agreement and the terms of the Plan, the terms of the Plan will control.

*[Signature page follows]*



Please sign the copy of this Restricted Stock Agreement and return it to the Company's Secretary, thereby indicating your understanding of and agreement with its terms and conditions.

**THE PROVIDENCE SERVICE CORPORATION**

By: \_\_\_\_\_  
Name: Carter Pate  
Title: Interim Chief Executive Officer

**ACKNOWLEDGEMENT**

I hereby acknowledge receipt of a copy of the Plan. I hereby represent that I have read and understood the terms and conditions of the Plan and of the Restricted Stock Agreement. I hereby signify my understanding of, and my agreement with, the terms and conditions of the Plan and of the Restricted Stock Agreement. I agree to accept as binding, conclusive, and final all decisions or interpretations of the Administrator concerning any questions arising under the Plan with respect to this Restricted Stock Agreement. I accept this Restricted Stock Agreement in full satisfaction of any previous written or verbal promise made to me by the Company or any of its Affiliates with respect to option or stock grants.

Date: \_\_\_\_\_

\_\_\_\_\_  
*[Employee Name]*



THE PROVIDENCE SERVICE CORPORATION  
NON-QUALIFIED STOCK OPTION

To: [●]

Date of Grant: [●]

You are hereby granted an option, effective as of the date hereof, to purchase up to [●] shares of common stock, \$.001 (“Common Stock”), of The Providence Service Corporation, a Delaware corporation, (the “Company”) at the price of \$[●] per share, the closing price of the Common Stock on the Nasdaq Global Select Market on the Date of Grant, pursuant to the terms and conditions set forth below, and pursuant to the Company’s 2006 Long-Term Incentive Plan, as amended in 2016 (the “Plan”) as modified herein. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Plan.

This option shall terminate and is not exercisable after 11:59 p.m. eastern time on [●] (the “Scheduled Expiration Date”), except as hereinafter provided.

The option granted hereunder shall be subject to vesting as follows:

- (a) If you remain continuously Employed (as defined in the Plan) with the Company, its Affiliate or successor through the applicable Vesting Date, your respective options shall become vested on the Vesting Dates set forth in the Vesting Schedule below and exercisable on or after such date prior to the Scheduled Expiration Date.

Vesting Schedule

<u>Vesting Dates</u>	<u>Number of Options Vest</u>
[●]	[●]
[●]	[●]
[●]	[●]

- (b) If your option remains outstanding and unvested upon the occurrence of a Change in Control Termination, such option shall become fully vested upon the occurrence of such Change in Control Termination. As used herein, “Change in Control Termination” means a termination of your Employment by the Company or its successor without Cause within thirty (30) days prior or one (1) year after the occurrence of a Change in Control.

Notwithstanding anything to the contrary contained in the Plan, upon any termination of your Employment with the Company or its Affiliate (whether such termination be voluntary or involuntary), (i) any portion of your option that has vested as of such termination (including any portion that becomes vested in connection with a Qualifying Termination or Change in Control Termination) will be exercisable for ninety (90) days following such termination and (ii) any portion of your option that has not vested as of such termination shall be immediately forfeited without consideration therefor and without any further action on the part of any person. “Qualifying Termination” means a termination of your Employment by the Company or its Affiliate without Cause.

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Notwithstanding anything to the contrary contained in the Plan, if your option remains outstanding as of immediately prior to a Change in Control, the Company shall take all actions necessary or appropriate to ensure that your option shall be honored or assumed, or new rights substituted therefor by the acquiror of the Company or its Affiliate in such Change in Control in the form of a cash- or equity-based award (such honored, assumed or substituted option, an “Alternative Award”) of substantially equivalent terms and conditions, as provided below, by the entity for which you will be employed immediately following the Change in Control (or the parent or a subsidiary of such entity); provided that any such Alternative Award must provide that if your employment is terminated upon or following such Change in Control other than for Cause following the Change in Control, your rights under such Alternative Award shall become fully vested and payable in accordance with its otherwise applicable terms. In furtherance of the foregoing, any such Alternative Award granted to you must:

- (a) provide you with rights and entitlements substantially equivalent to or better than the rights and entitlements applicable under this option, including, but not limited to, an identical or better vesting schedule and identical or better timing and methods of exercise and payment (including all provisions applicable in respect of this option that provide for accelerated vesting);
- (b) provide for settlement in cash or, only if the acquiror then has publicly-traded securities, in publicly-traded securities issued by the acquiror; and
- (c) have substantially equivalent economic value to this option, as determined by the Compensation Committee of the Board of Directors of the Company (the “Committee”) as constituted immediately prior to the Change in Control.

If, as of immediately following the Change in Control, your option has not been honored, assumed, or substituted by the acquiror of the Company or its Affiliate in such Change in Control with an award meeting all of the requirements of an Alternative Award as set forth above, your option shall either (i) if the per-share exercise price of your option exceeds the value of a share of Common Stock as of the occurrence of such Change in Control, as determined by the Committee, your option shall be immediately and automatically cancelled without consideration therefor and without any further action on the part of any person, or (ii) if the per-share exercise price of your option is less than the value of a share of Common Stock, as determined by the Committee, as of the occurrence of such Change in Control, your option shall become fully and immediately vested and the Company shall pay you, within thirty (30) days, an amount in cash equal to the value of a corresponding number of shares of Common Stock less the aggregate exercise price of your option, subject to such adjustments as the Committee may deem necessary to reflect the value of your option.

You may exercise your option granted hereunder by giving written notice to the Secretary of the Company on forms supplied by the Company at its then principal executive office, accompanied by payment of the option price for the total number of shares you specify that you wish to purchase. The payment may be in any of the following forms: (a) cash, which may be evidenced by a check and includes cash received from a stock brokerage firm in a so-called “cashless exercise”; (b) (unless prohibited by the Administrator) certificates representing shares of Common Stock, which will be valued by the Secretary of the Company at the fair market

value per share of the Common Stock (as determined in accordance with the Plan) on the date of delivery of such certificates to the Company, accompanied by an assignment of the stock to the Company; or (c) (unless prohibited by the Administrator) any combination of cash and Common Stock valued as provided in clause (b). Any transfer of stock in payment of the option price for the options granted hereunder shall be in a form and substance satisfactory to the Secretary of the Company, including guarantees of signature(s) and payment of all transfer taxes if the Secretary deems such guarantees necessary or desirable.

Notwithstanding anything to the contrary contained in the Plan, if you die while employed by the Company or a Company subsidiary corporation, your executor or administrator, as the case may be, may, at any time after the date of your death (but in no event later than the Scheduled Expiration Date), exercise the option as to any shares which you had a vested right to purchase and did not purchase during your lifetime. Your executor, administrator, guardian or custodian must present proof of his or her authority satisfactory to the Company prior to being allowed to exercise this option.

