

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(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, 2018

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

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.)

700 Canal Street, Third Floor
Stamford, Connecticut
(Address of principal executive offices)

06902
(Zip Code)

(203) 307-2800
(Registrant's telephone number, including area code)

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 (Do not check if a smaller reporting company)

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 5, 2018, there were outstanding 12,810,967 shares (excluding treasury shares of 4,968,899) of the registrant's Common Stock, \$0.001 par value per share.

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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, 2018	December 31, 2017
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 47,492	\$ 95,310
Accounts receivable, net of allowance of \$1,461 in 2018 and \$5,762 in 2017	181,155	158,926
Other receivables	3,525	5,759
Prepaid expenses and other	27,292	35,243
Restricted cash	1,624	1,091
Total current assets	261,088	296,329
Property and equipment, net	47,027	50,377
Goodwill	160,420	121,668
Intangible assets, net	52,668	43,939
Equity investments	164,097	169,912
Other assets	9,314	12,028
Restricted cash, less current portion	3,132	5,205
Deferred tax asset	6,213	4,632
Total assets	\$ 703,959	\$ 704,090
Liabilities, redeemable convertible preferred stock and stockholders' equity		
Current liabilities:		
Current portion of debt	\$ 37,149	\$ 2,400
Accounts payable	17,994	15,404
Accrued expenses	70,071	103,838
Accrued transportation costs	114,476	83,588
Deferred revenue	17,419	17,381
Reinsurance and related liability reserves	6,860	4,319
Total current liabilities	263,969	226,930
Long-term debt, less current portion	430	584
Other long-term liabilities	17,609	21,386
Deferred tax liabilities	44,716	41,627
Total liabilities	326,724	290,527
Commitments and contingencies (Note 15)		
Redeemable convertible preferred stock		
Convertible preferred stock, net: Authorized 10,000,000 shares; \$0.001 par value; 801,729 and 803,200, respectively, issued and outstanding; 5.5%/8.5% dividend rate	77,404	77,546
Stockholders' equity		
Common stock: Authorized 40,000,000 shares; \$0.001 par value; 17,779,646 and 17,473,598, respectively, issued and outstanding (including treasury shares)	18	17
Additional paid-in capital	331,947	313,955
Retained earnings	208,589	204,818
Accumulated other comprehensive loss, net of tax	(28,102)	(25,805)
Treasury shares, at cost, 4,968,899 and 4,126,132 shares	(210,812)	(154,803)
Total Providence stockholders' equity	301,640	338,182
Noncontrolling interest	(1,809)	(2,165)
Total stockholders' equity	299,831	336,017
Total liabilities, redeemable convertible preferred stock and stockholders' equity	\$ 703,959	\$ 704,090

See accompanying notes to the unaudited condensed consolidated financial statements

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

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Service revenue, net	\$ 421,319	\$ 409,517	\$ 1,239,159	\$ 1,216,994
Operating expenses:				
Service expense	391,608	378,032	1,147,914	1,124,478
General and administrative expense	16,203	18,629	53,894	53,705
Asset impairment charge	—	—	9,881	—
Depreciation and amortization	6,641	6,547	20,317	19,716
Total operating expenses	<u>414,452</u>	<u>403,208</u>	<u>1,232,006</u>	<u>1,197,899</u>
Operating income	6,867	6,309	7,153	19,095
Other expenses:				
Interest expense, net	347	302	918	983
Other loss	669	—	669	—
Equity in net loss of investees	1,558	460	4,026	991
Gain on sale of equity investment	—	(12,606)	—	(12,606)
Gain on remeasurement of cost method investment	(6,577)	—	(6,577)	—
Loss (gain) on foreign currency transactions	(178)	200	(807)	600
Income from continuing operations before income taxes	<u>11,048</u>	<u>17,953</u>	<u>8,924</u>	<u>29,127</u>
Provision for income taxes	4,259	2,989	7,755	8,391
Income from continuing operations, net of tax	6,789	14,964	1,169	20,736
Discontinued operations, net of tax	542	(16)	485	(6,000)
Net income	7,331	14,948	1,654	14,736
Net income attributable to noncontrolling interests	(177)	(95)	(285)	(295)
Net income attributable to Providence	<u>\$ 7,154</u>	<u>\$ 14,853</u>	<u>\$ 1,369</u>	<u>\$ 14,441</u>
Net income (loss) available to common stockholders (Note 13)	<u>\$ 5,298</u>	<u>\$ 11,962</u>	<u>\$ (1,939)</u>	<u>\$ 8,927</u>
Basic earnings (loss) per common share:				
Continuing operations	\$ 0.37	\$ 0.88	\$ (0.19)	\$ 1.10
Discontinued operations	0.04	—	0.04	(0.44)
Basic earnings (loss) per common share	<u>\$ 0.41</u>	<u>\$ 0.88</u>	<u>\$ (0.15)</u>	<u>\$ 0.66</u>
Diluted earnings (loss) per common share:				
Continuing operations	\$ 0.37	\$ 0.88	\$ (0.19)	\$ 1.09
Discontinued operations	0.04	—	0.04	(0.44)
Diluted earnings (loss) per common share	<u>\$ 0.41</u>	<u>\$ 0.88</u>	<u>\$ (0.15)</u>	<u>\$ 0.65</u>
Weighted-average number of common shares outstanding:				
Basic	12,865,777	13,581,662	12,992,403	13,612,764
Diluted	12,927,122	13,655,554	12,992,403	13,676,468

See accompanying notes to the unaudited condensed consolidated financial statements

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ 7,331	\$ 14,948	\$ 1,654	\$ 14,736
Net loss (income) attributable to noncontrolling interest	(177)	(95)	(285)	(295)
Net income (loss) attributable to Providence	7,154	14,853	1,369	14,441
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax	(882)	2,165	(2,924)	6,591
Reclassification of translation loss realized upon sale of subsidiary and equity investment, respectively	627	527	627	527
Other comprehensive income (loss)	(255)	2,692	(2,297)	7,118
Comprehensive income	7,076	17,640	(643)	21,854
Comprehensive income attributable to noncontrolling interest	(203)	(26)	(356)	(113)
Comprehensive income (loss) attributable to Providence	<u>\$ 6,873</u>	<u>\$ 17,614</u>	<u>\$ (999)</u>	<u>\$ 21,741</u>

See accompanying notes to the unaudited condensed consolidated financial statements

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

	Nine months ended September 30,	
	2018	2017
Operating activities		
Net income	\$ 1,654	\$ 14,736
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	14,217	13,802
Amortization	6,100	5,914
Asset impairment charge	9,881	—
Provision for doubtful accounts	1,615	1,258
Stock-based compensation	6,209	4,586
Deferred income taxes	(602)	(7,062)
Amortization of deferred financing costs and debt discount	408	516
Equity in net loss of investees	4,026	991
Gain on sale of equity investment	—	(12,606)
Gain on remeasurement of cost method investment	(6,577)	—
Other non-cash charges (credits)	(115)	554
Changes in operating assets and liabilities:		
Accounts receivable	(31,514)	(10,647)
Prepaid expenses and other	14,243	7,517
Reinsurance and related liability reserve	(548)	(4,924)
Accounts payable and accrued expenses	(26,251)	(3,407)
Accrued transportation costs	30,888	28,839
Deferred revenue	(1,468)	(4,537)
Other long-term liabilities	304	1,399
Net cash provided by operating activities	22,470	36,929
Investing activities		
Purchase of property and equipment	(13,194)	(15,293)
Acquisitions, net of cash acquired	(42,067)	—
Dispositions, net of cash sold	(5,862)	—
Cost method investments	—	(3,000)
Proceeds from sale of equity investment	—	15,823
Proceeds from note receivable	3,130	—
Other investing activities	—	310
Net cash used in investing activities	(57,993)	(2,160)
Financing activities		
Preferred stock dividends	(3,302)	(3,305)
Repurchase of common stock, for treasury	(56,009)	(18,763)
Proceeds from common stock issued pursuant to stock option exercise	12,413	1,528
Performance restricted stock surrendered for employee tax payment	(429)	(96)
Proceeds from debt	36,000	—
Capital lease payments and other	(2,529)	(1,711)
Net cash used in financing activities	(13,856)	(22,347)
Effect of exchange rate changes on cash	21	464
Net change in cash, cash equivalents and restricted cash	(49,358)	12,886
Cash, cash equivalents and restricted cash at beginning of period	101,606	86,392
Cash, cash equivalents and restricted cash at end of period	\$ 52,248	\$ 99,278

See accompanying notes to the unaudited condensed consolidated financial statements

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

Supplemental cash flow information	Nine Months Ended September 30,	
	2018	2017
Cash paid for interest	\$ 767	\$ 776
Cash paid for income taxes	\$ 11,477	\$ 14,804
Purchase of equipment through capital lease obligation	\$ 724	\$ 516
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, 2018
(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”) owns subsidiaries and investments primarily engaged in the provision of healthcare services in the United States and workforce development services internationally. The subsidiaries and other investments in which the Company holds interests comprise the following segments:

- Non-Emergency Transportation Services (“NET Services”) – Nationwide manager of non-emergency medical transportation (“NET”) programs for state governments and managed care organizations. On September 21, 2018, LogistiCare Solutions, LLC (“LogistiCare”), a wholly-owned subsidiary of the Company, completed its acquisition of Circulation, Inc. (“Circulation”). Circulation is a company that offers a full suite of logistics solutions to manage non-emergency transportation across all areas of healthcare.
- Workforce Development Services (“WD Services”) – Global provider of employment preparation and placement services, legal offender rehabilitation services, youth community service programs and certain health related services to eligible participants of government sponsored programs. On November 6, 2018, the Board of Directors of Providence approved the sale of the WD Services segment. On November 7, 2018, the Company and Ingeus UK Holdings Limited (“Holdings”), its direct wholly-owned subsidiary, entered into a share purchase agreement with Advanced Personnel Management Global Pty Ltd and APM UK Holdings Limited (together the “Purchasers”) and International APM Group Pty Limited, as Purchasers’ Guarantor (the “Guarantor”), pursuant to which the Company agreed to sell substantially all of the operating subsidiaries of its WD Services segment with the exception of its operations in Saudi Arabia, for which it is pursuing alternative strategies which are expected to result in no longer providing services in the country beyond the end of the year. The transaction is subject to approvals from certain of Ingeus’ government customers and the satisfaction of customary closing conditions.
- Matrix Investment – Minority interest in CCHN Group Holdings, Inc. and its subsidiaries (“Matrix”), accounted for as an equity method investment. Matrix offers a national network of community-based clinicians who deliver in-home services for members, including comprehensive health assessments (“CHAs”), and a fleet of mobile health clinics with advanced diagnostic capabilities. On February 16, 2018, Matrix acquired HealthFair.

In addition to its segments’ operations, the Corporate and Other segment includes the Company’s activities at its corporate office that include executive, accounting, finance, internal audit, tax, legal, public reporting, certain strategic and corporate development functions and the results of the Company’s captive insurance company. On April 11, 2018, the Company announced an organizational consolidation plan to integrate substantially all activities and functions performed at the corporate holding company level into its wholly-owned subsidiary, LogistiCare. See Note 9, *Restructuring and Related Reorganization Costs*, 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 non-SEC accounting and reporting standards to be applied by non-governmental entities. All amounts are presented in United States (“U.S.”) dollars, unless otherwise noted.

The Company’s unaudited 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 to prepare these unaudited 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, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2018. Management has evaluated events and transactions that occurred after the balance sheet date and through the date these unaudited condensed consolidated financial statements were filed, and considered the effect of such events in the preparation of these unaudited condensed consolidated financial statements.

The condensed consolidated balance sheet at December 31, 2017 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by GAAP for complete financial statements. The unaudited 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, 2017.

The Company holds investments that are accounted for using the equity method. The Company does not control the decision-making process or business management practices of these affiliates. While the Company has access to certain information and performs certain procedures to review the reasonableness of information, the Company relies on management of these affiliates to provide accurate financial information prepared in accordance with GAAP. The Company receives audit reports relating to such financial information from the affiliates' independent auditors on an annual basis. The Company is not aware of any errors in or possible misstatements of the financial information provided by its equity affiliates that would have a material effect on the Company's condensed consolidated financial statements.

Reclassifications

We have reclassified certain amounts relating to our prior period results to conform to our current period presentation. See Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*, for additional information on reclassifications.

2. Significant Accounting Policies and Recent Accounting Pronouncements

The Company adopted the following accounting pronouncements during the nine months ended September 30, 2018:

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). ASU 2014-09 introduced FASB Accounting Standards Codification Topic 606 ("ASC 606"), which replaced historical revenue recognition guidance and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. The core principle of ASC 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASC 606 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09 allows for adoption either on a full retrospective basis to each prior reporting period presented or on a modified retrospective basis with the cumulative effect of initially applying the new guidance recognized at the date of initial application. The Company adopted ASU 2014-09 effective January 1, 2018 using the modified retrospective transition method for contracts that were not completed as of January 1, 2018.

The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. Upon adoption of ASU 2014-09, the cumulative effect of the changes made to the Company's condensed consolidated balance sheet as of January 1, 2018 were as follows:

	Balance at December 31, 2017	Adjustments due to ASU 2014-09	Balance at January 1, 2018
Assets			
Prepaid expenses and other	\$ 35,243	\$ 11,182	\$ 46,425
Liabilities			
Accrued expenses	103,838	2,330	106,168
Deferred revenue	17,381	3,112	20,493
Deferred tax liability	41,627	30	41,657
Equity			
Retained earnings, net of tax	204,818	5,710	210,528

The impact of applying the new revenue recognition guidance on the Company's condensed consolidated statements of income for the three and nine months ended September 30, 2018, and balance sheet as of September 30, 2018, was as follows:

	Three months ended September 30, 2018		Nine months ended September 30, 2018	
	As Reported	Pro forma as if the previous accounting guidance was in effect	As Reported	Pro forma as if the previous accounting guidance was in effect
Statements of Income				
Service revenue, net	\$ 421,319	\$ 422,942	\$ 1,239,159	\$ 1,254,350
Service expense	391,608	393,659	1,147,914	1,159,943
Operating income	6,867	6,439	7,153	10,315
Income from continuing operations before taxes	11,048	10,620	8,924	12,086
Net income attributable to Providence	7,154	7,580	1,369	4,590
Diluted earnings (loss) per share	\$ 0.41	\$ 0.44	\$ (0.15)	\$ 0.09
Balance Sheet				
Prepaid expenses and other	\$ 27,292	\$ 21,890		
Accrued expenses	70,071	68,550		
Deferred revenue	17,419	16,222		
Deferred tax liabilities	44,716	44,527		
Retained earnings, net of tax	208,589	206,094		

The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. See further information in Note 3, *Revenue Recognition*.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”). ASU 2016-15 provides guidance for eight targeted changes with respect to how cash receipts and cash payments are classified in the statements of cash flows, with the objective of reducing diversity in practice. ASU 2016-15 is effective for financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted. The Company adopted ASU 2016-15 on January 1, 2018. The adoption did not have a significant impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (“ASU 2016-18”). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is effective for public entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period; however, any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. ASU 2016-18 must be adopted retrospectively. The Company adopted ASU 2016-18 on January 1, 2018. As a result of the adoption of ASU 2016-18, the Company recast its condensed consolidated statement of cash flows for the nine months ended September 30, 2017. The recast resulted in an increase in cash used in investing activities of \$7,029. See additional information in Note 4, *Cash, Cash Equivalents and Restricted Cash*.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting* (“ASU 2017-09”). ASU 2017-09 provides guidance about which changes to the terms of a share-based payment award should be accounted for as a modification. A change to an award should be accounted for as a modification unless the fair value of the modified award is the same as the original award, the vesting conditions do not change, and the classification as an equity or liability instrument does not change. This guidance is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Company adopted ASU 2017-09 on January 1, 2018. The adoption of ASU 2017-09 did not have a material impact on the Company's consolidated financial statements.

Updates to the recent accounting pronouncements as disclosed in the Company's Form 10-K for the year ended December 31, 2017 are as follows:

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 will replace 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 contract.

ASC 842 is effective for publicly held entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. Lessees may apply a modified retrospective transition approach for leases existing at, or entered after, the beginning of the earliest comparative period presented in the financial statements, or lessees may initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

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 will be required to recognize a lease liability and right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. The Company intends to apply the modified retrospective transition method and elect the transition option to use the effective date of January 1, 2019 as the date of initial application. The Company will recognize the cumulative effect of the transition adjustment as of the effective date; and, it does not expect to provide any new lease disclosures for periods before the effective date. With respect to the practical expedients, the Company expects to elect the package of practical expedients and the practical expedient not to separate lease and non-lease components. The Company does not expect to apply the use of hindsight practical expedient. In connection with the adoption of ASU 2016-02, the Company has assembled a cross-functional team supported by external consultants to evaluate the lease portfolio, systems, processes and policy change requirements. A review of the lease population has commenced and the Company has selected a third-party software program to store, track and analyze its leases in accordance with the new guidance. The Company is in process of implementing the software program for its lease population. The Company's assessment of the related financial impact is ongoing and, therefore, the Company has not yet determined whether the impact will be material to its consolidated financial statements.

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 is currently evaluating the impact of ASU 2016-13 on its consolidated financial statements.

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. Certain disclosures in ASU 2018-13 would need to be applied on a retrospective basis and others on a prospective basis. The Company is currently evaluating the impact of ASU 2018-13 on its consolidated financial statements.

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”), which 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 is currently evaluating the impact of ASU 2018-15 on its consolidated financial statements.

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 final rule is effective on November 5, 2018. The Company will adopt this new rule beginning with its financial reporting for the quarter ended March 31, 2019. Upon adoption, the Company will include its Consolidated Statements of Stockholders' Equity with each filing of a Quarterly Report on Form 10-Q.

There were no other significant updates to the new accounting guidance not yet adopted by the Company as disclosed in its Annual Report on Form 10-K for the year ended December 31, 2017.

3. Revenue Recognition

Under ASC 606, the Company recognizes revenue as it transfers control of promised services to its customers. The Company generates all of its revenue from contracts with customers. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for these services. The Company satisfies substantially all of its performance obligations and recognizes revenue over time instead of at points in time.

Disaggregation of Revenue

The following table summarizes disaggregated revenue from contracts with customers for the three and nine months ended September 30, 2018 by contract type for NET Services:

	Three months ended September 30, 2018	Nine months ended September 30, 2018
State Medicaid agency contracts	\$ 183,661	\$ 544,409
Managed care organization contracts	160,110	479,794
Total NET Services revenue, net	\$ 343,771	\$ 1,024,203
Capitated contracts	\$ 297,808	\$ 869,203
Non-capitated contracts	45,963	155,000
Total NET Services revenue, net	\$ 343,771	\$ 1,024,203

The following table summarizes disaggregated revenue from contracts with customers for the three and nine months ended September 30, 2018 by revenue category for WD Services:

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Employment preparation and placement services	\$ 31,767	\$ 118,161
Legal offender rehabilitation services	17,926	58,775
Youth services	23,171	24,160
Other	4,684	13,860
Total WD Services revenue, net	\$ 77,548	\$ 214,956

The following table summarizes disaggregated revenue from contracts with customers for the three and nine months ended September 30, 2018 by geographic region:

	Three months ended September 30, 2018			
	United States	United Kingdom	Other Foreign	Total
NET Services	\$ 343,771	\$ —	\$ —	\$ 343,771
WD Services	5,066	53,018	19,464	77,548
Total	\$ 348,837	\$ 53,018	\$ 19,464	\$ 421,319

	Nine months ended September 30, 2018			
	United States	United Kingdom	Other Foreign	Total
NET Services	\$ 1,024,203	\$ —	\$ —	\$ 1,024,203
WD Services	14,108	127,487	73,361	214,956
Total	\$ 1,038,311	\$ 127,487	\$ 73,361	\$ 1,239,159

NET Services Revenue

NET Services provides non-emergency transportation services pursuant to contractual commitments over defined service delivery periods. For most contracts, NET Services arranges for transportation of members through its network of independent transportation providers, whereby it remits payment to the transportation providers. However, for certain contracts, NET Services only provides administrative management services to support the customers' efforts to serve its clients, and the amount of revenue recognized is based upon the management fee earned.

These contracts typically include single performance obligations under which NET Services stands ready to deliver management, fulfillment and record-keeping related to non-emergency transportation services. Transportation management services include, but are not limited to, fraud, waste, and abuse and utilization review programs as well as compliance controls. NET Services' performance obligations consist of a series of distinct services that are substantially the same and which are transferred to the customer in the same manner. In most cases, NET Services is the principal in its arrangements because it controls the services before transferring those services to the customer.

NET Services primarily uses the 'as invoiced' practical expedient to recognize revenue because it typically has the right to consideration from customers in an amount that corresponds directly with the value of its performance to date. This is consistent with NET Services' historical revenue recognition policy. NET Services recognizes revenue for some of its contracts that include variable consideration using a time-elapsed measure when the fees earned relate directly to services performed in the period. Because most contracts include termination for convenience clauses with required notice periods of less than one year, most NET Services contracts are deemed to be short-term in nature.

Some of NET Services' contracts include provisions whereby it must provide certain levels of service or face potential penalties or be required to refund fees paid by the customer. For those contracts, NET Services records a provision to reduce revenue to reflect the amount to which it expects it will ultimately be entitled.

The only financial impact for NET Services of adopting ASU 2014-09 was the determination it is the agent under one of its contracts based on the new guidance, whereas it previously considered itself the principal in the arrangement. Consequently, NET Services now recognizes revenue under the specific contract on a net basis, which resulted in reduced revenue and service expense of \$3,765 and \$11,166 during the three and nine months ended September 30, 2018, respectively.

During the three and nine months ended September 30, 2018, NET Services recognized \$1,956 and \$5,685, respectively, from performance obligations satisfied in previous periods due to the resolution of contractual adjustments agreed with the customer.

WD Services Revenue

WD Services provides workforce development and offender rehabilitation services, which include employment preparation and placement, as well as apprenticeship and training, youth community service programs and certain health related services to clients on behalf of governmental and private entities pursuant to contractual commitments over defined service delivery periods. While the specific terms vary by contract, WD Services often receives four types of revenue streams under contracts with government entities: referral/attachment fees, job placement/job outcome fees, sustainment fees and incentive fees (collectively, "outcome fees").

Most of WD Services' contracts include a single promise to stand ready to deliver pre-defined services. WD Services concluded its performance obligations comprise a series of distinct monthly services that are substantially the same and which are transferred to the customer in the same manner. Accordingly, the monthly promise to stand ready is accounted for as a single performance obligation. Substantially all of WD Services' contracts include variable consideration, whereby it earns revenues if certain contractually-defined outcomes occur in the future. As the related performance obligations are satisfied, WD Services recognizes revenue for those outcomes in proportion to the amount of the related fees it estimates have been earned. The amount of revenue is based upon WD Services' estimate of the final amount of outcome fees to be earned. WD Services evaluates probability generally using the expected value method because the likelihood it will be entitled to variable fees is binary in nature. These estimates consider i) contractual rates, ii) assumed success rates and iii) assumed participant life in program. Generally, each of these estimates is based upon historical results, although for new contracts, other factors may be considered. At each reporting period, WD Services updates its estimate of variable consideration based on actual results or other relevant information and records an adjustment to revenue based upon services performed to date. For some of WD Services' contracts, it recognizes revenue as it invoices customers because the amount to which it is entitled to invoice approximates the fair value of the services transferred.

WD Services constrains its estimates of variable consideration by reducing those estimates to amounts it believes with sufficient confidence will not later result in a significant reversal of revenue. When determining if variable consideration should be constrained, management considers whether there are factors outside WD Services' control that could result in a significant reversal of revenue. In making these assessments, WD Services considers the likelihood and magnitude of a potential reversal of revenue.

For some of WD Services' contracts, WD Services accrues for potential penalties it could incur as a result of not meeting certain performance targets. These penalties are estimated based on expectations from historical results. During the nine months ended September 30, 2018, our subsidiary, The Reducing Reoffending Partnership Limited ("RRP"), along with other providers of probation services, obtained further clarity on the recommendations resulting from the UK probation services review, including the measurement of frequency and binary recidivism measures and the related income and penalties. As a result of this clarification of the agreement, which was subsequently signed in the third quarter, RRP was able to calculate a reasonable estimate of its liability, recording a reduction of revenue of \$1,681 during the nine months ended September 30, 2018. In addition, based upon current performance trends, the Company estimates it will incur additional penalties over the remainder of the contract through 2020, and such amounts will be recorded as an offset to revenue earned over such periods, based upon ASC 606. The Company believes it will have the opportunity to earn additional income based upon the final amendment, but such amounts will be recorded in the future as services are provided.

Under the new standard, for certain contracts in which WD Services receives up-front fees or fixed monthly fees, WD Services may recognize revenue over a different period than under historical guidance, which may include a longer period of time. In addition, WD Services may recognize revenue for outcome fees earlier than under historical guidance, as WD Services previously recognized those revenues only upon final resolution of the outcome, at which point the related invoice was issued. Thus, the new standard results in a greater degree of estimation for outcome-based fees, and to a lesser extent, fixed fees.

During the three and nine months ended September 30, 2018, WD Services recognized \$3,283 and \$8,357, respectively, from performance obligations satisfied in previous periods, based upon final resolution of amounts with the customer.

Related Balance Sheet Accounts

Accounts receivable, net - The Company records accounts receivable amounts at the contractual amount, less an allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts at an amount it estimates to be sufficient to cover the risk that an account will not be collected. The Company regularly evaluates its accounts receivables, especially receivables that are past due, and reassesses its allowance for doubtful accounts based on identified customer collection issues. In circumstances where the Company is aware of a customer's inability to meet its financial obligation, the Company records a specific allowance for doubtful accounts to reduce its net recognized receivable to an amount the Company reasonably expects to collect. Under certain contracts of NET Services, final payment is based on a reconciliation of actual utilization and cost, and the final reconciliation may require a considerable period of time. In addition, certain government entities which WD Services serves remit payment substantially beyond the payment terms. The Company monitors these amounts due to the aging of receivables, taking into account discussions with the customer and other considerations, and generally believes the balances are collectible. However, factors within those government entities could change and there can be no assurance that such changes would not result in an inability to collect the receivables.

For example, under WD Services' employability contract in Saudi Arabia, certain receivable balances are significantly past due. During the three months ended September 30, 2018, the Company reached an agreement with the Saudi Arabian authorities to settle certain outstanding receivables at a discount, recording a write-down of \$1,804. Such amounts arose prior to March 2017, when the government implemented an electronic billing system. A reserve was not provided previously, as the amounts were expected to be paid. However, due to delays in payment and the related administrative burden of the reconciliation process, the Company offered a discount in order to settle the receivable.

The following table provides information about accounts receivable, net as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Accounts receivable	\$ 138,254	\$ 122,634
NET Services' reconciliation contract receivable	44,362	42,054
Allowance for doubtful accounts	(1,461)	(5,762)
	<u>\$ 181,155</u>	<u>\$ 158,926</u>

Contract assets - Primarily reflects estimated revenue expected to be billed, as the Company does not have the unconditional right to invoice these amounts. We receive payments from customers based on the terms established in our contracts. The balance of \$4,512 is included in "Prepaid expenses and other" in the condensed consolidated balance sheet at September 30, 2018.

NET Services accrued contract payments - Includes liabilities related to certain contracts of NET Services for which final payment is based on a reconciliation of actual utilization and cost, and the final reconciliation may require a considerable period of time. The balance is included in "Accrued liabilities" in the condensed consolidated balance sheet. The balance at September 30, 2018 and December 31, 2017 totaled \$10,713 and \$17,487, respectively.

Deferred Revenue - Includes funds received for certain services in advance of services being rendered. The balance at September 30, 2018 and December 31, 2017 totaled \$17,419 and \$17,381, respectively. The increase in the deferred revenue balance from December 31, 2017 to September 30, 2018 is primarily driven by cash payments received or due in advance of satisfying our performance obligations, including the impact of the adoption of the revenue recognition standard, as revenue under the WD Services youth services contract is now fully deferred until the courses are offered in the summer and fall. During the nine months ended September 30, 2018, \$11,602 of revenue deferred as of December 31, 2017 was recognized.

Costs to Obtain and Fulfill a Contract

The Company capitalizes costs incurred to fulfill its contracts that i) relate directly to the contract; ii) are expected to generate resources that will be used to satisfy the Company's performance obligation under the contract; and iii) are expected to be recovered through revenue generated under the contract. Contract fulfillment costs are expensed to service expense as the Company satisfies its performance obligations. These costs, which are classified in "Prepaid expenses and other" on the condensed consolidated balance sheets, principally relate to costs deferred for work performed by sub-contractors under WD Services' contracts that will be used in satisfying future performance obligations. These deferred costs totaled \$1,937 and \$2,543 at September 30, 2018 and December 31, 2017, respectively. The Company recognized \$2,438 and \$2,562, respectively, of deferred costs as service expense during the three and nine months ended September 30, 2018.

Practical Expedients, Exemptions and Other Matters

We do not incur significant sales commissions expenses. Any amounts are expensed as incurred. These costs are recorded within service expense in the condensed consolidated statements of income.

The Company generally expects the period of time from when it transfers a promised service to a customer and when the customer pays for the service to be one year or less, and thus we do not have a significant financing component for our contracts with customers.

We do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less; (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed; or (iii) contracts for which the variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation, and the terms of the variable consideration relate specifically to our efforts to transfer the distinct service or to a specific outcome from transferring the distinct service.

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, 2018	September 30, 2017
Cash and cash equivalents	\$ 47,492	\$ 92,178
Restricted cash, current	1,624	1,198
Restricted cash, less current portion	3,132	5,902
Cash, cash equivalents and restricted cash	<u>\$ 52,248</u>	<u>\$ 99,278</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, as well as amounts restricted for withdrawal under our self-insured medical and benefits plans.

5. Equity Investment

Matrix

As of September 30, 2018 and December 31, 2017, the Company owned a 43.6% and 46.6% noncontrolling interest in Matrix, respectively. The Company's ownership decreased as a result of the rollover of certain equity interests in HealthFair, which Matrix acquired on February 16, 2018. 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 and the Company's share of Matrix's income or losses are recorded as "Equity in net (gain) loss of investees" in the accompanying condensed consolidated statements of income.

The carrying amount of the assets included in the Company's condensed consolidated balance sheet and the maximum loss exposure related to the Company's interest in Matrix as of September 30, 2018 and December 31, 2017 totaled \$163,814 and \$169,699, respectively.

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

	September 30, 2018	December 31, 2017
Current assets	\$ 64,139	\$ 37,563
Long-term assets	732,630	597,613
Current liabilities	29,691	27,718
Long-term liabilities	375,466	240,513

	Three months ended September 30, 2018	Three months ended September 30, 2017
Revenue	\$ 70,522	\$ 58,639
Operating income	1,492	3,159
Net loss	(4,351)	(537)

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenue	\$ 216,361	\$ 175,346
Operating income	5,330	10,109
Net loss	(13,736)	(775)

Included in Matrix's standalone net loss for the three months ended September 30, 2018 are depreciation and amortization of \$9,558, interest expense of \$6,193, equity compensation of \$491, management fees paid to certain of Matrix's shareholders of \$583, merger and acquisition related diligence costs of \$95, integration costs of \$1,931, and an income tax benefit of \$350. Included in Matrix's standalone net loss for the nine months ended September 30, 2018 are depreciation and amortization of \$27,969, interest expense of \$22,475, including \$6,567 related to the amortization of deferred financing costs primarily resulting from the refinancing of Matrix debt facility, equity compensation of \$2,090, management fees paid to certain of Matrix's shareholders of \$4,337, merger and acquisition related diligence costs of \$2,341 primarily related to the first quarter acquisition of HealthFair, integration costs of \$4,293, and an income tax benefit of \$3,409.

Included in Matrix's standalone net loss for the three months ended September 30, 2017 were equity compensation of \$640, depreciation and amortization of \$8,469, interest expense of \$3,741 and an income tax expense of \$45. Included in Matrix's standalone net loss for the nine months ended September 30, 2017 were transaction bonuses and other transaction related costs of \$3,518, equity compensation of \$1,902, depreciation and amortization of \$24,629, interest expense of \$11,005 and an income tax benefit of \$121.

6. Prepaid Expenses and Other

Prepaid expenses and other were comprised of the following:

	September 30, 2018	December 31, 2017
Prepaid income taxes	\$ 2,050	\$ 1,106
Escrow funds	—	10,000
Contract asset	4,512	—
Prepaid insurance	2,070	2,121
Prepaid taxes and licenses	2,131	906
Note receivable	—	3,224
Prepaid rent	1,014	2,268
Deposits held for leased premises and bonds	2,115	2,849
Costs to fulfill a contract	1,937	2,543
Other	11,463	10,226
Total prepaid expenses and other	<u>\$ 27,292</u>	<u>\$ 35,243</u>

Escrow funds at December 31, 2017 represent amounts related to indemnification claims from the sale of the Human Services segment, which was completed on November 1, 2015. The escrow funds were used during the three months ended September 30, 2018 to satisfy a portion of the Company's settlement of indemnification claims. See Note 15, *Commitments and Contingencies*, for further information. "Contract asset" and "Costs to fulfill a contract" in the table above relate to the adoption of ASC 606, as described in Note 3, *Revenue Recognition*.

7. Goodwill and Intangible Assets

Goodwill

Changes in goodwill were as follows:

	NET Services	WD Services	Consolidated Total
Balances at December 31, 2017			
Goodwill	\$ 191,215	\$ 37,718	\$ 228,933
Accumulated impairment losses	(96,000)	(11,265)	(107,265)
	95,215	26,453	121,668
Acquisition of Circulation			
	39,554	—	39,554
Foreign currency translation adjustment	—	(802)	(802)
Balances at September 30, 2018			
Goodwill	230,769	36,916	267,685
Accumulated impairment losses	(96,000)	(11,265)	(107,265)
	\$ 134,769	\$ 25,651	\$ 160,420

The total amount of goodwill that was deductible for income tax purposes related to acquisitions as of September 30, 2018 and December 31, 2017 was \$4,222.

Intangible Assets

Intangible assets are comprised of acquired customer relationships, trademarks and trade names, and developed technology. Intangible assets consisted of the following:

	Estimated Useful Life (Yrs.)	September 30, 2018		December 31, 2017	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	15	\$ 48,084	\$ (35,421)	\$ 48,128	\$ (33,136)
Customer relationships	10	29,522	(13,578)	30,583	(11,871)
Customer relationships	3	1,400	—	—	—
Trademarks and Trade Names	10	14,021	(6,076)	14,525	(5,205)
Trademarks and Trade Names	3	200	—	—	—
Developed technology of Ingeus and Circulation	5	17,216	(2,700)	3,228	(2,313)
Total		\$ 110,443	\$ (57,775)	\$ 96,464	\$ (52,525)

The weighted-average amortization period at September 30, 2018 for intangibles was 11.3 years. No significant residual value is estimated for these intangible assets. Amortization expense was \$1,988 and \$6,100 for the three and nine months ended September 30, 2018, respectively. Amortization expense was \$1,990 and \$5,914 for the three and nine months ended September 30, 2017, respectively. The Company acquired Circulation in September 2018, which resulted in the increase of intangible assets from December 31, 2017 to September 30, 2018. See additional discussion of the Circulation acquisition in Note 17, *Acquisitions*.

The total amortization expense is estimated to be as follows, based on completed acquisitions and the applicable foreign exchange rates as of September 30, 2018:

Year	Amount
2018 (remaining year)	\$ 2,826
2019	10,940
2020	10,687
2021	10,455
2022	9,694
Thereafter	8,066
Total	\$ 52,668

8. Accrued Expenses

Accrued expenses consisted of the following:

	September 30, 2018	December 31, 2017
Accrued compensation	\$ 15,438	\$ 29,715
NET Services accrued contract payments	10,713	17,487
Accrued settlement	—	15,000
Accrued cash settled stock-based compensation	5,137	3,938
Income taxes payable	1,087	3,723
Other	37,696	33,975
Total accrued expenses	\$ 70,071	\$ 103,838

The accrued settlement represents amounts related to indemnification claims from the sale of the Human Services segment, which was completed on November 1, 2015. The settlement was finalized during the three months ended September 30, 2018, which resulted in the payment of the accrued settlement amount, in which \$10,000 was released from an escrow account and \$4,475 was paid in cash. See Note 15, *Commitments and Contingencies*, for further information.

9. Restructuring and Related Reorganization Costs

Corporate and Other

On April 11, 2018, the Company announced an organizational consolidation plan to integrate substantially all activities and functions performed at the corporate holding company level into its wholly-owned subsidiary, LogistiCare. As part of the organizational consolidation process, the Company's Stamford, CT headquarters and Tucson, AZ satellite office will be closed. The Company adopted an employee retention plan designed to incentivize current holding company level employees to remain employed with the Company during the transition. The employee retention plan became effective on April 9, 2018 and covers the holding company level employees and provides for certain payments and benefits to be provided to the employees if they remain employed with the Company through a retention date established for each individual, subject to a fully executed retention letter. The organizational consolidation is expected to be completed by the middle of 2019.

As of September 30, 2018, the Company estimates that it will incur aggregate pre-tax restructuring charges of approximately \$9,600 through June 30, 2019 in connection with the organizational consolidation discussed above. These charges include approximately \$5,600 related to retention and personnel costs, \$2,000 related to acceleration of stock-based compensation, \$600 related to accelerated depreciation and \$1,400 related to other costs, including lease termination and recruiting costs. A total of \$2,082 restructuring and related costs has been incurred during the three months ended September 30, 2018 related to the organizational consolidation. These costs include \$1,330 of retention and personnel costs, \$119 of accelerated stock-based compensation expense, \$146 of accelerated depreciation and \$487 of other costs, primarily related to recruiting and legal costs. A total of \$5,163 restructuring and related costs has been incurred during the nine months ended September 30, 2018 related to the organizational consolidation. These costs include \$1,978 of retention and personnel costs, \$1,569 of accelerated stock-based compensation expense, \$291 of accelerated depreciation and \$1,325 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 income.

Summary of Liability for Corporate and Other Restructuring and Related Charges

	<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 September 30, 2018 includes \$2,188 classified as “Accrued expenses” and \$218 classified as “Accounts payable” in the condensed consolidated balance sheet.