After the date your Employment is terminated as described in this paragraph, you may exercise this option only for the number of shares then available for purchase under this option on the date your Employment terminated. If you are employed by a Company subsidiary corporation, your Employment shall be deemed to have terminated on the date your employer ceases to be a Company subsidiary corporation, unless you are on that date transferred to the Company or another Company subsidiary corporation. Your Employment shall not be deemed to have terminated if you are transferred from the Company to a Company or subsidiary, or vice versa, or from one Company subsidiary to another Company subsidiary.

In the event of any change in the outstanding shares of the Common Stock of the Company by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or what the Administrator deems in its sole discretion to be similar circumstances, the number and kind of shares subject to this option and the option price of such shares shall be appropriately adjusted in a manner to be determined in the sole discretion of the Administrator, whose decision shall be final, binding and conclusive in the absence of clear and convincing evidence of bad faith.

This option is not transferable otherwise than by will or the laws of descent and distribution, and is exercisable during your lifetime only by you, including, for this purpose, your legal guardian or custodian in the event of Disability. Until the option price has been paid in full pursuant to due exercise of this option and the purchased shares are delivered to you, you do not have any rights as a shareholder of the Company. The Company reserves the right not to deliver to you the shares purchased by virtue of the exercise of this option during any period of time in which the Company deems, in its sole discretion, that such delivery would violate a federal, state, local or securities exchange rule, regulation or law.

Notwithstanding anything to the contrary contained herein, this option is not exercisable until all the following events occur and during the following periods of time:

- (a) During any period of time in which the Company deems that the exercisability of this option, the offer to sell the shares optioned hereunder, or the sale thereof, may

violate a federal, state, local or foreign law, rule or regulation, or any applicable securities exchange or listing rule or agreement, or may cause the Company to be legally obligated to issue or sell more shares than the Company is legally entitled to issue or sell;

- (b) Until you have paid or made suitable arrangements to pay (which may include payment through the surrender of Common Stock, unless prohibited by the Administrator) (i) all federal, state, local and foreign tax withholding required by the Company in connection with the option exercise and (ii) the employee's portion of other federal, state, local and foreign payroll and other taxes due in connection with the option exercise.

Further, nothing herein guarantees you employment for any specified period of time. You recognize that, for instance, you may terminate your Employment or the Company or any of its Affiliates may terminate your Employment prior to the date on which your option becomes vested or exercisable.

You understand and agree that the existence of this option will not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the common shares or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Any notice you give to the Company must be in writing and either hand-delivered or mailed to the office of the General Counsel of the Company. If mailed, it should be addressed to the General Counsel of the Company at its then main headquarters. Any notice given to you will be addressed to you at your address as reflected on the personnel records of the Company. You and the Company may change the address for notice by like notice to the other. Notice will be deemed to have been duly delivered when hand-delivered or, if mailed, on the day such notice is postmarked.

Any dispute or disagreement between you and the Company with respect to any portion of this option or its validity, construction, meaning, performance or your rights hereunder shall be settled by arbitration, at a location designated by the Company in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor, as amended from time to time. However, prior to submission to arbitration you will attempt to resolve any disputes or disagreements with the Company over this option amicably and informally, in good faith, for a period not to exceed two weeks. Thereafter, the dispute or disagreement will be submitted to arbitration. At any time prior to a decision from the arbitrator(s) being rendered, you and the Company may resolve the dispute by settlement. You and the Company shall equally share the costs charged by the American Arbitration Association or its successor, but you and the Company shall otherwise be solely responsible for your own respective counsel fees and expenses. The decision of the arbitrator(s) shall be made in writing, setting forth the award, the reasons for the decision and award and shall be binding and

conclusive on you and the Company. Further, neither you nor the Company shall appeal any such award. Judgment of a court of competent jurisdiction may be entered upon the award and may be enforced as such in accordance with the provisions of the award.

This option shall be subject to the terms of the Plan as modified herein, which terms are hereby incorporated herein by reference and made a part hereof. In the event of any conflict between the terms of this option and the terms of the Plan in effect on the date of this option, the terms of this Agreement shall govern. This Agreement constitutes the entire understanding between the Company and you with respect to the subject matter hereof and no amendment, supplement or waiver of this Agreement, in whole or in part, shall be binding upon the Company unless in writing and signed by an authorized officer of the Company (other than you). This option and the performances of the parties hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

Please sign the copy of this option and return it to the Company's Secretary, thereby indicating your understanding of and agreement with its termination and conditions.

THE PROVIDENCE SERVICE CORPORATION

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By: R. Carter Pate  
Title: Interim Chief Executive Officer

ACKNOWLEDGEMENT

I hereby acknowledge receipt of a copy of the Plan. I hereby represent that I have read and understood the terms and conditions of the Plan and of this option. I hereby signify my understanding of, and my agreement with, the terms and conditions of the Plan and of this option. I agree to accept as binding, conclusive, and final all decisions or interpretations of the Administrator concerning any questions arising under the Plan with respect to this option. I accept this option in full satisfaction of any previous written or verbal promise made to me by the Company or any of its Affiliates with respect to option or stock grants.

Date \_\_\_\_\_

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Signature of Optionee

Name:





## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), is entered into as of August 8, 2019, by and between THE PROVIDENCE SERVICE CORPORATION, a Delaware corporation, with its principal office located at 1275 Peachtree Street, 6th Floor, Atlanta, GA 30309, its successors and assigns (hereinafter collectively referred to as the "Company"), LOGISTICARE SOLUTIONS, LLC, a Delaware limited liability company with its principal office located at 1275 Peachtree Street NE, 6th Floor, Atlanta, Georgia 30309 ("LogistiCare"), a wholly owned subsidiary of the Company, and Kathryn M. Stalmack, an individual residing at 4170 E. Linden Lane, Greenwood Village, CO 80121 ("Employee").

### BACKGROUND

WHEREAS, the parties hereto desire to memorialize the terms of Employee's employment with the Company and LogistiCare.

NOW, THEREFORE, in consideration of the facts, mutual promises, and covenants set forth herein and intending to be legally bound hereby, the parties agree as follows:

1. Employment and Term. Employee shall be employed by the Company and LogistiCare and such employment shall have a term (the "Term") commencing as of August 19, 2019 (the "Commencement Date") and, if not previously terminated in accordance with the terms of this Agreement, ending on December 31, 2021. The parties may agree in writing to extend the Term, subject to the consent requirements of Section 9(g). Employee's employment may continue following the Term, but only on an at-will basis unless otherwise agreed by the parties in writing in accordance with Section 9(g). Employee's employment shall be subject in all respects to the terms and conditions set forth in this Agreement, as well as to all of the policies and rules of the Company and LogistiCare that are binding on their respective executive employees generally.

2. Office and Duties.

(a) Position. Subject to Section 9(g), during the Term, Employee shall serve as Senior Vice President, General Counsel & Corporate Secretary ("GC") of the Company and shall report directly to the Chief Executive Officer of the Company (the "CEO"), and be subject to the CEO's supervision, control and direction. In this capacity, if requested by the CEO, Employee shall serve as an officer of LogistiCare or any of the Company's other Affiliates (as hereinafter defined).

(b) Duties/Reporting. In Employee's capacity as GC, Employee shall have such authority, perform such duties, discharge such responsibilities and render such

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services as are designated from time to time by the CEO or the Board of Directors of the Company (the “Board”).

(c) Diligence/Time and Attention. While employed by the Company and LogistiCare, Employee shall render Employee’s services diligently, faithfully and to the best of Employee’s ability, and shall devote substantially all of Employee’s working time, energy, skill and best efforts to the performance of Employee’s duties hereunder, in a manner that will further the business and interests of the Company and LogistiCare.

(d) Office. During the Term, the principal place of Employee’s employment shall be at LogistiCare’s Atlanta, Georgia headquarters where Employee shall be present for at least 10 business days per month, subject to customary business travel for LogistiCare’s (including the Company’s) business. Employee acknowledges that she will be required to travel on business of LogistiCare and the Company. During the Term, if required by the Employee, the Company will provide an apartment and related expenses in Atlanta, at a monthly gross cost to the Company not exceeding \$4,000, for the exclusive use by her and her family. In the event that the Board determines, in its sole discretion, that the performance of Employee’s duties require that she be physically present in the Atlanta headquarters on a full-time basis, (i) upon written notice to Employee of such determination, Employee may attempt to rebut this determination during a 60 day period (i.e., to demonstrate to the Board she is able to adequately perform her duties while being present at the Atlanta headquarters for 10 business days per month) and (ii) if following such 60 day period, Employee has not cured her performance (i.e., the Board determines that she cannot perform her duties without being present at the Atlanta headquarters on a full-time basis), the Board, in its sole discretion, may require Employee to relocate to Atlanta, Georgia and such relocation will not constitute Good Reason.

(e) Other Activities. While employed by the Company and LogistiCare, Employee shall not be engaged in any business activity which, in the reasonable judgment of the CEO or the Board, conflicts with Employee’s duties hereunder, whether or not such activity is in breach of Section 7 or pursued for pecuniary advantage.

### 3. Compensation.

(a) Base Salary. In consideration of the services rendered by Employee to the Company and LogistiCare during the Term, Employee shall receive an annual base salary of no less than Three Hundred Seventy-Five Thousand Dollars (\$375,000) (“Base Salary”), payable in equal periodic installments in accordance with LogistiCare’s regular payroll practices in effect from time to time.

(b) Bonus Plans / Incentive Compensation Programs.

(i) Annual Bonus. Beginning in the 2020 calendar year, and for each year during the Term, Employee shall be eligible to be paid a short-term annual bonus (the “Bonus”) equal to seventy-five percent (75%) of her Base Salary upon achievement of one hundred percent (100%) of the performance targets (including personal KPIs for consideration that are communicated to Employee) established by the Board’s Compensation Committee for each applicable performance period, and, in the Board’s Compensation Committee’s discretion upon achievement of maximum performance, up to one hundred and fifty percent (150%) of her Base Salary. Employee shall not be entitled to any Bonus in respect of the 2019 calendar year.

The actual amount of any Bonus paid to the Employee for any year shall be determined in the good faith discretion of the Board’s Compensation Committee based on its assessment of the actual performance against the goals and conditions established for the year and, based on that assessment, no bonus may be paid at all. Unless otherwise specified in respect of a Bonus, the Bonus shall be paid, net of any required withholdings, no later than June 30 of the year following the year to which the Bonus relates. Employee’s rights to receive the Bonus in any year shall be contingent upon being employed by the Company and LogistiCare on the date that payment of the Bonus is due, except as otherwise expressly provided in this Agreement.

(ii) Signing RSA Grant. The Company will grant Employee, on the next grant date of equity awards to other senior executives of the Company and LogistiCare (provided Employee is then employed by the Company), the equivalent of \$250,000 in restricted stock units of Company common stock (“RSUs”), with the number of shares determined by the closing price of a share of the Company’s common stock on Nasdaq on the grant date, and these RSUs vesting in equal installments of one-third annually on the first three anniversaries following the Commencement Date, subject to Employee’s continued employment on the relevant vesting date, beginning at the first anniversary of the Commencement Date. This grant of RSUs will be granted pursuant to, and subject in all respects to the terms and conditions contained in, the Company’s 2006 Long-Term Incentive Plan and an applicable award agreement.

(iii) Future LTI Grants. Beginning in the calendar year 2020, and for each year during the term, Employee shall be eligible to receive annual equity grants. For the calendar year 2020, Employee’s grant date value shall be equal to 100% of Employee’s Base Salary, comprised of a combination of options to acquire Company common stock (determined on a Black-Scholes basis or other valuation methodology applied by the Company) and RSUs or performance stock units of the Company’s common stock (“PSUs”), in a long-term incentive

program in which other senior executives (including the CEO) of the Company and/or LogistiCare participate at such time during the Term, under the terms and conditions (including an applicable award agreement), and at a grant date, approved by the Board's Compensation Committee.

(c) Benefits. During the Term, Employee shall be entitled to participate in all fringe benefits, if any, as may be in effect from time to time that are generally available to the Company's and LogistiCare's similarly-situated executive officers, and such other fringe benefits as the Board's Compensation Committee shall deem appropriate, subject to eligibility requirements thereof (collectively, the "Benefits").

(d) Vacation. During the Term, Employee shall be entitled to the number of paid vacation days in each calendar year as determined by the Board's Compensation Committee from time to time for the Company's and LogistiCare's senior executive officers. Vacation days which are not used during any calendar year may not be accrued or carried over to the next year, nor shall Employee be entitled to compensation for unused vacation days at any time.

(e) Business Expenses. Without duplication of Section 2(d), during Employee's employment, the Company or LogistiCare shall pay or reimburse Employee for all reasonable expenses incurred or paid by Employee in the performance of Employee's duties hereunder and to the extent consistent with the applicable policies of the Company and LogistiCare as in effect from time to time (including, in some cases, the requirement that certain expenses must be approved in advance), upon timely presentation of expense statements or vouchers and such other information as the Company or LogistiCare, as the case may be, shall reasonably require and in accordance with the generally applicable policies and practices of the Company; provided that the Company or LogistiCare may, at any time, further limit, or eliminate, Employee's right to incur such expenses. Any reimbursement due hereunder shall be paid within ninety (90) days after Employee submits the necessary documentation for reimbursement in accordance with the generally applicable policies and practices of the Company and LogistiCare.

(f) Withholding. All payments made pursuant to this Agreement, including pursuant to Section 2(b), shall be subject to such withholding and other taxes and amounts as the Company and LogistiCare may determine in their sole discretion to be required by any applicable law or order or rule of any governmental agency or court.