WD Services

WD Services has two active redundancy programs at September 30, 2018. During the year ended December 31, 2017, WD Services had four redundancy programs. Of these four redundancy plans, two redundancy plans were approved in 2015: a plan related to the termination of employees delivering services under an offender rehabilitation program (“Offender Rehabilitation Program”), which has been completed, and a plan related to the termination of employees delivering services under the Company’s employability and skills training programs and certain other employees in the United Kingdom (“UK Restructuring Program”). In addition, a redundancy plan related to the termination of employees as part of a value enhancement project (“Ingeus Futures Program”) to better align costs at Ingeus with revenue and to improve overall operating performance was approved in 2016 and began a second phase during the three months ended March 31, 2018. Further, a redundancy program to align costs with revenue for offender rehabilitation services (“Delivery First Program”) was approved in the fourth quarter of 2017, and a second phase of this program began in the second quarter of 2018. The Company recorded severance and related charges of \$2,363 and \$1,117 during the nine months ended September 30, 2018 and 2017, respectively, relating to the termination benefits for employee groups and specifically identified employees impacted by these plans. The severance charges incurred are recorded as “Service expense” in the accompanying condensed consolidated statements of income.

The initial estimate of severance and related charges for the plans was based upon the employee groups impacted, average salary and benefits, and redundancy benefits pursuant to the existing policies. Additional charges above the initial estimates, or additional phases of the plan, were incurred for the redundancy plans during the nine months ended September 30, 2018 and 2017 related to the actualization of termination benefits for specifically identified employees impacted under these plans, as well as an increase in the number of individuals impacted by these plans. The final identification of the employees impacted by each program is subject to customary consultation procedures. In addition, additional phases of value enhancement projects may be undertaken in the future, if costs and revenue are not aligned.

Summary of Liability for WD Services Severance and Related Charges

	<u>January 1, 2018</u>	<u>Costs Incurred</u>	<u>Cash Payments</u>	<u>Foreign Exchange Rate Adjustments</u>	<u>September 30, 2018</u>
Ingeus Futures Program	\$ 482	\$ 1,336	\$ (1,463)	\$ (30)	\$ 325
Delivery First Program	1,287	1,027	(1,474)	(5)	835
Total	<u>\$ 1,769</u>	<u>\$ 2,363</u>	<u>\$ (2,937)</u>	<u>\$ (35)</u>	<u>\$ 1,160</u>

	<u>January 1, 2017</u>	<u>Costs Incurred</u>	<u>Cash Payments</u>	<u>Foreign Exchange Rate Adjustments</u>	<u>September 30, 2017</u>
Ingeus Futures Program	\$ 2,486	\$ 1,186	\$ (3,086)	\$ 158	\$ 744
Offender Rehabilitation Program	1,380	(40)	(1,357)	17	—
UK Restructuring Program	50	(29)	—	3	24
Total	<u>\$ 3,916</u>	<u>\$ 1,117</u>	<u>\$ (4,443)</u>	<u>\$ 178</u>	<u>\$ 768</u>

The total of accrued severance and related costs of \$1,160 is reflected in “Accrued expenses” in the condensed consolidated balance sheet at September 30, 2018. The amount accrued as of September 30, 2018 is expected to be settled principally by the end of 2018. Additionally, in conjunction with the second phase of the Ingeus Futures Program, the Company incurred \$351 of expense during the nine months ended September 30, 2018 primarily related to property and equipment costs.

10. Debt

The Company’s debt was as follows as of the dates referenced below:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
\$200,000 revolving loan, LIBOR plus 2.25% - 3.25% with interest payable at least once every three months through August 2019	\$ 36,000	\$ —
Capital lease obligations	1,579	2,984
	<u>37,579</u>	<u>2,984</u>
Less current portion of debt	37,149	2,400
Total debt, less current portion	<u>\$ 430</u>	<u>\$ 584</u>

On June 7, 2018, the Company and certain of its subsidiaries entered into the Fifth 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 extends the maturity date of the Credit Agreement to August 2, 2019. The Amendment also amends certain covenants under the Credit Agreement to provide for greater operational, financial and strategic flexibility, including the implementation of the Company’s organizational consolidation plan.

During the three months ended September 30, 2018, the Company drew on its revolving credit facility, primarily to fund the acquisition of Circulation. See additional discussion of the Circulation acquisition in Note 17, *Acquisitions*.

11. Stockholders' Equity

The following table reflects changes in common stock, additional paid-in capital, retained earnings, accumulated other comprehensive loss, treasury stock and noncontrolling interest for the nine months ended September 30, 2018:

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	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
Cumulative effect adjustment from change in accounting principle, net of tax	—	—	—	5,710	—	—	—	—	5,710
Stock-based compensation	—	—	6,346	—	—	—	—	—	6,346
Exercise of employee stock options	266,293	1	11,669	—	—	—	—	—	11,670
Restricted stock issued	29,384	—	(320)	—	—	4,048	(256)	—	(576)
Performance restricted stock issued	3,110	—	(109)	—	—	—	—	—	(109)
Shares issued for bonus settlement and director stipend	3,576	—	150	—	—	—	—	—	150
Stock repurchase plan	—	—	—	—	—	838,719	(55,753)	—	(55,753)
Conversion of convertible preferred stock to common stock	3,685	—	148	(6)	—	—	—	—	142
Foreign currency translation adjustments, net of tax	—	—	—	—	(2,924)	—	—	71	(2,853)
Reclassification of translation loss realized upon sale of foreign subsidiary	—	—	—	—	627	—	—	—	627
Convertible preferred stock dividends	—	—	—	(3,302)	—	—	—	—	(3,302)
Noncontrolling interests	—	—	—	—	—	—	—	285	285
Other	—	—	108	—	—	—	—	—	108
Net income attributable to Providence	—	—	—	1,369	—	—	—	—	1,369
Balance at September 30, 2018	17,779,646	\$ 18	\$ 331,947	\$ 208,589	\$ (28,102)	4,968,899	\$ (210,812)	\$ (1,809)	\$ 299,831

Share Repurchases

On March 29, 2018, the Board of Directors (“Board”) authorized an increase in the amount available for stock repurchases under the Company’s existing stock repurchase program by \$77,794, and extended the existing stock repurchase program through June 30, 2019 (as amended and extended, the “Stock Repurchase Program”). As of September 30, 2018, approximately \$81,177 remains for additional repurchases by the Company under the Stock Repurchase Program, excluding commission payments. The share repurchases may be made from time-to-time through a combination of open market repurchases (including Rule 10b5-1 plans), privately negotiated transactions, accelerated share repurchase transactions and other derivative transactions. The timing, number and amount of any shares repurchased will be determined by the Company’s officers at their discretion, and as permitted by securities laws, covenants under existing bank agreements and other legal requirements, and will be based on a number of factors, including an evaluation of general market and economic conditions and the trading price of the common stock. The Stock Repurchase Program may be suspended or discontinued at any time without prior notice.

12. 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”) and performance based restricted stock units (“PRSUs”).

The following table reflects the amount of stock-based compensation, for share settled awards, recorded in each financial statement line item for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Service expense	\$ 209	\$ 131	\$ 303	\$ 365
General and administrative expense	1,718	1,434	5,906	4,221
Equity in net loss of investees	(24)	10	137	50
Total stock-based compensation	\$ 1,903	\$ 1,575	\$ 6,346	\$ 4,636

At September 30, 2018, the Company had 963,169 stock options outstanding with a weighted-average exercise price of \$61.40. In August 2018 the Company granted 294,464 stock options to NET Services employees in relation to their 2018 long-term incentive plan. Additionally, in September 2018 the Company granted 33,210 stock options to employees of Circulation in accordance with the terms of the merger agreement with Circulation. See additional discussion of the Circulation acquisition in Note 17, *Acquisitions*. The Company also had 51,526 shares of unvested RSAs outstanding at September 30, 2018 with a weighted-average grant date fair value, as modified, of \$54.19.

Awards Granted and Modified in Conjunction with the Organizational Consolidation

In connection with the organizational consolidation plan, the Company entered into an agreement with R. Carter Pate for his continued employment as the Company's Interim CEO through June 30, 2019. The agreement also provided for a grant of unvested options to purchase up to 394,000 shares of the Company's common stock, at a price of \$71.67 per share, which was the closing price of the Company's common stock on the grant date. The options are subject to vesting as follows: (i) 50% of the options will become vested if Mr. Pate remains employed by the Company through June 30, 2019 (the "Time-Vesting Options"), (ii) 25% of the options will become vested on March 31, 2019 if the Company has achieved its budget for its 2018 fiscal year, subject to certain adjustments, and Mr. Pate is then employed, and (iii) 25% of the options will become vested on March 31, 2019 subject to Mr. Pate's achievement of other performance metrics if Mr. Pate is then employed. In addition, the Time-Vesting Options will become fully vested upon a "change in control" (as defined in the 2006 Plan) or a termination of Mr. Pate's employment by the Company without "cause" (as defined in the Company's 2015 Holding Company LTI Program) or for "good reason" (as defined in the Option Agreement). Once vested, the options will remain exercisable until April 8, 2021, unless terminated earlier due to a termination of Mr. Pate's employment for "cause". In recognition of certain holding company employees' essential contributions to the success of the Company, and to encourage further alignment with the Company's long-term interests through the ownership of equity, Mr. Pate voluntarily set aside 98,500 of the options granted to him, representing 25% of his total award. The value of the awards of \$1,273 was fully expensed in the three months ended June 30, 2018. The Compensation Committee of the Board expects to grant at a later date restricted stock awards equivalent in value to the options voluntarily set aside by Mr. Pate, to employees based upon their performance throughout the organizational consolidation process.

Also, in connection with the organizational consolidation plan and his appointment as Interim CFO, on April 9, 2018, William Severance received an option to purchase 13,710 shares of common stock at a price of \$71.67 per share, which was the closing price of the Company's common stock on the grant date. The options will become fully exercisable on May 10, 2019, subject to Mr. Severance's continued employment with the Company, and if not exercised will expire on December 31, 2020.

In addition, as part of the Company's retention plan associated with the organizational consolidation plan, the Company provided that unvested share-based awards to employees subject to the retention plan will vest in full upon their termination dates so long as those employees fulfill their service obligation to the Company under the retention plan. As such, the vesting terms of 7,286 restricted stock awards and 11,035 stock options were modified. Additionally, the exercise terms of the respective unvested stock options were modified to allow for exercise through December 31, 2020. As a result of the modifications, the Company revalued the awards as of April 9, 2018, and is expensing the unrecognized stock-based compensation cost, based on the new fair value, through the termination date of each relevant employee. Additional expense incurred during the three and nine months ended September 30, 2018, as a result of the modification, totaled \$119 and \$296, respectively. See Note 9, *Restructuring and Related Reorganization Costs*, for additional information.

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 and nine months ended September 30, 2018, respectively, the Company recorded a benefit of \$2,191 and expense of \$1,435 of stock-based compensation expense for cash settled awards.

During the three and nine months ended September 30, 2017, respectively, the Company recorded \$380 and \$1,611 of stock-based compensation expense for cash settled awards. The expense for cash settled awards is included as “General and administrative expense” in the accompanying condensed consolidated statements of income. As the instruments are accounted for as liability awards, the expense recorded for the three and nine months ended September 30, 2018 and 2017 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 \$5,137 and \$3,938 at September 30, 2018 and December 31, 2017, respectively, are reflected in “Accrued expenses” in the condensed consolidated balance sheets. At September 30, 2018, the Company had 5,202 SEUs and 200,000 stock option equivalent units outstanding.

Vertical Long-Term Incentive Plans

The Company also provides cash settled long-term incentive plans for executive management and key employees of its operating segments. For the three and nine months ended September 30, 2018, expenses of \$57 and \$171, respectively, are included as “Service expense” in the condensed consolidated statements of income related to an ongoing long-term incentive plan for NET Services. For the three and nine months ended September 30, 2017, expense of \$274 and \$1,157, respectively, are included as “Service expense” in the condensed consolidated statements of income related to an ongoing long-term incentive plan for NET Services. At September 30, 2018 and December 31, 2017, the liability for this plan of \$1,054 and \$2,657, respectively, is reflected in “Accrued expenses” and “Other long-term liabilities” in the condensed consolidated balance sheet.

The Board approved the LogistiCare 2017 Senior Executive LTI Plan (the “LogistiCare LTIP”) for executive management and key employees of NET Services during the three months ended March 31, 2018. The LogistiCare LTIP pays in cash, however up to 50% of the award may be paid in unrestricted stock if the recipient elects this option prior to the award payment date. The LogistiCare LTIP rewards participants based on certain measures of free cash flow and EBITDA results adjusted as specified in the plan document. The awards have a performance period of January 1, 2017 through December 31, 2019, with a payout date within two and a half months of the performance period end date. Payout is subject to the participant remaining employed by the Company on the payment date. The maximum amount that can be earned through the LogistiCare LTIP is \$7,000. As of September 30, 2018, 65.5% of the awards have been issued under the LogistiCare LTIP. No expense has been incurred for this plan during the nine months ended September 30, 2018.

13. Earnings Per Share

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Numerator:				
Net income attributable to Providence	\$ 7,154	\$ 14,853	\$ 1,369	\$ 14,441
Less dividends on convertible preferred stock	(1,113)	(1,114)	(3,308)	(3,305)
Less income allocated to participating securities	(743)	(1,777)	—	(2,209)
Net income (loss) available to common stockholders	<u>\$ 5,298</u>	<u>\$ 11,962</u>	<u>\$ (1,939)</u>	<u>\$ 8,927</u>
Continuing operations	\$ 4,756	\$ 11,978	\$ (2,424)	\$ 14,927
Discontinued operations	542	(16)	485	(6,000)
	<u>\$ 5,298</u>	<u>\$ 11,962</u>	<u>\$ (1,939)</u>	<u>\$ 8,927</u>
Denominator:				
Denominator for basic earnings per share -- weighted-average shares	12,865,777	13,581,662	12,992,403	13,612,764
Effect of dilutive securities:				
Common stock options	61,345	68,856	—	58,668
Performance-based restricted stock units	—	5,036	—	5,036
Denominator for diluted earnings per share -- adjusted weighted-average shares assumed conversion	<u>12,927,122</u>	<u>13,655,554</u>	<u>12,992,403</u>	<u>13,676,468</u>
Basic earnings (loss) per share:				
Continuing operations	\$ 0.37	\$ 0.88	\$ (0.19)	\$ 1.10
Discontinued operations	0.04	—	0.04	(0.44)
	<u>\$ 0.41</u>	<u>\$ 0.88</u>	<u>\$ (0.15)</u>	<u>\$ 0.66</u>
Diluted earnings (loss) per share:				
Continuing operations	\$ 0.37	\$ 0.88	\$ (0.19)	\$ 1.09
Discontinued operations	0.04	—	0.04	(0.44)
	<u>\$ 0.41</u>	<u>\$ 0.88</u>	<u>\$ (0.15)</u>	<u>\$ 0.65</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:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Stock options to purchase common stock	358,310	33,890	333,030	56,528
Convertible preferred stock	801,935	803,285	802,762	803,360

14. Income Taxes

The Company's effective tax rate from continuing operations for the three and nine months ended September 30, 2018 was 38.6% and 86.9%, respectively. The effective tax rate for the three and nine months ended September 30, 2018 was higher than the U.S. federal statutory rate of 21% primarily due to foreign net operating losses for which the future income tax benefit cannot be currently recognized, state income taxes and certain non-deductible expenses. 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. The effective tax rate for the nine months ended September 30, 2018 was additionally impacted by the WD Services impairment charge of \$9,202, which contributes to the tax basis in WD Services but does not generate a current tax benefit.

The Company's effective tax rate from continuing operations for the three and nine months ended September 30, 2017 was 16.7% and 28.8%, respectively. The effective tax rate for the three and nine months ended September 30, 2017 was lower than the U.S. federal statutory rate of 35% primarily due to no provision for income taxes related to the gain on sale of equity investment of \$12,606 due to the substantial difference in tax basis versus book basis in the investment.

On December 22, 2017, the U.S. bill commonly referred to as the Tax Cuts and Jobs Act ("Tax Reform Act") was enacted which institutes fundamental changes to the taxation of multinational corporations. As a result of the Tax Reform Act, the U.S. corporate income tax rate was reduced to 21% and the Company revalued its ending net deferred tax liabilities as of December 31, 2017. The Company recognized a provisional tax benefit of \$19,397 in its consolidated financial statements for the year ended December 31, 2017. The final impact of the Tax Reform Act may differ from these provisional amounts, possibly materially, due to, among other things, issuance of additional regulatory guidance, changes in interpretations and assumptions the Company has made, and actions the Company may take as a result of the Tax Reform Act. There have been no changes to the Company's provisional tax benefit recognized in 2017. The Company expects the financial reporting impact of the Tax Reform Act will be completed in the fourth quarter of 2018, after the Company's 2017 income tax returns are filed.

15. Commitments and Contingencies

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 Providence. Litigation is inherently uncertain, and the actual losses incurred in the event that the related legal proceedings were to result in unfavorable outcomes could have a material adverse effect on the Company's business and financial performance.

Indemnifications

The Company indemnified certain third parties in connection with a rights offering in February 2015 as well as in connection with the Company's acquisition of CCHN Group Holdings, Inc. (operating under the tradename Matrix, and formerly included in our Health Assessment Services segment) in October 2014 and related financing commitments. In June 2015, a putative stockholder class action derivative complaint related to such rights offering and acquisition was filed in the Court of Chancery of the State of Delaware captioned Haverhill Retirement System v. Kerley et al., C.A. No. 11149-VCL ("Haverhill Litigation"). In November 2017, the Company received a payment of \$5,363 under the settlement agreement entered into by the parties to the Haverhill Litigation. For further information regarding this legal proceeding and the indemnifications please see Note 18, *Commitments and Contingencies*, in the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

The Company recorded \$21 and \$296, respectively, of such indemnified legal expenses related to the Haverhill Litigation during the three and nine months ended September 30, 2017 which is included in "General and administrative expense" in the condensed consolidated statements of income. Of this amount, \$23 and \$231, respectively, was indemnified legal expenses of related parties for the three and nine months ended September 30, 2017. Other legal expenses of the Company related to the Haverhill Litigation are covered under the Company's insurance policies, subject to applicable deductibles and customary review of the expenses by the carrier. The Company recognized a related benefit of \$17 and \$218, respectively, for the three and nine months ended September 30, 2018, and a related benefit of \$3 and expense of \$8, respectively, for the three and nine months ended September 30, 2017. While the carrier typically remits payment directly to the respective law firm, the Company accrues for the cost and records a corresponding receivable for the amount to be paid by the carrier. The Company has recognized an insurance receivable of \$17 and \$941 in "Other receivables" in the condensed consolidated balance sheets at September 30, 2018 and December 31, 2017, respectively, with a corresponding liability amount recorded to "Accrued expenses".

The Company provided certain standard indemnifications in connection with the sale of the Human Services segment (the “PHS Sale”) to Molina Healthcare Inc. (“Molina”), which was effective November 1, 2015. Certain representations made by the Company in the Membership Interest Purchase Agreement (the “Purchase Agreement”), including tax representations, survive until the expiration of applicable statutes of limitation, and healthcare representations survive until the third anniversary of the closing date. 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, and other matters. Following the final settlement of the Rodriguez Litigation, during the three months ended September 30, 2018, the Company released \$10,000 from an escrow account and made an additional \$4,475 payment to Molina in accordance with the Company’s settlement agreement with Molina. The Company expects to recover a portion of the settlement through insurance coverage, although this cannot be assured.

The Company 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, 2018.

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, 2018 collectively held approximately 9.6% of the Company’s outstanding common stock and approximately 95.5% 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”).

Loss Reserves for Certain Reinsurance Programs

The Company historically reinsured a substantial portion of its automobile, general and professional liability and workers’ compensation costs under reinsurance programs through the Company’s wholly-owned subsidiary, Social Services Providers Captive Insurance Company (“SPCIC”), a licensed captive insurance company domiciled in the State of Arizona. As of May 16, 2017, SPCIC did not renew the expiring reinsurance policies. SPCIC continues to resolve claims under the historical policy years.

The Company utilizes a report prepared by an independent actuary to estimate the gross expected losses related to historical automobile, general and professional and workers’ compensation liability reinsurance policies, including the estimated losses in excess of SPCIC’s insurance limits, which would be reimbursed to SPCIC to the extent such losses were incurred. As of September 30, 2018 and December 31, 2017, the Company had reserves of \$4,761 and \$6,699, respectively, for the automobile, general and professional liability and workers’ compensation reinsurance policies, net of expected receivables for losses in excess of SPCIC’s historical insurance limits. The gross reserve as of September 30, 2018 and December 31, 2017 of \$10,747 and \$12,448, respectively, is classified as “Reinsurance liability reserves” and “Other long-term liabilities” in the condensed consolidated balance sheets. The estimated amount to be reimbursed to SPCIC as of September 30, 2018 and December 31, 2017 was \$5,986 and \$5,749, respectively, and is classified as “Other receivables” and “Other assets” in the condensed consolidated balance sheets.

Deferred Compensation Plan

The Company has one deferred compensation plan for highly compensated employees of NET Services as of September 30, 2018. The deferred compensation plan is unfunded, and benefits are paid from the general assets of the Company. The total of participant deferrals, which is reflected in “Other long-term liabilities” in the condensed consolidated balance sheets, was \$2,274 and \$1,806 at September 30, 2018 and December 31, 2017, respectively.

16. Transactions with Related Parties

The Company incurred legal expenses under an indemnification agreement with the Coliseum Stockholders as further discussed in Note 15, *Commitments and Contingencies*. Convertible preferred stock dividends earned by the Coliseum Stockholders

during the three and nine months ended September 30, 2018 totaled \$1,062 and \$3,151, respectively. Convertible preferred stock dividends earned by the Coliseum Stockholders during the three and nine months ended September 30, 2017 totaled \$1,062 and \$3,151, respectively.

During the three months ended March 31, 2017, the Company made a \$566 loan to Mission Providence. The loan was repaid during the three months ended September 30, 2017.

Effective June 15, 2018, the Company registered shares of the Company's common stock and Preferred Stock held by the Coliseum Stockholders for resale under the Securities Act and on May 9, 2018, in connection with such registration, the Company entered into a registration indemnification agreement with the Coliseum Stockholders as further discussed in Note 15, *Commitments and Contingencies*.

17. Acquisitions

During 2017, the Company made an equity investment in Circulation, which was accounted for as a cost method investment. On September 21, 2018, the Company's subsidiary, LogistiCare, acquired all of the outstanding equity of Circulation. Circulation is a company that offers a full suite of logistics solutions to manage non-emergency transportation across all areas of healthcare, powered by its HIPAA-compliant digital platform. Circulation enables administration of transportation benefits, proactively monitors for fraud waste and abuse, and integrates all transportation capabilities (e.g. outsourced transportation, owned fleets, and other medical logistics services), while emphasizing patient convenience and satisfaction. Circulation's proprietary platform simplifies ordering, improves reliability and efficiency, and reduces transportation spend. The Company believes the acquisition advances LogistiCare's central mission of reducing transportation as a barrier to healthcare and will help deliver a differentiated user experience and provide a core technology and analytics platform that better positions LogistiCare for growth.

The purchase price was comprised of cash consideration of \$45,123 paid to Circulation's equity holders (including holders of vested Circulation stock options), other than Providence. Per the terms of the Agreement and Plan of Merger (the "merger agreement"), dated as of September 14, 2018, by and among LogistiCare, the Company, Catapult Merger Sub, a wholly-owned subsidiary of LogistiCare ("Merger Sub"), Circulation and Fortis Advisors LLC, as the representative of Circulation's equity holders, Providence assumed certain unvested Circulation stock options under similar terms and conditions to the existing option awards previously issued by Circulation. The merger agreement also required \$1,000 to be paid three years after the closing date of the transaction to each of the two co-founders of Circulation subject to their continued employment or provision of consulting services to LogistiCare. The value of the options assumed and co-founder hold back is accounted for as compensation, over the relevant vesting period, as such amounts are tied to future service conditions.

The Company's initial investment in Circulation was \$3,000 in July 2017 to acquire a minority interest. As a result of the transactions pursuant to the merger agreement, the fair value of this pre-acquisition interest increased to \$9,577, and thus the Company recognized a gain of \$6,577. This gain is recorded as "Gain on remeasurement of cost method investment" on the Company's condensed consolidated statements of income for the three and nine months ended September 30, 2018. The Company determined the fair value of its pre-acquisition equity interest by multiplying the number of shares it held in Circulation pre-acquisition by the per-share consideration validated by reference to the total merger consideration agreed to with other unrelated equity holders in Circulation.

The Company incurred acquisition and related costs for this acquisition of \$1,597 during the three and nine months ended September 30, 2018. These expenses are included in general and administrative expenses of the NET Services segment.

The preliminary purchase price of Circulation is calculated as follows:

Cash purchase of common stock	\$	45,123
Providence's acquisition date fair value equity interest in Circulation		9,577
Total consideration	\$	<u>54,700</u>

The table below presents Circulation's net assets based upon the preliminary estimate of respective fair values:

Cash	\$	1,302
Accounts receivable		996
Other assets		216
Property and equipment		49
Intangibles		15,700
Goodwill		39,554
Deferred taxes, net		(1,752)
Accounts payable and accrued liabilities		(1,244)
Deferred revenue		(69)
Other non-current liabilities		(52)
Total of assets acquired and liabilities assumed	\$	<u>54,700</u>

The above fair values represent preliminary estimates as the valuation of intangible assets, which have not been finalized. The goodwill is allocated to the NET Services segment. None of the acquired goodwill is expected to be deductible for tax purposes.

The preliminary fair value of intangible assets is as follows:

	Type	Life	Value
Customer relationships	Amortizable	3 years	\$ 1,400
Trademarks and trade names	Amortizable	3 years	200
Developed technology	Amortizable	5 years	14,100
			<u>\$ 15,700</u>

Due to the immateriality of the results for the nine-day period from September 21, 2018 to September 30, 2018, no Circulation revenue or net income are included in the Company's condensed consolidated statements of income for the three and nine months ended September 30, 2018. The Company's balance sheet as of September 30, 2018 includes Circulation. The unaudited proforma revenue, net income (loss) attributable to Providence and diluted earnings per share of the combined entity had the acquisition date been January 1, 2017, are:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Proforma:				
Revenue	\$ 422,961	\$ 409,798	\$ 1,242,397	\$ 1,217,527
Net income (loss) attributable to Providence	7,044	13,733	(1,287)	11,372
Diluted earnings (loss) per share	\$ 0.40	\$ 0.80	\$ (0.35)	\$ 0.46

The pro forma information above for the three and nine months ended September 30, 2018 includes the elimination of acquisition related costs. Adjustments for all periods include expensing the incentive for two co-founders to be paid upon continuing employment, amortization expense based on the estimated fair value and useful lives of intangible assets and related tax effects. The pro forma financial information is not necessarily indicative of the results of operations that would have occurred had the transaction been affected on January 1, 2017.

18. Discontinued Operations

On November 1, 2015, the Company completed the PHS Sale. During the three and nine months ended September 30, 2018 and 2017, the Company recorded additional benefits and expenses related to the Human Services segment, principally related to legal proceedings as described in Note 15, *Commitments and Contingencies*, related to an indemnified legal matter.

Results of Operations

The following tables summarize the results of operations classified as discontinued operations, net of tax, for the Company's Human Services segment for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Operating expenses:				
General and administrative (benefit) expense	\$ (721)	\$ 26	\$ (645)	\$ 9,622
Total operating (income) expenses	(721)	26	(645)	9,622
Gain (loss) from discontinued operations before income taxes	721	(26)	645	(9,622)
Income tax (expense) benefit	(179)	10	(160)	3,622
Discontinued operations, net of tax	\$ 542	\$ (16)	\$ 485	\$ (6,000)

General and administrative benefit of \$721 and \$645, respectively, for the three and nine months ended September 30, 2018 primarily includes a reduction of the accrued settlement amount for indemnified legal matters, based on the final settlement agreement. General and administrative expense for the three months ended September 30, 2017 includes legal expense of \$26. General and administrative expense for the nine months ended September 30, 2017 includes an accrual of \$9,000 for an estimated settlement of indemnified claims related to the PHS Sale, as well as related legal expenses of \$622. See Note 15, *Commitments and Contingencies*, for additional information.

19. Dispositions

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

In connection with classifying the assets and liabilities of Ingeus France as held for sale during the three months ended June 30, 2018, the carrying value of the assets and liabilities was reduced to its estimated fair value less selling costs. As a result, an impairment charge of \$9,202 was recorded during the nine months ended September 30, 2018 and is included in "Asset impairment charge" on the condensed consolidated statement of income.

The disposition of Ingeus France did not meet the criteria to be reported as a discontinued operation and accordingly, its results of operations have not been reclassified. A loss totaling \$669, primarily related to the release of cumulative translation adjustments, was recognized on the sale during the three and nine months ended September 30, 2018, which is recorded as "Other loss" in the accompanying condensed consolidated statements of income.

See Note 21, *Subsequent Events*, for additional information regarding WD Services.

20. Segments

The Company owns subsidiaries and investments primarily engaged in the provision of healthcare services in the United States and workforce development services internationally. The subsidiaries and other investments in which the Company holds interests comprise the following segments:

- NET Services – Nationwide manager of NET programs for state governments and managed care organizations. On September 21, 2018, LogistiCare completed its acquisition of Circulation. Circulation is a company that offers a full suite of logistics solutions to manage non-emergency transportation across all areas of healthcare.
- WD Services – Global provider of employment preparation and placement services, legal offender rehabilitation services, youth community service programs and certain health related services to eligible participants of government sponsored

programs. On November 6, 2018, the Board of Directors of Providence approved the sale of the WD Services segment. On November 7, 2018, the Company and Holdings entered into a share purchase agreement with the Purchasers and the Guarantor, pursuant to which the Company agreed to sell substantially all of the operating subsidiaries of its WD Services segment with the exception of its operations in Saudi Arabia, for which it is pursuing alternative strategies which are expected to result in no longer providing services in the country beyond the end of the year. The transaction is subject to approvals from certain of Ingeus' government customers and the satisfaction of customary closing conditions.

- Matrix Investment – Minority interest in Matrix, accounted for as an equity method investment. Matrix offers a national network of community-based clinicians who deliver in-home services for members, including CHAs, and a fleet of mobile health clinics with advanced diagnostic capabilities. On February 16, 2018, Matrix acquired HealthFair.

In addition to its segments' operations, the Corporate and Other segment includes the Company's activities at its corporate office that include executive, accounting, finance, internal audit, tax, legal, public reporting, certain strategic and corporate development functions and the results of the Company's captive insurance company.

The following tables set forth certain financial information from continuing operations attributable to the Company's business segments for the three and nine months ended September 30, 2018 and 2017:

Three months ended September 30, 2018					
	NET Services	WD Services	Matrix Investment	Corporate and Other	Total
Service revenue, net	\$ 343,771	\$ 77,548	\$ —	\$ —	\$ 421,319
Service expense	320,697	70,911	—	—	391,608
General and administrative expense	4,900	5,348	—	5,955	16,203
Asset impairment charge	—	—	—	—	—
Depreciation and amortization	3,543	2,861	—	237	6,641
Operating income (loss)	\$ 14,631	\$ (1,572)	\$ —	\$ (6,192)	\$ 6,867
Equity in net gain (loss) of investee	\$ —	\$ 29	\$ (1,587)	\$ —	\$ (1,558)
Three months ended September 30, 2017					
	NET Services	WD Services	Matrix Investment	Corporate and Other	Total
Service revenue, net	\$ 324,824	\$ 84,693	\$ —	\$ —	\$ 409,517
Service expense	304,454	73,581	—	(3)	378,032
General and administrative expense	2,899	6,980	—	8,750	18,629
Depreciation and amortization	3,286	3,166	—	95	6,547
Operating income (loss)	\$ 14,185	\$ 966	\$ —	\$ (8,842)	\$ 6,309
Equity in net gain (loss) of investee	\$ —	\$ (459)	\$ (1)	\$ —	\$ (460)
Nine months ended September 30, 2018					
	NET Services	WD Services	Matrix Investment	Corporate and Other	Total
Service revenue, net	\$ 1,024,203	\$ 214,956	\$ —	\$ —	\$ 1,239,159
Service expense	955,796	192,390	—	(272)	1,147,914
General and administrative expense	10,940	20,151	—	22,803	53,894
Asset impairment charge	679	9,202	—	—	9,881
Depreciation and amortization	10,548	9,210	—	559	20,317
Operating income (loss)	\$ 46,240	\$ (15,997)	\$ —	\$ (23,090)	\$ 7,153
Equity in net gain (loss) of investee	\$ —	\$ 80	\$ (4,106)	\$ —	\$ (4,026)

Nine months ended September 30, 2017

	NET Services	WD Services	Matrix Investment	Corporate and Other	Total
Service revenue, net	\$ 987,662	\$ 229,332	\$ —	\$ —	\$ 1,216,994
Service expense	927,082	199,665	—	(2,269)	1,124,478
General and administrative expense	8,879	20,944	—	23,882	53,705
Depreciation and amortization	9,763	9,695	—	258	19,716
Operating income (loss)	\$ 41,938	\$ (972)	\$ —	\$ (21,871)	\$ 19,095
Equity in net gain (loss) of investee	\$ —	\$ (1,419)	\$ 428	\$ —	\$ (991)

Geographic Information

Domestic service revenue, net, totaled 83.8% and 82.1% of service revenue, net for the nine months ended September 30, 2018 and 2017, respectively. Foreign service revenue, net, totaled 16.2% and 17.9% of service revenue, net for the nine months ended September 30, 2018 and 2017, respectively.

At September 30, 2018 and December 31, 2017, \$74,885, or 19.9%, and \$99,071, or 20.8%, respectively, of the Company's net assets were located in countries outside of the U.S.

21. Subsequent Events

Entry into Share Purchase Agreement

On November 6, 2018, the Board of Directors of Providence approved the sale of the WD Services segment. On November 7, 2018, the Company and Holdings entered into a share purchase agreement with the Purchasers and the Guarantor, pursuant to which the Company agreed to sell substantially all of the operating subsidiaries of its WD Services segment, with the exception of its operations in Saudi Arabia, for which it is pursuing alternative strategies which are expected to result in no longer providing services in the country beyond the end of the year. The total cash consideration is approximately \$46,100, including approximately \$19,500 of cash on the balance sheet as of September 30, 2018. In addition to the purchase consideration, the Company expects to be able to realize cash tax benefits of between approximately \$25,000 to \$50,000 as a result of tax deductions triggered by the sale, over a period of three to five years dependent on the timing of taxable income or loss and the close of the transaction. The transaction is subject to approvals from certain of Ingeus' government customers and the satisfaction of customary closing conditions. The transaction is expected to close by the end of 2018, although the Company can give no assurance the transaction will close in a timely manner. In addition, upon the finalization of the transaction and the alternative strategies for Saudi Arabia, it is possible the Company may be required to record a charge in future periods.

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

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2018 and 2017, 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, 2017. For purposes of “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” references to Q3 2018 and Q3 2017 mean the three months ended September 30, 2018 and the three months ended September 30, 2017, respectively, and references to YTD 2018 and YTD 2017 mean the nine months ended September 30, 2018 and the nine months ended September 30, 2017, respectively.

Overview of our business

Providence owns subsidiaries and investments primarily engaged in the provision of healthcare services in the United States and workforce development services internationally. The subsidiaries and other investments in which the Company holds interests comprise the following segments:

- Non-Emergency Transportation Services (“NET Services”) – Nationwide manager of non-emergency medical transportation (“NET”) programs for state governments and managed care organizations. On September 21, 2018, LogistiCare Solutions, LLC (“LogistiCare”) completed its acquisition of Circulation Inc. (“Circulation”). Circulation is a company that offers a full suite of logistics solutions to manage non-emergency transportation across all areas of healthcare.
- Workforce Development Services (“WD Services”) – Global provider of employment preparation and placement services, legal offender rehabilitation services, youth community service programs and certain health related services to eligible participants of government sponsored programs. On November 6, 2018, the Board of Directors of Providence approved the sale of the WD Services segment. On November 7, 2018, the Company and Ingeus UK Holdings Limited (“Holdings”), the Company’s direct wholly-owned subsidiary, entered into a share purchase agreement with Advanced Personnel Management Global Pty Ltd and APM UK Holdings Limited (together the “Purchasers”) and International APM Group Pty Limited, as Purchasers’ Guarantor (the “Guarantor”), pursuant to which we have agreed to sell substantially all of the operating subsidiaries of our WD Services segment with the exception of our operations in Saudi Arabia, for which we are pursuing alternative strategies which are expected to result in no longer providing services in the country beyond the end of the year. The transaction is subject to approvals from certain of Ingeus’ government customers and the satisfaction of customary closing conditions.
- Matrix Investment – Minority interest in CCHN Group Holdings, Inc. and its subsidiaries (“Matrix”), accounted for as an equity method investment. Matrix offers a national network of community-based clinicians who deliver in-home services for members, including comprehensive health assessments (“CHAs”), and a fleet of mobile health clinics with advanced diagnostic capabilities. On February 16, 2018, Matrix acquired HealthFair.

In addition to its segments’ operations, the Corporate and Other segment includes the Company’s activities at its corporate office that include executive, accounting, finance, internal audit, tax, legal, public reporting, certain strategic and corporate development functions and the results of the Company’s captive insurance company. We are currently in the process of an organizational consolidation to integrate substantially all activities and functions performed at the corporate holding company level into LogistiCare. This strategic process is expected to be completed by the middle of 2019, over which time implementation costs will negatively impact earnings.

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 in the U.S. and international government outsourcing and employment 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;
- 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, 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;
- changes in UK government policy driven by opposition to the government’s outsourcing of the services provided by WD Services to private companies, which opposition may increase in light of recent events in the UK, including the liquidation of the UK government contractor Carillion plc;
- the results of the referendum on the UK’s exit from the European Union and related political and economic uncertainty in the UK related to the finalization of Brexit; and
- proposals by the President of the United States, Congress and/or the Centers for Medicare and Medicaid Services’ (“CMS”) to change the Medicaid program, including considering converting the Medicaid program to a block grant format, capping the federal contribution to state Medicaid programs to a fixed amount per beneficiary, and CMS’ grant of waivers to states relative to the parameters of their Medicaid programs, including limitations in benefits or enrollment such as enacting eligibility limitations or imposing eligibility work requirements. Enactment of adverse legislation, regulation or agency guidance may reduce the demand for our services, our ability to conduct some or all of our business and/or reimbursement rates for services performed within our segments.

Circulation was acquired in September 2018, and is a company that offers a full suite of logistics solutions to manage non-emergency transportation across all areas of healthcare, powered by its HIPAA-compliant digital platform. Circulation enables administration of transportation benefits, proactively monitors for fraud waste and abuse, and integrates all transportation capabilities (e.g. outsourced transportation, owned fleets, and other medical logistics services), while emphasizing patient convenience and satisfaction. Circulation’s proprietary platform simplifies ordering, improves reliability and efficiency, and reduces transportation spend. LogistiCare believes the acquisition advances their central mission of reducing transportation as a barrier to healthcare, and will help deliver a differentiated user experience and provide a core technology and analytics platform that better positions them for growth. LogistiCare may seek to utilize the Circulation platform to service legacy or new LogistiCare contracts, which may result in a decrease in the usage of the LogistiCare technology platform. The evaluation of the technology platforms and how the functionality of the systems will interact is ongoing, and subject to continued evaluation of the scalability of the Circulation platform to meet the required processing levels of transactions under the LogistiCare contracts.

On June 11, 2018, the Company entered into a Share Purchase Agreement to sell the shares of Ingeus France for a de minimis amount. The sale was effective on July 17, 2018, after court approval. As a result, an impairment charge of \$9.2 million was recorded during the nine months ended September 30, 2018 and a loss, primarily related to the release of the effects of historic cumulative translation adjustments, of \$0.7 million was recorded during the three months ended September 30, 2018.

On November 6, 2018, the Board of Directors of Providence approved the sale of the WD Services segment. On November 7, 2018, the Company and Holdings entered into a share purchase agreement with the Purchasers and the Guarantor, pursuant to which we agreed to sell substantially all of the operating subsidiaries of our WD Services segment with the exception of our operations in Saudi Arabia, for which we are pursuing alternative strategies which are expected to result in no longer providing services in the country beyond the end of the year. The total cash consideration is approximately \$46.1 million, including approximately \$19.5 million of cash on the balance sheet as of September 30, 2018. In addition to the purchase consideration, the Company expects to be able to realize cash tax benefits of between approximately \$25.0 million to \$50.0 million as a result of tax deductions triggered by the sale, over a period of three to five years dependent on the timing of taxable income or loss and the close of the transaction. The transaction is subject to approvals from certain of Ingeus’ government customers and the satisfaction of customary closing conditions. The transaction is expected to close by the end of 2018, although the Company can give no assurance the transaction will close in a timely manner. In addition, upon the finalization of the transaction and the alternative strategies for Saudi Arabia it is possible the Company may be required to record a charge in future periods.

Critical accounting estimates and policies

As discussed in Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*, and Note 3, *Revenue Recognition*, of our condensed consolidated financial statements, as of January 1, 2018 the Company adopted the new standard on revenue recognition. 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, 2017.

Results of operations

Segment reporting. Our operations are organized and reviewed by management along our segment lines. We operate in two principal business segments: NET Services and WD 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 the two principal business segments include

revenue and expenses incurred by the segment, as well as an allocation of direct expenses incurred by our corporate segment on behalf of the business segment, which primarily relate to insurance and stock-based compensation allocations. Indirect expenses, including unallocated corporate functions and expenses, such as executive, accounting, finance, internal audit, tax, legal, public reporting, certain strategic and corporate development functions and the results of the Company's captive insurance company and elimination entries recorded in consolidation are reflected in "Corporate and Other".

Effective November 1, 2015, we completed the sale of our Human Services segment. Subsequent to the sale of our Human Services segment, we have incurred additional expenses and benefits in certain periods related to the settlement of indemnification claims and associated legal costs, which are recorded to "Discontinued operations, net of tax".

Q3 2018 compared to Q3 2017

Consolidated Results. The following table sets forth results of operations and the percentage of consolidated total revenues represented by items in our unaudited condensed consolidated statements of income for Q3 2018 and Q3 2017 (in thousands):

	Three months ended September 30,			
	2018		2017	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Service revenue, net	421,319	100.0 %	409,517	100.0 %
Operating expenses:				
Service expense	391,608	92.9 %	378,032	92.3 %
General and administrative expense	16,203	3.8 %	18,629	4.5 %
Depreciation and amortization	6,641	1.6 %	6,547	1.6 %
Total operating expenses	<u>414,452</u>	<u>98.4 %</u>	<u>403,208</u>	<u>98.5 %</u>
Operating income	6,867	1.6 %	6,309	1.5 %
Non-operating expense:				
Interest expense, net	347	0.1 %	302	0.1 %
Other loss	669	0.2 %	—	—%
Equity in net loss of investees	1,558	0.4 %	460	0.1 %
Gain on sale of equity investment	—	—%	(12,606)	-3.1 %
Gain on remeasurement of cost method investment	(6,577)	(1.6)%	—	—%
Loss (gain) on foreign currency transactions	(178)	—%	200	—%
Income from continuing operations before income taxes	11,048	2.6 %	17,953	4.4 %
Provision for income taxes	4,259	1.0 %	2,989	0.7 %
Income from continuing operations, net of tax	6,789	1.6 %	14,964	3.7 %
Discontinued operations, net of tax	542	0.1 %	(16)	—%
Net income	7,331	1.7 %	14,948	3.7 %
Net income attributable to noncontrolling interest	(177)	—%	(95)	—%
Net income attributable to Providence	<u>7,154</u>	<u>1.7 %</u>	<u>14,853</u>	<u>3.6 %</u>

Service revenue, net. Consolidated service revenue, net for Q3 2018 increased \$11.8 million, or 2.9%, compared to Q3 2017. Revenue for Q3 2018 compared to Q3 2017 included an increase in revenue attributable to NET Services of \$18.9 million and a decrease in revenue attributable to WD Services of \$7.1 million. Excluding the effects of changes in currency exchange rates, consolidated service revenue increased 3.0% for Q3 2018 compared to Q3 2017. The results for Q3 2018 reflect the impact of the adoption of FASB Accounting Standards Codification Topic 606 ("ASC 606"). The Company began recognizing revenue under ASC 606 effective January 1, 2018. As a result of applying ASC 606, NET Services recorded \$3.8 million less revenue in Q3 2018 than would have been recorded under our historical revenue recognition policy due to one contract now being accounted for as net versus gross. However, WD Services recorded \$2.1 million more of revenue in Q3 2018 than would have been recognized under the previous accounting standard due primarily to the timing and delivery under certain contracts.

Total operating expenses. Consolidated operating expenses for Q3 2018 increased \$11.2 million, or 2.8%, compared to Q3 2017. Operating expenses for Q3 2018 compared to Q3 2017 included an increase in expenses attributable to NET Services of \$18.5 million. Operating expenses for Q3 2018 compared to Q3 2017 included a decrease in expenses attributable to WD Services of \$4.6 million and Corporate and Other of \$2.7 million. The impact on Q3 2018 of adopting ASC 606 effective January 1, 2018 was \$3.8 million less in operating expenses recorded by NET Services, as one contract is now being recorded on a net versus gross basis, and \$1.7 million more in operating expenses recorded by WD Services, as these costs were deferred in relation to the deferral of revenue, which was primarily recognized in Q3 2018.

Operating income. Consolidated operating income for Q3 2018 increased \$0.6 million, or 8.8%, compared to Q3 2017. The increase was primarily attributable to an increase in operating income in Q3 2018 as compared to Q3 2017 at NET Services of \$0.4 million and a decrease in operating loss for Corporate and Other of \$2.7 million, which was partially offset by an increase in operating loss for WD Services of \$2.5 million. The impact of adopting ASC 606 on operating income in Q3 2018 was zero for NET Services and positive \$0.4 million for WD Services.

Interest expense, net. Consolidated interest expense, net for Q3 2018 and Q3 2017 remained relatively consistent.

Other loss. On June 11, 2018, we entered into a Share Purchase Agreement to sell the shares of Ingeus France, our WD Services operation in France, for a de minimis amount. The sale was effective on July 17, 2018, after court approval. A loss totaling \$0.7 million, primarily related to the release of historic cumulative translation adjustments, was recognized on the sale during Q3 2018.

Equity in net loss of investees. Equity in net loss of investees primarily relates to our investments in Matrix in both periods and Mission Providence in Q3 2017. Our investment in Mission Providence, which was part of our WD Services segment, was sold effective September 29, 2017. Our equity in net loss of investees for Q3 2018 of \$1.6 million primarily related to our equity in net loss for Matrix. Included in Matrix's Q3 2018 standalone results are depreciation and amortization of \$9.6 million, interest expense of \$6.2 million, equity compensation of \$0.5 million, management fees paid to certain of Matrix's shareholders of \$0.6 million, merger and acquisition related diligence costs of \$0.1 million, integration costs of \$1.9 million, and an income tax benefit of \$0.4 million. Our equity in net loss of investees related to WD Services and Matrix totaled \$0.5 million and \$1.0 thousand, respectively, for Q3 2017. Included in Matrix's standalone Q3 2017 results were equity compensation of \$0.6 million, management fees paid to certain of Matrix's shareholders of \$0.6 million, depreciation and amortization of \$8.5 million, interest expense of \$3.7 million and an income tax benefit of \$45.0 thousand.

Gain on sale of equity investment. The gain on sale of equity investment of \$12.6 million for Q3 2017 relates to the sale of our equity interest in Mission Providence effective September 29, 2017. The investment in Mission Providence was part of the WD Services segment.

Gain on remeasurement of cost method investment. On September 21, 2018, we acquired all of the outstanding equity of Circulation. The purchase price was comprised of cash consideration of \$45.1 million paid to Circulation's equity holders (including holders of vested Circulation stock options), other than Providence. Our initial investment in Circulation was \$3.0 million. As a result of the transaction, the fair value of this pre-acquisition interest increased to \$9.6 million, and thus we recognized a gain of \$6.6 million.

Loss (gain) on foreign currency transactions. The foreign currency gain of \$0.2 million for Q3 2018 and foreign currency loss of \$0.2 million for Q3 2017 were primarily due to translation adjustments of our foreign subsidiaries in the WD Services segment.

Provision for income taxes. Our effective tax rate from continuing operations for Q3 2018 and Q3 2017 was 38.6% and 16.7%, respectively. The Q3 2018 effective tax rate was higher than the U.S. federal statutory rate of 21% primarily due to foreign net operating losses for which the future income tax benefit cannot be currently recognized, state income taxes and certain non-deductible expenses. 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 \$6.6 million. The effective tax rate was lower than the U.S. federal statutory rate of 35% for Q3 2017 primarily due to no provision for income taxes related to the gain on sale of equity investment of \$12.6 million due to the substantial difference in tax basis versus book basis in the investment.

Discontinued operations, net of tax. Discontinued operations, net of tax, includes the activity related to our former Human Services segment. For Q3 2018, discontinued operations, net of tax, was a benefit of \$0.5 million for our Human Services segment which primarily reflects a reduction of the accrued settlement amount for indemnified legal matters, based on the final settlement agreement, partially offset by legal costs incurred. Although the matter is settled, the Company may incur additional legal costs

in the future as it seeks insurance coverage for a portion of the settlement. For Q3 2017, discontinued operations, net of tax for our Human Services segment reflects expenses incurred for an indemnified legal matter, which were minimal. See Note 18, *Discontinued Operations*, to our condensed consolidated financial statements for additional information.

Net income attributable to noncontrolling interests. Net income attributable to noncontrolling interests primarily relates to a minority interest held by a third-party operating partner in our company servicing the offender rehabilitation contract in our WD Services segment.

YTD 2018 compared to YTD 2017

The following table sets forth results of operations and the percentage of consolidated total revenues represented by items in our unaudited condensed consolidated statements of income for YTD 2018 and YTD 2017 (in thousands):

	Nine months ended September 30,			
	2018		2017	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Service revenue, net	1,239,159	100.0 %	1,216,994	100.0 %
Operating expenses:				
Service expense	1,147,914	92.6 %	1,124,478	92.4 %
General and administrative expense	53,894	4.3 %	53,705	4.4 %
Asset impairment charge	9,881	0.8 %	—	— %
Depreciation and amortization	20,317	1.6 %	19,716	1.6 %
Total operating expenses	1,232,006	99.4 %	1,197,899	98.4 %
Operating income	7,153	0.6 %	19,095	1.6 %
Non-operating expense:				
Interest expense, net	918	0.1 %	983	0.1 %
Other loss	669	0.1 %	—	— %
Equity in net loss of investees	4,026	0.3 %	991	0.1 %
Gain on sale of equity investment	—	— %	(12,606)	(1.0)%
Gain on remeasurement of cost method investment	(6,577)	(0.5)%	—	— %
Loss (gain) on foreign currency transactions	(807)	(0.1)%	600	— %
Income from continuing operations before income taxes	8,924	0.7 %	29,127	2.4 %
Provision for income taxes	7,755	0.6 %	8,391	0.7 %
Income from continuing operations, net of tax	1,169	0.1 %	20,736	1.7 %
Discontinued operations, net of tax	485	— %	(6,000)	(0.5)%
Net income	1,654	0.1 %	14,736	1.2 %
Net income attributable to noncontrolling interest	(285)	— %	(295)	— %
Net income attributable to Providence	1,369	0.1 %	14,441	1.2 %

Service revenue, net. Consolidated service revenue, net for YTD 2018 increased \$22.2 million, or 1.8%, compared to YTD 2017. Revenue for YTD 2018 compared to YTD 2017 included an increase in revenue attributable to NET Services of \$36.5 million. This increase in revenue was partially offset by a decrease in revenue attributable to WD Services of \$14.4 million. Excluding the effects of changes in currency exchange rates, consolidated service revenue increased 1.1% for YTD 2018 compared to YTD 2017. The Company began recognizing revenue under ASC 606 effective January 1, 2018. As a result of applying ASC 606, NET Services recorded \$11.2 million less revenue in YTD 2018 than would have been recorded under our historical revenue recognition policy due to one contract now being accounted for as net versus gross. Additionally, WD Services recorded \$4.0 million less revenue in YTD 2018 than would have been recognized under the previous accounting standard.

Total operating expenses. Consolidated operating expenses for YTD 2018 increased \$34.1 million, or 2.8%, compared to YTD 2017. Operating expenses for YTD 2018 compared to YTD 2017 included an increase in expenses attributable to NET Services of \$32.2 million, WD Services of \$0.6 million and Corporate and Other of \$1.2 million. The impact of adopting ASC 606 effective January 1, 2018 was \$11.2 million less in operating expenses recorded by NET Services, as one contract is now being recorded on a net versus gross basis, and \$0.9 million less in operating expenses recorded by WD Services, as these costs were deferred in relation to the deferral of revenue. Total operating expenses include asset impairment charges for YTD 2018 of \$9.2 million for WD Services and \$0.7 million for NET Services.

Operating income. Consolidated operating income for YTD 2018 decreased \$11.9 million compared to YTD 2017. The decrease was primarily attributable to an increase in the operating losses for WD Services of \$15.0 million and Corporate and Other of \$1.2 million, as compared to YTD 2017, which were partially offset by an increase in operating income attributable to NET Services of \$4.3 million. The impact of adopting ASC 606 on operating income in YTD 2018 was zero for NET Services and negative \$3.2 million for WD Services.

Interest expense, net. Consolidated interest expense, net for YTD 2018 decreased \$0.1 million compared to YTD 2017.

Other loss. On June 11, 2018, we entered into a Share Purchase Agreement to sell the shares of Ingeus France for a de minimis amount. The sale was effective on July 17, 2018, after court approval. A loss totaling \$0.7 million, primarily related to the release of historic cumulative translation adjustments, was recognized on the sale during YTD 2018.

Equity in net loss of investees. Our equity in net loss of investees for YTD 2018 of \$4.0 million primarily includes an equity in net loss of Matrix of \$4.1 million. Included in Matrix's standalone YTD 2018 results are depreciation and amortization of \$28.0 million, interest expense of \$22.5 million, including \$6.6 million related to the amortization of deferred financing costs primarily resulting from the refinancing of Matrix debt facility, equity compensation of \$2.1 million, management fees paid to Matrix's shareholders of \$4.3 million, merger and acquisition diligence related costs of \$2.3 million primarily related to the first quarter acquisition of HealthFair, integration costs of \$4.3 million, and income tax benefit of \$3.4 million. Our equity in net loss of investees for YTD 2017 included a loss of \$1.4 million for WD Services and gain for Matrix of \$0.4 million. Included in Matrix's standalone YTD 2017 results were transaction bonuses and other transaction related costs of \$3.5 million, equity compensation of \$1.9 million, depreciation and amortization of \$24.6 million, interest expense of \$11.0 million and an income tax benefit of \$0.1 million.

Gain on sale of equity investment. The gain on sale of equity investment of \$12.6 million for YTD 2017 relates to the sale of our equity interest in Mission Providence effective September 29, 2017. The investment in Mission Providence was part of the WD Services segment.

Gain on remeasurement of cost method investment. On September 21, 2018, we acquired all of the outstanding equity of Circulation. The purchase price was comprised of cash consideration of \$45.1 million paid to Circulation's equity holders (including holders of vested Circulation stock options), other than Providence. Our initial investment in Circulation was \$3.0 million. As a result of the transaction, the fair value of this pre-acquisition interest increased to \$9.6 million, and thus we recognized a gain of \$6.6 million.

Loss (gain) on foreign currency transactions. The foreign currency gain of \$0.8 million and foreign currency loss of \$0.6 million for YTD 2018 and YTD 2017, respectively, were primarily due to translation adjustments of our foreign subsidiaries.

Provision for income taxes. Our effective tax rates from continuing operations for YTD 2018 and YTD 2017 were 86.9% and 28.8%, respectively. The YTD 2018 effective tax rate was higher than the U.S. federal statutory rate of 21% primarily due to foreign net operating losses for which the future income tax benefit cannot be currently recognized, state income taxes and certain non-deductible expenses, as well as the WD Services impairment charge of \$9.2 million, which contributes to the tax basis in WD Services but does not generate a current tax benefit. 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 \$6.6 million. The effective tax rate was lower than the U.S. federal statutory rate of 35% for YTD 2017 primarily due to no provision for income taxes related to the gain on sale of equity investment of \$12.6 million due to the substantial difference in tax basis versus book basis in the investment.

Discontinued operations, net of tax. Discontinued operations, net of tax, includes the activity related to our former Human Services segment. For YTD 2018, discontinued operations, net of tax, was a benefit of \$0.5 million for our Human Services segment which primarily reflects a reduction of the accrued settlement amount for indemnified legal matters, based on the final settlement agreement. For YTD 2017, discontinued operations, net of tax for our Human Services segment was a loss of \$6.0 million, primarily related to the additional accrual for the settlement of indemnified legal matters. See Note 18, *Discontinued Operations*, to our condensed consolidated financial statements for additional information.

Net income attributable to noncontrolling interests. Net income attributable to noncontrolling interests primarily relates to a minority interest held by a third-party operating partner in our company servicing the offender rehabilitation contract in our WD Services segment.

Segment Results. The following analysis includes discussion of each of our segments.

NET Services

NET Services segment financial results are as follows for Q3 2018 and Q3 2017 (in thousands):

	Three Months Ended September 30,			
	2018		2017	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Service revenue, net	343,771	100.0%	324,824	100.0%
Service expense	320,697	93.3%	304,454	93.7%
General and administrative expense	4,900	1.4%	2,899	0.9%
Depreciation and amortization	3,543	1.0%	3,286	1.0%
Operating income	14,631	4.3%	14,185	4.4%

Service revenue, net. Service revenue, net for NET Services for Q3 2018 increased \$18.9 million, or 5.8%, compared to Q3 2017. The increase was primarily related to the impact of new contracts, including managed care organization (“MCO”) contracts in Indiana, Illinois and West Virginia and new state contracts for additional regions in Texas, which contributed \$27.1 million of revenue for Q3 2018, as well as net increased revenue from existing contracts of \$7.1 million due to the net impact of membership and rate changes, including increased rates agreed after Q3 2017 on certain other contracts related to increased costs to serve the contracts. These increases were partially offset by the impact of contracts we no longer serve, including a state contract in Connecticut and certain MCO contracts in Florida and Louisiana, which resulted in a decrease in revenue of \$11.4 million. In addition, the adoption of ASC 606 resulted in a decrease in revenue of \$3.8 million in Q3 2018 as compared to revenue under the previous accounting standard, as one contract is now accounted for on a net basis.

Service expense, net. Service expense for our NET Services segment included the following for Q3 2018 and Q3 2017 (in thousands):

	Three Months Ended September 30,			
	2018		2017	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Purchased services	262,661	76.4%	250,282	77.1%
Payroll and related costs	45,569	13.3%	40,753	12.5%
Other operating expenses	12,258	3.6%	13,299	4.1%
Stock-based compensation	209	0.1%	120	—%
Total service expense	320,697	93.3%	304,454	93.7%

Service expense for Q3 2018 increased \$16.2 million, or 5.3%, compared to Q3 2017 due primarily to higher purchased services and payroll and related costs. Purchased services expense increased primarily as a result of new contracts, which was partially offset by the impact of terminated contracts. Purchased services as a percentage of revenue decreased from 77.1% in Q3 2017 to 76.4% in Q3 2018 primarily as a result of ongoing initiatives to better align the rates we pay to our transportation provider partners with local market conditions and the fees paid to us by our customers. Payroll and related costs as a percentage of revenue increased from 12.5% in Q3 2017 to 13.3% in Q3 2018 due to increased corporate staffing and increased health insurance expenses. These increases were partially offset by a decrease in other operating expenses primarily attributable to a decrease in costs targeted at operational improvement from \$2.2 million in Q3 2017 to \$1.1 million in Q3 2018.

General and administrative expense. General and administrative expense in Q3 2018 increased as a percentage of revenue, from 0.9% for Q3 2017 to 1.4% for Q3 2018. General and administrative expense for Q3 2018 includes \$1.6 million of transaction expenses related to the acquisition of Circulation.

Depreciation and amortization. Depreciation and amortization increased \$0.3 million primarily due to the addition of long-lived assets relating to information technology projects. As a percentage of revenue, depreciation and amortization remained constant at 1.0% for Q3 2017 and Q3 2018.

NET Services segment financial results are as follows for YTD 2018 and YTD 2017 (in thousands):

	Nine Months Ended September 30,			
	2018		2017	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Service revenue, net	1,024,203	100.0%	987,662	100.0%
Service expense	955,796	93.3%	927,082	93.9%
General and administrative expense	10,940	1.1%	8,879	0.9%
Asset impairment charge	679	0.1%	—	—%
Depreciation and amortization	10,548	1.0%	9,763	1.0%
Operating income	46,240	4.5%	41,938	4.2%

Service revenue, net. Service revenue, net for NET Services for YTD 2018 increased \$36.5 million, or 3.7%, compared to YTD 2017. The increase was primarily related to the impact of new contracts, including managed care organization (“MCO”) contracts in Indiana, Illinois and New York and new state contracts in Texas, which contributed \$87.3 million of revenue for YTD 2018, as well as net increased revenue from existing contracts of \$11.8 million due to the net impact of membership and rate changes, including the impact of increased rates agreed after YTD 2017 on certain contracts related to increased costs to serve the contracts, which was partially offset by the impact of a retroactive rate adjustment recorded in YTD 2017 related to increased utilization activity under a significant contract. These increases were partially offset by the impact of contracts we no longer serve, including state contracts in New York and Connecticut, certain MCO contracts in Florida and Louisiana, and decreased membership in Virginia, which resulted in a decrease in revenue of \$51.3 million. In addition, the adoption of ASC 606 resulted in a decrease in revenue of \$11.2 million in YTD 2018 as compared to revenue under the previous accounting standard, as one contract is now accounted for on a net basis.

Service expense, net. Service expense for our NET Services segment included the following for YTD 2018 and YTD 2017 (in thousands):

	Nine Months Ended September 30,			
	2018		2017	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Purchased services	785,776	76.7%	766,303	77.6%
Payroll and related costs	133,535	13.0%	122,784	12.4%
Other operating expenses	36,187	3.5%	37,584	3.8%
Stock-based compensation	298	0.0%	411	0.0%
Total service expense	955,796	93.3%	927,082	93.9%

Service expense for YTD 2018 increased \$28.7 million, or 3.1%, compared to YTD 2017 due primarily to higher purchased services and payroll and related costs. Purchased services expense increased primarily as a result of new contracts, which was partially offset by the impact of terminated contracts. Purchased services as a percentage of revenue decreased from 77.6% in YTD 2017 to 76.7% in YTD 2018. This was due primarily to lower transportation costs on a per trip basis in certain geographies as a result of ongoing initiatives to better align the rates we pay to our transportation provider partners with local market conditions and the fees paid to us by our customers. This was partially offset in the second quarter of 2018 by higher transportation costs on a per trip basis due to a shift in service mix from lower to higher cost modes of transportation and an increase in the average mileage per trip. Payroll and related costs as a percentage of revenue increased from 12.4% in YTD 2017 to 13.0% in YTD 2018.

due to increased corporate staffing and increased health insurance expenses. These increases were partially offset by a decrease in other operating expenses primarily attributable to a decrease in costs targeted at operational improvement from \$4.9 million in YTD 2017 to \$2.3 million in YTD 2018. This decrease was partially offset by increased software and hardware maintenance costs associated with new technology initiatives.

General and administrative expense. General and administrative expense in YTD 2018 increased as a percentage of revenue from 0.9% for YTD 2017 to 1.1% for YTD 2018. General and administrative expense for YTD 2018 includes \$1.6 million of transaction expenses related to the acquisition of Circulation.

Asset impairment charge. Asset impairment charge of \$0.7 million was incurred in YTD 2018 in relation to the decision to abandon specific development work intended to synchronize data across applications of the proprietary LCAD Nextgen system, based on the determination of an alternative method to accomplish this task.

Depreciation and amortization. Depreciation and amortization increased \$0.8 million primarily due to the addition of long-lived assets relating to information technology projects. As a percentage of revenue, depreciation and amortization remained constant at 1.0%.

WD Services

WD Services segment financial results are as follows for Q3 2018 and Q3 2017 (in thousands):

	Three Months Ended September 30,			
	2018		2017	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Service revenue, net	77,548	100.0 %	84,693	100.0%
Service expense	70,911	91.4 %	73,581	86.9%
General and administrative expense	5,348	6.9 %	6,980	8.2%
Depreciation and amortization	2,861	3.7 %	3,166	3.7%
Operating (loss) income	(1,572)	(2.0)%	966	1.1%

Service revenue, net. Service revenue, net for Q3 2018 decreased \$7.1 million, or 8.4%, compared to Q3 2017. Excluding the unfavorable effects of changes in currency exchange rates, service revenue decreased 7.9% in Q3 2018 compared to Q3 2017. The decrease in revenue was primarily attributable to the sale of Ingeus France, the ongoing wind-down of the segment's legacy UK employability program, a decrease in revenue from our Saudi Arabia operations due partially to the deferral of revenue for the August and September 2018 contract period due to delays in executing this contract, and a reduction in revenue related to the offender rehabilitation program. These decreases were partially offset by increased revenue under the segment's health program, as well as the segment's operations in the U.S. and certain other international operations and the impact of the adoption of the new revenue standard, which resulted in \$2.1 million more revenue in Q3 2018 than would have been recognized under the previous accounting standard due primarily to the timing and delivery under certain contracts.

Service expense. Service expense for our WD Services segment included the following for Q3 2018 and Q3 2017 (in thousands):

	Three Months Ended September 30,			
	2018		2017	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Payroll and related costs	38,036	49.0%	41,575	49.1%
Purchased services	19,655	25.3%	21,946	25.9%
Other operating expenses	13,220	17.0%	10,046	11.9%
Stock-based compensation	—	—%	14	—%
Total service expense	70,911	91.4%	73,581	86.9%

Service expense in Q3 2018 decreased \$2.7 million, or 3.6%, compared to Q3 2017. Payroll and related costs decreased primarily as a result of the sale of Ingeus France, as well as the impact of the restructuring plans initiated in 2017. Payroll and related costs include \$0.3 million in Q3 2017 of termination benefits related to redundancy plans. Purchased services decreased in Q3 2018 compared to Q3 2017 primarily as a result of the ongoing wind-down of the legacy UK employability program, which resulted in a decline in the use of outsourced services. Other operating expenses for Q3 2018 include an indirect tax in Korea related to prior periods totaling \$0.7 million. Additionally, the adoption of ASC 606 resulted in WD Services recording \$1.7 million more service expense in Q3 2018 than would have been recognized under our historical revenue recognition policy, as these costs were deferred in relation to the deferral of revenue, which were primarily recognized in Q3 2018.

General and administrative expense. General and administrative expense in Q3 2018 decreased \$1.6 million compared to Q3 2017 due primarily to the sale of Ingeus France as well as office closures associated with restructuring of the UK operations.

Depreciation and amortization. Depreciation and amortization for Q3 2018 decreased \$0.3 million compared to Q3 2017, primarily due to the sale of Ingeus France as well as asset disposals as a result of office closures associated with the restructuring of UK operations.

WD Services segment financial results are as follows for YTD 2018 and YTD 2017 (in thousands):

	Nine Months Ended September 30,			
	2018		2017	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Service revenue, net	214,956	100.0 %	229,332	100.0 %
Service expense	192,390	89.5 %	199,665	87.1 %
General and administrative expense	20,151	9.4 %	20,944	9.1 %
Asset impairment charge	9,202	4.3 %	—	0.0 %
Depreciation and amortization	9,210	4.3 %	9,695	4.2 %
Operating loss	(15,997)	(7.4)%	(972)	(0.4)%

Service revenue, net. Service revenue, net for YTD 2018 decreased \$14.4 million, or 6.3%, compared to YTD 2017. Excluding the effects of changes in currency exchange rates, service revenue decreased 10.4% in YTD 2018 compared to YTD 2017. The decrease was primarily related to the sale of Ingeus France, the ongoing wind-down of the segment's legacy UK employability program and the impact of lower contractual adjustments under the offender rehabilitation program, as YTD 2018 included \$1.5 million of revenue related to a contractual adjustment whereas YTD 2017 included the impact of \$5.2 million of revenue related to the finalization of a contractual adjustment for the contract year ended March 31, 2017. Additionally, the impact of the adoption of the new revenue standard resulted in \$4.0 million less revenue in YTD 2018 than would have been recognized under the previous accounting standard. YTD 2018 also includes a reduction in revenue related to the offender rehabilitation program of \$1.7 million for estimated penalties related to the measurement of frequency and binary recidivism measures, and a decrease in revenue from our Saudi Arabia operations primarily as a result of an unsigned contract. These revenue decreases were partially offset by increased revenue under the segment's health programs as well as the segment's operations in the U.S. and certain other international operations.

Service expense. Service expense for our WD Services segment included the following for YTD 2018 and YTD 2017 (in thousands):

	Nine Months Ended September 30,			
	2018		2017	
	\$	Percentage of Revenue	\$	Percentage of Revenue
Payroll and related costs	127,748	59.4%	130,538	56.9%
Purchased services	34,097	15.9%	39,949	17.4%
Other operating expenses	30,539	14.2%	29,136	12.7%
Stock-based compensation	6	0.0%	42	0.0%
Total service expense	192,390	89.5%	199,665	87.1%

Service expense in YTD 2018 decreased \$7.3 million, or 3.6%, compared to YTD 2017. Payroll and related costs decreased from YTD 2017 to YTD 2018 primarily as a result of the sale of Ingeus France and the impact of our restructuring programs. Payroll and related costs increased as a percentage of revenue from 56.9% in YTD 2017 to 59.4% in YTD 2018. Payroll and related costs include \$2.4 million and \$1.1 million in YTD 2018 and YTD 2017, respectively, of termination benefits related to redundancy plans. Purchased services decreased in YTD 2018 compared to YTD 2017 primarily as a result of a decline in client referrals under our primary employability program in the UK, which resulted in a decline in the use of outsourced services. Other operating expenses for YTD 2018 include an indirect tax in Korea related to prior periods totaling \$0.7 million. Additionally, the adoption of ASC 606 resulted in WD Services recording \$0.9 million less service expense in YTD 2018 than would have been recognized under our historical revenue recognition policy, as these costs were deferred in relation to the deferral of revenue.

General and administrative expense. General and administrative expense in YTD 2018 decreased \$0.8 million compared to YTD 2017 primarily as a result of the sale of Ingeus France and office closures associated with restructuring of the UK operations. These decreases were partially offset by \$0.5 million of transaction related costs incurred for the sale of the segment's operations in France.

Asset impairment charge. Due to the disposition of Ingeus France in July 2018, the carrying value of its assets and liabilities were reduced to their estimated fair value less selling costs during the second quarter of 2018. As a result, an impairment charge of \$9.2 million was recorded during YTD 2018.

Depreciation and amortization. Depreciation and amortization for YTD 2018 decreased \$0.5 million compared to YTD 2017, primarily as a result of office closures associated with the restructuring of UK operations as well as the sale of Ingeus France.

Corporate and Other

Corporate and Other includes the headcount and professional service costs incurred at the holding company level, at the Captive, and elimination entries to account for inter-segment transactions. Corporate and Other financial results are as follows for Q3 2018 and Q3 2017 (in thousands):

	Three Months Ended September 30,	
	2018	2017
	\$	\$
Service expense	\$ —	\$ (3)
General and administrative expense	5,955	8,750
Depreciation and amortization	237	95
Operating loss	<u>6,192</u>	<u>8,842</u>

Operating loss. Corporate and Other operating loss in Q3 2018 decreased by \$2.7 million, or 30.0%, as compared to Q3 2017. Included in "General and administrative expense" for Q3 2018 are \$1.9 million of organizational consolidation related costs. Additionally, included in "Depreciation and amortization" is \$0.1 million of accelerated depreciation expense incurred in relation to the organizational consolidation.

The decrease in operating loss is primarily due to a decrease in cash settled stock-based compensation expense of \$2.6 million, primarily as a result of a decrease in the Company's stock price in Q3 2018 as compared to an increase in Q3 2017. Other costs in Q3 2018 decreased, as compared to Q3 2017, as a result of costs incurred in Q3 2017 associated with strategic initiatives.

Corporate and Other financial results are as follows for YTD 2018 and YTD 2017 (in thousands):

	Nine Months Ended September 30,	
	2018	2017
	\$	\$
Service expense	\$ (272)	\$ (2,269)
General and administrative expense	22,803	23,882
Depreciation and amortization	559	258
Operating loss	<u>23,090</u>	<u>21,871</u>

Operating loss. Corporate and Other operating loss in YTD 2018 increased by \$1.2 million, or 5.6%, as compared to YTD 2017. Included in “General and administrative expense” for YTD 2018 are \$4.9 million of organizational consolidation related costs. Additionally, included in “Depreciation and amortization” is \$0.3 million of accelerated depreciation expense incurred in relation to the organizational consolidation. YTD 2018 and YTD 2017 both include a reduction in insurance loss reserves in “Service expense” due to favorable claims history of our Captive reinsurance program.

The operating loss included \$1.4 million and \$1.6 million, respectively, of cash settled stock-based compensation expense for YTD 2018 and YTD 2017. Additionally, there was a decrease in incentive compensation, legal costs and consulting costs in YTD 2018 as compared to YTD 2017.

Seasonality

Our quarterly operating results and operating cash flows normally fluctuate due in part to seasonal factors, uneven demand for services and the timing of new contracts, which impact the amount of revenues earned and expenses incurred. NET Services experiences fluctuations in demand during the summer and winter seasons. Due to higher demand in the summer months, lower demand during the winter months, and a primarily fixed revenue stream based on a per-member, per-month payment structure, NET Services normally experiences lower operating margins during the summer season and higher operating margins during the winter. WD Services is impacted by both the timing of commencement and expiration of major contracts. Under many of WD Services’ contracts, we may invest significant sums of money in personnel, leased office space, purchased or developed technology, and other costs, and generally would incur these costs prior to commencing services and receiving payments. This can result in significant variability in financial performance and cash flows between quarters and for comparative periods. It is expected that future contracts may be structured in a similar fashion. However, the Company does not expect a large variability in financial performance upon the commencement of WD Services’ newly secured Work and Health Programme contracts as the upfront implementation investments needed for these contracts are expected to be significantly less than those associated with other large contract commencements undertaken in the past, such as the offender rehabilitation program in 2016. In addition, under the majority of WD Services’ contracts, the Company relies on its customers, which include government agencies, to provide referrals, for which the Company can provide services and earn revenue. The timing and magnitude of referrals can fluctuate significantly, leading to volatility in revenue.

Liquidity and capital resources

Short-term capital requirements consist primarily of recurring operating expenses and new contract start-up costs, including restructuring costs. We expect to meet any cash requirements through available cash on hand, cash generated from our operating segments, and borrowing capacity under our Credit Facility (as defined below).

Our balance of cash and cash equivalents was \$47.5 million and \$95.3 million at September 30, 2018 and December 31, 2017, respectively, including \$18.2 million and \$40.1 million held in foreign countries, respectively. Such cash held in foreign countries is generally used to fund foreign operations, although it may also be used to repay intercompany indebtedness existing between Providence and its foreign subsidiaries.

We had restricted cash of \$4.8 million and \$6.3 million at September 30, 2018 and December 31, 2017, respectively, primarily related to contractual obligations and activities of our captive insurance subsidiary. Our Captive is currently in run-off, as we did not renew the policies which expired in May 2017, and we expect our restricted cash balances to decline over time as we pay claims. These restricted cash amounts are not included in our balance of cash and cash equivalents, although they are included in the cash, cash equivalents and restricted cash balance on the statement of cash flows, as a result of the adoption of Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, as of January 1, 2018. At September 30, 2018 we had \$36.0 million outstanding under our Credit Facility. No amounts were outstanding under the Credit

Facility as of December 31, 2017. The amount outstanding at September 30, 2018 was drawn from our revolving credit facility to fund the acquisition of Circulation and is expected to be repaid from the Company's cash flow from operations.

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. During the second quarter of 2018, we extended the term of our Credit Facility to expire in August 2019, as further discussed below.

On March 29, 2018, the Company's Board of Directors amended our ongoing stock repurchase program to add an additional \$77.8 million of capacity and extend the expiration date of the program from December 31, 2018 to June 30, 2019. As of November 5, 2018, the Company has approximately \$81.2 million of share repurchase availability. During the nine months ended September 30, 2018, the Company repurchased 838,719 shares for \$55.8 million.

The cash flow statement for all periods presented includes both continuing and discontinued operations. Discontinued operations for YTD 2018 and YTD 2017 include the activity of our Human Services segment. The benefit from discontinued operations totaled \$0.5 million for YTD 2018 and the loss from discontinued operations totaled \$6.0 million for YTD 2017. For YTD 2017, the loss from discontinued operations primarily related to the accrual of a contingent liability of \$9.0 million related to the future settlement of indemnification claims associated with our former Human Services segment, partially offset by a related tax benefit. The settlement amount of \$14.5 million was paid during Q3 2018, of which \$10.0 million was paid through the release of escrow funds, and \$4.5 million was paid in cash.