4. Representations of Employee. Employee represents to the Company and its LogistiCare that: (a) she has provided to the Company a copy of all contracts to which she is a party containing restrictive covenants and to the best of her knowledge after reasonable inquiry there are no restrictions, agreements or understandings whatsoever to which Employee is a party that would prevent or impede, or make unlawful, Employee's

execution of this Agreement or Employee's employment with the Company or LogistiCare, or to carry out Employee's duties as an employee hereunder or otherwise on behalf of the Company or LogistiCare; (b) Employee's execution of this Agreement and Employee's employment shall not constitute a breach of any contract, agreement or understanding, oral or written, to which Employee is a party, or by which Employee is bound, based on the Business of the Company as in effect on the date hereof or any other business that is anticipated to commence to the extent Employee was informed of such business as of the date hereof; and (c) Employee is of full capacity, free and able to execute this Agreement and to enter into this Agreement. Employee also represents to the Company and LogistiCare that there is no pending or, to Employee's knowledge, threatened litigation, proceeding or investigation, whether governmental or otherwise, involving Employee with respect to allegations of sexual harassment, sexual misconduct or other misconduct and there have been no reported complaints accusing Employee of sexual harassment or sexual misconduct and there has been no settlement of, or payment arising out of or related to, any litigation with respect to sexual harassment or sexual misconduct by Employee.

5. Termination. This Agreement and Employee's employment shall continue during the Term and thereafter until terminated as provided herein. Upon termination of this Agreement and Employee's employment, Employee shall be deemed to have simultaneously resigned from any officer, director or other position in which she is serving on behalf of the Company, LogistiCare or any other Affiliate. The Company shall be entitled to terminate Employee's employment on behalf of LogistiCare.

(a) Termination by the Company and LogistiCare for Cause. The Company and LogistiCare shall have the right, during the Term and thereafter, to terminate this Agreement and Employee's employment at any time for "Cause", effective immediately or as of a date specified by the Company in a notice of termination. For purposes of this Agreement, the term "Cause" shall mean the following as reasonably determined solely by the Company:

(i) Employee commits fraud or theft against the Company or any of its subsidiaries (including LogistiCare), affiliates, joint ventures and related organizations, including any entity managed by the Company (collectively referred to as "Affiliates"), or is indicted, convicted of, or pleads guilty or nolo contendere to, either a felony, or to any crime involving fraud or moral turpitude;

(ii) In carrying out Employee's duties hereunder, Employee engages in conduct that constitutes gross neglect or willful misconduct and that results, in either case, in material financial or reputational harm to the Company or its Affiliates;

(iii) Employee is found or held by any governmental agency or any court or judicial body to be in violation of any federal, state or local law

relating to the administration or provision of healthcare services, or is the subject of a regulatory order or ruling which provides that she is not permitted to be employed or provide services to the Company or LogistiCare or is generally prohibited from the administration or provision of healthcare services;

(iv) (A) Employee materially breaches any provision of this Agreement (including but not limited to the restrictive covenants contained in Section 7) or (B) breaches any fiduciary duty or duty of loyalty owed to the Company, LogistiCare or any other Affiliate or the Company's shareholders;

(v) Employee engages in any wrongful conduct which does or which is reasonably likely to bring the Company, LogistiCare or any other Affiliate into public disgrace or embarrassment, or which is reasonably likely to cause one or more of its customers or clients to cease doing business with, or materially reduce the amount of business with, the Company, LogistiCare or any other Affiliate;

(vi) Employee repeatedly neglects or refuses to perform Employee's duties or responsibilities as directed in writing by the CEO, the Board, or any committee established by the Board, or violates any express written direction of any lawful rule, regulation or policy established by the Company, LogistiCare, the Board, or any committee established by the Board or the CEO; or

(vii) Employee commits any act or omission resulting in or intended to result in direct material personal gain to Employee at the expense of the Company, LogistiCare or any other Affiliate, or the customers of the Company, LogistiCare or any other Affiliate.

Following written notice from the Company or the Board of grounds constituting "Cause", Employee shall be provided a single ten (10) business-day period to cure any single instance of conduct or breach set forth in clause (iv)(A) or (vi), to the extent then curable. If timely cured, the instance of conduct or breach shall not constitute Cause hereunder.

The determination as to whether "Cause" has occurred shall be made by the Board.

(b) Termination upon Death/Termination upon Disability of Employee. Employee's employment will terminate upon Employee's death. The Company and LogistiCare shall have the right to terminate this Agreement and Employee's employment at any time upon the Disability of Employee (as determined by the Company in its sole discretion). The term, "Disability", as used herein, means any physical or mental illness, disability or incapacity which prevents Employee from performing the essential functions of Employee's duties hereunder, with or without

reasonable accommodations, for a period of not less than one hundred fifty (150) consecutive days or for an aggregate of one hundred eighty (180) days during any period of twelve (12) consecutive months. Periods where Employee can perform the essential functions of Employee's job with a reasonable accommodation shall not be included in the determination of a Disability hereunder. During any period of Disability, and to the maximum extent allowed by law, Employee agrees to submit to reasonable medical examinations upon the reasonable request, and at the expense, of the Company and LogistiCare, and agrees to release sufficient information to allow the Company and LogistiCare to make informed decisions about whether or not a Disability exists.

(c) Termination Without Cause. The Company and LogistiCare shall have the right, during the Term and thereafter, to terminate this Agreement and Employee's employment at any time without Cause and/or without the occurrence of Employee's death or Disability by giving written notice which shall be effective on the date specified in such notice of termination.

(d) Termination by Employee. If Employee shall desire to terminate Employee's employment for any reason, whether or not during the Term and whether or not for Good Reason, Employee shall first give the Company or LogistiCare not less than sixty (60) days prior written notice of termination (it being understood that Employee's resignation from the Company or LogistiCare shall be deemed resignation from both of them); provided that if Employee gives notice of Good Reason, which is subsequently cured within the prescribed cure period, such notice shall not constitute notice of termination. Upon a termination of Employee's employment with the Company and LogistiCare under this Section 5(d), the effective date of termination shall be the date set forth in Employee's resignation notice (assuming such date is in compliance with the notice provisions of this Section 5(d)) or an earlier date as determined by the Company after the Company's receipt of such notice, in its sole discretion, but not earlier than the date on which the Company learned of Employee's decision to terminate Employee's employment.

For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following that is not cured within thirty (30) days of Employee's written notice that the occurrence constitutes Good Reason: (i) a material reduction of Employee's position, duties, or responsibilities with the Company and LogistiCare, including a requirement that the Employee report directly to any Person other than the CEO or the Board, (ii) a reduction of Employee's Base Salary provided in section 3(a) of this Agreement, other than a reduction which is generally applicable to all executives of the Company and LogistiCare, or (iii) a material breach by the Company or LogistiCare of this Agreement; provided that (A) any resignation for Good Reason must be made within sixty (60) days of the occurrence set forth in (i) – (iii) above and (B) any resignation by Employee while the Company or LogistiCare has "Cause" for termination of Employee shall be considered to be a resignation without Good Reason. The



Employee shall not have the right to terminate her employment for Good Reason unless the Employee actually terminates employment within ninety (90) days following receipt of, and in accordance with, the Employee's written notice. Notwithstanding the foregoing, in no event shall the mere occurrence of a Change in Control, the Company ceasing to be a publicly traded company or LogistiCare merging or consolidating with the Company, including in respect of any changes in duties or responsibilities resulting directly from such change, be deemed to constitute "Good Reason".