YTD 2018 cash flows compared to YTD 2017

Operating activities. Cash provided by operating activities was \$22.5 million for YTD 2018, a decrease of \$14.5 million of cash used in operating activities as compared with YTD 2017. YTD 2018 and YTD 2017 cash flow from operations was driven by net income of \$1.7 million and \$14.7 million, respectively, non-cash adjustments to reconcile net income to net cash provided by operating activities of \$35.2 million and \$8.0 million, respectively, and changes in working capital of negative \$14.3 million and positive \$14.2 million, respectively. The change in working capital is primarily driven by the following, which includes a net, year-over-year outflow from discontinued operations of \$13.5 million:

- Accounts receivable generated a cash outflow for YTD 2018 of \$31.5 million as compared to an outflow of \$10.6 million for YTD 2017. The increase in cash outflow of \$20.9 million is primarily attributable to NET Services due to the timing of collections from a limited number of payers.
- Prepaid expense and other generated a cash inflow for YTD 2018 of \$14.2 million as compared to an inflow of \$7.5 million for YTD 2017. The increase in cash inflow of \$6.7 million is primarily related to an inflow of \$10.0 million in YTD 2018 related to the release of escrow funds for the settlement of certain indemnified legal claims. Additionally, the adoption of ASC 606 as of January 1, 2018 resulted in recording inflows for contract assets of \$5.6 million in YTD 2018, which would not have been recognized under the previous accounting standard. These increases in cash inflows were partially offset by changes in prepaid income taxes and other prepaid amounts.
- Accounts payable and accrued expenses generated a cash outflow for YTD 2018 of \$26.3 million as compared to an outflow of \$3.4 million for YTD 2017. The increase in cash outflow of \$22.8 million is primarily the result of the settlement of indemnified legal claims in YTD 2018, of which \$9.0 million was accrued for during YTD 2017. This change was partially offset by additional cash inflows from other accrued expenses in YTD 2018 as compared to YTD 2017.
- Accrued transportation costs of NET Services generated a cash inflow of \$30.9 million in YTD 2018, as compared to a cash inflow of \$28.8 million in YTD 2017. The decrease in cash inflow of \$2.0 million is due primarily to the timing of payments.

Investing activities. Net cash used in investing activities of \$58.0 million in YTD 2018 increased by \$55.8 million as compared to YTD 2017. The increase was primarily attributable the acquisition of Circulation in which we incurred a cash outflow of \$42.1 million. We additionally incurred a cash outflow of \$5.9 million with the disposition of Ingeus France in Q3 2018. During Q3 2017 we incurred a cash inflow of \$15.8 million from the sale of Mission Providence.

Financing activities. Net cash used in financing activities of \$13.9 million in YTD 2018 decreased \$8.5 million as compared to YTD 2017. During YTD 2018 we borrowed \$36.0 million under our Credit Agreement to fund the acquisition of Circulation. Additionally, YTD 2018 included an increase in proceeds from common stock issued pursuant to stock option exercises of \$10.9 million. Partially offsetting these increases in cash inflows was the repurchase of \$37.2 million more of our common stock in YTD 2018 than in YTD 2017.

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, 2018, we had \$36.0 million of borrowings and eight letters of credit in the amount of \$11.8 million outstanding. Borrowings under the revolving credit facility were primarily related to the acquisition of Circulation. At September 30, 2018, our available credit under the revolving credit facility was \$152.2 million. 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. The Credit Agreement has a maturity date of August 2, 2019.

Interest on the outstanding principal amount under the Credit Agreement accrues, at the Company’s election, at a per annum rate equal to LIBOR plus an applicable margin, or the base rate as defined in the agreement 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 the Company’s consolidated net leverage ratio as defined in the Credit Agreement. Interest on the loans is payable quarterly in arrears. In addition, the Company is 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 the Company’s consolidated leverage ratio.

The Company’s obligations under the Credit Facility are guaranteed by all of the Company’s present and future domestic subsidiaries, excluding certain domestic subsidiaries which include the Company’s insurance captives as well as the subsidiaries which comprise the Company’s WD Services segment. The Company’s obligations under, and each guarantor’s obligations under its guaranty of, the Credit Facility are secured by a first priority lien on the Company’s respective assets, including a pledge of 100% of the issued and outstanding stock of the Company’s domestic subsidiaries, excluding the Company’s insurance captives, equity ownership interest in Matrix and the stock of the subsidiaries which comprise the Company’s WD Services segment.

The Credit Agreement contains customary affirmative and negative covenants and events of default. The negative covenants include restrictions on the Company’s ability to, among other things, incur additional indebtedness, create liens, make investments, give guarantees, pay dividends, sell assets, and merge and consolidate. The Company is subject to financial covenants, including consolidated net leverage and consolidated interest coverage covenants. The Company was in compliance with all covenants as of September 30, 2018.

We may from time to time incur additional indebtedness, obtain additional financing or refinance existing indebtedness, subject to market conditions and our financial condition.

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 801,729 shares are outstanding as of September 30, 2018. 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, 2017. 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, 2018 and 2017 and totaled \$3.3 million in each period.

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, 2018, the cumulative reserve for expected losses since inception of these historical automobile, general and professional liability and workers’ compensation reinsurance programs was \$0.4 million, \$0.6 million and \$3.7 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, 2018 was \$6.0 million. We recorded a corresponding receivable from third-party insurers and liability at September 30, 2018 for these expected losses, which would be paid by third-party insurers to the extent losses are incurred.

Further, SPCIC had restricted cash of \$4.6 million and \$6.3 million at September 30, 2018 and December 31, 2017, respectively, which was restricted to secure the reinsured claims losses of SPCIC under the historical automobile, general and professional liability and workers’ compensation reinsurance programs.

Health Insurance

We offer our NET Services’, certain WD Services’ and corporate employees an option to participate in a self-funded health insurance program. The liability for the self-funded health plan of \$3.5 million and \$2.2 million as of September 30, 2018 and December 31, 2017, respectively, was recorded in “Reinsurance liability and related reserve” 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, 2017.

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, 2017 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.

Foreign currency risk

As of September 30, 2018, we conducted business in nine countries outside the U.S. As a result, our cash flows and earnings are subject to fluctuations due to changes in foreign currency exchange rates. We do not currently hedge against the possible impact of currency fluctuations. During YTD 2018 we generated \$200.8 million of our net operating revenues from operations outside the U.S.

A 10% adverse change in the foreign currency exchange rate from British Pounds to U.S. dollars would have a \$12.7 million negative impact on consolidated revenue and a negligible impact on net income. A 10% adverse change in other foreign currency exchange rates would not have a significant impact on our financial results.

We assess the significance of foreign currency risk on a periodic basis and may implement strategies to manage such risk as we deem appropriate.

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, 2018. 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, 2018 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 2018, the Company implemented new internal controls and processes related to its adoption of ASC 606 and the automation of its financial statement consolidation process.

(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. For information relating to legal proceedings, see Note 15, *Commitments and Contingencies*, in our condensed consolidated financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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, 2017.

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, 2018:

Period	Total Number of Shares of Common Stock Purchased (1)	Average Price Paid per Share	Total Number of Shares of Common Stock Purchased as Part of Publicly Announced Plans or Program	Maximum Dollar Value of Shares of Common Stock that May Yet Be Purchased Under the Plans or Program (000's) (2)
Month 1:				
July 1, 2018				
to				
July 31, 2018	32	\$ 74.82	—	\$ 81,177
Month 2:				
August 1, 2018				
to				
August 31, 2018	42	\$ 70.08	—	\$ 81,177
Month 3:				
September 1, 2018				
to				
September 30, 2018	—	\$ —	—	\$ 81,177
Total	74		—	

(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 new 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.

After giving effect to the increase in the authorized repurchase amount, as of September 30, 2018, approximately \$81.2 million remains for additional repurchases by the Company under the stock repurchase program, excluding commission payments. 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 may be made from time-to-time through a combination of open market repurchases (including Rule 10b5-1 plans), privately negotiated transactions, accelerated share repurchase transactions and other derivative transactions.

Dividends

We have not paid any cash dividends on our Common Stock and currently do not expect to pay dividends on our Common Stock. In addition, our ability to pay dividends on our Common Stock is limited by the terms of our Credit Agreement and our Preferred Stock. The payment of future cash dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, our financial condition, funds from operations, the level of our capital and development expenditures, any restrictions imposed by present or future debt or equity instruments, and changes in federal tax policies, if any.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Entry into Share Purchase Agreement

On November 7, 2018, the Company entered into a share purchase agreement (the "Agreement") with Ingeus UK Holdings Limited ("Holdings"), a direct wholly-owned subsidiary of the Company, Advanced Personnel Management Global Pty Ltd and, APM UK Holdings Limited (together the "Purchaser" or "Purchasers") and International APM Group Pty Limited (as Purchasers' Guarantor), providing for, among other things, the issuance, sale and delivery to the Purchasers of 100% of the Company's shares in Ross Innovative Employment Solutions Corp. and 0798576 B.C. Ltd and 100% of Holdings' shares in Ingeus Europe Limited and Ingeus Australia Holdings Pty Ltd (the "Transaction"). In connection with the Transaction, cash consideration of approximately \$46.1 million will be paid by the Purchaser to the Company.

In the Agreement, the Company, Holdings and Purchasers have made certain customary representations, warranties, indemnities and covenants. The Agreement provides for post-closing liability for breaches of such representations, warranties, indemnities and covenants, subject to certain limitations.

Consummation of the Transaction is subject to the satisfaction of customary closing conditions, including, among other conditions, (i) certain customer consents and (ii) the absence of any change or development that would reasonably be expected to result in a material adverse effect on Holdings and its subsidiaries.

Following the Transaction, the Company will retain an immaterial amount of the WD Services business in Saudi Arabia.

The foregoing description of the Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreement, which is attached as Exhibit 2.2 hereto and incorporated herein by reference. The Agreement has been filed as an exhibit to this Quarterly Report on Form 10-Q solely to provide the Company's stockholders with information regarding its terms and not for the purpose of providing any other factual information about the Company, Holdings or the Purchasers or each of their respective subsidiaries and affiliates. The Agreement contains representations, warranties and covenants by each of the parties to the Agreement. These representations, warranties and covenants were made solely for the benefit of the other parties to the Agreement and (a) are not intended to be treated as categorical statements of fact, but rather as a way of allocating

risk to one of the parties if those statements prove to be inaccurate, (b) may have been qualified in the Agreement by confidential disclosure schedules that were delivered to the other party in connection with the signing of the Agreement, which disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants set forth in the Agreement, (c) may be subject to standards of materiality applicable to the parties that differ from what might be viewed as material to stockholders and (d) were made only as of the date of the Agreement or such other date or dates as may be specified in the Agreement. Accordingly, you should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties.

Item 6. Exhibits.

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of September 14, 2018 among The Providence Service Corporation, LogistiCare Solutions, LLC, Catapult Merger Sub, Circulation, Inc. and Fortis Advisors LLC (Incorporated by reference from an exhibit to the registrant's current report on Form 8-K filed with the SEC on September 17, 2018).
2.2*	Share Purchase Agreement, dated November 7, 2018, among The Providence Service Corporation, Ingeus UK Holdings Limited, Advanced Personnel Management Global Pty Ltd, APM UK Holdings Limited and International APM Group Pty Limited. (Registrant will furnish a copy of any omitted schedule to the Commission upon request.)
10.1+*	Form of Amendment to Retention Letter under The Providence Service Corporation Employee Retention Plan.
10.2+	Employment Agreement, dated August 18, 2018, by and between The Providence Service Corporation, LogistiCare Solutions, LLC and Kevin Dotts (Incorporated by reference from an exhibit to the registrant's current report on Form 8-K filed with the SEC on August 22, 2018).
31.1*	Certification pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 of the Chief Executive Officer.
31.2*	Certification pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 of the Chief Financial Officer.
32.1*	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.
32.2*	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.
101.INS	XBRL Instance 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
+	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 8, 2018

By: _____
/s/ R. Carter Pate
R. Carter Pate
Interim Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2018

By: _____
/s/ Kevin Dotts
Kevin Dotts
Chief Financial Officer
(Principal Financial Officer)

SHARE PURCHASE AGREEMENT

relating to the sale and purchase of the entire
issued share capital of

INGEUS EUROPE LIMITED

and

ROSS INNOVATIVE EMPLOYMENT SOLUTIONS CORP.

and

0798576 B.C. LTD.

and

INGEUS AUSTRALIA HOLDINGS PTY LTD

Dated November 7, 2018

INGEUS UK HOLDINGS LIMITED

and

THE PROVIDENCE SERVICE CORPORATION

and

ADVANCED PERSONNEL MANAGEMENT GROUP PTY LTD

and

APM UK HOLDINGS LIMITED

and

INTERNATIONAL APM GROUP PTY LIMITED

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THIS SHARE PURCHASE AGREEMENT (this "Agreement") is made on November 7, 2018.

BETWEEN

1. THE PROVIDENCE SERVICE CORPORATION whose registered office is at 700 Canal Street, Third Floor, Stamford CT 06902 USA ("Providence");
2. INGEUS UK HOLDINGS LIMITED whose registered office is at 66 Prescot Street, London E1 8HG ("Holdings");

(Providence and Holdings each a "Seller" and together the "Sellers").
3. ADVANCED PERSONNEL MANAGEMENT GROUP PTY LTD (ACN 618 764 542 whose registered office is at 58 Ord Street, West Perth WA 6005 ("APM Global");
4. APM UK HOLDINGS LIMITED (Company No. 10745701) whose registered office is at APM 40 Newtown Shopping Centre, Newtown, Birmingham B19 2SS ("APM UK"),

(APM Global and APM UK each a "Purchaser" and together the "Purchasers").
5. INTERNATIONAL APM GROUP PTY LIMITED (ACN 618 762 977) whose registered office is at 58 Ord Street, West Perth WA 6005 (the "Purchasers' Guarantor").

INTRODUCTION

- (A) Holdings is the beneficial and registered holder of shares in Ingeus Europe Limited ("Ingeus Europe" or "IEL") and Ingeus Australia Holdings Pty Ltd. ("Ingeus Australia") (basic information concerning each of which is set out in PART A of Schedule 1).
- (B) Providence is the beneficial and registered holder of shares in Ross Innovative Employment Solutions Corp. ("Ross") and 0798576 B.C. Ltd. (the parent company of WCG International Consultants Limited) ("0798576") (basic information concerning each of which is set out in PART A of Schedule 1).
- (C) The Sellers have agreed to sell and the Purchasers have agreed to purchase the Shares (as defined in this Agreement) in each case on the terms and subject to the conditions of this Agreement.

THE PARTIES AGREE as follows:

1. Interpretation
- 1.1 In this Agreement:

"0798576" has the meaning given in the Recitals;

“ <u>1936 Australian Tax Act</u> ”	means the Income Tax Assessment Act 1936 (Cth);
“ <u>1997 Australian Tax Act</u> ”	means the Income Tax Assessment Act 1997 (Cth);
“ <u>2009 UK Tax Act</u> ”	means the Corporation Tax Act 2009 (UK);
“ <u>Accounting Standards</u> ”	means U.S. GAAP;
“ <u>Accounts</u> ”	means the Audited Accounts and the Unaudited Accounts;
“ <u>Accounts Date</u> ”	means 31 December 2017;
“ <u>Accounts Relief</u> ”	has the meaning given in the Tax Schedule;
“ <u>Act</u> ”	means the Companies Act 2006;
“ <u>Agreed Rate</u> ”	means the rate of interest determined by Providence to be two per cent. (2%) per annum above the base rate of Barclays Bank from time to time;
“ <u>Allocation Percentages</u> ”	means the proportions set out in Schedule 10, which may be amended in accordance with clauses 3.3, 3.4 and 3.5;
“ <u>Approval</u> ”	has the meaning given in clause 4.2;
“ <u>Audited Accounts</u> ”	means the audited, consolidated (where applicable) financial statements of Ingeus Europe Limited, Ingeus Australia Holdings Pty Ltd, Ingeus AG (Switzerland) and Ingeus GmbH (Germany) for the accounting reference period ended on the Accounts Date, copies of which are in the Data Room;
“ <u>Australian Earn-out</u> ”	means any payment or liability to pay the Earn-Out Consideration (as defined in the Australian Share Sale Agreement) under the Australian Share Sale Agreement;
“ <u>Australian Share Sale Agreement</u> ”	means the share sale agreement dated 31 March 2014 between Pinnacle Australia Holdco Pty Ltd (as Buyer), Providence (as Buyer’s Guarantor) and Therese Rein, Gregory Ashmead and GK Ashmead Holdings Pty Limited (as Sellers);
“ <u>Australian Subsidiaries</u> ”	means Ingeus Australia Holdings Pty Ltd, Ingeus Australia Investments Pty Ltd, Ingeus Pty Ltd,

	Ingeus Australia Pty Ltd and Ingeus Victoria Pty Ltd;
" <u>BC Shares</u> "	means the 100 common shares (without par value) in the capital of 0798576 B.C. Ltd.;
" <u>Breaching Party</u> "	has the meaning given in clause 5.5;
" <u>Business</u> "	means the business carried on by the Target Group as at the date of this Agreement;
" <u>Business Day</u> "	means any day (other than a Saturday, Sunday or a public holiday) on which banks are open in London and New York for a full range of business;
" <u>Canadian Subsidiaries</u> "	means 0798576, PSC of Canada Exchange Corp. and WCG International Consultants Ltd;
" <u>Code</u> "	means the United States Internal Revenue Code of 1986, as amended;
" <u>Companies</u> "	means Ingeus Europe Limited, Ross Innovative Employment Solutions Corp., 0798576 B.C. Ltd. and Ingeus Australia Holdings Pty Ltd. (each, a " <u>Company</u> "), basic information concerning which is set out in Part A of Schedule 1;
" <u>Completion</u> "	means completion of the sale and purchase of the Shares under this Agreement;
" <u>Completion Date</u> "	has the meaning given in clause 5.1;
" <u>Completion Disclosure Letter</u> "	has the meaning given in the definition of Disclosure Letter;
" <u>Conditions</u> "	means the conditions set out in Schedule 4 and " <u>Condition</u> " shall mean any one of them;
" <u>Consequential Loss</u> "	has the meaning given in the W&I Policy;
" <u>Consideration</u> "	has the meaning given in clause 3.1;
" <u>Consolidated Australian Tax Group</u> "	means the consolidated tax group for Australian tax purposes formed as of 30 May 2014, of which Ingeus Australia Holdings Pty, Ltd is the head company;
" <u>Data Protection Legislation</u> "	means the Data Protection Act 1998, the Data Protection Act 2018, the General Data Protection Regulation (EU) 2016/679, the Privacy and Electronic Communications (EC Directive)

	Regulation 2003 and any other applicable data protection and privacy laws to which the Target Group is subject in each case including any legally binding regulations, direction or orders issued from time to time under, or in connection with, any such law;
" <u>Data Room</u> "	means the virtual data room (Ansarada Datasite) named "Beacon" hosted by Ansarada as at 7 November 2018;
" <u>Demand</u> "	has the meaning given in the Tax Schedule;
" <u>De Minimis</u> "	has the meaning given in paragraph 1.5 of Schedule 5;
" <u>Disclosed</u> "	means, in respect of the Warranties, all matters, facts, events, circumstances or information fairly disclosed in or under the Disclosure Letter, this Agreement or the documentation contained in the Data Room and the Due Diligence Reports;
" <u>Disclosure Letter</u> "	means the letter (together with any documents annexed to it) dated the date of this Agreement together with any further letter provided no later than two (2) Business Days prior to Completion in respect of the Warranties to be repeated under clause 9.1 (the " <u>Completion Disclosure Letter</u> "), in each case from the Sellers to the Purchasers containing disclosures against the Warranties;
" <u>Disclosure Materials</u> "	means the information and documentation contained in the Data Room and the Disclosure Letter;
" <u>DLNR</u> "	means The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited (8802532);
" <u>Due Diligence Reports</u> "	has the meaning given in the W&I Policy;
" <u>DWP Agreements</u> "	means: (i) the Framework Agreement dated 20 January 2011 between the Secretary of State for Work and Pensions and Ingeus UK Limited; (ii) Call-off Terms and Conditions for the Work Programme CPA01 (East of England), CPA02 (East Midlands), CPA03 (West London), CPA05 (North East), CPA06 (North West), CPA08 (Scotland), CPA16 (West Yorkshire) dated 26 May 2011 between The Secretary of State for Work and Pensions and Ingeus UK Limited; (iii)

Work and Health Programme Umbrella Agreement for the Provision of Employment and Health Related Services dated 12 January 2017 between The Secretary of State for Work and Pensions and Ingeus UK Limited; and (iv) Work and Health Programme terms and conditions for North West (CPA03) dated 3 October 2017 between The Secretary of State for Work and Pensions and Ingeus UK Limited;

<u>"Earn-Out Group"</u>	has the meaning given in the Australian Share Sale Agreement;
<u>"Employee Tax Liability"</u>	has the meaning given in clause 6.4;
<u>"Employees"</u>	means the directors and officers (whether employed or not) and employees of the Target Group Companies;
<u>"Employer NICs"</u>	has the meaning given in clause 6.4;
<u>"Encumbrance"</u>	means any debenture, mortgage, charge, pledge, lien, deposit by way of security, restriction, assignment, hypothecation, security interest, or similar agreement, title retention or transfer or other security or preferential agreement or arrangement, but excluding any Permitted Encumbrance;
<u>"Engage in"</u>	means to carry on or otherwise be directly or indirectly involved as a shareholder, unitholder, director, consultant, adviser, contractor, principal, agent, manager, employee, beneficiary, partner, associate, trustee or financier;
<u>"Environment"</u>	means humans, animals, plants and all other living organisms including the ecological systems of which they form part and the following media: (a) air (including, without limitation, air within natural or man-made structures, whether above or below ground); (b) water (including, without limitation, territorial, coastal and inland waters, water under or within land and water in drains and sewers); and

	(c) land (including, without limitation, land under water);
<u>“Environmental Laws”</u>	means any applicable law or regulation which relates to: <ul style="list-style-type: none"> (a) the pollution or protection of the Environment; (b) the conditions of the workplace; or (c) the generation, handling, storage, use, release or spillage of any substance which, alone or in combination with any other, is capable of causing harm to the Environment, including, without limitation, any waste;
<u>“Equity Value”</u>	has the meaning given in clause 3.1(a);
<u>“Event”</u>	has the meaning given in the Tax Schedule;
<u>“Exchange Rate”</u>	means in respect of any day, the relevant spot exchange rate published in the Financial Times and if such a day is not a Business Day, such rate as published on the preceding Business Day;
<u>“Excluded Person”</u>	has the meaning given in clause 10.1(d);
<u>“GBP or £”</u>	means the lawful currency for the time being of the United Kingdom;
<u>“GST”</u>	means the goods and services tax or similar value added tax levied or imposed in Australia under the GST Law and includes any replacement or subsequent similar tax;
<u>“GST Law”</u>	means the same as GST law in A New Tax System (Goods and Services Tax) Act 1999 (Cth);
<u>“Guaranteed Obligations”</u>	has the meaning given in clause 21.1;
<u>“ICA”</u>	means the Investment Canada Act;
<u>“IEL-PSC Revolver”</u>	means the revolving credit facility between Providence and IEL dated 12 December 2016;
<u>“IIL”</u>	means Ingeus Investments Limited;
<u>“Income, Profits or Gains”</u>	has the meaning given in the Tax Schedule;

<u>"Indemnities"</u>	means the indemnities set out in clause 9.6 given by the Sellers and " <u>Indemnity</u> " shall be construed accordingly;
<u>"Indemnity Claim"</u>	means any claim brought by a Purchaser against either Seller under this Agreement relating to any of the Indemnities;
<u>"Ingeus Australia"</u>	has the meaning given in the Recitals;
<u>"Ingeus Australia Shares"</u>	means the 62,558,525 shares in the capital of Ingeus Australia;
<u>"Ingeus Europe or IEL"</u>	has the meaning given in the Recitals;
<u>"Ingeus Europe Shares"</u>	means the 21,923,667 ordinary shares of £1 each in the capital of Ingeus Europe;
<u>"Ingeus Transaction Bonus Plan"</u>	means the Ingeus transaction bonus plan in force as of the date of this Agreement;
<u>"Insurance" and "Insurances"</u>	have the meanings given in paragraph 17.6(a) of Schedule 3;
<u>"Intellectual Property Rights"</u>	means patents, trademarks, trade names, service marks, domain names, design rights, copy rights, rights in databases and other intellectual property rights, in each case whether registered and including applications for the grant of any such rights;
<u>"IT Contract"</u>	means any agreements, arrangements or licences with third parties relating to IT systems or IT services, including all hire purchase contracts, leases or maintenance or service agreements of hardware owned or used by any Target Group Company in the Business, licences or maintenance or service agreements of software owned or used by any Target Group Company in the Business, in each case which is material to the operation of the Business;
<u>"Key Employees"</u>	means the following employees: Jack Sawyer, Barry Fletcher, Lindsay Mann, Matthew Flood, Kalbir Heer, Jay Han, Tania Bennett, Marc Hanke, Chris Smedley, Adam Hart, and Shawn Brenner;

"Leakage"

means without duplication:

- (a) any dividend, bonus or distribution declared, paid or made by any Target Group Company to any member of the Retained Group;
- (b) any payments made or agreed (whether in cash or in kind) by any Target Group Company to any member of the Retained Group in respect of any share capital or other Securities of a Target Group Company being redeemed, purchased, or repaid, or any other return of capital by any Target Group Company other than to another Target Group Company;
- (c) any payments made or assets transferred or surrendered to, or liabilities or obligations assumed, guaranteed, indemnified, paid or otherwise incurred for the benefit of any member of the Retained Group by any Target Group Company;
- (d) the waiver, release, cancellation, compromise, forgiveness, deferral or discount by any Target Group Company of any amount owed to that Target Group Company by any member of the Retained Group;
- (e) any Transaction Costs or transaction or retention bonuses for management incurred, paid or agreed to be paid by any Target Group Company to any person in relation to the Transaction (including the Plan Payments);
- (f) any Taxation paid and economically borne by a Target Group Company as a result of any of the matters in paragraphs (a) to (e) (inclusive), other than amounts in respect of VAT, GST or consumption tax which are recoverable by the Target Group by way of repayment or credit against a VAT or similar liability; and

	(g) any agreement or binding understanding to do any of the things set out in paragraphs (a) to (e) above,
	in each case other than any Permitted Leakage;
" <u>LGPS</u> "	means the Local Government Pension Scheme in England & Wales, Scotland or Northern Ireland as the context requires;
" <u>Licences</u> "	has the meaning given in paragraph 15.4(a) of Schedule 3;
" <u>Locked Box Accounts</u> "	means the unaudited accounts of the Target Group as at the Locked Box Date and appended to the Disclosure Letter;
" <u>Locked Box Date</u> "	means 30 September 2018;
" <u>Longstop Date</u> "	means 31 December 2018 or such other date as agreed in writing between the parties, being no later than 28 February 2019;
" <u>Management Accounts</u> "	means the unaudited, consolidated management accounts of the Target Group for the period 30 September 2018;
" <u>Material Adverse Effect</u> "	means any event, circumstance, change, state of facts or development that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on, or material adverse change in, the business, financial condition or results of operations of the Target Group Companies, taken as a whole;
	provided that any such change or effect caused by or resulting from any of the following shall not be considered, and shall not be taken into account in determining the existence of, a Material Adverse Effect:
	(i) the announcement, consummation, execution or delivery of this Agreement, or the performance of obligations hereunder or under any other Transaction Documents, including the impact of any of the foregoing on relationships with customers, suppliers of the Target Group,
	(ii) conditions affecting the global economy or financial markets as a whole, or generally

affecting the industries in which the Target Group conducts the Business,

(iii) any change after the date hereof in any applicable law, regulation or rule or in the Accounting Standards or other accounting standards applicable to members of the Target Group or any interpretation thereof,

(iv) the commencement, occurrence or continuation of any war, armed hostilities or acts of terrorism,

(v) earthquakes, hurricanes, floods or other natural disasters,

(vi) the failure by the Target Group Companies to meet any revenue or earnings projections, forecasts or predictions,

(viii) any action taken by, or with the written consent of, either of the Purchasers or any of their affiliates with respect to the implementing the terms of this Agreement or in respect of the Target Group Companies, or

(ix) any matter set out in section 2 of Schedule 6

provided further that: (A) the matters described in items (ii), (iii), (iv), and (v) (above) shall be included and taken into account in the term "Material Adverse Effect" to the extent any such matter has a materially disproportionate adverse impact on the business, financial condition or results of operations of the Target Group Companies, taken as a whole, relative to other participants in the industries in which they operate, and (B) item (vi) (above) will not prevent a determination that any change or effect underlying any such failure to meet revenue or earnings projections, forecasts or predictions has resulted in a Material Adverse Effect, but only to the extent such underlying change or effect is not otherwise excluded from this definition of Material Adverse Effect;

"Material Contracts"

means the contracts set out in Schedule 12 and "Material Contract" means any of them, as the context requires;

<u>"Material Proceedings"</u>	has the meaning given in paragraph 15.1 of Schedule 3;
<u>"Material Properties"</u>	means all those properties in the International Property Register in the Data Room at 4.01.01 where the annual rent and additional costs combined exceed GBP 200,000 per annum;
<u>"Ministry of Justice"</u>	means the Secretary of State for Justice acting as part of the Crown, of 102 Petty France, SW1H 9AJ;
<u>"NCS Agreements"</u>	means: (i) the Framework Agreement for the Provision of National Citizen Service dated 24 July 2014 between NCS Trust CIC and Ingeus UK Limited; and (ii) Call-off Terms and Conditions for contract for provision of National Citizen Service in EA2, EM2 and NW1 between NCS Trust CIC and Ingeus UK Limited, dated 3 February 2015;
<u>"NDPP Agreements"</u>	means the Framework Agreement relating to the NHS Diabetes Prevention Programme dated 1 April 2016 between the National Health Service Commissioning Board and Ingeus UK Limited and the Call-Off Contracts for (i) Leeds dated 2 June 2016, (ii) East Midlands dated 2 June 2016, (iii) South East Strategic Clinical Network, (iv) Milton Keynes, Bedfordshire and Luton, (v) Buckinghamshire, Oxford and Berkshire West, (vi) Hampshire and Isle of Wight, (vii) Bradford, (viii) Shropshire, (ix) Durham, (x) Darlington, (xi) Teesside, (xii) Hambleton, (xiii) Richmondshire and Whitby, (xiv) Staffordshire, (xv) Northumberland Tyne & Wear, and (xvi) North Durham between the National Health Service Commissioning Board and Ingeus UK Limited;
<u>"Non-Breaching Party"</u>	has the meaning given in clause 5.5;
<u>"Non-Title Warranties"</u>	means the Warranties, except for the Title Warranties;
<u>"Notifications"</u>	has the meaning given in clause 4.3;
<u>"Overprovision"</u>	has the meaning given in the Tax Schedule;
<u>"Pension Schemes"</u>	means: (i) each of the pension/ retirement benefit plans in respect of the Employees as set out in

	document 6.05 of the Data Room; and (ii) the Ross 401k Plan;
<u>"Permitted Encumbrance"</u>	means any Encumbrances arising under the constitutional documents of each of the Target Group Companies or by the operation of law in the ordinary course of trading;
<u>"Permitted Leakage"</u>	means those matters listed in Schedule 7;
<u>"Plan Payment"</u>	means the payments certain employees may become entitled to receive under the Ingeus Transaction Bonus Plan in force as of the date of this Agreement;
<u>"Plan Payment Schedule"</u>	has the meaning given in clause 6.5;
<u>"Polish Entity"</u>	means Ingeus Sp z.o.o (0000316121);
<u>"Pre-Completion Reorganisation"</u>	means the reorganisation of the Target Group and the Retained Group to be undertaken prior to Completion including in respect of: (i) the repayment of loans between the Target Group and the Retained Group (including by way of capitalisation, forgiveness, distribution or transfer); (ii) the payment of cash from the Target Group to the Retained Group (as permitted by this Agreement); (iii) the transfer of certain subsidiaries from IIL to IEL; (iv) the sale of IIL to Providence or to one of its subsidiaries; (v) the transfer of Ingeus Australia Pty Limited to Ingeus Pty Limited; and (vi) the transfer of Ingeus Australasia Pty Limited to Providence or one of its subsidiaries, in each case in accordance with the Pre-Completion Reorganisation Steps Plan (or such other steps that materially achieve such reorganisation, and which are not materially prejudicial to the Purchasers);
<u>"Pre-Completion Reorganisation Steps Plan"</u>	means the KPMG steps plans in respect of the Pre-Completion Reorganisation in the agreed form;
<u>"Preparing Party"</u>	has the meaning given in the Tax Schedule;
<u>"Previous Transaction Claim"</u>	has the meaning given in paragraph 12 of Schedule 5;
<u>"Prohibited Persons"</u>	has the meaning given in clause 12.1;

“ <u>Properties</u> ”	means all those properties in the International Property Register in the Data Room at 4.01.01;
“ <u>Purchaser Conditions</u> ”	means Conditions 2 and 3 of Schedule 4;
“ <u>Purchasers’ Group</u> ”	means each Purchaser and any undertaking which is, on or at any time after the date of this Agreement, a subsidiary undertaking or parent undertaking of a Purchaser or a subsidiary undertaking of a parent undertaking of a Purchaser and includes after Completion each Target Group Company;
“ <u>Purchasers’ Relief</u> ”	has the meaning given in the Tax Schedule;
“ <u>Registered Ingeus Intellectual Property</u> ”	has the meaning given in paragraph 12.1(a) of Schedule 3;
“ <u>Relevant Amount</u> ”	has the meaning given in the Tax Schedule;
“ <u>Relevant Claim</u> ”	means (i) any Tax Claim or (ii) any claim brought by any Purchaser against either Seller under this Agreement for the purported breach of the Warranties;
“ <u>Relevant Contract</u> ”	means each of the DWP Agreements;
“ <u>Relevant Person</u> ”	has the meaning given in the Tax Schedule;
“ <u>Relevant Target Group Company</u> ”	has the meaning given in the Tax Schedule;
“ <u>Relief</u> ”	has the meaning given in the Tax Schedule;
“ <u>Repayment Amount</u> ”	has the meaning given in the Tax Schedule;
“ <u>Retained Group</u> ”	means the Sellers and any undertaking which is on the date of this Agreement, a subsidiary or subsidiary undertaking or parent undertaking of a Seller or a subsidiary or subsidiary undertaking of a parent undertaking of a Seller excluding any Target Group Company and any undertaking which is not a subsidiary undertaking of Providence;
“ <u>Reviewing Party</u> ”	has the meaning given in the Tax Schedule;
“ <u>Revolver Election</u> ”	has the meaning given in clause 3.4;
“ <u>Revolver Election Amount</u> ”	has the meaning given in clause 3.5(a);

<u>"Ross"</u>	has the meaning given in the Recitals;
<u>"Ross 401k Plan"</u>	means the 401(k) retirement plan sponsored by Providence entitled "The Providence Service Corporation Retirement Savings Plan" as sponsored for the benefit of Ross employees;
<u>"Ross Shares"</u>	means the 1,000 shares of \$0.001 in the capital of Ross;
<u>"RRP Agreements"</u>	means the Amended and Restated Service Agreements signed between DLNR or SWM and the Ministry of Justice, dated 18 December 2014 as amended from time to time;
<u>"Saudi IP License"</u>	means the intellectual property license agreement to be entered into by IEL and Ingeus LLC (Saudi Arabia) substantially in the agreed form;
<u>"Saudi SPA"</u>	means the share purchase agreement between Ingeus Europe Limited as seller, and Ingeus Investments Limited as purchaser, relating to the sale and purchase of 1% of the shares in Ingeus LLC (commercial registration number 1010342042), substantially in the agreed form;
<u>"Saudi TSA"</u>	means the transitional services agreement to be entered into between certain members of the Target Group and Ingeus LLC (Saudi Arabia) substantially in the agreed form;
<u>"Saving"</u>	has the meaning given in the Tax Schedule;
<u>"Securities"</u>	means shares, debentures, stocks, bonds, notes, interests in a managed investment scheme, units, warrants, options, derivative instruments or any other securities;
<u>"Seller Conditions"</u>	means Conditions 1 and 3 of Schedule 4;
<u>"Seller Group Support Obligation"</u>	means each guarantee, indemnity, counter-indemnity, letter of comfort or similar obligation or undertaking of any nature given to a third party by a member of the Retained Group in respect of a liability or obligation of a Target Group Company (other than any guarantee or other support obligation given by Providence in connection with the Australian Earn-Out);

<u>"Sellers' Solicitors"</u>	means Debevoise & Plimpton LLP of 65 Gresham Street, London, EC2V 7NQ;
<u>"Shares"</u>	means the Ingeus Europe Shares, the Ross Shares, the BC Shares and the Ingeus Australia Shares (as applicable and as the context requires) or, in each case, such greater number of relevant shares resulting from shares issued in connection with the Pre-Completion Reorganisation provided that on Completion the shares represent the entire issued share capital of each of the Companies;
<u>"Specified Senior Executives"</u>	means each of the Key Employees, in each case, for so long as such person remains a senior executive of a Target Group Company and "Specified Senior Executive" means any of them, as the context may require;
<u>"Straddle Document"</u>	has the meaning given in the Tax Schedule;
<u>"Straddle Period"</u>	has the meaning given in the Tax Schedule;
<u>"Swedish Entity"</u>	means Ingeus AB (556742-1408);
<u>"SWM"</u>	means The Staffordshire and West Midlands Community Rehabilitation Company Limited (8802529);
<u>"Systems"</u>	has the meaning given in paragraph 13.1 in Schedule 3;
<u>"Target Group"</u>	means the Companies and the Target Subsidiaries and references to " <u>Target Group Company</u> " and " <u>member of the Target Group</u> " shall be construed accordingly;
<u>"Target Group Support Obligation"</u>	means each guarantee, indemnity, counter-indemnity, letter of comfort or similar obligation or undertaking of any nature given to a third party by a Target Group Company in respect of a liability or obligation of a member of the Retained Group;
<u>"Target Subsidiaries"</u>	means the entities set out in Part B of Schedule 1;
<u>"Tax" or "Taxation"</u>	means all forms of taxation, duties, imposts, levies, fees, charges, social security contributions, sales taxes, consumption taxes not limited to harmonised sales taxes, goods and services taxes, secondary tax liabilities, value

	added taxes and rates, including any interest, penalty, surcharge or fine thereon, imposed, levied, collected, withheld, assessed or enforced by any local, municipal, regional, urban, governmental, state, federal or other body or authority in any jurisdiction, in all cases being in the nature of taxation;
" <u>Tax Authority</u> "	has the meaning given in the Tax Schedule;
" <u>Tax Claim</u> "	means a claim brought by a Purchaser against a Seller under paragraph 2 of the Tax Schedule or a Tax Warranty Claim;
" <u>Tax Document</u> "	has the meaning given in the Tax Schedule;
" <u>Tax Law</u> "	means any law relating to Tax;
" <u>Tax Liability</u> "	has the meaning given in the Tax Schedule;
" <u>Tax Schedule</u> "	means the tax schedule at Schedule 8 to this Agreement;
" <u>Tax Warranties</u> "	means the warranties set out in paragraph 18 of Schedule 3;
" <u>Tax Warranty Claim</u> "	means a claim brought by a Purchaser in respect of any purported breach of a Tax Warranty;
" <u>Third Party Claim</u> "	has the meaning given in Schedule 5;
" <u>Threshold</u> "	has the meaning given in Schedule 5;
" <u>Title Warranties</u> "	means the Warranties set out in paragraphs 1.1, 1.2, 2(a) and (b), 3.1, 3.2 and 3.3(a) to (c) of Schedule 3;
" <u>Transaction</u> "	means the transaction contemplated by the Transaction Documents;
" <u>Transaction Costs</u> "	means any professional fees and related costs or expenses paid or agreed to be paid or incurred or owing in connection with the Transaction by any Target Group Company since the Locked Box Date, in each case including any irrecoverable VAT or similar consumption tax;
" <u>Transaction Documents</u> "	means this Agreement, the Disclosure Letter, the Saudi SPA, the Saudi TSA, the Saudi IP License, the documents to be entered into in connection with the Pre-Completion Reorganisation and any other agreement entered into under such

	documents or an agreed form (or similar) agreement under such documents;
<u>"Transfer Date"</u>	has the meaning given in clause 24.5;
<u>"Treasury Regulations"</u>	means the regulations prescribed under the Code;
<u>"Unaudited Accounts"</u>	means the unaudited, consolidated (where applicable) financial statements of the Target Group members other than those in respect of which have Audited Accounts, for the accounting reference period ended on the Accounts Date, copies of which are in the Data Room;
<u>"US\$ or \$"</u>	means the lawful currency for the time being of the United States of America (unless the context otherwise requires);
<u>"VAT"</u>	means: <ul style="list-style-type: none"> (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere;
<u>"W&I Excluded Claim"</u>	means: <ul style="list-style-type: none"> (a) any claim for a breach of a Warranty; (b) any Indemnity Claim; or (b) any Tax Claim; to the extent that it is excluded (whether fully or partially) by the W&I Policy and listed in Schedule 13;
<u>"W&I Insurer"</u>	means the insurer under the W&I Policy;
<u>"W&I Policy"</u>	means the warranty and indemnity insurance policy in the agreed form and dated on or around the date of this Agreement issued to the Purchasers, indemnifying the Purchasers with effect from the date of this Agreement against any loss or damage arising out of or in connection

with a breach of the Warranties, the Tax Schedule and the Indemnities, subject to the limitations set out in the policy;

" <u>W&I Policy Costs</u> "	means the cost of AUD543,277.80 associated with obtaining the W&I Policy;
" <u>W&I Policy Limit</u> "	means AUD40,000,000;
" <u>W&I Retention Amount</u> "	means AUD250,000; and
" <u>Warranties</u> "	means the warranties set out in Schedule 3 given by the Sellers and " <u>Warranty</u> " shall be construed accordingly.

1.2 In this Agreement and the Schedules to it, unless otherwise specified:

- (a) terms not otherwise defined shall have the meaning given to them in the Act;
- (b) a reference to a document in the "agreed form" is a reference to a document in a form approved, and for the purposes of identification initialed, by or on behalf of the Purchasers and the Sellers;
- (c) a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted except to the extent that any amendment or modification made or coming into effect after the date of this Agreement would increase or alter the liability of any Seller under this Agreement;
- (d) references to a "company" shall be construed as to include any company, corporation or other body corporate, wherever incorporated or established;
- (e) a reference to a "person" includes a reference to any individual, firm, company, corporation or other body corporate, government, state, state agency, joint venture, association, partnership, works council or employee representative body (whether or not having separate legal personality);
- (f) a reference to a person includes a reference to that person's legal personal representatives, successors and permitted assigns;
- (g) a reference to a "party" includes that party's successors and permitted assigns;
- (h) references to the knowledge, belief or awareness of the Sellers (or similar phrases) shall be limited to the actual knowledge or awareness of each Key Employee, having made enquiries of Steve Mensforth, Gary Buxton and Justin Narracott in relation to such matters;
- (i) use of any gender includes the other genders;

- (j) a reference to a clause, paragraph, or schedule is a reference to a clause or paragraph of or schedule to this Agreement, unless the context otherwise requires;
 - (k) a reference to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court official or any other legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include that which most nearly approximates in that jurisdiction to the English legal term;
 - (l) unless the context otherwise requires, words in the singular shall include the plural and in the plural include the singular;
 - (m) a reference to time of day is to London time;
 - (n) a reference to writing shall include any mode of reproducing words in a legible and non-transitory form;
 - (o) "material" or "materially" shall be construed as a reference to materiality in the context of the Business as a whole;
 - (p) a particular government or statutory authority shall include any entity which is a successor to that authority;
 - (q) a reference to any agreement or document is a reference to that agreement or document as from time to time supplemented, varied, amended or novated (as the case may be) other than in breach of this Agreement or that document and provided that in respect of any agreement or document that is the subject of a Warranty, Indemnity or the Tax Schedule it shall only be as supplemented, varied, amended or restated prior to the date of this Agreement;
 - (r) a reference to "fairly disclosed" shall be construed as being disclosed with sufficient detail so as to allow a reasonable buyer to identify the nature and scope of the matter disclosed; and
 - (s) a reference to a "subsidiary undertaking" or a "parent undertaking" are to be construed in accordance with section 1162 of the Act.
- 1.3 The ejusdem generis principle of construction shall not apply to this Agreement. Accordingly, general words shall not be given a restrictive meaning by reason of their being preceded or followed by words indicating a particular class of acts, matters or things or by examples falling within the general words. Any phrase introduced by the terms "other", "including", "include" and "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.
- 1.4 The headings and sub-headings of this Agreement are inserted for convenience only and shall not affect the construction of this Agreement.

- 1.5 References in any Warranty or in Schedule 6 to any monetary sum expressed in GBP shall, where such sum is referable in whole or part to a particular jurisdiction, be deemed to be a reference to an equivalent amount in the local currency of that jurisdiction translated at the Exchange Rate on the date of this Agreement.
- 1.6 Where, in clauses 6, 9.8, 9.10 or Schedule 5, it is necessary to determine a monetary limit or threshold in US\$, and such sum is referable in whole or in part to a particular jurisdiction, such monetary limit or threshold shall be deemed to be a reference to an equivalent amount in the local currency of that jurisdiction translated at the Exchange Rate on the date of this Agreement.
2. Sale and purchase of the Shares
 - 2.1 The relevant Sellers will sell and the relevant Purchasers will purchase with effect from and including the Completion Date, with full title guarantee and free from any and all Encumbrances and on the terms and conditions of this Agreement, the following Shares:
 - (a) Providence shall sell and APM Global shall purchase the Ross Shares and the BC Shares;
 - (b) Holdings shall sell and APM UK shall purchase the Ingeus Europe Shares; and
 - (c) Holdings shall sell and APM Global shall purchase the Ingeus Australia Shares.
 - 2.2 Each of the Sellers waives all rights of pre-emption which may exist in relation to the Shares under the articles of association of each of the Companies or otherwise under any agreement to which any relevant Seller is party to and bound thereby.
3. Consideration
 - 3.1 The consideration payable by the Purchasers to the Sellers for the sale of the Shares will be the aggregate amount of:
 - (a) the equity value, being an amount equal to US\$30,000,000 the "Equity Value";
 - (b) plus an amount equal to the cash in the Locked Box Accounts, being US\$19,516,584;
 - (c) less any amount payable by the Sellers in respect of the Plan Payments and any amount payable by the Sellers for Employer NICs, in each case in accordance with clause 6.4;
 - (d) less 50% of the W&I Policy Costs of the Sellers (to the extent not paid by the Sellers prior to Completion); and
 - (e) less current withholding taxes payable net of Seller payments made in relation to withholding taxes since the Locked Box Date, and less current

provision for income tax, net of current income tax remittance which has been prepaid as of the Locked Box Date;

(together, the "Consideration").

- 3.2 Subject to clause 3.4 and to each Purchaser withholding from the Consideration such sums it is required to withhold by law, the Consideration is payable by the Purchasers in cash in full on Completion and to the bank account(s) nominated by the Sellers, as notified by the Sellers in writing to the Purchasers at least three Business Days prior to Completion. The Purchasers shall notify the Sellers at least twenty (20) days prior to Completion of any intention to withhold any amount from the Consideration and will use reasonable best efforts to cooperate with the Sellers to minimise or eliminate such withholding. The Purchasers will procure that all monies payable to the Sellers under this Agreement, including the Consideration, are paid in full without any deduction, set-off or counterclaim whatsoever and each Purchaser irrevocably waives any right to set-off or counterclaim against, or deduct from, any monies owed to it by the Sellers.
- 3.3 Each item of the Consideration shall be allocated to the Sellers, to the Shares of each Company and as set forth in Schedule 10 (as may be varied in respect of the allocations to IEL by clauses 3.4 and 3.5).
- 3.4 The Sellers may elect by written notice to the Purchasers, no later than 5 Business Days prior to Completion that either or both of the Purchasers acquire by novation or assignment the right of Providence to be repaid a portion of the IEL-PSC Revolver (a "Revolver Election").
- 3.5 If a Revolver Election is made:
 - (a) such Revolver Election shall specify the US\$ amount of the IEL-PSC Revolver to be acquired by such Purchaser/s (the "Revolver Election Amount") up to the amount of the Consideration payable in respect of IEL;
 - (b) the Sellers, the Purchasers and IEL shall novate or assign the Revolver Election Amount to one or more of the Purchasers and execute such documentation to achieve such novation or assignment as Providence shall reasonably require;
 - (c) the cash Consideration payable in respect of the Shares shall be reduced by the amount of the Revolver Election Amount; and
 - (d) on Completion, in addition to payment of the cash Consideration under clause 3.2 (as adjusted by this clause 3.5) the Purchasers shall pay to Providence the Revolver Election Amount.
- 3.6 If directed by the Sellers in writing, not less than 5 Business Days prior to Completion, the Purchasers agree that they shall pay all or part of the Consideration that would otherwise be payable by Holdings to Providence, in partial repayment of a certain term loan made by Providence to Holdings. The Sellers will also enter into such documentation as may be reasonably requested by Providence to evidence such payment direction.

4. Conditions
- 4.1 Each party shall use its best endeavours to achieve satisfaction of the Conditions as soon as reasonably practicable after the date of this Agreement and in any event not later than 1 p.m. on the Longstop Date.
- 4.2 Without limitation to the Purchasers' obligations under clause 4.1, if an authority or governmental entity whose approval, clearance, consent, authorisation or permission (collectively, "Approval") is necessary to permit Completion prior to 1 p.m. on the Longstop Date indicates formally or informally that such Approval is likely to be or would only be given subject to compliance with certain conditions or commitments (including consent decrees and hold separate orders) by the Purchasers or a member of the Purchasers' Group, each Purchaser shall use its best endeavours to accept and agree to the imposition of such conditions or commitments including any requiring the sale, divestiture, licence or disposition of any of its or the Purchasers' Group's assets or shares.
- 4.3 Subject to clause 4.4, each party shall use its best endeavours to: (a) ensure that any filings, requests for consent (including any change of control consent), submissions, notifications or similar (together "Notifications") necessary or desirable to ensure the satisfaction of the Conditions are made within ten Business Days of the date of this Agreement (unless otherwise agreed by the Sellers) but not earlier than three Business Days after the relevant party has provided all information reasonably requested for that purpose; and (b) promptly provide such other information to any relevant person as such relevant person may reasonably request in connection with the satisfaction of any Condition.
- 4.4 Each party shall: (a) provide to the non-notifying parties, five Business Days prior to the making of any Notifications to any person, a written copy (redacted for business secrets of the notifying party, as the case may be) of the drafts of such Notifications and make such amendments as are reasonably requested by the non-notifying parties to the Notifications prior to their submission; and (b) agree and coordinate with such non-notifying parties a plan of action in connection with communications with any person from which an authority or government entity whose Approval is required or to which a Notification is made, shall take into account all reasonable requests of the non-notifying parties in respect of such communications and shall permit the non-notifying parties (or their representatives) to be present at meetings or on calls with any such person.
- 4.5 The Sellers and the Purchasers shall provide such reasonable assistance as is requested by the other party in connection with the preparation of any Notification as is necessary or desirable to satisfy the Conditions or to permit Completion.
- 4.6 Each of the Sellers and the Purchasers shall:
- (a) keep the other party informed regarding the progress towards satisfaction of the Conditions; and
 - (b) promptly provide the other party with copies of any written communications and material details of any oral communications from

any person whose Approval or consent or agreement is necessary to satisfy the Conditions or to whom a Notification is made.

- 4.7 The Purchasers shall pay all fees and make all other payments required to be paid or made to any person in relation to the Notifications or Approvals necessary or desirable to ensure the satisfaction of the Conditions.
- 4.8 If, at any time, a party becomes aware of a fact or circumstance that might prevent a Condition being satisfied, it shall inform the other parties (and provide reasonable details) as soon as reasonably practicable.
- 4.9 Subject to clause 4.10:
- (a) the Sellers have the benefit of the Seller Conditions and may, at their discretion, waive the Seller Conditions by giving written notice to the other party (provided such waiver is permitted by law); and
 - (b) the Purchasers have the benefit of the Purchaser Conditions and may, at their discretion, waive the Purchaser Conditions by giving written notice to the other party (provided such waiver is permitted by law).
- 4.10 If more than one party has the benefit of a Condition, that Condition may only be waived if each party with the benefit of the Condition gives notice to the other party prior to the Longstop Date, specifying that it no longer requires the Condition to be fulfilled (provided such waiver is permitted at law).
- 4.11 The requirement in clause 4.3 for the Sellers to use best endeavours shall not require the Sellers to maintain in place post-Completion any Seller Group Support Obligations or to pay or agree to pay amounts under any Relevant Contracts.
- 4.12 At the Sellers' written request, the Purchasers and the Purchasers Guarantor shall procure that Megan Wynne and/or Alan Cave are available, on reasonable notice, to attend in person meetings with relevant counterparties in relation to the satisfaction of the Conditions or obtaining the change of control consent - set out in paragraph 1.5 of Schedule 6.
- 4.13 The parties shall cooperate in good faith to obtain the change of control consents set out in paragraph 1.5 of Schedule 6 and the provisions of clauses 4.2 to 4.7 (inclusive) and clause 4.11 shall apply mutatis mutandis to the obtaining of such consents.
- 4.14 The Purchasers will cooperate and act reasonably and in good faith in relation to the Pre-Completion Reorganisation and agree that the Sellers are entitled to amend the Pre-Completion Reorganisation Steps Plan with the prior written consent of the Purchasers, such consent not to be unreasonably withheld, delayed or conditioned.
- 4.15 If any of the Conditions have not been satisfied or waived by 1 p.m. on the Longstop Date then this Agreement (except for this sub-clause, clause 1 (Interpretation); clause 18 (Confidential Information); clause 19 (Announcements); clause 22 (Variation and Waiver); clause 25 (Costs and

Expenses); clause 27 (Entire Agreement); clause 29 (Notices); and clause 36 (Governing Law and Jurisdiction)) shall cease to have effect.

5. Completion

5.1 Completion will take place at the offices of the Sellers' Solicitors five (5) Business Days after the date on which the last of the Conditions is satisfied or waived (as the case may be), or on any other date or place agreed in writing by Providence and APM Global (the "Completion Date").

5.2 At Completion each of the Sellers will do all those things listed in paragraph 1 of Schedule 2 and each of the Purchasers will do all those things listed in paragraph 2 of Schedule 2.

5.3 The Sellers shall not be obliged to complete this Agreement unless each Purchaser complies with all of its obligations under this clause 5 and paragraph 2 of Schedule 2.

5.4 The Purchasers shall not be obliged to complete this Agreement unless the sale and purchase of all the Shares is completed simultaneously.

5.5 If Completion does not take place on the Completion Date because any party (the "Breaching Party") fails to comply with any of its material obligations under this clause 5.5 or Schedule 2 (whether such failure amounts to a repudiatory breach or not), the Sellers, if the Breaching Party is a Purchaser, or the Purchasers, if the Breaching Party is a Seller (the "Non-Breaching Party") may by notice to the Breaching Party:

(a) proceed to Completion to the extent reasonably practicable (without limiting the Non-Breaching Party's rights under this Agreement);

(b) postpone Completion to such date as the Non-Breaching Party may specify (being a date not later than the Longstop Date); or

(c) terminate this Agreement.

5.6 Where the Non-Breaching Party postpones Completion to another date in accordance with clause 5.5(b), the provisions of this Agreement apply as if that other date is the Completion Date.

5.7 Where a party terminates this Agreement pursuant to clause 5.5(c), each party's further rights and obligations shall cease immediately on such termination, but such termination shall not affect a party's accrued rights and obligations at termination. The provisions set out in this clause 5.7 shall continue to have effect, notwithstanding the termination of this Agreement under clause 5.5(c).

6. Post-Completion matters

6.1 Each Purchaser agrees that it shall keep, and procure that each Target Group Company shall keep all books and records of the relevant Target Group Company until the longer of: (i) 6 years, or (ii) the period required by applicable mandatory law. During such period, each Purchaser shall procure that each Target Group

Company provides to the Sellers such information as may be reasonably requested and grant the Sellers reasonably requested access (following reasonable notice by the Sellers to the Purchaser), during normal business hours, in each case to such books and records and information (and allow them to make necessary copies) as relate to the period prior to Completion solely to the extent required in connection with any proceeding, Tax filing or audit, preparation of financial statements (including in respect of any member of the Retained Group) or filing requested by any governmental, listing, stock exchange or regulatory body, or an inquiry or dispute arising out of or in connection with this Agreement or as otherwise reasonably requested by the Sellers.

- 6.2 The Purchasers shall cause the Target Group Companies to provide to Providence, following the Completion Date, in each case as soon as reasonably practicable, information regarding any material event or action, including any final adjudication relating to the dispute in respect of the Evry Lease (as defined in the Australian Share Sale Agreement).
- 6.3 The Purchasers shall cause the Target Group Companies to submit to Providence, following the Completion Date, in each case as soon as reasonably practicable, any amounts received pursuant to the Australian Share Sale Agreement from the escrow account established thereunder.
- 6.4 Certain Employees may become entitled to receive a Plan Payment and the Purchasers shall procure that Ingeus Europe shall comply with its obligation to:
(i) make such Plan Payment directly or indirectly to such participant on the date on which such Plan Payment is due under the terms of the relevant Ingeus Transaction Bonus Plan; (ii) withhold from each Plan Payment such sums in respect of income tax and employee's national insurance contributions (or its equivalent) as are required to be withheld by law (an "Employee Tax Liability"); and (iii) account promptly to the relevant Tax Authority for the amount equal to each Employee Tax Liability and the amount of employer's national insurance contributions (or equivalent social security contributions in any other jurisdiction) (the "Employer NICs") arising in connection with each Plan Payment. Providence will economically bear any amounts payable to employees under subparagraph (i) of this clause 6.4 (by way of the adjustment specified in clause 3.1(c) of this Agreement and subject to subparagraph (ii)) and the economic cost of any associated Employer NICs associated with amounts payable to employees under subparagraph (iii) of this clause 6.4 will be equally borne by Providence (by way of the adjustment specified in clause 3.1(c) of this Agreement) and the Purchasers, provided however that the maximum aggregate liability of the Purchasers for such Employer NICs shall not exceed US\$200,000 and Providence shall be liable for any amount in excess of this US\$200,000. Providence shall promptly (and in any event within 5 (five) Business Days) notify the Purchasers of satisfaction or fulfilment of any condition under the Ingeus Transaction Bonus Plan under or in the control of any member of the Retained Group.
- 6.5 At least 10 (ten) Business Days prior to making any Plan Payment, the Purchasers shall procure that Ingeus Europe notifies Providence in writing of the intention of making any Plan Payment and the related payment of any Employer NICs, and will provide Providence with a schedule of each such payment and proposed

payment date under the Ingeus Transaction Bonus Plans (a "Plan Payment Schedule") and any information reasonably required by Providence to satisfy itself that any such Plan Payment is due and that it, and any associated Employer NICs, will be paid.

- 6.6 Should any Plan Payment not be paid to any participant in accordance with the Plan Payment Schedule for any reason then the Purchasers shall promptly pay such amount to Providence.
- 6.7 The parties shall cooperate in good faith to implement the transfer contemplated by the Saudi SPA as soon as reasonably practical following Completion, including, (i) to the extent permitted under law, signing any transfer forms or other documents required to effect completion and (ii) obtaining any relevant regulatory or governmental consents.
7. Leakage
 - 7.1 Each of the Sellers covenants to the Purchasers that no Leakage has occurred from (but excluding) the Locked Box Date to the date of this Agreement and that from the date of this Agreement until Completion neither it nor any member of the Retained Group has received from any Target Group Company, or had the benefit of, any Leakage.
 - 7.2 Subject to clauses 7.3 and 7.4, if the parties agree pursuant to clause 7.3 that any Leakage has occurred the Sellers (in aggregate) must within 5 Business Days of receiving a written demand from the Purchasers pay, or procure payment to, the Purchasers of a sum of money in cash equal to the value of any Leakage received by them or any member of the Retained Group (other than any Permitted Leakage), from the Locked Box Date until Completion.
 - 7.3 The Sellers shall have no liability under clause 7.2 unless a claim has been notified to the Sellers in writing on or before the date which is six months after the date of Completion. A claim for Leakage is not enforceable by the Purchasers and is to be taken for all purposes to have been withdrawn against the Sellers unless:
 - (a) the claim has been agreed, compromised or settled by the parties; or
 - (b) proceedings have been brought (by being issued and served) against the Sellers within three months of its being notified if the relevant claim has not been agreed by the Sellers.
 - 7.4 Save in the case of fraud by the Sellers, the liability of each of the Sellers under clause 7.2 shall not exceed the amount of Leakage received by, or for the benefit of, such Seller and the Retained Group.
 - 7.5 Save in the case of fraud, the Purchasers' only remedy for a breach of clause 7.2 shall be a claim under clause 7.2.
 - 7.6 Any payment by any Sellers under clause 7.2 shall be treated by the Sellers and Purchasers as a reduction in the amount of Consideration paid to the Sellers.

8. Conduct of Business Before Completion

During the period from the date of this Agreement until Completion each of the Sellers shall perform its obligations set out in Schedule 6.

9. Sellers' Warranties and Indemnities

9.1 Subject to the qualifications and limitations in clause 10 and Schedule 5:

- (a) the Sellers give the Title Warranties in favour of the Purchasers on the date of this Agreement and the Title Warranties shall be deemed repeated at Completion by reference to the facts and circumstances then subsisting; and
- (b) the Sellers give the Non-Title Warranties in favour of the Purchasers:
 - (i) in respect of each Non-Title Warranty that is expressed to be given on a particular date, as at that date; and
 - (ii) in respect of each other Non-Title Warranty, as at the date of this Agreement,
- (c) in respect of the following Non-Title Warranties only, each shall be deemed repeated at Completion by reference to the facts and circumstances then subsisting and any reference made to the date of this Agreement in relation to such Warranty shall be construed, in connection with the repetition of such Warranties, as a reference to the date of such repetition:
 - (i) the Warranties at paragraph 6.3 of Schedule 3 (Contracts and commitments) in relation to the Relevant Contracts only; and
 - (ii) paragraphs 15.1 to 15.3 of Schedule 3 (No Material Proceedings, etc.).

9.2 The Warranties are given subject to all matters Disclosed, including any update to such matters Disclosed in the Completion Disclosure Letter in relation to the Warranties that are repeated at Completion in accordance with clause 9.1. To avoid doubt, any matters Disclosed in the Completion Disclosure Letter shall in no way prejudice the Purchasers' rights under clause 20.

9.3 The Warranties shall survive Completion and remain in full force and effect after Completion.

9.4 Each Warranty is separate, independent and not limited by any other Warranty.

9.5 None of the Warranties refer to or relate to: (i) Saudi Arabian entity, Ingeus LLC; (ii) Ingeus Australasia Pty Limited; or (iii) Ingeus Investments Limited.

9.6 The Sellers give the Warranty at paragraph 4.2 of Schedule 3 to the extent covered by the W&I Policy only.

- 9.7 Subject to the qualifications and limitations in clause 10 and Schedule 5, the Sellers jointly and severally indemnify and keep indemnified each Purchaser and each Target Group Company, and agree to reimburse and compensate each Purchaser or the Target Group Company from all and any losses, costs, claims, liabilities, damages, demands and expenses which may be made, brought against, suffered or incurred by a Purchaser or any Target Group Company which arise directly or indirectly in connection with:
- (a) subject to clause 9.8, any government counterparty under an existing or expired contract with a Target Group Company exercising a clawback or similar right relating to the performance or delivery obligations of the relevant Target Group Company prior to the Completion Date, in each case only if such clawback or similar: (i) has not been provided or reserved for or otherwise taken into account to any extent in the Locked Box Accounts, the Accounts or the Management Accounts which, for the avoidance of doubt, includes in those accounts amounts payable in connection with 'payment by results', withholding clauses, audits or true ups or service credit agreements in such contracts; or (ii) is not actually known to either Purchaser as at 5 November 2018;
 - (b) the Specified Dispute identified in the Disclosure Letter, provided that such indemnity is limited to direct economic liability only;
 - (c) subject to clause 9.9, Ingeus Europe Limited's holding of 1% of the shares in Ingeus LLC, provided that such indemnity is limited to direct economic liability only;
 - (d) subject to clause 9.10, early termination under the Specified IT Agreements identified in the Disclosure Letter;
 - (e) the Pre-Completion Reorganisation, provided that the Sellers' liability shall be limited to \$1; and
 - (f) subject to clause 9.11, the Australian Earn-Out.
- 9.8 The Sellers' aggregate liability to the Purchasers pursuant to the indemnity set out in clause 9.7(a) shall: (i) in no event exceed US\$2,000,000; and (ii) shall cease on the date that is 18 months from the Completion Date.
- 9.9 The Sellers' liability to the Purchasers pursuant to the indemnity set out in clause 9.7(c) shall cease on the date that is 12 months from the completion date under the Saudi SPA.
- 9.10 The amount of the Sellers' liability to the Purchasers pursuant to the indemnity set out in clause 9.7(d) shall be limited to:
- (a) 100% of the amount of the first US\$350,000 of any relevant loss (after which, the Purchasers shall be liable for 100% of the amount of the next US\$350,000) of any relevant loss;

- (b) 50% of the amount of any relevant loss over an aggregate of US\$700,000 (and the Purchasers shall also be liable for 50% of the amount of any relevant loss over US\$700,000); and
 - (c) 100% of the amount of any aggregate loss over US\$4,000,000 (and for the avoidance of doubt, the Purchasers aggregate loss in relation to the indemnity in clause 9.7(d) shall in no event exceed US\$2,000,000).
- 9.11 The amount of the Sellers' liability to the Purchasers pursuant to the indemnity set out in clause 9.7(f) shall be limited to an amount equal to the Australian Earn-Out, notwithstanding that the Australian Earn-Out may be an amount higher than the Equity Value.
- 10. W&I Policy
- 10.1 Notwithstanding any provision to the contrary in this Agreement, but subject to and without prejudice to Schedule 5:
 - (a) the Purchasers represent, warrant and undertake to the Sellers that the Purchasers have insured the Warranties, paragraph 2 (Covenant to pay) and paragraph 11 (Grossing up) of the Tax Schedule and the Indemnity set out in clause 9.7(e) (upon the terms and subject to the limitations set out in the W&I Policy disclosed to the Sellers prior to the date of this agreement) up to the amount of the W&I Policy Limit;
 - (b) each Purchaser agrees that it will not be entitled to make, will not make, and irrevocably waives any right it may have to make, any claim or recover any amount against a Seller or any of a Seller's directors, officers or employees arising out of a breach of a Warranty or under the Indemnity set out in clause 9.7(e) or the Tax Schedule, except only:
 - (i) in respect of a claim against the Sellers relating to the fraud of a Seller or the fraud of one or more of the Sellers' directors;
 - (ii) to the extent required to permit a claim against a W&I Insurer under the W&I Policy but only on the basis that the Sellers will have no liability whatsoever for such claim beyond US\$1; or
 - (iii) to the extent the claim is a W&I Excluded Claim.
 - (c) each Purchaser covenants with the Sellers that:
 - (i) it will not agree to any amendment, variation or waiver of the W&I Policy (or do anything which has a similar effect) without the prior consent in writing of the Sellers;
 - (ii) it will comply with all terms and conditions of the W&I Policy, including any pre or post Completion deliverables required under the W&I Policy; and
 - (iii) it will not take or omit to take and shall procure that no member of the Target Group or any Deal Team Member (as defined in the

W&I Policy) takes or omits to take any action which will or could void the W&I Policy or reduce the amount or scope of coverage under the W&I Policy or cause it to terminate prior to the end of the Policy Period (as defined in the W&I Policy).

- (d) subject to clause 10.1(c), the Purchasers covenant with the Sellers that the W&I Policy includes and will continue to include terms to the effect that the W&I Insurers irrevocably waive their rights to bring any claims by way of subrogation, claim for contribution or otherwise against the Sellers or any of their respective officers, directors or employees, other than claims by way of subrogation against a Seller or an officer, director or employee of the Seller to the extent that the relevant Loss (as defined in the W&I Policy) arose out of fraud by that person and only to the extent of the rights of recovery relating directly to fraud by that person, and will ensure that those terms are held by the Purchasers for the Sellers and each of their respective current and former officers, directors or employees (each an "Excluded Person") (or are otherwise directly legally enforceable by the Sellers and each Excluded Person); and
- (e) If either of the Purchasers breaches the provisions of clause 10.1(c) or clause 10.1(d) then, the Purchasers shall not be able to bring a claim or recover any amount in respect of breach of the Indemnity set out in clause 9.7(e), the Warranties or the Tax Schedule.

10.2 Subject to clause 3.1, the Purchaser shall pay the W&I Policy Costs.

11. Purchaser's and Purchasers' Guarantor's Warranties

- 11.1 Each Purchaser confirms to the Sellers that it is not aware of any fact, matter, event or circumstances which does, or would, or is reasonably likely to constitute a breach of any Warranty as at the date of this Agreement or (to the extent applicable) when deemed repeated on Completion. For this purpose a Purchaser shall be deemed to have knowledge of anything of which Michael Anghie, Chris Ryan, Alan Cave, Megan Wynne and Greg Meyerowitz are aware and anything of which a Purchaser or any other member of the Purchasers' Group (excluding the Target Group) or any of their officers would be aware having read the Disclosure Letter the Due Diligence Reports and the documents in the Data Room.
- 11.2 Each Purchaser and the Purchasers' Guarantor is validly incorporated, in existence and duly registered.
- 11.3 Each Purchaser and the Purchasers' Guarantor has not elected for U.S. federal income tax purposes to be classified as other than an association taxable as a corporation.
- 11.4 Each Purchaser and the Purchasers' Guarantor has full power and capacity to execute and deliver this Agreement and the documents to be entered into pursuant to it to which a Purchaser or the Purchasers' Guarantor, as applicable is a party and to perform its obligations under this Agreement and those documents and has taken all actions necessary to authorise such execution and delivery and the performance of such obligations;

- (a) this Agreement and the documents to be entered into pursuant to it to which a Purchaser or the Purchasers' Guarantor is a party constitute legal, valid and binding obligations on the Purchaser enforceable on it in accordance with their terms;
 - (b) the execution, delivery and performance by each Purchaser and the Purchasers' Guarantor of this Agreement does not constitute a breach of any law by which the Purchaser or the Purchasers' Guarantor, as applicable is bound and that would prevent the Purchaser or the Purchasers' Guarantor, as applicable from entering into and performing its obligations under this Agreement;
 - (c) the execution and delivery by each Purchaser and the Purchasers' Guarantor of this Agreement and the documents to be entered into pursuant to it to which it is a party and the performance of the obligations of each Purchaser and the Purchasers' Guarantor under this Agreement and those documents does not and will not conflict with or constitute a default in respect of:
 - (i) any agreement to which a Purchaser or the Purchasers' Guarantor, as applicable is a party or by which a Purchaser or the Purchasers' Guarantor, as applicable is bound; or
 - (ii) any order, judgment, decree or other restriction applicable to a Purchaser or the Purchasers' Guarantor, as applicable.
- 11.5 The execution and delivery of and performance by each Purchaser of its obligations under this Agreement will not require the consent of any third party (other than the regulatory and anti-trust consents included in this Agreement) (or, to the extent that such consent is required, such consent has been obtained).
12. Restraint
- 12.1 Subject to clauses 12.2 and 12.3, each Seller separately undertakes to each Purchaser that it will not, and will procure that no member of the Retained Group (together, the "Prohibited Persons") does:
- (a) Engage in a business or an activity that is:
 - (i) the same or substantially similar to the Business or any material part of the Business; and
 - (ii) in competition with the Business or any material part of the Business; or
 - (b) solicit or canvas a person who was at any time during the 6 months ending on the Completion Date a material customer of the Business in competition with the Business.

- (c) interfere with, or take any action which would reasonably be regarded as likely to cause detriment to, the relationship between the Target Group and its customers, employees or suppliers; or
 - (d) induce away from the Business any senior employee of the Target Group at the Completion Date (other than where such employee responds to a non-targeted advert in relation to an employment position with the Sellers or with any member of the Retained Group).
- 12.2 The undertakings in clause 12.1 begin on the Completion Date and end on the second anniversary of the Completion Date.
- 12.3 The undertakings in clause 12.1 apply only if the activity prohibited by clause 12.1 occurs within the United Kingdom, the United States of America, Canada, Australia, Korea, Germany, Singapore, Switzerland or Spain.
- 12.4 Each of the Sellers and the Purchasers acknowledge that:
 - (a) all the prohibitions and restrictions in this clause 12 are reasonable in the circumstances and necessary to protect the goodwill of the Business and the fair market value of the Shares;
 - (b) damages may not be an adequate remedy if a Prohibited Person breaches this clause 12;
 - (c) the Purchaser may apply for injunctive relief if such Seller breaches or threatens to breach this clause 12; and
 - (d) no amount is payable by the Purchasers in consideration of any "restrictive covenant" (as such term is defined in subsection 56.4(1) of the Income Tax Act (Canada)) contained in this Agreement (including for greater certainty, those contained in this clause 12) and no part of the Consideration has been allocated to such "restrictive covenants".
- 13. Release of Target Group Support Obligations
 - 13.1 The Sellers shall ensure that within 30 days starting on the day after Completion, each Target Group Company is released from each Target Group Support Obligation benefitting the Retained Group.
 - 13.2 The Sellers shall pay to the Purchasers on demand an amount equal to each reasonable loss, liability and cost which the relevant Target Group Company incurs in respect of or under a Target Group Support Obligation, which benefits the Retained Group as a result of an act or event arising after Completion.
- 14. Release of Seller Group Support Obligations
 - 14.1 Each Purchaser shall use its best efforts to procure that within thirty (30) days starting on the day after Completion, each member of the Retained Group is released from each Seller Group Support Obligation.

- 14.2 The Purchasers shall pay to the Sellers on demand an amount equal to each reasonable loss, liability and cost which the relevant member of the Retained Group incurs in respect of or under a Seller Group Support Obligation, which benefits the Retained Group as a result of an act or event arising after Completion.
15. Rights of Third Parties
- 15.1 Subject to clause 15.2, the parties to this Agreement do not intend that any term of this Agreement should be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.
- 15.2 The provisions of clause 10.1(d) may be enforced by the officers, directors and employees of the Sellers.
- 15.3 The consent of the officers, directors and employees of the Sellers shall not be required to amend or terminate this Agreement.
16. Limitations
- The provisions of Schedule 5 shall limit the liability of the Sellers under this Agreement.
17. Australian Earn-out
- The provisions of Schedule 11 shall apply in relation to the Australian Earn-out.
18. Confidential Information
- 18.1 Each party undertakes to the other to keep confidential and not disclose any information received or obtained as a result of entering into or performing this Agreement which relates to:
- (a) the provisions or the subject matter of this Agreement or any other Transaction Document and any claim or potential claim thereunder;
 - (b) the negotiations relating to this Agreement or any Transaction Documents;
 - (c) in the case of the Purchasers only, the Sellers (other than in relation to the Target Group Companies), and the businesses carried on by, and the affairs of, the Sellers, the Retained Group or any of them or any of their connected persons; and
 - (d) in the case of the Sellers, the Purchasers and the Purchasers' Group and the businesses carried on by, and the affairs of, the Purchasers' Group.
- 18.2 Notwithstanding the other provisions of this clause 18, either party may disclose confidential information:
- (a) if and to the extent reasonably considered by a party to be required by law, by a rule of a listing authority or stock exchange to which any party is subject;

- (b) if and to the extent required by a governmental authority or other authority with relevant powers (whether or not the requirement has the force of law) provided that the disclosure shall, if permitted by law and so far as is practicable, be made after consultation with the other party, and such other party shall cooperate with the disclosing party as to possible steps to avoid or limit such disclosure to the extent reasonably possible;
 - (c) for the purposes of enforcing a right under this Agreement or the Transaction Documents;
 - (d) to its professional advisers, auditors and bankers;
 - (e) to a director, officer, employee or auditor of each Purchaser, a member of the Retained Group or a Target Group Company whose function requires him to have the relevant confidential information;
 - (f) to the extent that the information enters the public domain through no fault of that party; or
 - (g) with the prior written consent of the other party.
- 18.3 The restrictions contained in this clause 18 shall continue to apply after Completion without limit in time.
19. Announcements
- 19.1 Subject to clause 19.2, no party may, before or after Completion, make or issue a public announcement, communication or circular concerning the existence of, or the transactions referred to in, this Agreement or any other Transaction Document unless it has first obtained the other party's written consent, which shall not be unreasonably withheld or delayed.
- 19.2 Clause 19.1 shall not apply to a public announcement, communication or circular required by law, by a rule of a listing authority or stock exchange to which any party is subject or submits, or by a governmental authority or other authority with relevant powers to which any party is subject or submits, whether or not the requirement has the force of law, provided that the public announcement, communication or circular shall, if permitted by law and so far as is practicable, be made or issued after consultation with, in the case of one to be made or issued by the Purchasers or the Purchasers' Guarantor, the Sellers or, in the case of one to be made or issued by the Sellers, the Purchasers and after taking into account the reasonable requirements of the Sellers, the Purchasers (as applicable) as to its timing, content and manner of despatch.
- 19.3 The restrictions contained in this clause 19 shall continue to apply after the termination of this Agreement for a period of 24 months from the date of this Agreement.