(e) Notice of Termination. Any termination, except for death, pursuant to this Section 5 shall be communicated by a Notice of Termination. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate those specific termination provisions in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee's employment under the provisions so indicated. The Notice of Termination shall also set forth that Employee's employment is terminated and be delivered in accordance with the terms of this Agreement.

(f) Survival of Certain Provisions. Notwithstanding anything to the contrary set forth herein, Sections 7, 8 and 9 shall survive the end of the Term and/or the termination of Employee's employment for any reason, and shall remain in full force and effect thereafter.

6. Payments Upon Termination, Including Termination Following a Change in Control.

(a) Termination Without Cause or Resignation by Employee for Good Reason During the Term. If, during the Term, the Company or LogistiCare terminate Employee's employment other than for Cause and other than as a result of Employee's death or Disability, or Employee terminates employment for Good Reason, Employee shall be entitled to receive (i) other than in respect of the 2019 calendar year, any Bonus (if earned under the relevant performance criteria) relating to a fiscal year which was completed before the effectiveness of such termination (payable as set forth in Section 3(b)), (ii) other than in respect of the 2019 calendar year, an amount equal to the Bonus earned under the relevant performance criteria for the full fiscal year in which Employee's employment is terminated multiplied by the quotient of (A) the number of days that have elapsed in such fiscal year on or prior to the date of termination divided by (B) three hundred sixty-five (365), and (iii) twelve (12) months of the Employee's Base Salary in effect as of the date of effectiveness of such termination, payable in periodic payments which correspond to LogistiCare's regular payroll periods; provided that any payments set out in clauses (i), (ii), and (iii) shall be net of appropriate tax and other withholdings. For the avoidance of doubt, nothing shall be payable under clause (i) of the preceding sentence if Employee is terminated in calendar year 2020 (i.e., no bonus shall be due for the completed 2019 calendar year), and nothing shall be payable under clause (ii) of the preceding sentence if Employee is terminated during the 2019 calendar

year (i.e., no prorated bonus for any portion of the 2019 calendar year). Notwithstanding the foregoing, Employee's rights to receive payments of such Bonus (if any) or Base Salary shall be conditioned on (I) Employee's execution and delivery to the Company, within thirty (30) days following termination of employment, of a general release of all claims relating to Employee's employment and termination from employment (the "General Release") in a form provided by the Company (which General Release shall not affect any rights Employee may have under COBRA, or any claims for indemnification as an officer, director, or employee of the Company or LogistiCare, or any rights under any then outstanding stock or other equity options or under any vested award previously issued to Employee by the Company under any Company benefit plan), (II) Employee not revoking such General Release during the seven (7) day period following its execution, and (III) Employee not being in breach of the restrictive covenants at Section 7 of this Agreement. Employee understands that if all of the conditions set forth in the preceding sentence are not met, Employee shall not be entitled to a Bonus or any payments of Base Salary relating to periods of time following the effective date of the termination of Employee's employment under this Section 6(a) or otherwise. Employee further understands that any amounts otherwise payable to Employee within thirty (30) days after termination of employment shall be paid as soon as practicable thereafter, subject to satisfaction of the conditions designated above. Except for the payments set forth in this Section 6(a), neither the Company nor LogistiCare shall have any further obligations for payment or benefits to Employee in respect of her employment or under this Agreement. For the avoidance of doubt, Employee shall not be entitled to any payments or benefits under this Section 6(a) or 6(d) in the event of non-renewal of this Agreement, including any termination of her employment upon or following such non-renewal. Upon Employee's termination of employment under this Section 6(a) or 6(d), the treatment of Employee's then outstanding equity awards from the Company (including the RSUs granted under Section 3(b)(ii) and the RSUs and PSUs granted under Section 3(b)(iii) above), if any, shall be determined by the equity plan under which those equity awards were granted and the applicable award agreement.

(b) Termination for Cause; Resignation by Employee Without Good Reason. In the event (i) during the Term, Employee's employment is terminated by the Company and LogistiCare for Cause or Employee terminates Employee's employment without Good Reason, or (ii) following the Term, Employee's employment is terminated by the Company and LogistiCare with or without Cause or Employee terminates Employee's employment for or without Good Reason, all of Employee's rights to Base Salary, Benefits and Bonus, if any, shall immediately terminate as of the date of such termination, except that Employee shall be entitled to any earned and unpaid portion of Employee's Base Salary and accrued Benefits up to the effective date of termination, less all deductions or offsets for amounts owed by Employee to the Company, LogistiCare or any other Affiliate. In such an event, neither the Company nor LogistiCare shall have any further obligations to Employee under this Agreement. Without limiting the

foregoing, in such an event, Employee shall not be entitled to any Bonus, prorated or otherwise.

(c) Termination Due to Death or Disability. In the event Employee's employment is terminated at any time, whether or not during the Term, due to Employee's death or Disability, all of Employee's rights to Employee's Base Salary, Benefits (except to the extent that any Benefits are expressly available following termination of employment) and Bonus, if any, shall immediately terminate as of the effective date of such termination, except that Employee (or, in the event that Employee's employment is terminated due to Employee's death, Employee's heirs, personal representatives or estate) shall be entitled to any earned and unpaid portion of Employee's Base Salary, any Bonus (if earned under the relevant performance criteria and for a relevant period following the 2019 calendar year) relating to a fiscal year which was completed before Employee's death or Disability and an amount equal to the Bonus earned under the relevant performance criteria for the full fiscal year in which Employee's employment is terminated multiplied by the quotient of (i) the number of days that have elapsed in such fiscal year on or prior to the date of termination divided by (ii) three hundred sixty-five (365), and accrued Benefits up to the date of termination, in each case less all deductions or offsets for amounts owed by Employee to the Company, LogistiCare or any other Affiliate. Neither the Company nor LogistiCare shall have any further obligations to Employee under this Agreement.

(d) Payment Upon Change in Control. Notwithstanding any other provision in this Agreement to the contrary, if a Change in Control (as defined in the Company's 2006 Long-Term Incentive Plan) shall occur during the Term, and after such Change in Control but prior to the end of the Term, the Company and LogistiCare terminate Employee's employment without Cause or Employee terminates Employee's employment for Good Reason, Employee shall be entitled to (i) the amounts specified in Section 6(a) payable, however, in a lump sum payment, immediately upon the effective date of her termination of employment, (ii) a pro-rata portion of the average Bonus previously paid to Employee during the Term (such payments shall be net of appropriate tax and other withholdings) and (iii) all then outstanding unvested RSUs and PSUs granted to Employee under Section 3(b)(ii) or (iii) shall immediately vest; it being understood that for purposes of determining the amount due under clause (ii), no Bonus shall be deemed paid for 2019. A Change in Control will have no other effect on this Agreement, which will remain in full force and effect.