20. Termination and Rescission

20.1 The Purchasers may terminate this agreement at any time before Completion:

- (a) in accordance with clause 5.5;
- (b) by notice to the Sellers if there is a material breach of the Title Warranties by one or more Sellers, which that Seller or the relevant Sellers (as the case may be) fail(s) to remedy within 5 Business Days of receiving notice from the Purchasers to do so, provided that in each case such breach is materially adverse to the Target Group as a whole;
- (c) if there is a Material Adverse Effect; or
- (d) if there is either: (i) a definitive written rejection of any of the change of control consents sought pursuant to paragraph 1.5 of Schedule 6 (which has not or cannot be remedied by the Sellers or the relevant Target Group Company) that is received by the Sellers prior to 15 December 2018; or (ii) Providence and APM Global agree in writing (both acting reasonably) that there is, or is likely to be, a definitive rejection prior to 15 December 2018.

20.2 The Sellers may terminate this agreement at any time before Completion:

- (a) in accordance with clause 5.5; or
- (b) by notice to the Purchasers if there is a material breach of this Agreement by the Purchasers (including a breach of a material Purchaser Warranty), which that Purchaser or the relevant Purchasers (as the case may be) fail(s) to remedy within 5 Business Days of receiving notice from the Sellers to do so,

but is not entitled to terminate or rescind this Agreement for any other reason.

21. Guarantee

21.1 In consideration for the Sellers entering into this Agreement, the Purchasers' Guarantor guarantees all present and future obligations and liabilities of the Purchasers under this Agreement and each of the Transaction Documents, including all money and liabilities of any nature from time to time due, owing or incurred by either Purchaser under this Agreement or any Transaction Document (the "Guaranteed Obligations"). The Purchasers' Guarantor guarantees to the Sellers the due and punctual performance, observance and discharge by the Purchasers of all the Guaranteed Obligations if and when they become performable or due under this Agreement or any Transaction Document.

21.2 If either Purchaser defaults in the payment when due of any amount that is a Guaranteed Obligation, the Purchasers' Guarantor shall, immediately on demand pay such amounts to the Sellers. Any money payable by the Purchasers' Guarantor under this clause 21 will be paid on demand to, or as directed by, the Sellers.

- 21.3 The obligations of the Purchasers' Guarantor under this clause 21:
- (a) are principal obligations and will not be treated as ancillary or collateral to any other right or obligation;
 - (b) may be enforced against the Purchasers' Guarantor without the Sellers first being required to exhaust any remedy it may have against the Purchasers or to enforce any security it may hold with respect to the Guaranteed Obligations; and
 - (c) are continuing obligations of the Purchasers' Guarantor and will remain in full force and effect until the Guaranteed Obligations have been fully discharged and performed in full.
- 21.4 The Purchasers' Guarantor as principal obligor and as a separate and independent obligation and liability from its obligations and liabilities under clauses 21.1 to 21.3, agrees to indemnify and keep indemnified the Sellers in full and on demand from and against all and any losses, costs, claims, liabilities, damages, demands and expenses suffered or incurred by the Sellers arising out of, or in connection with, the Guaranteed Obligations not being recoverable for any reason, or any Purchaser's failure to perform or discharge any of the Guaranteed Obligations.
- 21.5 The liability of the Purchasers' Guarantor under the guarantee in this clause 21 shall not be reduced, discharged or otherwise adversely affected by:
- (a) any act, omission, matter or thing which would have discharged or affected the liability of the Purchasers' Guarantor had it been a principal obligor instead of a guarantor or indemnifier;
 - (b) anything done or omitted by any person which, but for this provision, might operate or exonerate or discharge the Purchasers' Guarantor or otherwise reduce or extinguish its liability under the guarantee;
 - (c) any time, waiver, release, consent or other indulgence being granted to, or composition with, either Purchaser or any other person;
 - (d) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, either Purchaser or any other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
 - (e) any incapacity or lack of power, authority or legal personality of or dissolution or change in the constitution, name, members, control, style or status of the Purchasers, or any other person;
 - (f) any amendment, variation, novation, supplement, increase, extension or addition to, restatement (however fundamental and whether or not more onerous) or replacement of this Agreement or any other document or security;

- (g) any unenforceability, illegality, invalidity, irregularity or frustration in any respect of any of the liabilities or obligations of any person under this Agreement or any other document or security;
 - (h) any assignment or novation in accordance with clauses 24.2 to 24.7 (inclusive); or
 - (i) any bankruptcy, insolvency or similar proceedings.
- 21.6 The Purchasers' Guarantor shall, on a full indemnity basis, pay to the Sellers on demand the amount of all reasonable costs and expenses (including reasonable legal and out-of-pocket expenses and any value added tax on them) incurred by the Sellers in connection with:
 - (a) the preservation, or exercise and enforcement, or any rights under or in connection with the guarantee in this clause 21 or any attempt so to do; and
 - (b) any discharge or release of this guarantee.
- 21.7 Until all amounts which may be or become payable by the Purchasers under or in connection with this Agreement have been irrevocably paid in full, and unless the Sellers otherwise direct, the Purchasers' Guarantor shall not exercise any security or other rights it may have by reason of performing its obligations under this clause 21, whether such rights arise by way of set-off, counterclaim, subrogation, indemnity or otherwise.
- 22. Variation and Waiver
 - 22.1 No variation or amendment of this Agreement shall be valid unless it is in writing and signed by or on behalf of each party.
 - 22.2 Any failure by any party to exercise, or any delay by it in exercising, any right, power or remedy provided for in this Agreement or by law shall not effect or constitute a waiver of such right, power or remedy.
 - 22.3 Any single or partial exercise of any right, power or remedy provided for in this Agreement or by law shall not preclude any other or further exercise of it or any other right, power or remedy.
- 23. Time of the Essence

Except as otherwise stated in this Agreement, time is of the essence in relation to each provision of this Agreement.
- 24. Assignment and Novation
 - 24.1 Subject to clause 24.2, no party may assign or transfer this Agreement or any of its rights or obligations under it without the prior written consent of the other party.

- 24.2 This Agreement and all benefits and obligations hereunder may be transferred (including through liquidation or other distribution or transfer) in whole but not in part by Holdings to Providence, in which event Holdings shall be hereby released from, and each Purchaser hereby consents to and agrees (on behalf of itself and each of its affiliates) to release Holdings from all obligations and liabilities and waive any and all claims against Holdings under or in respect of this Agreement and the transactions contemplated hereby.
- 24.3 If this Agreement and all benefits and obligations hereunder are transferred by Holdings to Providence in accordance with clause 24.2, Providence undertakes to the parties to comply with the provisions of, and to perform and discharge all such obligations so far as they may remain to be observed and performed and all references in this Agreement to the "Seller" or "Holdings" or similar phrases shall thereafter refer to Providence. Providence undertakes to provide to the Purchasers written notice of the transfer by Holdings to Providence of all of the benefits and obligations hereunder in accordance with clause 24.2 not less than three Business Days prior to the effectiveness of such transfer.
- 24.4 The Purchasers and the Purchaser Guarantor shall continue to be bound by their obligations under, or in respect of, this Agreement, and shall continue to have the benefit of their rights under this Agreement.
- 24.5 In consideration of the release of Holdings contained in this Agreement and the assumption of the relevant benefits and obligations by Providence by virtue of a transfer in accordance with clause 24.2, the parties hereby agree that with effect from the assumption of such benefits and obligations by Providence under clause 24.3 (the "Transfer Date"):
- (a) Holdings shall be irrevocably and unconditionally released from all of its obligations under this Agreement;
 - (b) all such obligations shall be extinguished in relation to Holdings (such extinguished rights and obligations, "discharged rights and obligations");
 - (c) the extinguishing in relation to Holdings of the obligations pursuant to (b) above shall not result in the relevant obligations ceasing to exist for the purposes of, and the relevant obligations shall continue to exist and are capable of, transfer to Providence pursuant to (d) below;
 - (d) Providence shall assume by way of novation all of the relevant obligations, whether present, future, actual or contingent, including:
 - (i) all as yet unperformed obligations and liabilities; and
 - (ii) all of Holdings' discharged rights and obligations,

under this Agreement as if Providence were in place of Holdings and any relevant obligations shall differ from the discharged rights and obligations only insofar as Providence has assumed and acquired the same in place of the Holdings.

- 24.6 The parties hereby agree that any rights accrued by Holdings up to the Transfer Date (and any future rights) shall not be extinguished and shall transfer to and be enforceable by Providence with effect from the Transfer Date.
- 24.7 Providence hereby agrees that, with effect from the Transfer Date, it shall perform and discharge in accordance with their terms all of those obligations under this Agreement which will be assumed by Providence.
- 24.8 If requested by Providence, the Purchasers and the Purchasers' Guarantor agree at Providence's cost to enter into such documentation as Providence may reasonably request to reflect the provisions of clauses 24.2 to 24.7 (inclusive).
25. Costs and Expenses
- 25.1 Save as otherwise stated in this Agreement, and subject to clause 25.2 below, each party shall bear its own legal, accountancy and other costs, charges and expenses arising out of or in connection with the negotiation, preparation, execution and implementation of this Agreement and the transactions contemplated by it and all other Transaction Documents.
- 25.2 All transfer taxes (including stamp duty payable in respect of the purchase of the Shares), and liability for the lodgement thereof, shall be borne by the Purchasers.
26. Interest
- If any party fails to pay a sum due from it under this Agreement on the due date for such payment, that party shall pay interest at the Agreed Rate (accrued daily) on the overdue sum from the due date of payment until the date on which its obligations to pay the sum are discharged.
27. Entire Agreement
- 27.1 This Agreement and the other Transaction Documents constitute the whole agreement between the parties. They supersede any previous agreements relating to the transactions contemplated by this Agreement and the subject matter of the Transaction Documents and set out the complete legal relationship of the parties arising from or connected with that subject matter. In entering into this Agreement and the Transaction Documents, each party agrees that it is not relying on any pre-contractual statement which is not expressly set out in them.
- 27.2 No party shall have any right of action against any other party to this Agreement arising out of any pre-contractual statement except to the extent that it is repeated in this Agreement or the Transaction Documents.
- 27.3 For the purpose of this clause, "pre-contractual statement" means any draft agreement, undertaking, representation, warranty, promise, assurance or arrangement of any nature whatsoever, whether or not in writing, relating to the subject matter of this Agreement or any of the Transaction Documents made or given by any person at any time prior to the date of this Agreement.

27.4 Nothing in this clause 27 shall have the effect of limiting any liability arising from fraud of the relevant party.

28. Invalidity

28.1 If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable under the laws of any jurisdiction that shall not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or
- (b) the legality, validity or enforceability under the laws of any other jurisdiction of that or any other provision of this Agreement.

29. Notices

29.1 Any notice given under or in connection with this Agreement shall be in writing, in the English language and must be served by delivering it personally or sending it by first class post (and airmail if overseas) or fax to the address and for the attention of the relevant party set out in clause 29.3 (or as otherwise notified by that party under this Agreement).

29.2 Any such notice shall be deemed to have been received:

- (a) if delivered personally, at the time of delivery;
- (b) if sent by mail, other than air mail, two Business Days after posting it;
- (c) in the case of airmail, six Business Days after posting it; and
- (d) in the case of fax, when confirmation of its transmission has been recorded by the sender's fax machine.

29.3 The addresses and fax numbers of the parties for the purpose of this clause are:

Providence and Holdings

The Providence Service Corporation
700 Canal Street, Third Floor
Stamford CT 06902 USA
Attention: General Counsel
Fax number: (203) 307-2799

With a copy (which shall not constitute service) to:

Debevoise & Plimpton LLP
65 Gresham Street
London EC2V 7NQ, United Kingdom
Attention: David Innes
Fax number: +442075884180

APM Global and APM UK

Advanced Personnel Management Group Pty Ltd
58 Ord Street
West Perth WA 6005, Australia
Attention: Michael Anghie, CEO

With a copy (which shall not constitute service) to:

Gilbert + Tobin
Level 35, Tower Two, International Towers Sydney
200 Barangaroo Avenue, Barangaroo NSW 2000, Australia
Attention: David Josselson
Fax number: +61 2 9263 4111

International APM Group Pty Limited

58 Ord Street
West Perth WA 6005, Australia
Attention: Michael Anghie, CEO

or such other address or fax number as may be notified in writing from time to time by the relevant party to the other party.

- 29.4 In proving service of a notice or other communication, it shall be sufficient to prove that the envelope containing such notice was addressed to the address of the relevant party set out in this clause (or as otherwise notified by that party under this Agreement) and delivered either to that address or into the custody of the postal authorities as a mail or airmail letter, or that the notice was transmitted by fax to the fax number of the relevant party set out in this clause (or as otherwise notified by that party under this Agreement).
- 29.5 Notice given under this Agreement shall not be validly served if sent by e-mail.
30. Service of Legal Proceedings
- (a) The Sellers irrevocably appoint Ingeus UK Holdings Limited of 66 Prescott Street, London E1 8HG, (email: companysecretarial@ingeus.co.uk), as its agent to receive on its behalf in the United Kingdom service of any legal proceedings to settle any dispute or claim arising out of or in connection with this Agreement or its subject matter or formation. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Sellers) and shall be valid until such time as the Purchasers have received prior written notice that such agent has ceased to act as agent. If for any reason such agent ceases to be able to act as agent or no longer has an address in the United Kingdom, the Sellers shall forthwith appoint a substitute acceptable to the Purchasers and deliver to the Purchasers the new agent's name, address and email within the United Kingdom.

- (b) The Purchasers and Purchasers' Guarantor irrevocably appoint APM UK Holdings of APM 40 Newtown Shopping Centre, Newtown, Birmingham B19 2SS, (email: Michael.Anghie@apm.net.au), as its agent to receive on its behalf in the United Kingdom service of any legal proceedings to settle any dispute or claim arising out of or in connection with this Agreement or its subject matter or formation. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Purchasers or the Purchasers' Guarantor) and shall be valid until such time as the Sellers have received prior written notice that such agent has ceased to act as agent. If for any reason such agent ceases to be able to act as agent or no longer has an address in the United Kingdom, the Purchasers and Purchasers' Guarantor shall forthwith appoint a substitute acceptable to the Sellers and deliver to the Sellers the new agent's name, address and email within the United Kingdom.
- (c) Each party irrevocably consents to any process in any legal action or proceedings arising out of or in connection with this Agreement or its subject matter or formation being served on it in accordance with the provisions of this Agreement relating to service of notices of claims. Nothing contained in this Agreement shall affect the right to serve process in any other manner permitted by law.

31. Exclusions

Notwithstanding anything in this Agreement to the contrary, from the date of this Agreement until Completion, the Sellers shall not be required to provide access or disclose information where such access or disclosure would: (1) jeopardise the attorney-client privilege or other immunity or protection from disclosure of the Sellers, (2) conflict with any: (x) law (including any law relating to data protection) or order applicable to the Sellers or any of its subsidiaries or the assets, information or operation of the Business, or (y) obligation of confidentiality in any relevant agreement or so otherwise arising, or (3) result in the disclosure of competitively sensitive information; provided, however, that, in such instances, the Sellers shall inform the Purchasers of the general nature of the information being withheld and, upon the Purchasers' request and at the Purchasers' sole cost and expense, reasonably cooperate with the Purchasers to provide such information, in whole or in part, in a manner that would not result in any of the outcomes described in the foregoing sub-clauses (1), (2) and (3).

32. Counterparts

This Agreement may be executed in any number of counterparts, each of which, when executed and delivered shall be an original, and all of which together shall constitute one and the same Agreement.

33. Joint and Several Liability

- (a) Except where this Agreement provides otherwise, obligations, covenants, warranties, representations and undertakings expressed to be assumed or given by more than one person, shall be given jointly and severally.

- (b) Notwithstanding paragraph (a) above:
 - (i) any right granted to or exercisable by the Purchasers is enforceable by any of the Purchasers separately on behalf of all the Purchasers and any right granted to or exercisable by the Sellers is enforceable by any of the Sellers separately on behalf of all the Sellers; and
 - (ii) where this Agreement (or any other document contemplated by this Agreement) provides that a particular action or matter requires an act on the part of, or the consent, approval or agreement of the Sellers or the Purchasers (as the case may be) or where this Agreement (or any document contemplated by this agreement) gives the Sellers or the Purchasers (as the case may be) a discretion, then such discretion, act, consent, approval or agreement will be exercised, carried out or given (or not exercised, carried out or given, as the case requires) by any Seller or Purchaser (as the case may be) separately on behalf of all the Sellers or the Purchasers (as the case may be).

34. Seller Liability

The liability of the Sellers under this Agreement shall be limited in accordance with clause 10 and Schedule 5.

35. Further Assurance

Each of the parties shall (and shall use reasonable endeavours to procure that any relevant third party shall), in each case at the requesting party's expense, promptly execute and deliver such documents and perform such acts as the other parties may reasonably require from time to time for the purpose of giving full effect to this Agreement and the transactions contemplated by it.

36. Governing Law and Jurisdiction

36.1 This Agreement shall be governed by and construed in accordance with English law. Any matter, claim or dispute arising out of this Agreement whether contractual or non-contractual, is to be governed by and determined in accordance with English law.

36.2 The English courts shall have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement and the parties hereby irrevocably submit to the exclusive jurisdiction of the English courts.

This Agreement has been signed by the parties (or their duly authorised representatives) on the date stated at the beginning of this Agreement.

/s/ Megan Wynne

Megan Wynne

Director

Advanced Personnel Management Group Pty Ltd

[Signature Page to Share Purchase Agreement]

/s/ Alex Eady
Alex Eady
Director
APM UK Holdings Limited

[Signature Page to Share Purchase Agreement]

/s/ Megan Wynne

Megan Wynne

Director

International APM Group Pty Limited

[Signature Page to Share Purchase Agreement]

/s/ Jack Sawyer

Jack Sawyer

Director

Ingeus UK Holdings Limited

[Signature Page to Share Purchase Agreement]

/s/ Carter Pate

Carter Pate

Chief Executive Officer

The Providence Service Corporation

[Signature Page to Share Purchase Agreement]

SCHEDULE 1

[Schedules 1, 9, 10 and 12, covering information about the companies, registered intellectual property, allocation of consideration and material contracts have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant agrees to furnish supplementally a copy of any of the omitted schedules to the Securities and Exchange Commission upon request.]

SCHEDULE 2
COMPLETION ARRANGEMENTS

1. Sellers' obligations
 - 1.1 At Completion (or at such time as otherwise stated below) the Sellers shall deliver or make available to the Purchasers:
 - (a) transfers of the Shares duly executed by the relevant Seller in favour of the relevant Purchaser or its nominees, together with the relevant share certificates or an indemnity for any lost share certificates;
 - (b) letter of resignation and release in the agreed form, duly executed by Jack Sawyer, in respect of his directorship of Ingeus LLC (Saudi Arabia);
 - (c) the certificate of incorporation and all certificates of incorporation on change of name, the common seal (if any), the statutory books and other record books of each Target Group Company;
 - (d) in respect of the Encumbrance in favour of Toronto Dominion Bank (base registration number 978157C, as renewed by registration number 049984G, as further renewed by registration number 165670J) over the shares or the assets of WCG International Consultants Limited, deliver to the Purchasers evidence to the reasonable satisfaction of the Purchasers that the Encumbrance has been fully released or discharged, or will be released or discharged, with effect from Completion;
 - (e) the Completion Disclosure Letter;
 - (f) the Saudi TSA duly executed by IEL and ILL;
 - (g) the Saudi IP License duly executed by Ingeus LLC (Saudi Arabia) and IEL;
 - (h) a certified copy of:
 - (i) the minutes of a duly convened and held meeting of the directors of each Seller (or duly constituted committees thereof) authorising the execution of and entry into this Agreement and the transactions completed therein; and
 - (ii) the resolutions of the directors of 0798576 authorising the transfer of the BC Shares to APM Global, the registration of the BC Shares in the names of APM Global, the issue of share certificates representing the BC Shares registered in the name of APM Global and effecting the necessary changes in the directors and officers of 0798576;
 - (i) a certificate satisfying the requirements of section 1.1445-2(b)(2) of the Treasury Regulations to the effect that Providence is not a non-U.S. person; and

- (j) good standing certificates for Ross from the Secretary of State of the State of Delaware.

2. Purchasers' obligations

2.1 At Completion the Purchasers shall:

- (a) pay the Consideration for the Shares as provided in clause 3 of this Agreement;
- (b) pay the Revolver Election Amount, if any; and
- (c) deliver to the Sellers:
 - (i) evidence in a form reasonably satisfactory to the Sellers of satisfaction of the Conditions;
 - (ii) a counterpart of the Completion Disclosure Letter duly executed by the relevant Purchasers; and
 - (iii) a certified copy of the minutes of a duly convened and held meeting of the directors of (i) each Purchaser, and (ii) the Purchaser's Guarantor authorising the execution of and entry into this Agreement and any relevant Transaction Documents and the transactions completed therein.

SCHEDULE 3
WARRANTIES

1. Ownership and structure

1.1 Ownership

- (a) Holdings is the legal and beneficial owner of the entire issued share capital of Ingeus Europe Limited and Ingeus Australia Holdings Pty Ltd and Providence is the sole beneficial and registered holder of the entire issued share capital of Ross Innovative Employment Solutions Corp. and 0798576 B.C. Ltd.
- (b) As at Completion, there is no Encumbrance over or affecting any of the Shares.

1.2 Shares

The Shares represent 100% of the issued and outstanding share capital of each of the Companies and there is no agreement or commitment to create or issue any share capital of any of the Companies.

2. Power and authority

- (a) Each Seller has full power, authority and capacity to execute and deliver this Agreement and any documents to be entered into pursuant to and/or in connection with it to which such Seller is a party and to perform its obligations under this Agreement and those documents and has taken all actions necessary to authorise such execution and delivery and the performance of such obligations;
- (b) This Agreement and the documents to be entered into pursuant to it to which a Seller is a party constitute legal, valid and binding obligations on such Seller enforceable on it in accordance with its terms;
- (c) The execution, delivery and performance by the Sellers of this Agreement does not constitute a breach of any law by which such Seller is bound and that would prevent such Seller from entering into and performing its obligations under this Agreement;
- (d) The execution and delivery by the Sellers of this Agreement and the documents to be entered into pursuant to it to which it is a party and the performance of the obligations of the Sellers under this Agreement and those documents does not conflict with or constitute a breach or default in respect of:
 - (i) any agreement to which either Seller is a party or by which either Seller is bound; or
 - (ii) any order, judgment, decree of any court, government agency or regulatory body or other restriction applicable to either Seller; and

- (e) The execution and delivery of and performance by the Sellers of their material obligations under this Agreement does not require the consent of any third party to any Material Contract (other than the regulatory and anti-trust consents included in this Agreement) (or, to the extent that such consent is required, such consent has been obtained).

3. Target Group Companies

3.1 Group Structure

Subject to the Pre-Completion Reorganisation, Schedule 1 is accurate and complete in all material respects and, except where indicated, shareholdings are 100%.

3.2 No Encumbrances or other arrangements

Except in relation to each of the Companies, and other than in connection with the Pre-Completion Reorganisation, as at Completion, all of the shares of each Target Subsidiary are or will be free and clear of all Encumbrances and, other than this Agreement, there is no agreement or commitment to issue, allot, sell, transfer, redeem or repay any more shares in a Target Subsidiary.

3.3 Target Group Companies

- (a) Each Target Group Company:
 - (i) is duly incorporated under the laws of the place of its incorporation, validly existing and (where such concept is relevant and applicable) in good standing in accordance with applicable laws, and is duly qualified to transact the Business;
 - (ii) has the power to own its assets, operate its properties and to carry on its business as it is currently conducted; and
 - (iii) has conducted the Business materially in compliance with the constitution or other constituent documents of that Target Group Company.
- (b) All of the shares issued by a Target Group Company are fully paid and have been properly and validly issued and allotted.
- (c) No Target Group Company is the holder or the beneficial owner of:
 - (i) any shares or other capital of another company; or
 - (ii) any other shares or securities,except as set out in Schedule 1.
- (d) At Completion, no Target Group Company has any share or option incentive scheme, employee profit sharing scheme or employee share

ownership plan for any of its employees, directors, officers, or consultants or any outstanding liabilities under any such scheme or plan.

- (e) The Canadian Subsidiaries do not provide any of the services or engage in any of the activities of a business described in subsection 14.1(6) of the ICA.

4. Accounts

4.1 Basis of Preparation

The Accounts have been prepared:

- (a) in accordance with applicable laws and in accordance with the applicable Accounting Standards; and
- (b) in the manner described in the notes to them.

4.2 Audited Accounts

The Audited Accounts:

- (a) give a true and fair view of the financial position of the Target Group as at the Accounts Date and of its performance for the financial period ended on the Accounts Date; and
- (b) are not affected by any abnormal, exceptional or non-recurring items.

4.3 Unaudited Accounts

The Unaudited Accounts:

- (a) show a materially accurate view of the financial position of the Target Group as at the Accounts Date and of its performance for the financial period ended on the Accounts Date; and
- (b) are not affected by any abnormal, exceptional or non-recurring items.

4.4 Locked Box Accounts

The Locked Box Accounts have been prepared:

- (a) in accordance with the normal practice and adopted accounting policies, principles and categorisations of the Target Group in connection with the preparation of consolidated monthly management accounts;
- (b) materially reflect the financial position of the Target Group as at the Locked Box Date, it being acknowledged by the Purchasers that the Locked Box Accounts have not been audited.

4.5 Position since Locked Box Date

- (a) Since the Locked Box Date, the Business has been conducted in all material respects in the ordinary course of business other than for the transactions contemplated by the Transaction Documents.
- (b) Since the Locked Box Date, there has been no material adverse change in the financial position of the Target Group, taken as a whole.
- (c) Since the Locked Box Date, subject to the Pre-Completion Reorganisation, no Target Group Company has, except in the ordinary course of the Business or in the case of assets which have been replaced or substituted, disposed of any asset which is material and necessary on an ongoing basis to conduct the Business.

4.6 Management Accounts

The Management Accounts, taking into account the purposes for which they were prepared and the period to which they relate, show a materially accurate view of:

- (a) the assets and liabilities (whether present or future, actual or contingent) and the financial position and state of affairs of the Target Group as at the date to which they have been prepared; and
- (b) profits/losses and the financial performance of the Target Group for the period in respect of which they have been prepared.

5. Records

- (a) So far as the Sellers are aware, the statutory books (comprising the registers of allotments, members, transfers, directors, secretaries directors' interests, of each Target Group Company have been properly kept and are materially accurate and up to date.
- (b) Since the Accounts Date the members of the Target Group Companies in general meeting, or of any class of them, have not passed any resolution which would give rise to a transaction or event that would have a material adverse effect on the Business.
- (c) No Target Group Company has received written notice of any application or intended application for the rectification of its register of members or any other register that it is required by law to maintain.

6. Contracts

6.1 Power of attorney

No Target Group Company has granted any power of attorney or other such authority (whether express or implied) which is still outstanding or effective to enter into any contract or commitment or do anything on its behalf other than to a director of a Target Group Company acting in the ordinary course of their duties.

6.2 General

So far as the Sellers are aware, there are no agreements, arrangements or understandings affecting the Target Group or the carrying on of the Business that have not been disclosed in writing to the Purchasers and that:

- (a) are material to the operation of the Business;
- (b) entitle the other party to terminate the agreement, or impose terms materially less favourable to the Business, by reason of the transaction contemplated under this Agreement and that which could not be readily replaced by another contract without any material disruption to the Business; and
- (c) limit or exclude the relevant Target Group Company's right to do business and / or to compete in any area or in any field or with any person.

6.3 Contracts and commitments

- (a) The Data Room contains copies or material details of all Material Contracts.
- (b) So far as the Sellers are aware, each Material Contract is in full force and effect.
- (c) The Sellers have not received notice in writing of any material breach or default of any Material Contract either by a Target Group Company or by the other parties to a Material Contract and, so far as the Sellers are aware, there are no facts or circumstances which are likely to give rise to any material breach or default by a Target Group Company of a Material Contract.
- (d) So far as the Sellers are aware, no current client or customer is currently seeking to negotiate a material reduction or material change in the terms of remuneration as contained in its Material Contract with a Target Group Company.

6.4 Notices

So far as the Sellers are aware, no Target Group Company has received, or given, any written notice of termination, or alleging any material breach or default by a Target Group Company, of any Material Contract, or sought to repudiate or disclaim a Material Contract.

6.5 Offers

No outstanding offer, tender or quotation has been given or made by a Target Group Company that is capable of giving rise to a contract that would become a Material Contract merely by any unilateral act of a third party.

6.6 Anti-bribery and corruption

So far as the Sellers are aware, no Target Group Company has in the last two years engaged in any activity, practice or conduct in relation to the Business which would constitute an offence under the Bribery Act 2010, the United States Foreign Corrupt Practices Act or any similar laws relating to corruption or bribery or other financial crimes or received written notice that any Target Group Company is currently in material violation of any such laws. So far as the Sellers are aware, no director, employee or officer of a Target Group Company has authorised, offered or made any unlawful contribution, gift, or payment of anything of value to an official of any governmental authority or arbitral authority in any country or to a political party or candidate for political office in any country, in connection with the Business, in an effort to obtain or retain business or secure any improper advantage for a Target Group Company.

7. Financing Arrangements

7.1 Financings

The Data Room contains copies or material details of all material external financing arrangements, excluding for the avoidance of doubt with the Retained Group.

7.2 No Defaults

So far as the Sellers are aware, there is no breach of, or any event of default, cancellation event, prepayment event or similar event under, any loan capital, borrowing, debenture or financial facility of a Target Group Company.

7.3 No Guarantees

There is no financial guarantee or indemnity between a Target Group Company and a member of the Retained Group (other than in respect of trading in the ordinary course) given by or for the benefit of a Target Group Company other than as shall be released at Completion.

8. Transactions with the Retained Group

On the date of this Agreement, there are no agreements between a Target Group Company and a member of the Retained Group, other than on arm's length terms or in the ordinary course of business.

9. Assets

9.1 Ownership and Condition of Assets

So far as the Sellers are aware, each of the material assets (other than cash on hand and Properties) included in the Accounts or acquired by a Target Group Company since the Locked Box Date (other than current assets sold, realised or applied in the normal course of trading):

- (a) is owned both legally and beneficially by the relevant Target Group Company;
- (b) are, together with assets which the Target Group has the right to use, all of the material assets reasonably necessary for the continuing conduct of the Business as it was conducted at the date of this Agreement; and
- (c) each of those assets which is legally and beneficially owned by the Target Group and which is capable of possession is in the possession of the relevant Target Group Company (save where in the possession of a third party in the normal course of business).

9.2 Charges and Encumbrances over assets

So far as the Seller is aware, and other than as will be released on or prior to Completion, there is no option, right to acquire, mortgage, charge, pledge, lien (other than a lien arising by operation of law in the ordinary course of trading) or other form of security or encumbrance or equity on, over or affecting the whole or any part of the undertaking or assets of any Target Group Company and there is no agreement or commitment to give or create any and no claim has been made by any person to be entitled to any at Completion.

10. Properties

10.1 Interests in Land

- (a) No Target Group Company has any material interest in land except for its interest in the Properties.
- (b) No Target Group Company has assigned or disposed of any leasehold or other real property in respect of which it retains any material residual or contingent liability save in respect of any authorised guarantee agreement required on assignment.

10.2 Notices

No notices in writing of a material nature have, in the year prior to the date of this Agreement, been given or received by any Target Group Company in relation to the Material Properties which would have a material adverse effect on a Target Group Company's use or occupation of a Material Property, or the rental, rates or other payments in respect of a Material Property, and, so far as the Sellers are aware, there are no outstanding material disputes regarding the Material Properties.

10.3 Breach

So far as the Sellers are aware:

- (a) no Target Group Company is in material and persistent breach in any respect of any lease, sub-lease or licence to which it is a party in respect of any Properties; and

- (b) no Target Group Company has in the 12 months prior to the date of this Agreement received written notice of any breach of, any covenants, restrictions, reservations, conditions or agreements affecting the Material Properties or their use.

10.4 No arrears

There is no rent, rates or other significant costs overdue by a Target Group Company in respect of each of the Properties.

10.5 Occupation

- (a) So far as the Seller is aware, the Target Group Companies hold, or enjoy the benefit of, all easements, rights, interests and privileges which are necessary for the conduct of the Business.
- (b) To the knowledge of the Seller, there are no circumstances that would entitle or require a landlord of any of the Properties or any other person to exercise any power of entry or possession or which might restrict or terminate the continued occupation or use of any of the Properties by the relevant Target Group Company.

10.6 No Freehold Premises

None of the Target Group Companies owns any freehold interest in any real property.

11. Environmental

11.1 No Breach

So far as the Sellers are aware, there are no factors affecting any of the Properties and/or any Target Group Company that will, or would reasonably be likely to, give rise to any liability for any Target Group Company under any Environmental Laws, or related licenses, permits or authorisations, where such factors or liability will, or would reasonably be likely to, have a material adverse effect on the Target Group taken as a whole.

11.2 Notices

No notices have been received within the past twenty four months by any Target Group Company alleging or specifying any actual or threatened civil, criminal or administrative action against a Target Group Company, or any material breach or material liability, under any Environmental Laws or related licenses, permits or authorisations and so far as the Sellers are aware, there are no facts, matters or circumstances likely to give rise to any such complaints or notices.

12. Intellectual Property Rights

12.1 Ownership

- (a) Each of the Target Group Companies is the sole legal and beneficial owner of, registered proprietor of, or applicant in respect of, the registered Intellectual Property Rights listed in Schedule 9 ("Registered Ingeus Intellectual Property"), and have valid and continuing rights to use and license the Registered Ingeus Intellectual Property, free and clear of all Encumbrances.
- (b) So far as the Sellers are aware, in relation to the Registered Ingeus Intellectual Property:
 - (i) in the case of registrations, all renewal fees due in respect of such registrations at the date of Completion have been paid; and
 - (ii) none of the Registered Ingeus Intellectual Property is subject to any claim, application, proceeding or attack by any other person.

12.2 Registered Ingeus Intellectual Property

The Registered Ingeus Intellectual Property comprises all of the business names, domain names and Intellectual Property Rights material to the conduct of the Business, and no Target Group Company requires any other business names, domain names or Intellectual Property Rights other than the Registered Ingeus Intellectual Property for the conduct of the Business in a manner consistent with how the business is operated on the date of this Agreement.

12.3 Infringement

- (a) So far as the Sellers are aware, no person is infringing the Registered Ingeus Intellectual Property, where such infringement will, or would reasonably be likely to, have a material adverse effect on the Target Group.
- (b) So far as the Sellers are aware, no Target Group Company is infringing the registered Intellectual Property Rights of a third party, where such infringement will, or would reasonably be likely to, have a material adverse effect on the Target Group.

12.4 No Licences or Assignments

No Target Group Company has licensed, assigned or otherwise disposed of any right, title or interest in the Registered Ingeus Intellectual Property and no Target Group Company is obliged to grant a licence, assignment or other right in respect of any Registered Ingeus Intellectual Property to any third party.

12.5 Challenge of rights and vulnerability

No Target Group Company has received in the 12 months prior to the date of this Agreement written notice of any action or proposed action by any other person to

challenge, threaten or cancel any Intellectual Property Rights of a Target Group Company in the Registered Ingeus Intellectual Property.

12.6 No Royalties

Other than to any other Target Group Company, there are no royalties, licence fees or other costs, fees or expenses payable by a Target Group Company in connection with the creation, development or use of any Registered Ingeus Intellectual Property which is owned by a Target Group Company.

13. Information technology

13.1 Systems

So far as the Sellers are aware, the material information technology and telecommunications systems, hardware and software owned or used by a Target Group Company in the conduct of the Business as at the date of this Agreement ("Systems"):

- (a) are owned by the Target Group Companies or licensed, leased or supplied under an enforceable agreement with one or more Target Group Companies; and
- (b) comprise all the material information technology and telecommunications systems, hardware and software reasonably necessary for the conduct of the Business as conducted at the date of this Agreement.

13.2 IT Contracts

- (a) So far as the Sellers are aware, no act or omission has occurred which constitutes a material breach of any IT Contract.
- (b) So far as the Sellers are aware, in the two years prior to this Agreement, there are and have been no material claims, disputes or proceedings arising or, threatened under any IT Contracts.

13.3 Software

Each Target Group Company either owns or is licensed to use the software comprised in the Systems and which is material to the Business.

13.4 Disaster Recovery

The Target Group Companies have disaster recovery plans for the Systems which are designed to minimise the impact of any loss of, damage to or material interruption in use of any System on the conduct of the Business.

13.5 Rights to Use

No counterparty to any contract or licence relating to the Systems used by the Target Group Companies has given notice in writing to a Target Group Company

of its intention to terminate that contract or licence in the three months prior to the date of this Agreement.

14. Data Protection

For the purpose of this paragraph 14 of Schedule 3, when used in relation to the Business conducted in the United Kingdom, "personal data", "data subject", "data controller" and "supervisory authority" shall have the meanings set out in the applicable Data Protection Legislation. When used in relation to the Business conducted in the United States: (i) "personal data" shall include information that is protected under applicable Data Protection Legislation in effect in the United States or any United States jurisdiction, including without limitation any data constituting "protected health information", as that term is defined in the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations; (ii) "data subject" shall mean an individual who is protected by any such applicable Data Protection Legislation; and (iii) "supervisory authority" shall mean any regulator or other authority responsible for enforcing such applicable Data Protection Legislation.

- (a) Each Target Group Company has registered or applied to register itself as required by applicable Data Protection Legislation in respect of registrable personal data held by it, and all fees in respect of such registrations have been paid.
- (b) So far as the Sellers are aware, in the two years prior to this Agreement all personal data held by a Target Group Company has been held in accordance with applicable Data Protection Legislation and there has been no unauthorised disclosure of such personal data for which a Target Group Company would be required to make a report to a governmental authority, supervisory authority or a data subject.
- (c) So far as the Sellers are aware, in the two years prior to this Agreement no Target Group Company has been subject to any data protection related investigative or enforcement action, including but not limited to:
 - (i) criminal investigation and/or prosecution;
 - (ii) investigation by the relevant supervisory authority;
 - (iii) an enforcement notice imposed by the relevant supervisory authority; or
 - (iv) a caution by the relevant supervisory authority.
- (d) So far as the Sellers are aware, no personal data of which the Target Group Company is a data controller has been transferred outside the European Economic area, except in accordance with applicable Data Protection legislation.

15. Litigation and Compliance

15.1 No Material Proceedings

So far as the Sellers are aware, no Target Group Company is, as at the date of this Agreement, a party to any claim, investigation, prosecution, arbitration or litigation in any court, or tribunal that will, or would reasonably be likely to have a financial impact on the business, operations or revenues of the Target Group exceeding GBP 200,000 ("Material Proceedings").

15.2 No threatened Material Proceedings

So far as the Sellers are aware, as at the date of this Agreement no Material Proceedings against a Target Group Company are pending or threatened and the Sellers are not aware of any disputes or circumstances that will, or would reasonably be likely to, give rise to any Material Proceedings.

15.3 Unsatisfied Judgements

So far as the Sellers are aware, there is no unfulfilled or unsatisfied judgement outstanding against any Target Group Company.

15.4 Licences and Consents

(a) All material licences, consents, authorisations and registrations necessary for the carrying on of the Business as carried on at the date of this Agreement ("Licences") have been obtained and are in full force and effect and, so far as the Sellers are aware, are being complied with in all material respects. No member of the Target Group has within the 12 months prior to the date of this Agreement received written notice of any material breach or termination of any of the Licences.

(b) So far as the Sellers are aware, there is no investigation, enquiry or proceeding outstanding or, so far as the Sellers are aware, anticipated which is likely to result in the suspension, cancellation or revocation of any Licence.

15.5 Compliance with Laws

So far as the Sellers are aware each of the Target Group Companies conducts its business in all material respects in compliance with the laws which apply to it.

16. Employees

16.1 Employment Contracts

Copies of the current employment contracts of all of the Specified Senior Executives, accurate on or around the date of this Agreement, have been made available at 6.02.10.07 in the Data Room.

16.2 The particulars shown in the schedules of employees at 6.01 in the Data Room list all the employees of the Target Group Companies as at 31 May 2018 and are

complete and accurate in all material respects and disclose in relation to each employee (or, where appropriate, to each category of employee):

- (a) period of continuous service, employing entity and workplace location;
- (b) all other terms and conditions of employment including pay and any regular payments made in addition to basic pay (e.g., overtime pay);
- (c) the terms of any share option, bonus, commission, incentive or other similar scheme in which any of the employees are entitled to participate (together with details of their entitlements); and
- (d) any bonus or commission or other incentive arrangements or severance arrangements, provided to any of the employees or former employees who have departed within the last 12 months (whether on a contractual basis or otherwise).

16.3 No employee of the Target Group Companies will be entitled to receive any payment, right or benefit arising out of or in connection with Completion which is payable by any of the Target Group Companies except the Plan Payments.

16.4 Consultants/Workers

The Target Group Companies do not engage any individual providing services to the Target Group Companies under any agreement exceeding 6 months in duration and/or which cannot be terminated by giving notice of 6 months or less which is not a contract of employment.

16.5 Employee Entitlements

6.01 in the Data Room accurately sets out, as of the date of this Agreement, the material components of the remuneration for Specified Senior Executives.

16.6 The relevant Target Group Companies have maintained records which are, in all material respects, up-to-date, adequate and suitable for the purposes of the Working Time Regulations 1998 (or local law equivalent, if any) and so far as the Sellers are aware none of them has received notification that there are any claims pending or threatened by any officer, employee or worker, or former officer, employee or worker, or any governmental authority or any trade union or employee representative related to the Working Time Regulations 1998 (or local law equivalent, if any).

16.7 Pensions

- (a) So far as the Sellers are aware the Pension Schemes and the LGPS are the only arrangements under which a Target Group Company has, or may have, any obligation (whether or not legally binding) to provide or contribute towards pension, or retirement benefits in respect of the Employees, and no proposal or announcement has been made to any Employee about the introduction, continuance, increase or improvement

of, or payment of a contribution towards any other pension or retirement benefit.

- (b) The material terms on which the relevant Target Group Companies participates in the LGPS are contained in the Data Room.
- (c) So far as the Sellers are aware, each relevant Target Group Company has complied with its automatic enrolment obligations as required by the Pensions Act 2008 and associated legislation. No written notices, fines, or other sanctions have been issued by the Pensions Regulator in respect of any Target Group Company.
- (d) All contributions, insurance premiums, tax and expenses due by the Target Group Companies in respect of the Employees to and in respect of the Pension Schemes and the LGPS have been paid in all material respects.
- (e) So far as the Sellers are aware, no claims or complaints have been made or threatened in relation to the Pension Schemes or otherwise in respect of the provision of (or failure to provide) pension or retirement benefits by any Target Group Company in relation to any of its Employees or former Employees.
- (f) All benefits payable, or prospectively or contingently payable, under the Pension Schemes are "money purchase benefits" within the meaning of section 181(1) of the UK Pension Schemes Act 1993 (or would meet that definition were that legislation to apply to such benefits).
- (g) No financial support direction or contribution notice has been issued or threatened in writing by the Pensions Regulator against any Target Group Company. No Target Group Company is, nor has been at any time since 27 April 2004, connected with or an associate of any other company which is, or has been, an employer in relation to a scheme to which section 38 or 43 of the UK Pensions Act 2004 applies.
- (h) So far as the Sellers are aware, other than as set out in the provisions governing the LGPS or as otherwise disclosed in the data room, no Employee has a right, or option to claim, any pension benefits on enhanced terms (whether under the Pension Schemes or otherwise) in connection with early retirement or redundancy whether following the transfer of an undertaking to which the Transfer of Undertakings (Protection of Employment) Regulations 1981 or 2006 applies or for any other reason.
- (i) So far as the Sellers are aware, each Target Group Company which participates in the LGPS has at all times complied with and is not in material breach of its material obligations under the applicable admission agreement in accordance with which it participates or has participated in that scheme, including (without limitation) to pay ongoing contributions, any additional contributions relating to any deficit in the scheme, and any additional contributions payable as a result of any Employee having retired early due to ill-health, redundancy, or in any similar circumstances.

- (j) No exit payments have become due and payable from any Target Group Company which currently participates in the LGPS. So far as the Sellers are aware, no Pensions Related Discretionary Action has occurred, which would give rise to any Exit Contribution payable by a Target Group Company within the meaning of paragraph 2.5(b) of Schedule 22 of the RRP Agreements.
- (k) So far as the Sellers are aware, at present there are no facts or circumstances which would trigger additional funding obligations of any Target Group Company in respect of the LGPS under its applicable admission agreement, as a result of any Employees who are members of that scheme retiring early due to ill-health or redundancy.

16.8 No Employee Disputes

No Target Group Company has been involved in any existing, or so far as the Sellers are aware, pending or threatened industrial dispute with any trade union or other representatives at any time within the 6 months preceding the date of this Agreement. No Target Group Company is involved in legal proceedings with any employee or former employee and no employee or former employee has, so far as the Sellers are aware, threatened in writing to bring any legal proceedings against any Target Group Company. No Target Group Company has received a written notice or request to engage in enterprise bargaining from any trade union or employee representative.

16.9 Workplace Health and Safety

So far as the Sellers are aware, there is no currently threatened investigation or prosecution of any Target Group Company or statutory notice or litigation to, or involving, any Target Group Company under workplace health and safety laws.

16.10 Employee Records

- (a) Each Target Group Company has maintained adequate and suitable records regarding the service and material terms and conditions of employment of each of its Employees.
- (b) Other than in the ordinary course of business, since the Accounts Date there has been:
 - (i) no material increase in the aggregate remuneration paid or payable by a Target Group Company to its employees, nor are any negotiations for any such increase current or required to take place in the next six months; and
 - (ii) no contractual commitment communicated to any employee in writing, officer or worker of a Target Group Company in respect of the same.

16.11 Resignations and Dismissals

None of the Specified Senior Executives have given written notice of resignation or is under written notice of dismissal, nor is there any formal proposal to dismiss any Specified Senior Executive and, so far as the Sellers are aware, no Specified Senior Executive who has notified a Target Group Company of their intention to resign from his or her employment, nor are there any service contracts between a Target Group Company and its respective officers, employees or workers which cannot be terminated by that Target Group Company by 12 weeks' notice or less without giving rise to a claim for damages or compensation (other than under statute).

16.12 No Grievance Procedures or Disciplinary Actions

During the period of twelve months prior to the date of this Agreement, there has been no disciplinary action or grievance procedure taken against, or involving, any Specified Senior Executive involving a matter or behaviour which was a breach of any law and has, or could reasonably be expected to have, an adverse effect on the operations of the Business.

16.13 Transfers

No individual has transferred to or from the Target Group Companies by operation of the Transfer of Undertakings (Protection of Employment) Regulations 2006 or similar legislation or laws in any jurisdiction in the 12 months before the date of this Agreement.

16.14 Redundancies

The Target Group Companies have not been subject to a requirement in respect of any of its employees to consult with appropriate representatives as defined in section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 or any equivalent or similar requirements in any jurisdiction at any time during the 12 months preceding the date of this Agreement.

16.15 Trade unions

There are no recognition, procedural or other arrangements with trade unions which relate to any of the employees of the Target Group Companies nor is there any staff association, works council or similar employee body or employee representatives relating to any of the employees.

17. Solvency

17.1 No Liquidation

So far as the Sellers are aware, within the last two years, other than in relation to the Polish Entity, the Swedish Entity and Aboriginal Jobwave Inc., no Target Group Company has gone into liquidation or passed a winding-up resolution or commenced steps for winding-up or dissolution.

17.2 No Winding-Up Process

So far as the Sellers are aware, within the last two years, other than Aboriginal Jobwave Inc., the Polish Entity and the Swedish Entity no petition or other process for winding-up or dissolution has been presented or threatened in writing against any Target Group Company.

17.3 No Receiver or Manager

Within the last two years, other than in relation to Aboriginal Jobwave Inc., the Polish Entity and the Swedish Entity, no receiver, receiver and manager, judicial manager, liquidator, administrator or like official has been appointed, over the whole or a substantial part of the undertaking or property of any Target Group Company.

17.4 Arrangements with Creditors

So far as the Sellers are aware, within the last two years, other than in relation to Aboriginal Jobwave Inc., the Polish Entity and the Swedish Entity, no Target Group Company has entered into, or taken steps or proposed to enter into, any arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them.

17.5 Solvency

Each Target Group Company, other than in relation to Aboriginal Jobwave Inc., the Polish Entity and the Swedish Entity, either alone or with the support of a parent company, is able to pay its debts as and when they fall due.

17.6 Disclosure

- (a) The Data Room contains summaries or copies of all current material insurance policies and cover notes taken out in respect of a Target Group Company or the Business as at the date of this Agreement ("Insurances" and "Insurance" shall mean any one of them).
- (b) So far as the Sellers are aware, nothing has been done or omitted to be done which has made any Insurance void or voidable or that would permit an insurer to cancel the policy or refuse or materially reduce a claim or materially increase the premiums payable under the Insurances.

17.7 No Claims

So far as the Sellers are aware, there are no material outstanding claims made by a Target Group Company or any person on its behalf under an Insurance or an insurance policy previously held by a Target Group Company. All material claims and known incidents that have occurred prior to Completion so far as the Sellers are aware could reasonably be expected to result in a claim after Completion have been or will be notified to the relevant insurers prior to Completion.

18. Taxes and Duties

18.1 Withholding Tax

Any obligation on a Target Group Company under any Tax Law to withhold amounts at source has been complied with.

18.2 Shares

- (a) The shares of 0798576 are not "taxable Canadian property" as defined under subsection 248(1) of the Income Tax Act (Canada).
- (b) The Ingeus Australia Shares are not indirect Australian real property interests as defined in section 855-25 of the 1997 Australian Tax Act.

18.3 Records

Each Target Group Company has maintained, or has had maintained on its behalf, proper and adequate records to enable it (or a parent company) to comply in all material respects with its obligations to:

- (a) prepare and submit any information, notices, computations, returns and payments required in respect of any Tax Law;
- (b) prepare any accounts necessary for compliance with any Tax Law;
- (c) support any position taken by any Target Group Company as required by any Tax Law; and
- (d) retain necessary records as required by any Tax Law.

18.4 Returns Submitted

- (a) Each Target Group Company has submitted, or has had submitted on its behalf, any necessary information, notices, computations returns or other documents required to be submitted to the Tax Authority in respect of any Tax relating to the relevant Target Group Company. Each Target Group Company has maintained, or has had maintained on its behalf, all such records in relation to Tax as it is required by applicable laws to maintain.
- (b) All such returns, notices and other material documents and information have been made on a proper basis, were provided within applicable time limits, were accurate and complete when provided and remain accurate and complete in all material respects and none of them are, so far as the Sellers are aware, likely to be the subject of any dispute with, or investigation by, any Tax Authority. No Tax return, so far as the Seller is aware, is disputed or is yet to be determined by, or subject to agreement with, a Tax Authority.
- (c) So far as the Sellers' are aware, no written claim has been made in the five years preceding Completion by any Tax Authority in a jurisdiction where

a Target Group Company does not file Tax returns that such Target Group Company is or may be subject to taxation in that jurisdiction.

18.5 No Tax Audit

The Sellers are not aware of any pending or threatened Tax audit relating to a Target Group Company.

18.6 No Disputes

There are no disputes between a Target Group Company and any Tax Authority in respect of any Tax and there have not been any such disputes in the last five years (other than routine enquiries into returns), and there has been no written notification received that an investigation, enquiry or non-routine visit will be made by any Tax Authority.

18.7 Stamping

All instruments (other than those which have ceased to have legal effect) executed by a Target Group Company (and which are or were subject to stamp duty, stamp duty land tax or equivalent transfer taxes in any other jurisdiction) have been duly stamped or are accompanied by a certificate from the relevant Tax Authority evidencing submission of a valid return and payment of any Tax due.

18.8 Accounts

- (a) All liabilities of any Target Group Company for Tax measured by reference to income, profits or gains earned, accrued or received on or before the Accounts Date or arising in respect of an event occurring or deemed to occur on or before the Accounts Date are suitably provided for or (as appropriate) disclosed in accordance with generally accepted accounting principles in the Accounts.
- (b) Subject to the Pre-Completion Reorganisation, since the Accounts Date, no Target Group Company has been involved in any transaction and no event has occurred which has given or may give rise to a liability to Tax on a Target Group Company (or would have given or might give rise to such a liability but for the availability of any relief, allowance, deduction or credit) other than Tax in respect of normal trading income or receipts of that Target Group Company arising from transactions entered into in the ordinary course of business.

18.9 Tax Payments

- (a) All amounts of or in respect of Tax that each Target Group Company is or has been obliged to pay (insofar as such Tax ought to have been paid whether or not shown to be due on any Tax return) has been paid and each Target Group Company has duly deducted and accounted for to the relevant Tax Authority all amounts from any payments as it was required to do so by law, and all such amounts have been paid or deducted and accounted for within the applicable time limits.

- (b) Ross will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Completion Date as a result of any: (1) change in method of accounting made prior to the Completion Date; (2) "closing agreement" as described in Code Section 7121 (or any corresponding or similar provision of United States, state or local Tax Laws); (3) instalment sale or open transaction disposition made on or prior to the Completion Date; or (4) prepaid amount received on or prior to the Completion Date.

18.10 Secondary Liabilities

- (a) Except in accordance with United States income tax law governing the liability of consolidated, combined or unitary group members, each Target Group Company is not, and so far as the Sellers are aware, will not become liable to make to any person (including any Tax Authority) any payment in respect of any liability to Tax or be deprived of any relief otherwise available to it, or to make reimbursement or indemnity in respect of any Tax, for which any other person, or any Target Group Company is or may be primarily liable and except for indemnification obligations contained in contracts the primary purpose of which is not the allocation of tax liabilities.
- (b) Ross has not been a member of a consolidated group filing a consolidated federal income Tax return (other than a group the common parent of which was Providence).

18.11 Accounts Reliefs

No Relief (whether by way of deduction, reduction, set-off, exemption, postponement, roll-over, hold-over, repayment or allowance or otherwise) has been claimed and/or given to a Target Group Company which has been taken into account in the Accounts as an asset or in computing any current tax receivable or current tax liability which could or might be effectively withdrawn, postponed, restricted, clawed back or otherwise lost as a result of any act, omission, event or circumstance arising or occurring either at or at any time before Completion or within the ordinary course of business after Completion.

18.12 Company Residence

No Target Group Company has on or before Completion been treated for any Tax purpose as resident in a country other than the country of its incorporation and no Target Group Company has, or has had within the statutory limitation period, a branch or agency or permanent establishment in a country other than the country of its incorporation except under United States entity classification principles.

18.13 VAT and GST

To the extent required by law, each Target Group Company is duly registered for the purposes of VAT, and, where entitled to do so, GST, goods and services taxes, sales taxes and harmonised sales tax, in its country of incorporation, and all sales

taxes required by law to be collected have been collected and duly and timely remitted to the appropriate Tax Authority.

18.14 Tax Avoidance

So far as the Sellers are aware, no Target Group Company has been involved in any transaction or series of transactions the sole or one of the main purposes of which was the avoidance of a liability to Tax.

18.15 Transfer Pricing

- (a) So far as the Sellers are aware, no Target Group Company has undertaken any material transaction which is otherwise than on arm's length terms unless a transfer pricing adjustment was made in accordance with the relevant Tax Law and reflected in the tax returns for the relevant Target Group Company.
- (b) The Sellers have furnished to the Purchasers transfer pricing documentation in the Data Room to demonstrate the criteria taken into account in determining arm's length terms for any such material transactions or provision as referred to in paragraph 18.15(a) between any Target Group Company and the Sellers or parties with which either Seller is connected or associated.

18.16 Share Capital Account

So far as the Sellers are aware, the share capital account of each of the Australian Subsidiaries is not 'tainted' within the meaning of Division 197 of the 1997 Australian Tax Act, and the Australian Subsidiaries have not taken and will not take any action that will cause any of its share capital accounts to become a 'tainted' share capital account prior to Completion.

18.17 Tax Consolidation

- (a) Each Australian Subsidiary has been a member of the Consolidated Australian Tax Group at all times since 1 June 2014.
- (b) All relevant tax consolidation forms have been submitted to the Australian Taxation Office, as required.
- (c) Each Australian Subsidiary is not and has never been part of an MEC Group for the purposes of Part 3-90 of the 1997 Australian Tax Act.

18.18 Interposed entity election

No Australian Subsidiary has been the subject of an interposed entity election for the purposes of the 1936 Australian Tax Act.

18.19 Commercial debt forgiveness

No debt owed by a Target Group Company has been, or has been agreed to be, released, waived, forgiven or otherwise extinguished in circumstances which

would have resulted in a "net forgiven amount" under Division 245 of the 1997 Australia Tax Act or the former Division 245 of Schedule 2C of the 1936 Australia Tax Act or give rise to a taxable credit under section 358 of the 2009 UK Tax Act.

18.20 Imputation Credits and Distributions

- (a) Each franking and imputation credit balance of a Target Group Company is not (and is not deemed to be) less than zero and will not be reduced (or deemed to be reduced) to less than zero after Completion as a result of an event, matter or circumstances arising in connection with a period on or before Completion.
- (b) No Target Group Company has paid any dividend on or prior to Completion which has not been franked to the required level.
- (c) No Target Group Company has breached the benchmark rule in Division 203 of the 1997 Australian Tax Act.

19. Information

So far as the Sellers are aware, the Disclosure Materials have been prepared in good faith for the purpose of disclosing information about the Shares, the Target Group and the Business to a potential buyer.

SCHEDULE 4
CONDITIONS

Completion is conditional upon the following Conditions having been waived or satisfied in accordance with this Agreement:

1. Neither the Sellers, nor any member of the Retained Group, having any post-Completion liability or obligation under any of the Seller Group Support Obligations relating to the DWP Agreements or the RRP Agreements.
2. The counterparty to each of the Relevant Contracts providing written acknowledgement or consent (as the case may be) to the Sellers, in a form reasonably acceptable to each of the Purchasers and the Sellers, that the change of control under each of the Relevant Contracts on the sale of the Shares by the Sellers is consented to by the counterparty to the Relevant Contract.
3. Completion of the Pre-Completion Reorganisation.

SCHEDULE 5
LIMITATIONS ON LIABILITY

1. Limitations on quantum
 - 1.1 Subject to paragraph 1.3 below, the maximum aggregate liability of the Sellers under this Agreement in respect of Relevant Claims relating to the Title Warranties shall be limited to an amount equal to the Equity Value.
 - 1.2 Subject to paragraph 1.3 and 1.4 below, the maximum aggregate liability of the Sellers under this Agreement in respect of Relevant Claims relating to Non-Title Warranties shall be limited to an amount equal to 20% of the Equity Value.
 - 1.3 Subject to clause 9.11, the maximum aggregate liability of the Sellers under this Agreement for all claims of any nature including all Relevant Claims and Indemnity Claims shall in no circumstances exceed an amount equal to the Equity Value.
 - 1.4 Subject to paragraph 1.3 above, the maximum liability of the Sellers shall be \$1 in relation to each of:
 - (a) the Indemnity in clause 9.7(e); and
 - (b) the Warranty in paragraph 19 (Information) of Schedule 3.
 - 1.5 The Sellers shall not be liable for any single Relevant Claim relating to the Non-Title Warranties (other than Tax Claims) unless the amount of the liability pursuant to that single Relevant Claim (and, for these purposes, a number of Relevant Claims arising out of the same or similar subject matter, facts, events or circumstances shall be aggregated and form a single Relevant Claim) exceeds 0.1% of the Equity Value (the "De Minimis") in which case each Seller shall be liable for such Seller's Allocation Percentage of the entire amount of such Relevant Claim (and not merely the excess).
 - 1.6 The Sellers shall not be liable for any single Relevant Claim relating to the Non-Title Warranties (other than Tax Claims) unless the aggregate amount of the liability of the Sellers for all Relevant Claims not prohibited by paragraph 1.5 above exceeds 1% of the Equity Value (the "Threshold") in which case each Seller shall be liable for such Seller's Allocation Percentage of the entire amount (and not merely the excess above the Threshold).
 - 1.7 For the purposes of calculating Relevant Claims counting towards the Threshold and/or the De Minimis:
 - (a) there shall be excluded from any Relevant Claim the amount of any costs, expenses and other liabilities (together with any VAT thereon) incurred or to be incurred by the Purchasers and/or any Target Group Company in connection with the making of any such Relevant Claim; and
 - (b) there shall be excluded the amount of any other Relevant Claim in respect of the same fact, matter, event or circumstance giving rise to the same loss.

2. Notice of Relevant Claims and Time Limits for Bringing Relevant Claims
- 2.1 Subject to clause 9.9, the Sellers shall not be liable for any Relevant Claim or Indemnity Claim unless written notice of the Relevant Claim or Indemnity Claim has been given to Providence by or on behalf of the Purchasers as soon as reasonably practicable after a Purchaser or a member of the Purchasers' Group is aware that the relevant fact, matter, event or circumstance has arisen and in any event written notice of a Relevant Claim must be given:
- (a) on or before the date which is 18 months from the Completion Date for Relevant Claims relating to Non-Title Warranties (excluding Tax Warranties) or Indemnity Claims;
 - (b) on or before the date which is 5 years from the Completion Date for Relevant Claims relating to Title Warranties; and
 - (c) on or before the date which is 5 years from the Completion Date for Tax Claims.
- 2.2 The written notice of a Relevant Claim (other than a Tax Claim) or an Indemnity Claim shall give specific details of the nature of the Relevant Claim or Indemnity Claim, the circumstances giving rise to it and the Purchasers' bona fide estimate of any alleged loss.
- 2.3 A Relevant Claim or an Indemnity Claim notified in accordance with paragraphs 2.1 and 2.2 (including under clause 9.9) shall be unenforceable against a Seller on the expiry of six months starting on:
- (a) in the case of a Relevant Claim (other than a Tax Claim), or an Indemnity Claim, the day of notification of such claim, or
 - (b) in the case of a Relevant Claim which is a Tax Claim, the later of the day of notification of the Relevant Claim or, where relevant, the day of final determination by a Tax Authority of the Tax Liability giving rise to such Tax Claim,
- unless proceedings in respect of the Relevant Claim or Indemnity Claim have been properly issued and validly served on a Seller within that period.
3. No Duplication of Recovery
- 3.1 The Purchasers shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnification more than once in respect of any one liability, loss, cost, shortfall, damage, deficiency, event, matter or circumstance regardless of whether more than one Relevant Claim or Indemnity Claim or other claim arises in respect of it, and for this purpose recovery by the Purchasers or any member of the Purchasers' Group shall be deemed to be a recovery by each and all of them.
- 3.2 Without prejudice to the generality of paragraph 3.1, if the Purchasers are entitled to claim under the Tax Schedule or under the Tax Warranties in respect of the

same liability, the Purchasers may claim under either or both but payments under the Tax Schedule shall pro tanto satisfy and discharge any claim which is capable of being made under the Tax Warranties in respect of the same liability and vice versa.

4. Subsequent Recovery

Following any payment by a Seller in respect of any Relevant Claim (other than a Tax Claim) or Indemnity Claim, if the Purchasers or any of the Target Group Companies (as the case may be) is or subsequently becomes entitled to recover from a third party (including any insurer or any Tax Authority) a sum which is referable to that Relevant Claim or Indemnity Claim, the Purchasers shall, and shall procure that the Target Group Companies shall, use all reasonable endeavours to recover such sum from such third party. If any amount is actually recovered from such third party, then after the deduction of the Purchasers' and the Target Group Companies' reasonable out of pocket costs in obtaining such recovery and any Tax payable on such recovery, the balance (up to the amount actually received from a Seller) shall be repaid by the Purchasers to such Seller.

5. Contingent Liability

The Sellers shall not be liable for breach of Warranty or Indemnity in respect of any liability which is contingent unless and until such contingent liability becomes an actual liability and is due and payable.

6. Sellers' Access

6.1 In the event of a Relevant Claim or Indemnity Claim, the Purchasers shall procure that the Sellers and their representatives are allowed, upon reasonable notice and during normal working hours (following reasonable notice by the Sellers to the Purchasers), access to all such information (and management of the relevant Target Group Company) as the Sellers may reasonably require for avoiding, disputing, resisting, appealing, compromising or contesting such Relevant Claim.

6.2 In the event of a Relevant Claim or Indemnity Claim, the Purchasers shall use reasonable endeavours to procure that the auditors (both past and then present) of the relevant Target Group Company make available their audit working papers (subject to customary hold harmless letters) in respect of audits of the accounts of the relevant Target Group Company for any relevant accounting period in connection with such Relevant Claim.

7. Allowances, Provisions and Reserves

7.1 Neither Seller shall be liable for any Relevant Claim (other than a Tax Claim) or any Indemnity Claim to the extent that:

- (a) any allowance, provision or reserve has been expressly made or provided for in the Accounts or the Locked Box Accounts in respect of the fact, matter, event or circumstance giving rise to such Relevant Claim or Indemnity Claim to the extent that payment or discharge of the relevant matter has been taken into account therein;

- (b) any allowance, provision or reserve expressly made or provided for in the Accounts or the Locked Box Accounts in respect of the fact, matter, event or circumstance giving rise to such Relevant Claim or Indemnity Claim is insufficient by reason of any change to applicable law or legislation (including any regulation, directive requirement or any practice of any government, government department or agency or regulatory body) made on and/or after the date of this Agreement with retrospective effect.

8. Changes on and/or After Completion

8.1 The Sellers shall not be liable for any Relevant Claim (other than a Tax Claim) or an Indemnity Claim to the extent that it arises, or is increased or extended by:

- (a) any decision of any court or tribunal or the passing or coming into force of, or any change in any legislation, regulation, directive, requirement or any practice of any government, government department or agency or regulatory body, in each case made on and/or after the date of this Agreement;
- (b) any change in the accounting reference date of a Purchaser or any Target Group Company made on and/or after Completion;
- (c) any change in any accounting basis, policy, practice or approach of, or applicable to, any Target Group Company or any Purchaser or any member of the Purchasers' Group, or any change in the way an accounting basis is adopted for tax purposes, in each case, made on and/or after Completion;
- (d) any cessation of, or any material change in, the nature or conduct of any business carried on by any Purchaser or any Target Group Company, occurring on and/or after Completion;
- (e) any act, omission, transaction or arrangement carved out or effected prior to Completion at the request of or with the consent of the Purchasers, including in accordance with the Transaction Documents;
- (f) any act, omission, transaction or arrangement carried out or effected on and/or after Completion by, or at the request or with the approval of, the Purchasers or any member of the Purchasers' Group (or any of their respective directors, officers, employees or agents); or
- (g) the Purchasers or any member of the Purchasers' Group disclaiming any part of the benefit of capital or other allowances against taxation claimed or proposed to be claimed on or before Completion.

9. Third Party Claims

9.1 If the Purchasers or any member of the Purchasers' Group become aware of any actual or threatened assessment, claim, action or demand by a third party against any member of the Purchasers' Group (a "Third Party Claim") which causes or which, in the Purchasers' reasonable opinion, is likely to result in the Purchasers

being entitled to pursue a Relevant Claim (other than a Tax Claim) or an Indemnity Claim or cause the Sellers to be liable under the Warranties or an Indemnity, the Purchasers shall (and shall procure, where relevant, that the relevant member of the Purchasers' Group shall):

- (a) as soon as reasonably practicable and in any event within 20 Business Days give written notice of the Third Party Claim to a Seller, specifying in reasonable detail the nature of the claim; and
- (b) if requested by a Seller, permit such Seller to have exclusive conduct of any such Third Party Claim.

9.2 If a Seller assumes the defence of the Third Party Claim in accordance with paragraph 9.1(b), then:

- (a) the Sellers shall consult with the Purchasers regarding the conduct of the Third Party Claim and take into account and act upon the reasonable requests of the Purchasers to the extent that such requests do not materially prejudice the business interests of such Seller or the Retained Group;
- (b) the Seller must conduct the Third Party Claim in good faith;
- (c) the Seller will indemnify, and reimburse and compensate, the Purchasers against any material liability or loss incurred, suffered by or awarded against the Purchasers arising directly out of the Seller's conduct of the Third Party Claim; and
- (d) the Purchasers must and must procure that the Target Group Companies, co-operate with the Seller and do all things within their power reasonably requested by the Seller in respect of the Third Party Claim.

9.3 If a Seller does not request exclusive conduct of any such Third Party Claim, the Purchasers shall:

- (a) subject to paragraph 13, and paragraphs 9.3(b), (c) and (d) and 9.4 below, take such actions as the Purchasers may decide about the Third Party Claim, including to negotiate, defend and/or settle the Third Party Claim and to recover costs incurred as a consequence of the Third Party Claim from any person;
- (b) if requested by the Sellers, provide to the Sellers (at the Sellers' expense) copies of any material correspondence or other documents relating to the Third Party Claim;
- (c) keep the Sellers reasonably informed of the progress of the Third Party Claim and of any material developments in relation to the Third Party Claim; and
- (d) consult with the Sellers regarding the conduct of the Third Party Claim and take into account and act upon the reasonable requests of the Sellers.

9.4 The Purchasers shall not (and shall procure that no other member of the Purchasers' Group shall) make any admission or liability, agree to any compromise or settlement, or make any payment in relation to a Third Party Claim without the prior written consent of the Sellers, such consent not to be unreasonably withheld or delayed.

10. Remediable Breaches

Neither Seller shall be liable for any claim to the extent that the fact, matter, event or circumstance giving rise to such claim is remediable and is remedied by, or at the expense of, such Seller within 40 days of the date on which written notice of such claim is given to such Seller pursuant to this Schedule 5.

11. Insurance

11.1 The Sellers shall not be liable for any Relevant Claim or Indemnity Claim to the extent that the Purchasers or any member of the Purchasers' Group recovers an amount under an insurance policy in respect of any loss, damage or liability which is the basis of such Relevant Claim or Indemnity Claim.

11.2 If the Purchasers or any member of the Purchasers' Group is insured against any loss, damage or liability under the terms of any insurance policy which loss, damage or liability is the basis of a Relevant Claim or an Indemnity Claim, then the insured company shall make a claim in respect of such loss, damage or liability against the insurers under such policy and pursue such claim with all reasonable commercial diligence. If, after a Seller has made any payment in respect of a Relevant Claim or an Indemnity Claim, the Purchasers or any member of the Purchasers' Group subsequently recovers or obtains payment in respect of the Relevant Claim under such policy, the Purchasers shall pay the Sellers an amount equal to the lesser of any amount paid by the Sellers to the Purchasers in respect of the Relevant Claim or an Indemnity Claim and the Sellers' percentage of claim of the sum so recovered under the insurance policy (less any reasonable out-of-pocket costs incurred in recovering such amount and any taxes attributable in respect of such amount).

12. Priority of Claims

The Sellers shall not be liable for any Relevant Claim unless the Purchasers procure that the Purchasers' Group has first used all reasonable endeavours to exercise any right of recovery available to any member of the Purchasers' Group pursuant to any share purchase agreement, business purchase agreement, asset acquisition agreement, assignment of intellectual property or any similar agreement entered into by any member of the Target Group prior to Completion (each a "Previous Transaction Claim") to the extent that a Previous Transaction Claim exists or may exist in relation to the fact, matter or circumstance giving rise to a claim. The Purchasers shall:

- (a) as soon as reasonably practicable give written notice and reasonable details of any Previous Transaction Claim to the Sellers following it becoming aware of such a claim;

- (b) procure that the relevant member of the Target Group takes reasonable steps to maximise the amount recovered in respect of a Previous Transaction Claim;
- (c) consult with the Sellers in good faith in relation to any Previous Transaction Claim as to ways in which the amount recovered can be maximised; and
- (d) not withdraw, settle or compromise any Previous Transaction Claim without the prior written consent of the Sellers, such consent not to be unreasonably withheld.

13. Mitigation

The Purchasers shall (and shall procure that any relevant member of the Purchasers' Group shall) take all reasonable action to mitigate any loss suffered by it or the relevant member of the Purchasers' Group which would, could or might result in a claim against the Sellers (other than in respect of a Tax Claim).

14. Purchasers' Knowledge

Neither Seller shall be liable in respect of any Relevant Claim (other than a Tax Claim under the Tax Schedule) if and to the extent that any member of the Purchasers' Group has knowledge of the fact, matter or circumstance which is the subject of such Relevant Claim.

15. Consequential Loss

The Sellers shall not be liable for any claim for Consequential Loss.

16. Reduction in Consideration

Any amount paid by the Sellers in respect of any Relevant Claim or Indemnity Claim shall be treated as a reduction in the Consideration.

17. W&I Policy

The provisions of this Schedule 5 are subject to the provision of clause 10.1.

18. Relevance of Limitations in Circumstances of Fraud, etc.

Nothing in this Schedule 5 shall have the effect of limiting or restricting any liability of the Sellers in respect of a Relevant Claim or an Indemnity Claim arising as a result of any fraud by the Sellers.

19. Future Legislation

No liability shall arise under this Agreement in respect of any matter, act, omission or circumstance (or combination thereof), including the aggravation of a matter or circumstances and any losses arising therefrom, to the extent that the same would not have occurred but for:

- (a) the passing of, or any change in, any law, rule, regulation or administrative practice of any governmental agency after the date of this Agreement; and
- (b) any change after the date of this Agreement of any generally accepted interpretation or application of any legislation.

SCHEDULE 6
CONDUCT OF BUSINESS BEFORE COMPLETION

1. Sellers' Obligations

Subject to paragraph 2 below and to the extent lawful and consistent with the terms of the relevant contracts, the Sellers shall from the date of this Agreement until Completion procure:

- 1.1 that each Target Group Company carries on its business in the ordinary and usual course;
- 1.2 that there is no declaration or payment of a dividend or other distribution (whether in cash, stock or in kind) made or paid on any of its issued share capital nor any purchase or reduction of its paid-up share capital by any Target Group Company other than to another Target Group Company;
- 1.3 that no share, loan capital or other security is created, allotted or issued or agreed to be created, allotted or issued by any Target Group Company other than to another Target Group Company;
- 1.4 that no Target Group Company:
 - (a) creates, amends or agrees to create or amend any Encumbrance over the Shares or over the shares of any Target Group Company;
 - (b) makes any alteration to its articles of association or any other document or agreement establishing, evidencing or relating to its constitution;
 - (c) enters into any joint venture, partnership or agreement for the sharing of profits or assets;
 - (d) acquires (whether by one transaction or by a series of transactions) the whole, or substantially the whole of the business, undertaking or assets of any other person;
 - (e) disposes of (whether by one transaction or by a series of transactions) the whole or any substantial or material part of its business, undertaking or any other of its assets valued at GBP 50,000 or more;
 - (f) obtains or agrees to obtain any third party debt finance, grants any loans or other financial facilities or assistance to, or enters into any guarantees or indemnities or provides other security for the benefit of, any person in each case, other than in the ordinary course of business;
 - (g) enters into any new employment contracts with senior executives or engages any new employee, contractor or consultant with a total annual remuneration in excess of GBP 75,000 per annum;
 - (h) terminates the employment or engagement of or encourages the resignation of any employee, contractor or consultant earning over GBP 75,000 per annum (except for cause);

- (i) amends any contract with the Key Employees or materially changes the role, responsibilities, remuneration, benefits or other terms of employment of any employee, contractor or consultant (other than ordinary course increases in such benefits, salaries, and bonuses);
 - (j) incurs any material expense which is of an abnormal, extraordinary, exceptional or non-recurring nature or amount;
 - (k) amends or cancels any existing insurance policy in the name of or for the benefit of a Target Group Company unless a replacement policy (on reasonable market terms or terms no less favourable to the Target Group Company) has been put in place;
 - (l) enters into or varies any contract or commitment with the Seller or any member of the Retained Group;
 - (m) incorporates any new subsidiary (or subsidiary undertaking), registers any new partnership interest, acquires any share capital, partnership interest or other securities or interest in any person other than a member of the Target Group;
 - (n) disposes of any member of the Target Group;
 - (o) other than in the ordinary course of business or consistent with past practice, makes or changes any Tax election, changes an annual accounting period, adopts or changes any accounting method, or files an amended Tax Return, carryback claim or other adjustment with respect to any Tax period ending on or before the Completion Date (except to the extent consistent with the basis on which the Locked Box Accounts have been prepared);
 - (p) enters into (or makes a bid, tender, proposal or offer likely to lead to) any new individual contract or commitment, or varies or amends or terminates any existing contract or commitment, involving expenditure or obligations in excess of GBP 100,000, or enter into any new individual contract or commitment which when taken together with any other such proposed (or proposed amended or terminated) contract or commitment would involve or likely to involve expenditure or obligations in excess of GBP 1,000,000 per annum; and
 - (q) institutes or settles or abandons, or agrees to settle, any litigation where the institution or settlement is likely to result in a payment to or by a Target Group Company of GBP 200,000 or more (except for collection in the ordinary course of business, consistent with past practice, of trade debts); and
 - (r) agree to do any of the matters listed in paragraphs (a) to (q) (inclusive).
- 1.5 that the relevant Target Group Company uses its reasonable endeavours to obtain the change of control consent from the counterparties to the following contracts:

- (a) RRP Agreements;
- (b) NCS Agreements; and
- (c) NDPP Agreements.