(e) 280G. Notwithstanding anything to the contrary contained in this Agreement or any other agreement between Employee and the Company, LogistiCare or any other Affiliate, if any payment or benefit (including accelerated vesting of equity awards) Employee would receive from the Company, LogistiCare or any of other Affiliate, whether pursuant to this Agreement or otherwise, would constitute a "parachute payment" (a "Parachute Payment") under Section 280G of the Internal Revenue Code of

1986, as amended (the “Code”), then if reducing the amount of such payment or benefit, in whole or in part, would result, after taking into account all applicable federal, state and local employment taxes, income taxes and any excise tax that are, and that would otherwise have been, payable, in Employee’s receipt of a greater net after-tax amount than Employee would otherwise have received on a net-after basis had the payment or benefit been made in full, then such payment or benefit shall be reduced to the amount (the “Reduced Amount”) that results in Employee receiving the greatest net-after tax amount from such payment or benefit, notwithstanding that all or some portion of the payment or benefit may be subject to the excise tax. If any payment or benefit is to be reduced to the Reduced Amount, any reduction therein shall occur in the following order: (A) cash payments shall be reduced first and in reverse chronological order such that the cash payment owed on the latest date following the occurrence of the event triggering such excise tax will be the first cash payment to be reduced; (B) accelerated vesting of stock options, RSUs and other equity awards (if any) shall be cancelled/reduced next and in the reverse order of the date of grant for such stock awards; and (C) employee benefits shall be reduced last and in reverse chronological order.

(f) Recognition. Employee recognizes and accepts that neither the Company nor LogistiCare shall, in any case, be responsible for any additional amount, severance pay, termination pay, severance obligation or other payments or damages whatsoever arising from the termination of Employee’s employment, above and beyond those specifically provided for herein.

## 7. Restrictive Covenants.

(a) Business of the Company. The term “Business of the Company”, as used in this Section 7, shall mean the provision and/or brokering by the Company or its Affiliates of network management services to governmental agencies and provider networks, non-emergency medical transportation, mobility management services, health risk assessments, and any other business in which the Company or its Affiliates have been or have taken active steps toward engaging in during Employee’s employment with the Company, LogistiCare or any other Affiliate.

(b) Non-Competition. During Employee’s employment with the Company, LogistiCare or any of other Affiliate and, during the twelve (12) month period after the termination of Employee’s employment for any reason, Employee will not, in any capacity (including, but not limited to, owner, partner, member shareholder, consultant, advisor, financier, agent, employee, officer, director, manager or otherwise), directly or indirectly, for Employee’s own account or for the benefit of any natural person, corporation, partnership, trust, estate, joint venture, sole proprietorship, association, cooperative or other entity (any of the foregoing, a “Person”), establish, engage in, finance, advise, work for, or be connected with, except as an employee of the Company, LogistiCare or any other Affiliate, any business in competition with the Business of the Company if such business competes with the Business of the Company or

any business in which the entities referenced in the “Business of the Company” definition are preparing to conduct business or have conducted business during Employee’s employment with the Company, LogistiCare or any of other Affiliate. Notwithstanding the foregoing, this Section 7(b) shall not prevent Employee from providing legal services to any Person or entity, including the other provisions of this Section 7.

(c) Non-Solicitation/Non-Piracy. During Employee’s employment with the Company, LogistiCare or any other Affiliate and for a period of two (2) years following a termination of Employee’s employment for any reason, Employee will not, directly or indirectly, for Employee’s own account or for the benefit of any Person or entity:

(i) solicit, service, supply or sell to, contact, or aid in the solicitation, servicing, supplying or selling to any Person or entity which is or was a customer, active prospective customer, client, prospective client, contractor, subcontractor or supplier of the Company or any of its Affiliates with whom Employee had business contact or about whom Employee learned or developed confidential information within three (3) years prior to Employee’s termination of employment (“Company Customers/Clients”), for the purpose of (A) selling services or goods in competition with the Business of the Company; (B) inducing Company Customers/Clients to cancel, transfer or cease doing business in whole or in part with the Company or its Affiliates or (C) inducing Company Customers/Clients to do business with any Person in competition with the Business of the Company; or

(ii) solicit, aid in solicitation of, induce, contact for the purpose of, encourage or in any way cause any employee of the Company or its Affiliates to leave the employ of the Company or its Affiliates, hire any such person or otherwise interfere with such employee’s relationship with the Company or its Affiliates, except that general advertisements and internet or similar postings not directed to any employees of the Company or its Affiliates and hiring any employees who respond to such advertisements or postings shall not be deemed to be breaches of the foregoing covenant.

(d) Non-Disclosure. Other than in furtherance of the business of the Company or its Affiliates, in the ordinary course in Employee’s capacity as an employee hereunder, Employee will not, at any time, except in accordance with the Company’s and LogistiCare’s policies and procedures relating to confidential information, directly or indirectly, disclose, communicate or divulge to any Person, or use for the benefit of any Person, any secret, confidential or proprietary knowledge or information relating to the Company or its Affiliates, including, but not limited to, customer and client lists, customer and client accounts and information, patient information, prospective client, customer, contractor, subcontractor and supplier lists, proposals and information, services, techniques, methods of operation, pricing, costs, sales, sales strategies or

methods, marketing, marketing strategies or methods, products, product development, research, know-how, trade secrets, inventions, policies, financial information, financial condition, business strategies or plans or other information of the Company or its Affiliates, which is not generally available to the public. Upon the expiration or termination of Employee's employment with the Company and LogistiCare or on sooner written request of the Company or LogistiCare, Employee shall immediately deliver to the Company all memoranda, books, papers, letters and other data (whether in written form or computer stored), and all copies of same, which were made by Employee or came into Employee's possession or under Employee's control at any time prior to the expiration or termination of Employee's employment, and which in any way relate to the business, assets or properties of the Company or any of its Affiliates as conducted or as planned to be conducted by the Company or its Affiliates, and shall identify to the Company and cooperate with the Company's directions in removing any electronic copies of such information from any non-Company digital storage devices, computers, cloud and email storage and other similar repositories that Employee uses.

Notwithstanding anything in this Agreement to the contrary, except for information that Employee is required to keep confidential as an attorney for the Company and LogistiCare, this Agreement (including this Section 7(d) and Section 7(f) hereof) does not prohibit Employee from providing truthful testimony or accurate information in connection with any investigation being conducted into the business or operations of the Company or its Affiliates by any government agency or other regulator that is responsible for enforcing a law on behalf of the government or otherwise providing information to the appropriate government regulatory agency or body regarding conduct or action undertaken or omitted to be taken by the Company or its Affiliate that Employee reasonably believes is illegal or in material non-compliance with any financial disclosure or other regulatory requirement applicable to the Company or its Affiliates.

Employee is hereby notified in accordance with the Federal Defend Trade Secrets Act that Employee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or if the disclosure of a trade secret is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Employee files a lawsuit for retaliation against the Company or its Affiliate for reporting a suspected violation of law, Employee may disclose the Company's or its Affiliates' trade secrets to her attorney and use the trade secret information in the court proceeding if Employee files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

(e) Intellectual Property. Employee will promptly communicate to the Company all inventions, improvements, works of authorship, know-how, trade secrets, software, designs, techniques, concepts, methods and ideas, other technical information, marketing strategies and other ideas, innovations and creations (i) pertaining to the actual or reasonably anticipated Business of the Company or (ii) which were conceived, developed or reduced to practice using the time, confidential or proprietary information, or resources of the Company or its Affiliates, in each case conceived, developed or reduced to practice by Employee alone or with others, at any time (during or after business hours) while Employee is employed by the Company or LogistiCare (the “Works”). Employee acknowledges that the Works will be the exclusive property of the applicable member or members of the Company or its Affiliates. Any Works that constitute copyrightable subject matter will be considered a “work made for hire” as that term is defined in the United States Copyright Act. To the extent that any Work does not fully qualify as a work made for hire, Employee hereby irrevocably assigns to the applicable member or members of the Company or its Affiliates in perpetuity, all worldwide right, title and interest therein, including all intellectual property embodied therein and any related registrations and applications, common law rights and the right to sue for past, present or future infringement thereof and collect and retain any damages in connection therewith. Employee understands and intends that this requirement extends to Works not currently in existence. During and after the Term, Employee will sign any documents and perform any actions requested by any member of the Company or its Affiliates to acquire, transfer, maintain, perfect, exploit and enforce the Works. Employee also hereby irrevocably transfers and assigns to the applicable member or members of the Company or its Affiliates, and waives and agrees never to assert during or after the term of this Agreement, any and all moral or other rights Employee may have to claim authorship of a Work, to object to or prevent any modification of any Work, to control the publication or dissemination of any Work and any similar rights in any country in the world.

(f) Non-Disparagement. Employee will not at any time publish or communicate disparaging or derogatory statements or opinions about the Company or its Affiliates, including but not limited to, disparaging or derogatory statements or opinions about the Company’s or its Affiliates’ management, products or services to any third party, including on social media sites. For the avoidance of doubt, it shall not be a breach of this Section 7(f) for Employee to testify truthfully in any judicial or administrative proceeding or to make statements or allegations in legal filings that are based on Employee’s reasonable belief and are not made in bad faith.

(g) Enforcement. Employee acknowledges that the covenants and agreements of this Section 7 (the “Covenants”) herein are of a special and unique character, which gives them peculiar value, the loss of which cannot be reasonably or adequately compensated for in an action at law. Employee further acknowledges that any breach or threat of breach by Employee of any of the Covenants will result in irreparable

injury to the Company and its Affiliates for which money damages could not be adequate to compensate the Company and its Affiliates. Therefore, in the event of any such breach or threatened breach, each of the Company and LogistiCare shall be entitled, in addition to all other rights and remedies which the Company or LogistiCare may have at law or in equity, to seek an injunction and other equitable relief in aid of arbitration issued by any competent court enjoining and restraining Employee and/or all other Persons involved therein from committing a breach or continuing such breach. The remedies granted to the Company and LogistiCare in this Agreement are cumulative and are in addition to remedies otherwise available to the Company and LogistiCare at law or in equity. The Covenants are independent of any other provision of this Agreement, and the existence of any claim or cause of action which Employee or any such other Person may have against the Company or LogistiCare shall not constitute a defense or bar to the enforcement of any of the Covenants. If the Company is obliged to resort to litigation to enforce any of the Covenants which has a fixed term, then such term shall be extended for a period of time equal to the period during which a breach of such Covenant was occurring, beginning on the date of a final court order (without further right of appeal) holding that such a breach occurred, or, if later, the last day of the original fixed term of such Covenant.

(h) Acknowledgements. Employee expressly acknowledges that the Covenants are a material part of the consideration bargained for by the Company and LogistiCare and, without the agreement of Employee to be bound by the Covenants, the Company and LogistiCare would not have agreed to enter into this Agreement. Employee further acknowledges and agrees that the Business of the Company and its services are highly competitive, and that the Covenants are reasonable and necessary to protect the Company's legitimate business interests. In addition, Employee acknowledges that in the event Employee's employment with the Company and LogistiCare terminates, she will still be able to earn a livelihood without violating this Agreement, and that the Covenants are material conditions to Employee's employment and continued employment hereunder.

(i) Scope. If any portion of any Covenant or its application is construed to be invalid, illegal or unenforceable, then the remaining portions and their application shall not be affected thereby, and shall be enforceable without regard thereto. If any of the Covenants is determined to be unenforceable because of its scope, duration, geographical area or similar factor, then the court or other trier of fact making such determination shall modify, reduce or limit such scope, duration, area or other factor, and enforce such Covenant to the extent it believes such factor(s) to be lawful and appropriate.

(j) Costs; Expenses in the Event of Breach. In the event that Employee breaches or attempts to breach the Covenants, the Company and LogistiCare shall be entitled to reimbursement from Employee for all costs and expenses associated



with any successful action or arbitration to enforce any of the Covenants, including but not limited to reasonable attorneys' fees and costs of litigation. Should the Company file an action against Employee relating to a breach of the Covenants, and a court or arbitrator of competent jurisdiction determines that Employee did not breach any of the Covenants, Employee shall be entitled to reimbursement from the Company of all costs and expenses associated with defending against such action asserting a breach, including reasonable attorneys' fees and costs.

8. Section 409A of the Code.

(a) Applicability of Section 409A. Amounts payable under this Agreement are intended either to be exempt from the rules of Section 409A of the Code or to satisfy those rules and shall be construed accordingly. Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A of the Code. Neither the Company nor its Affiliates shall be liable to Employee with respect to any Agreement-related adverse tax consequences arising under Section 409A or other provision of the Code.

(b) Violations of 409(A). If any provision of this Agreement contravenes any regulations or Treasury guidance promulgated under Code Section 409A or could cause an amount payable hereunder to be subject to the interest and penalties under Code Section 409A, such provision of the Agreement shall be deemed automatically modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Code Section 409A. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean separation from service. If the timing of Employee's execution, delivery and non-revocation of a General Release could impact the calendar year in which any payment under this Agreement that is subject to Section 409A will be made, such payment will be made in the later calendar year.

(c) Specified Employee. Notwithstanding any provisions of this Agreement to the contrary, if Employee is a "specified employee" (as such term is defined for purposes of Code Section 409A), no payment of amounts not exempt from Code Section 409A shall be made under Section 6 hereof prior to the date that is six (6) months after the date of Employee's Separation From Service or, if earlier, Employee's date of death, to the extent such six (6) month delay in payment is required to comply with Code Section 409A, and following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the earliest permissible payment date.

9. Miscellaneous.

(a) Indulgences, Etc. Neither the failure, nor any delay, on the part of either party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same, or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

(b) Controlling Law; Consent to Arbitration; Service of Process.