2. Exclusions

2.1 The Seller's obligations set out in paragraphs 1.1 to 1.5 above shall not apply to:

- (a) any and all matters contemplated by the Transaction Documents (including the Saudi SPA) and/or in connection with the Pre-Completion Reorganisation;
- (b) any and all matters in accordance with agreements entered into by a Target Group Company in the ordinary course of business or prior to the date of this Agreement;
- (c) any Permitted Leakage;
- (d) any ongoing bid, tender, proposal or offer process (including any related guarantee) in progress or contemplated at the date of this Agreement;
- (e) any and all matters relating to the repayment, forgiveness, capitalisation, distribution or transfer of intercompany loans between the Target Group Companies;
- (f) any matter reasonably undertaken in an emergency or disaster situation with the intention of and only to the extent of those matters required with a view to minimising any adverse effect of such situation;
- (g) providing information to any government authority or Tax Authority in the ordinary and usual course of business;
- (h) any matter to the extent required by applicable law or regulation;
- (i) any and all matters relating to the Sellers' discussions with the Ministry of Justice in connection with the RRP Agreements; or
- (j) any and all matters for which the Purchasers or a member of the Purchasers' Group provides consent (such consent not to be unreasonably withheld or delayed).

3. Joint Obligations

Notwithstanding any other provision of this Schedule 6, prior to Completion the Sellers and the Purchasers shall, and will procure that their respective affiliates shall, not share any information or communicate in any manner whatsoever amongst such parties in respect of, or in connection with, the National Citizens Service tender(s).

4. Access to Business and records

On and from the date of this Agreement to the extent lawful and reasonable and consistent with confidentiality and contractual obligations, the Sellers shall provide the Purchasers reasonable access to the Properties, the statutory books and records and senior management of the Target Group at reasonable times before Completion to enable the Purchasers to prepare, to the extent reasonably necessary, for the operation of the Business after Completion.

SCHEDULE 7
SCHEDULE OF PERMITTED LEAKAGE

1. Permitted Leakage
- 1.1 Permitted Leakage means:
 - (a) Any payments undertaken at the written request, or with the written consent, of the Purchasers.
 - (b) Any payments, steps or actions that are expressly permitted, required under, set out in, or in accordance with the Transaction Documents, (including the Saudi SPA) or the Pre-Completion Reorganisation.
 - (c) Any direct or indirect payments from Ingeus LLC to the Retained Group.
 - (d) Any liabilities, payments, expenses and/or accruals specifically provided for or referred to or noted in the Locked Box Accounts.
 - (e) Any payments of salary, consultants fees, fees for services, group charges, directors' fees and expenses (including, where applicable all associated PAYE, income tax and national insurance contributions, or equivalent in any jurisdiction outside the United Kingdom,) to or for the benefit of any Target Group Company's employees or directors, provided such payments are in the ordinary course of business or trading.
 - (f) Any Plan Payments (including, where applicable, all associated PAYE, income tax and national insurance contributions or equivalent in any jurisdiction, including the United Kingdom) and any other payments under the Ingeus Transaction Bonus Plan, which is not expected to exceed US\$3,000,000.
 - (g) Any loan repayments (including interest) paid or payable to any member of the Retained Group (or forgiveness, capitalisation, distribution or transfer) deriving from loans made by or between any member of the Retained Group and a Target Group Company.
 - (h) Any payment by Ross on account of any liability for U.S. federal, state or local consolidated, combined or unitary taxes to any member of the Retained Group in respect of earnings of Ross after the Locked Box Date.
 - (i) Any Taxation arising as a result of, or in connection with, any of the matters in paragraphs (a) – (h) (inclusive) above.

SCHEDULE 8
TAX SCHEDULE

1. Interpretation

1.1 In this Tax Schedule, the following words and expressions shall, unless the context requires otherwise, have the following meanings:

- “Accounts Relief” means: any Relief (including a right to a repayment of Tax) that has been shown as an asset in the Locked Box Accounts;
- “Demand” means any notice, demand, assessment, letter (including letters relating to tax audits or reviews), return, amended return, computation, claim or other document issued, or action taken, by or on behalf of a Tax Authority (including the imposition of any withholding) from which it appears that a Tax Liability is to be or may be imposed which may give rise to a Tax Claim;
- “Event” includes (without limitation), the expiry of a period of time, any of the Target Group Companies becoming or ceasing to be associated with any other person for any Tax purpose or ceasing to be, or becoming, resident in any country for any Tax purpose, the death, winding up or dissolution of any person, the earning, receipt or accrual for any Tax purpose of any Income, Profit or Gains, the incurring of any loss or expenditure, and any transaction (including the execution and completion of this Agreement), event, act or omission whatsoever;
- “Income, Profits or Gains” means realised or unrealised income, profits, gains and any other consideration, value, receipt or measure by reference to which Tax is chargeable or assessed;
- “Overprovision” has the meaning given in paragraph 6.2(c);
- “Preparing Party” has the meaning given in paragraph 5.3;
- “Purchasers’ Relief” means:
- (a) any Accounts Relief;
 - (b) any Relief of a Target Group Company arising in connection with any Event occurring after the Locked Box Date (other than a Relief arising outside the ordinary

	course of business of a Target Group Company); and
	(c) any Relief, whenever arising, of the Purchasers or any member of the Purchasers' Group, other than a Target Group Company;
" <u>Relevant Amount</u> "	has the meaning given in paragraph 6.3;
" <u>Relevant Person</u> "	means any of the Sellers and any company or companies (other than a Target Group Company) which are, or have been on or before Completion treated as, members of the same group as, or otherwise connected or associated in any way with, any of the Sellers or Target Group Company for any Tax purpose or which at any time after Completion is treated as a member of the same group as, or otherwise connected or associated in any way with, any of the Sellers for any Tax purpose;
" <u>Relevant Target Group Company</u> "	has the meaning given in paragraph 9.1;
" <u>Relief</u> "	means any loss, relief, allowance, exemption, set off, deduction or credit in respect of any Tax or relevant to the computation of any Income, Profits or Gains or Tax, or any right to or actual repayment of or saving of Tax (including any repayment supplement, fee or interest in respect of Tax);
" <u>Repayment Amount</u> "	has the meaning given in paragraph 7.2;
" <u>Reviewing Party</u> "	has the meaning given in paragraph 5.3;
" <u>Saving</u> "	has the meaning given in paragraph 6.2(a);
" <u>Straddle Document</u> "	has the meaning given in paragraph 5.3;
" <u>Straddle Period</u> "	has the meaning given in paragraph 5.3;
" <u>Tax Authority</u> "	means any Tax authority or other authority competent to impose, assess or enforce any liability to Tax;
" <u>Tax Document</u> "	has the meaning given in paragraph 5.1; and
" <u>Tax Liability</u> "	has the meaning given in paragraph 1.3.

- 1.2 Save where specifically required or indicated otherwise:
- (a) references to "Income, Profits or Gains" shall include any income, profits or gains which are deemed to be earned, accrued or received for the purposes of any Tax;
 - (b) references to Income, Profits or Gains as being earned, accrued or received on or before a particular date or in respect of a particular period shall mean Income, Profit or Gains which are regarded as having been, or are deemed to have been, earned, accrued or received on or before that date or in respect of that period for the purposes of any Tax; and
 - (c) any reference to the occurrence of an Event on or before a particular date (including, without limitation, Completion) shall include Events which are for the purposes of any Tax deemed to have been or treated or regarded as having occurred or existed at or before that date.
- 1.3 In this Tax Schedule, references to a "Tax Liability" shall mean:
- (a) any liability or increased liability to make an actual payment of or in respect of or on account of Tax;
 - (b) any loss, disallowance, clawback or reduction in the amount of any Accounts Relief; and
 - (c) the use or set off against Income, Profits or Gains which were earned, accrued or received on or before Completion or in respect of a period ended on or before Completion or against any Tax otherwise chargeable in respect of an Event occurring on or before Completion of all or any part of any Purchasers' Relief where the use or set off of that Purchasers' Relief or any part of that Purchasers' Relief has the effect of reducing or eliminating any liability to make an actual payment of Tax of a Target Group Company, which would, but for such use or set off, have given rise to a claim by the Purchasers against the Sellers under this Tax Schedule.
- 1.4 The Tax Liability referred to in paragraphs 1.3(a) to 1.3(c) above shall be treated as being equal to:
- (a) in any case falling within paragraph 1.3(a), the amount of the liability or increased liability;
 - (b) in any case falling within paragraph 1.3(b), an amount equal to the value placed in the Locked Box Accounts of the Accounts Relief which is lost, disallowed, clawed back or reduced; and
 - (c) in any case falling within paragraph 1.3(c), the amount of actual Tax that has been saved in consequence of such use or setting off.
- 1.5 For the purposes of determining whether a Tax Liability or Relief is (i) in respect of or arising from an Event occurring before, on or after Completion; or (ii) referable to Income, Profits or Gains earned, accrued or received before, on or

after Completion, the parties agree that an accounting period of the relevant Target Group Company shall be deemed to have ended on the Completion Date.

2. Covenant to pay
- 2.1 Subject to the provisions of this Tax Schedule, the Sellers jointly and severally covenant to pay to the Purchasers an amount equal to:
 - (a) any Tax Liability of a Target Group Company which arises as a consequence of or by reference to any Event which occurred on or before Completion;
 - (b) any Tax Liability of a Target Group Company which arises in respect of or by reference to any Income, Profits or Gains which were earned, accrued or received on or before Completion or in respect of a period ending on or before Completion;
 - (c) any Tax Liability of Ross under section 1.1502-6 of the Treasury Regulations for the Taxes of another person arising as a result of Ross's affiliation prior to the Completion with any member of the Retained Group; and
 - (d) all reasonable costs and expenses properly incurred and payable by the Purchasers' Group or a Target Group Company in connection with any Tax Liability mentioned in this paragraph 2.1 or with any Demand therefor; provided that the Purchasers shall not be entitled to recover an amount from the Sellers under this Tax Schedule more than once in respect of the same Tax Liability.
- 2.2 Any amount paid to the Purchasers under this Tax Schedule shall, to the extent possible, be treated as a reduction to the Consideration.
3. Limitations and exclusions
- 3.1 The covenants contained in paragraph 2 shall not apply and the Purchasers shall not be entitled to bring a claim under them or with respect to any Tax Warranty Claim (treating the circumstances giving rise to such claim as if, for the purposes of this paragraph 3.1 they gave rise to a Tax Liability) to the extent that:
 - (a) provision or reserve in respect of that Tax Liability has been made in the Locked Box Accounts including any valuation in respect of deferred tax;
 - (b) the Tax Liability was paid or discharged on or before Completion and is provided for in the Locked Box Accounts;
 - (c) the Tax Liability arises as a result of transactions in the ordinary course of business of the relevant Target Group Company since the Locked Box Date;
 - (d) the Tax Liability arises as a result of or by reference to the Pre-Completion Reorganisation;

- (e) the Tax Liability in question arises in respect of any Event occurring, or any actual (and not deemed) Income, Profits or Gains earned, accrued or received, in each case, after Completion, provided that this paragraph 3.1(e) shall not apply to any Tax Liability that arises in respect of a transaction described in paragraph 18.9(b) of Schedule 3;
- (f) the Income, Profits or Gains in respect of which that Tax Liability arises were actually earned, accrued or received by any of the Target Group Companies on or before the Locked Box Date but were not reflected in the Locked Box Accounts;
- (g) any Relief other than a Purchasers' Relief is available, or would be so available but for any action taken by a Purchaser or a Target Group Company after Completion unless such action is required to be taken by a Purchaser or a Target Group Company by law, or is made available by the Sellers or a member of the Retained Group without payment in respect thereof, to the relevant Target Group Company to reduce, set off or eliminate the Tax Liability;
- (h) the Tax Liability would not have occurred but for:
 - (i) the passing of, or any change in, any law, rule, regulation, published practice, concession or administrative practice of any Tax Authority after Completion, including (without prejudice to the generality of the foregoing) any increase in the rate of Tax or any imposition of Tax or any withdrawal of relief from Tax, that are not actually (or prospectively) in effect at Completion;
 - (ii) any change after Completion of any generally accepted interpretation or application of any legislation; or
 - (iii) any change in accounting or Tax policy, bases or practice of a Purchaser or a Target Group Company introduced or having effect after Completion;
- (i) the Tax Liability would not have arisen or would have been reduced or eliminated but for any of the Target Group Companies ceasing to carry on any trade or business after Completion or effecting a major change in the nature or conduct of any trade or business carried on by it or any increase in its capital;
- (j) to the extent that the Tax Liability would not have arisen or would have been reduced or eliminated but for any change of the date to which a Target Group Company makes up its accounts or any change to any of its accounting or Tax policies, methods, bases or practices (including the treatment of timing differences and the basis on which a Target Group Company values its assets) in either case after Completion;
- (k) it would not have arisen but for a voluntary act, transaction or omission of a Target Group Company after Completion, the Purchasers or any member of the Purchasers' Group and which the Purchasers were aware, or ought

reasonably to have been aware, would give rise to the Tax Liability or other liability in question;

- (l) the Tax Liability would not have arisen or would have been reduced or eliminated but for the failure or omission on the part of a Target Group Company to make any valid claim, election, surrender or disclaimer, to give any valid notice or consent or to do any other thing under the provisions of any enactment or regulation relating to Tax after Completion, to the extent the Purchasers were given sufficient information to determine that the making, giving or doing of which was taken into account in the Locked Box Accounts;
 - (m) the Tax Liability would not have arisen or would have been reduced or eliminated but for any claim, election, surrender or disclaimer made or notice or consent given after Completion by a Purchaser, a Target Group Company or any other member of the Purchasers' Group under the provisions of any enactment or regulation relating to Tax, other than any claim, election, surrender, disclaimer, notice or consent assumed to have been made, given or done in the Locked Box Accounts;
 - (n) the Purchasers have already made recovery in respect of such Tax Liability by way of insurance;
 - (o) the Purchasers have already made recovery in respect of such Tax Liability under this Tax Schedule, or any other provision of the Agreement or otherwise without cost to the Purchasers;
 - (p) such Tax Liability has been made good without cost to a Target Group Company or to any other member of the Purchasers' Group;
 - (q) the Tax Liability would not have arisen but for the failure of the Purchasers to comply with its obligations contained in paragraphs 4 or 5;
 - (r) the Tax Liability is a liability to Tax comprising interest, penalties, charges or costs in so far as is attributable to the unreasonable delay or default of the Purchasers or a Target Group Company after Completion;
 - (s) the Tax Liability constitutes Permitted Leakage; and
 - (t) the Tax Liability arises in any Target Group Company in connection with Completion pursuant to the application of Division 711 or section 104-520 of the 1997 Australian Tax Act.
- 3.2 Certain provisions of Schedule 5 of the Agreement contain additional limitations to liability, which apply to this Tax Schedule (including but not limited to certain financial limits and time limits and which shall apply, for the avoidance of doubt, in addition to any limitations in this Tax Schedule).

4. Contesting a Demand
- 4.1 Upon any of the Purchasers or a Target Group Company becoming aware of a Demand, the Purchasers shall as soon as reasonably practicable give written notice of that Demand to the Sellers. The Purchasers shall procure that the relevant Target Group Company shall take such action and give such information and assistance in connection with the affairs of the relevant Target Group Company as the Sellers may reasonably and promptly request, by written notice, to avoid, resist, dispute, appeal or compromise any Demand.
- 4.2 The actions which the Sellers may reasonably request under paragraph 4.1 shall include (without limitation) the relevant Target Group Company applying to postpone (so far as legally possible) the payment of any Tax and/or allowing the Sellers to take on or take over at its own expense the conduct of all or any part of the proceedings to the extent arising in connection with the Demand in question, and, if the Sellers take on or take over the conduct of proceedings:
- (a) the Purchasers shall (without unreasonable delay) procure that the relevant Target Group Company provides such information and assistance as the Sellers may reasonably require in connection with the preparation for and conduct of those proceedings; and
 - (b) the Sellers shall (without unreasonable delay) exercise diligently and in good faith their rights under this paragraph 4 and shall keep the Purchasers fully informed of the progress of the proceedings and provide the Purchasers with copies of all correspondence or other written records pertaining to the portion of proceedings relevant to the Target Group Company.
- 4.3 The Sellers shall indemnify the Purchasers, each Target Group Company and any other member of the Purchasers' Group against all costs reasonably and properly incurred in connection with any action referred to in paragraph 4.2.
- 4.4 The Purchasers will procure that no matter relating to any Demand referred to in paragraph 4.1 is settled or otherwise compromised without the Sellers' prior written consent (not to be unreasonably withheld or delayed).
5. Tax returns
- 5.1 The Sellers or their duly authorised agents will be responsible for, and have the conduct of preparing, submitting to and agreeing with the relevant Tax Authorities all Tax returns and computations of each Target Group Company, including claims, elections, surrenders, notices, consents, settlements or adjustments and substantive correspondence relating to each of the foregoing (each a "Tax Document"), for all Tax accounting periods of the Target Group Company ending on or before the Completion Date and all subsequent matters relating to any of the aforementioned, provided that the Sellers shall prepare such Tax Documents in a manner consistent with past practice and in accordance with all applicable Tax Laws.

- 5.2 Except with respect to any Tax Document relating to any affiliated, consolidated, combined or unitary group of which Ross is a member:
- (a) the Purchasers and the Sellers must as soon as practicable deliver to each other copies of all correspondence sent to or received from the Tax Authority to the extent related to any Target Group Company;
 - (b) the Purchasers must afford (or procure the affordance) to the Sellers or their duly authorised agents, at the Sellers' cost, all information and assistance which may reasonably be required to prepare, sign, submit and agree all matters arising under this paragraph 5;
 - (c) the Sellers must afford the Purchasers at least 15 (fifteen) Business Days to review any draft Tax Documents before lodgement, but if the Sellers have not received any comments within 15 (fifteen) Business Days, the Purchasers shall be deemed to have approved such draft documents;
 - (d) the Sellers shall take into account and reflect all reasonable comments and suggestions made by the Purchasers or its duly authorised representatives; and
 - (e) the Purchasers undertake to procure that the Target Group Companies shall at the request of the Sellers sign and submit to the relevant Tax Authority all such notices of claim, surrender or consent to surrender (including provisional or protective notices of claim, surrender or consent to surrender in cases where any relevant Tax computations have not yet been agreed) and all the other documents and returns that the Sellers may request to give effect to the foregoing provisions provided that the Purchasers shall not be obliged to procure that the Target Group Companies sign and submit a document which contains a manifest error or is not supported by applicable Tax Law.
- 5.3 Unless a Seller otherwise elects by notice in writing to the Purchasers in relation to any Tax Documents relating to any Tax item or series of Tax items, the Purchasers or its duly authorised agents shall be responsible for, and have the conduct of preparing, submitting to and agreeing with the relevant Tax Authorities (to the extent not already done at Completion) all Tax Documents of each Target Group Company, in respect of each Tax accounting period in which Completion falls other than a Tax accounting period that ends on the Completion Date (the "Straddle Period" and each such Tax Document a "Straddle Document"). The Party with, or which assumes, responsibility for preparing the Straddle Documents shall be the "Preparing Party" and the other Party, the "Reviewing Party". The Preparing Party shall prepare Straddle Documents in a manner consistent with past practice and in accordance with all applicable Tax Laws.
- 5.4 For the purposes of paragraph 5.3:
- (a) all Straddle Documents shall be submitted in draft form by the Preparing Party to the Reviewing Party or their duly authorised agents for comment;

- (b) the Reviewing Party or its duly authorised agents may comment within 15 (fifteen) Business Days of such submission but if the Preparing Party has not received any comments within 15 (fifteen) Business Days, the Reviewing Party and its duly authorised agents shall be deemed to have approved such draft documents;
 - (c) the Preparing Party shall take into account and reflect all reasonable comments and suggestions made by the Reviewing Party or its duly authorised agents (but, when the Reviewing Party is a Seller, only in relation to any matter that could give rise to a claim under paragraph 2.1 in this Tax Schedule or in which the Seller otherwise has a financial interest as a result of the provisions of this Agreement);
 - (d) the Sellers and the Purchasers shall each respectively afford (or procure the affordance) to the other or their duly authorised agents all information and assistance which may reasonably be required to prepare, sign, submit and agree all outstanding Tax returns and computations; and
 - (e) the Purchasers and the Sellers shall as soon as practicable deliver to each other copies of all correspondence sent to or received from any Tax Authority.
- 5.5 The Purchasers undertake to procure that each Target Group Company shall at the request of the Sellers sign and submit to the relevant Tax Authority all notices of claim, surrender or consent to surrender (including provisional or protective notices of claim, surrender or consent to surrender in cases where any relevant Tax computations have not yet been agreed) that the Sellers may request relating to the Straddle Period, provided that the Purchasers will not be obliged to procure that a Target Group Company sign and submit a document which contains a manifest error or is not supported by applicable Tax Law.
6. Corresponding benefits, Savings and Overprovisions
- 6.1 To the extent that any deduction or withholding in respect of which an additional amount has been paid under paragraph 11 of this Tax Schedule (Grossing up) results in the payee obtaining a Relief, the payee must pay to the payer, within 10 (ten) Business Days of the use or set off of the Relief, an amount equal to the lesser of the Tax saved as a result of such use or set off and the additional sum paid under paragraph 11 provided that the payee will not be obliged to pay to the payer an amount in excess of the amount which will leave it (after that payment) in the same after-Tax position as it would have been in had there been no payment under paragraph 11 in respect of which such deduction or withholding arose.
- 6.2 Save to the extent an amount is paid to the payer by the payee pursuant to paragraph 6.1 above, if the auditors for the time being of a Target Group Company (at the request and expense of the Sellers) have certified that:
- (a) a Tax Liability has resulted in a payment by the Sellers to the Purchasers under this Tax Schedule or under the Tax Warranties and such liability gives rise to a corresponding saving of Tax (the "Saving") for a Target

Group Company (which has not been taken into account in computing any liability of the Sellers under the Tax Warranties or this Tax Schedule); or

- (b) a Target Group Company has received or obtained a Relief (other than any Relief which is a repayment of Tax or a Purchasers' Relief) which has arisen:
 - (i) as a consequence of or by reference to any Event that occurred on or before Completion;
 - (ii) in respect of any Income, Profits or Gains which were earned, accrued or received on or before Completion or in respect of a period ending on or before Completion; or
 - (iii) as a result of any Tax Liability (or the circumstances giving rise to such Tax Liability) which has resulted in a payment having been made or becoming due from the Sellers pursuant to a Tax Claim; or
- (c) any provision for Tax in the Locked Box Accounts (excluding any provision in respect of deferred Tax) is an overprovision other than as a result of the utilisation of any Purchasers' Relief (the "Overprovision"),

then an amount equal to the amount by which the liability to Tax of the relevant Target Group Company (other than a liability which would have given rise to a claim under this Tax Schedule) is reduced as a result of the utilisation of the Saving or Relief or the amount of the Overprovisions shall be dealt with in accordance with paragraph 6.3.

6.3 Where pursuant to paragraph 6.2 any amount (the "Relevant Amount") is to be dealt with in accordance with this paragraph 6.3:

- (a) the Relevant Amount shall first be set off against any payment then due from the Sellers pursuant to a Tax Claim or otherwise under this Agreement;
- (b) to the extent that there is an excess, a refund shall be made to the Sellers of any previous payment or payments made by the Sellers pursuant to a Tax Claim or otherwise under this Agreement and not previously refunded under this paragraph 6.3, up to the amount of such excess (such refund to be made within 10 (ten) Business Days of the certification of the existence and amount of such Relevant Amount); and
- (c) to the extent that there remains any excess, such excess shall be carried forward and set against future payments due from the Sellers pursuant to a Tax Claim or otherwise under this Agreement.

6.4 If the auditors make an amendment to the earlier certificate and the amount of the Saving, Relief or Overprovision is revised, that revised amount shall be substituted for the previous amount and any adjusting payment required shall be made by the relevant party as soon as practicable to put the other party in the same

position it would have been in if the Relevant Amount had always been the revised amount and not the amount originally certified.

- 6.5 For the purposes of paragraph 6.2, no Saving or Relief shall be treated as having arisen until it has been realised by the relevant Target Group Company either by way of a repayment of or by a reduction in Tax which would otherwise have become due and payable.
7. Repayments
- 7.1 If, on or before the seventh anniversary of Completion, a Target Group Company has received or obtained a repayment of Tax (other than a Purchasers' Relief) in relation to Tax which has arisen:
- (a) as a consequence of or by reference to any Event which occurred wholly on or before the Locked Box Date;
 - (b) in respect of any Income, Profits or Gains which were wholly earned, accrued or received on or before the Locked Box Date or wholly in respect of a period ending on or before the Locked Box Date; or
 - (c) as a result of any Tax Liability which has resulted in a payment having been made or becoming due from the Sellers pursuant to a Tax Claim, then an amount equal to that repayment (less any reasonable fees, costs and expenses incurred by the Purchasers or the relevant Target Group Company in obtaining such repayment) shall be dealt with in accordance with paragraph 7.2.
- 7.2 Where pursuant to paragraph 7.1 any amount (the "Repayment Amount") is to be dealt with in accordance with this paragraph 7.2:
- (a) the Repayment Amount shall first be set off against any payment then due from the Sellers pursuant to a Tax Claim; and
 - (b) to the extent that there is an excess, a refund shall be made to the Sellers of any previous payment or payments made by the Sellers pursuant to a Tax Claim and not previously refunded under this paragraph 7.2, up to the amount of such excess (such refund to be made within 10 (ten) Business Days of the certification of the existence and amount of such Repayment Amount); and
 - (c) to the extent that there remains any excess, the Purchasers shall pay an amount equal to that excess to the Sellers by way of an adjustment to the Consideration.
8. Third Party Recovery
- 8.1 If the Sellers have paid an amount in respect of any Tax under paragraph 2 or in respect of any other circumstances giving rise to a Tax Claim and the relevant Target Group Company or the Purchasers are entitled to recover from some other person (including a Tax Authority) any sum in respect of the Tax that has resulted

in that payment by the Sellers (other than by the utilisation of the whole or any part of any Purchasers' Relief), the Purchasers shall, or shall procure that the relevant Target Group Company shall, notify the Sellers in writing as soon as reasonably practicable. The Purchasers shall take all reasonable steps as requested by the Seller (at the Seller's expense) to secure such recovery.

- 8.2 Following a notification under paragraph 8.1, if requested by the Sellers in writing and at the Sellers' sole expense, the Purchasers shall, or shall procure that the relevant Target Group Company shall, take all reasonable steps to enforce such recovery as the Sellers may reasonably require and shall keep the Sellers fully informed of any progress in relation to such recovery.
- 8.3 Following any recovery under paragraph 8.2, the Purchasers shall pay to the Sellers, within 10 (ten) Business Days of the recovery, whichever is the lesser of:
 - (a) the amount so recovered by the relevant Target Group Company or the Purchasers in respect of that Tax Liability less any Tax chargeable on the amount of such recovery and less any third-party costs and expenses reasonably and properly incurred and not previously recovered from the Sellers under paragraph 8.2 and less the amount of such recovery which has been taken into account in computing any liability in respect of a Tax Claim; and
 - (b) the amount paid by the Sellers under paragraph 2 in respect of the relevant Tax Claim.
- 8.4 If the provisions of paragraph 6 (Corresponding Benefits, Savings and Overprovisions) and this paragraph 8 (Third Party Recovery) would apply in respect of a Saving, Relief or Overprovision or the provisions of paragraph 7 (Repayments) and this paragraph 8 (Third Party Recovery) would apply in respect of a repayment of Tax, the provisions of paragraphs 6 and 7, and not the provisions of this paragraph 8, shall apply in relation to it.
9. Counter covenant
- 9.1 The Purchasers hereby covenant with the Sellers to pay to the Sellers in aggregate an amount equal to any liability or increased liability to Tax of any member of the Seller's Group that: (i) arises as a consequence of or by reference to a failure by a Relevant Target Group Company after the Completion Date to discharge a liability to Tax; (ii) relates to the Income, Profits or Gains of, or an Event involving, a Relevant Target Group Company; (iii) arises as a result of a breach of any Purchasers' covenant under this Agreement; or (iv) arises as a result of or by reference to the Pre-Completion Reorganisation. For the purposes of this paragraph 9.1, the term "Relevant Target Group Company" shall mean the Target Group Company and any other company which is, or has at any time been, treated for any Tax purposes as being:
 - (a) a member of the same group of companies as the Purchasers; or
 - (b) associated with the Purchasers.

- 9.2 The Purchasers covenant with the Sellers to pay to the Sellers an amount equal to any reasonable out-of-pocket, legal, accounting or other costs and expenses reasonably and properly incurred by the Sellers in connection with any such liability or increased liability to Tax (or demand therefor).
- 9.3 The covenants contained in paragraph 9.1 shall not apply to the extent that the Tax has been recovered under any relevant statutory provision (and the Sellers shall procure that no such recovery is sought to the extent that payment is made hereunder) or would give rise to a Tax Claim under Paragraph 2.
- 9.4 Paragraph 4 (Contesting a Demand) shall apply to the indemnity in paragraph 9.1 as if references to the Purchasers were replaced with references to the Sellers (and vice versa) where appropriate and making any other necessary modifications.
10. Payment of claims
- 10.1 Any amount that is required to be paid under this Tax Schedule shall be paid in cleared and immediately available funds on or before the later of five Business Days after the date on which demand is made for payment by or on behalf of the payee and the following dates:
- (a) in the case of a Tax Liability that involves a liability to make an actual payment or increased payment of Tax or amount in respect thereof:
 - (i) in the case of a Tax Liability in respect of which there is no provision for payment by instalments, the fifth Business Day prior to the day that is the latest date on which the Tax in question can be paid to a Tax Authority in order to avoid a liability to interest or penalties; and
 - (ii) in the case of a Tax Liability in respect of which there is provision for payment by instalments, the fifth Business Day prior to the day that is the date on which an instalment of such Tax becomes payable to a Tax Authority (so that on each such date an appropriate proportion of the amount claimed shall be paid), such proportion to be notified by the Purchasers to the Sellers at least ten Business Days prior to each such date;
 - (b) in the case of a Tax Liability which involves a liability of a Target Group Company to make a payment or increased payment of Tax which would have arisen but for being satisfied, avoided or reduced by the use of a Purchasers' Relief, the date or dates referred to in (i) or (ii) of paragraph 10.1(a) above that would have applied to the Tax satisfied, avoided or reduced by the Relief if that Tax had been payable;
 - (c) and, in any other case, five Business Days after the date on which demand is made for payment by or on behalf of the payee or, in cases where the claim is disputed, five Business Days after the claim has been finally agreed between the parties.

11. Grossing up
 - 11.1 All amounts due under this Tax Schedule from the Sellers to the Purchasers (or from the Purchasers to the Sellers shall be paid in full without any set-off (except to the extent provided in this Agreement), counterclaim, deduction or withholding (other than any deduction or withholding required by law). If any deductions or withholdings are required by law to be made from any of the sums payable under this Tax Schedule, the payer shall pay to the payee such sum as will, after the deduction or withholding has been made, leave the payee with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding. The Sellers or the Purchasers, as the case may be, shall furnish to the other such forms and certificates as it is legally able to furnish so as to reduce or eliminate any such deduction or withholding.
 - 11.2 If the Purchasers incur, or would have incurred but for the use of a Relief, a Tax liability which results from, or is calculated by reference to, any sum paid under this Tax Schedule, the amount payable will be increased to such sum as will ensure that, after payment of the Tax liability, the Purchasers are left with a net sum equal to the sum it would have received had no such Tax liability arisen.
12. Section 338 elections
 - 12.1 Upon the written request of a Seller furnished no later than 210 days after the Completion Date, the Purchaser shall make a timely and valid election under Section 338(g) of the Code for each Target Group Company in relation to which such request is made. The Purchaser and the Sellers shall cooperate with each other as reasonably requested in connection with the making of such elections. Prior to filing such elections, and in no event less than 30 days prior to the due date therefor, the Purchaser shall furnish the Sellers with draft election forms for the Sellers' approval. The Purchaser shall file such forms after obtaining the Sellers' approval (which the Sellers shall provide no later than five days prior to the due date for such forms) and shall furnish to the Sellers copies of the elections promptly after the Purchaser files them. The Purchaser shall not make or cause to be made any election under Section 338(g) of the Code with respect to any Target Group Company except with the written consent of the Sellers.
 - 12.2 Upon the written request of a Seller furnished no later than 210 days after the Completion Date, the Purchasers and Seller shall make or cause their subsidiaries to make a timely joint election under Section 338(h)(10) of the Code and any corresponding provisions of U.S., state or local law with respect to the sale under the Agreement of the shares of Ross (such elections, the "Section 338(h)(10) Elections"). The Sellers shall prepare and file all forms, schedules and other documents necessary to effect such Section 338(h)(10) Elections, and the Purchasers shall cooperate with the Seller in connection with such preparation and filing and shall execute or cause to be executed such forms, schedules and other documents as requested by the Seller. The Purchasers shall make no election under Section 338 of the Code in respect of Ross other than pursuant to this paragraph 12.2.

SCHEDULE 9

[Omitted]

SCHEDULE 10

[Omitted]

SCHEDULE 11
AUSTRALIAN EARN-OUT

1. Purchasers' obligations

To the extent lawful, the Purchasers shall from the date of Completion procure:

- (a) that Providence, at its own cost and expense, shall be provided with all information and access as Providence shall reasonably request in connection with the Australian Earn-out, upon reasonable notice and during normal business hours (following reasonable notice by the Sellers to the Purchasers), including to (i) the relevant books, records and accounts of each member of the Earn-Out Group and other relevant members of the Purchasers' Group, with the right to take copies, and (ii) the premises used by, and management of, each such member of the Earn-Out Group and the Purchasers' Group;
- (b) that no steps are taken, or actions omitted to be taken, and no dispositions are made that may be reasonably likely to require Buyer (as defined in the Australian Share Sale Agreement) or Providence to make a payment under or in connection with the Australian Earn-out, Schedule 13 of the Australian Share Sale Agreement, or paragraph 2 of this Schedule 11 below without the prior written consent of Providence (including amending the Australian Share Sale Agreement);
- (c) that each member of the Purchasers' Group and of the Earn-Out Group, at the Sellers' cost and expense, cooperates fully with and acts upon any reasonable request from Providence in connection with the Australian Earn-out and Schedule 13 of the Australian Share Sale Agreement including, if requested, disputing any amount as payment of Earn-Out Consideration (as defined in the Australian Share Sale Agreement);
- (d) if Providence so requests, that Providence shall have sole authority to avoid, dispute, compromise, or defend any claim made or reasonably in prospect in relation to the Australian Earn-out;
- (e) that Providence is kept informed of any material development or discussions relating to the Australian Earn-out and Schedule 13 of the Australian Share Sale Agreement, including copies of any draft and final Audited Accounts or Earn-Out Statements (both as defined in the Australian Share Sale Agreement);
- (f) that Buyer (as defined in the Australian Share Sale Agreement) complies with its obligations under the Australian Share Sale Agreement including in respect of Audited Accounts (as defined therein); and
- (g) that any amounts released from escrow and paid to Ingeus Australia Holdings Pty Limited pursuant to the escrow agreement dated 20 May 2014 and relating to certain specified matters in the Australian Share Purchase Agreement shall be paid in cash to Providence on behalf of

Holdings within five Business Days of receipt of any such amount released from escrow.

2. Providence Obligations

- (a) If the Purchasers have materially complied with its obligations under paragraph 1 above, then Providence shall pay, on behalf of the Buyer (as defined in the Australian Share Sale Agreement), the Australian Earn-out (if any) in accordance with the Australian Share Sale Agreement.

SCHEDULE 12

[Omitted]

SCHEDULE 13
W&I EXCLUDED CLAIMS

A W&I Excluded Claim shall be:

1. Any claim to be the extent marked as excluded (whether fully or partially) in "Appendix A Warranty Spreadsheet" of the W&I Policy; and
2. In respect of a claim against a Seller and up to the amount of the W&I Policy Retention Amount, to the extent and for the amount that the Purchasers would have been entitled to be indemnified by the W&I Insurer under the W&I Policy but for the W&I Retention Amount not being able to be recovered under the W&I Policy;

provided that:

- (a) No claim may be a W&I Excluded Claim in respect of (i) the Indemnity in clause 9.7(e); (ii) the Warranty at paragraph 19 of Schedule 3; or (iii) the Warranty at paragraph 4.2 of Schedule 3.
- (b) no claim may be a W&I Excluded Claim as a result of termination of the W&I Policy prior to the end of the Policy Period (as defined in the W&I Policy); and
- (c) the provisions of Schedule 5 shall apply to any W&I Excluded Claim.

**AMENDMENT TO
THE RETENTION LETTER**

August __, 2018

This Amendment (this "Amendment") amends the Letter Agreement (the "Retention Letter"), by and between The Providence Service Corporation, a Delaware corporation (the "Company"), and [•] (the "Participant") dated as of April __, 2018. Capitalized terms used and not defined herein shall have the meanings ascribed in such terms in the Retention Letter.

WHEREAS, as evidenced by the Retention Letter, the Company previously granted the Retention Bonus pursuant to The Providence Service Corporation Employee Retention Plan of the Company, effective as of April 9, 2018 (the "Plan"); and

WHEREAS, the Committee has determined to increase the Retention Bonus payable to the Participant in recognition of anticipated increased demands on the Participant, including in respect of certain transitional items and special projects through December 31, 2018.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Retention Bonus Increase. The amount of the Retention Bonus granted under the Participant's Retention Letter is hereby increased to \$[•] (i.e., from 100% of the Participant's base salary to [•]% of the Participant's base salary).

2. No Other Amendments or Supplements to the Agreement. On and after the date hereof, each reference in the Retention Letter to "this Retention Letter", "herein", "hereof", "hereunder" or words of similar import shall mean and be a reference to the Retention Letter as amended and supplemented hereby. Any reference in the Retention Letter to "the date hereof" or similar words of similar import shall continue to refer to April __, 2018, except as otherwise expressly provided herein, all other terms and conditions of the Retention Letter shall remain unchanged and continue in full force and effect.

3. Other Terms. The choice of law provisions of the Retention Letter shall apply *mutatis mutandis* to this Amendment, and to the Retention Letter as modified by this Amendment, taken together as a single agreement, reflecting the terms therein as modified hereby.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed on its behalf as of the day and year first above written.

THE PROVIDENCE SERVICE CORPORATION

By: _____

Name:

Title:

PARTICIPANT

_____ [•]

[Signature Page to Amendment to the Retention Letter]

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 8, 2018

/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 8, 2018

/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, 2018 (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 8, 2018

/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, 2018 (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 8, 2018

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