(i) This Agreement and all questions relating to its validity, interpretation, performance and enforcement (including, without limitation, provisions concerning limitations of actions), shall be governed by and construed in accordance with the laws of the State of Delaware (notwithstanding any conflict-of-laws doctrines of such state or other jurisdiction to the contrary), and without the aid of any canon, custom or rule of law requiring construction against the draftsman.

(ii) Except to the extent provided for in Section 7 above (relating to injunctive relief and other equitable remedies in aid of arbitration), the Company, LogistiCare and Employee agree that any claim, dispute or controversy arising under or in connection with this Agreement, or otherwise in connection with Employee's employment by the Company or LogistiCare or termination of Employee's employment (including, without limitation, any such claim, dispute or controversy arising under any federal, state or local statute, regulation or ordinance or any of the Company's employee benefit plans, policies or programs) shall be resolved solely and exclusively by binding, confidential, arbitration. The arbitration shall be held in Atlanta, Georgia (or at such other location as shall be mutually agreed by the parties). The arbitration shall be conducted in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association (the "AAA") in effect at the time of the arbitration, except that the single arbitrator shall be selected by alternatively striking from a list of five arbitrators supplied by the AAA. All fees and expenses of the arbitration, including a transcript if either requests, shall initially be borne equally by the parties (subject to any award of attorneys' fees and expenses made pursuant to Paragraph 7(j)), however, all costs for the services of the arbitrator shall be borne solely by the Company.

(iii) Each party is responsible for the fees and expenses of its own attorneys, experts, witnesses, and preparation and presentation of proofs and post-hearing briefs (unless the party prevails on a claim for which attorneys' fees

are recoverable under this contract or under law). In rendering a decision, the arbitrator shall apply all legal principles and standards that would govern if the dispute were being heard in court. This includes the availability of all remedies that the parties could obtain in court. In addition, all statutes of limitation and defenses that would be applicable in court, will apply to the arbitration proceeding. The decision of the arbitrator shall be set forth in writing, and be binding and conclusive on all parties. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act, if applicable, and otherwise by applicable state law. If any of the Company or Employee improperly pursues any claim, dispute or controversy against the other in a proceeding other than the arbitration provided for herein, the responding party shall be entitled to dismissal or injunctive relief regarding such action and recovery of all costs, losses and attorney's fees related to such action.

(iv) Each of the parties hereto hereby consents to process being served in any suit, action or proceeding of any nature, by the mailing of a copy thereof by registered or certified first-class mail, postage prepaid, return receipt requested, to them at their respective addresses set forth in Section 9(c) hereof. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, all claims of error by reason of any such service pursuant to the terms hereof (but does not waive any right to assert lack of subject matter jurisdiction) and agrees that such service shall (A) be deemed in every respect effective service of process in any such suit, action or proceeding and (B) to the fullest extent permitted by applicable law, be taken and held to be valid personal service.

(v) Nothing in this Section 9(b) shall affect the right of any party hereto to serve process in any manner permitted by law or affect the right of any party to bring proceedings against any other party in the courts of any jurisdiction or jurisdictions in order to seek equitable relief, including injunctive relief or to enforce an arbitration award.

(c) Notices. All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by courier service such as Federal Express, or by other messenger) or five (5) business days following deposit in the United States mails, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below.

- (i) If to Employee, at the address most recently contained in the Company's records (which Employee shall update as necessary)
- (ii) If to the Company or LogistiCare:

The Providence Service Corporation  
1275 Peachtree Street NE, Sixth Floor  
Atlanta, Georgia  
Attention: Chief Executive Officer

Any party may alter the addresses to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this Section for the giving of notice.

(d) Assignment of Agreement. The rights and obligations of both parties under this Agreement shall inure to the benefit of and shall be binding upon their heirs, successors and assigns. The Company and LogistiCare may assign or otherwise transfer their respective rights and obligations under this Agreement, including but not limited to all Covenants contained in Section 7 above, to any successor or affiliated business or corporation whether by sale of stock, merger (in which case the Company's, LogistiCare's and Employee's rights and obligations will be owed to or from, as the case may be, the surviving entity by operation of law without the need for further writing), consolidation, sale of assets or otherwise. This Agreement may not, however, be assigned by Employee to a third party, nor may Employee delegate Employee's duties under this Agreement.

(e) Execution in Counterparts. This Agreement may be executed in counterparts, including by facsimile or other electronic transmission, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

(f) Provisions Separable. The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

(g) Entire Agreement; Amendment. This Agreement contains the entire understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings between the parties, inducements or conditions, express or implied, oral or written, except as herein contained. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing executed by both parties hereto. Notwithstanding anything to the contrary, the Company may terminate this agreement and have no obligations hereunder (and Employee will not become an employee of the Company or LogistiCare or be appointed to the office of GC) if, following the completion of a customary background check of the Employee, the

Board determines, in its sole discretion, that the results of such background check are not satisfactory for an executive level employee or the Company's GC. In the event of a termination of this Agreement by the Company pursuant to the preceding sentence, this Agreement shall be void ab initio and of no force or effect.

(h) Section Headings. The Section headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

(i) Gender, Etc. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context indicates is appropriate.

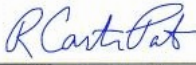
(j) Independent Review and Consultation. Employee is hereby advised to consult with an attorney before signing this Agreement. Employee acknowledges that it is Employee's decision whether or not to do so.

(k) Number of Days. In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays and holidays; provided, however, that if the final day of any time period falls on a Saturday, Sunday or holiday on which entities which are provincially regulated are or may elect to be closed, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or such holiday.


[signature page follows]

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement, intending to be legally bound hereby, as of the date first above written.

**THE PROVIDENCE SERVICE CORPORATION**

By:   
Name: R. Carter Pate  
Title: Interim Chief Executive Officer

**LOGISTICARE SOLUTIONS, LLC**

By:   
Name: R. Carter Pate  
Title: Interim Chief Executive Officer

**KATHRYN M. STALMACK**





CERTIFICATIONS

I, R. Carter Pate, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Providence Service Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ R. Carter Pate

\_\_\_\_\_  
R. Carter Pate  
Interim Chief Executive Officer  
(Principal Executive Officer)



CERTIFICATIONS

I, Kevin Dotts, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Providence Service Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ Kevin Dotts

Kevin Dotts  
Chief Financial Officer  
(Principal Financial Officer)

**THE PROVIDENCE SERVICE CORPORATION**  
**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Providence Service Corporation (the "Company") does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended September 30, 2019 (the "Report") that, to the best of such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2019

/s/ R. Carter Pate  
R. Carter Pate  
Interim Chief Executive Officer  
*(Principal Executive Officer)*

**THE PROVIDENCE SERVICE CORPORATION**  
**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Providence Service Corporation (the "Company") does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended September 30, 2019 (the "Report") that, to the best of such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2019

/s/ Kevin Dotts  
Kevin Dotts  
Chief Financial Officer  
*(Principal Financial Officer)*