

PROVIDENCE SERVICE CORP
Form DEF 14A
April 26, 2019
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

The Providence Service Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**1275 Peachtree Street, Sixth Floor
Atlanta, GA 30309**

April 26, 2019

Dear Stockholder:

We are pleased to invite you to attend the 2019 Annual Meeting of Stockholders (the “Annual Meeting”) of The Providence Service Corporation (the “Company”), which will be held on June 12, 2019, at 11:00 a.m. Eastern Time, at 1275 Peachtree Street, Sixth Floor, Atlanta, GA 30309.

At the Annual Meeting you will be asked to consider and vote on the proposals described in the accompanying notice of annual meeting and Proxy Statement, as well as such other business as may properly come before the meeting.

Your vote is important and we encourage you to vote promptly. For record holders, whether or not you are able to attend the Annual Meeting in person, please follow the instructions contained in the notice of annual meeting on how to vote via the Internet, by telephone, or request a paper proxy card to complete, sign and return by mail so that your shares may be voted. If your shares are held in the name of a broker, bank or other holder of record, follow the voting instructions you receive from the holder of record to vote your shares.

On behalf of the Board of Directors and management of the Company, I extend our appreciation for your continued support.

R. Carter Pate
Interim Chief Executive Officer

Table of Contents

	Page
VOTING PROCEDURES	1
VOTING SECURITIES OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	5
PROPOSAL 1 – ELECTION OF DIRECTORS	8
CORPORATE GOVERNANCE	13
EXECUTIVE COMPENSATION	25
2018 CEO PAY RATIO	48
PROPOSAL 2 – ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION	49
PROPOSAL 3 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	51
AUDIT COMMITTEE REPORT	52
INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS	53
STOCKHOLDER PROPOSALS FOR 2020 ANNUAL MEETING	54
OTHER MATTERS	54
ADDITIONAL INFORMATION	54
HOUSEHOLDING	54

**1275 Peachtree Street, Sixth Floor
Atlanta, GA 30309**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 12, 2019

TO OUR STOCKHOLDERS:

Notice is hereby given that the 2019 Annual Meeting of Stockholders (the “Annual Meeting”) of The Providence Service Corporation (the “Company”) will be held at 1275 Peachtree Street, Sixth Floor, Atlanta, GA 30309, at 11:00 a.m. Eastern Time on June 12, 2019. The Annual Meeting is being held for the following purposes:

- To elect two Class 1 directors, each to serve for a three-year term until the 2022 annual meeting of stockholders or until his successor has been duly elected and qualified, as more fully described in the accompanying Proxy Statement;
2. To hold a non-binding advisory vote to approve named executive officer compensation;
3. To ratify the appointment of KPMG LLP as the independent registered public accounting firm of the Company to serve for the 2019 fiscal year; and
4. To transact such other business as may properly come before the Annual Meeting or any of its adjournments, postponements or reschedulings.

Only stockholders of record of the Company’s common stock, par value \$0.001 per share, and Series A convertible preferred stock, par value \$0.001 per share, as shown by the transfer books of the Company, at the close of business on April 18, 2019, are entitled to notice of, and to vote at, the Annual Meeting or any adjournments, postponements or

reschedulings thereof.

All stockholders are cordially invited to attend the Annual Meeting in person. However, to ensure your representation at the Annual Meeting, you are urged to vote your shares in advance using one of the methods outlined in the accompanying Proxy Statement and proxy card.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on June 12, 2019. We have elected to provide access to our proxy materials over the Internet under the Securities and Exchange Commission's "notice and access" rules. Consequently, the majority of stockholders will not receive paper copies of our proxy materials. We will instead mail stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") with instructions for accessing proxy materials and voting via the Internet. The Notice will also provide information on how stockholders may obtain paper copies of our proxy materials if they so choose. **The Proxy Statement, form of proxy card and our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 are available free of charge at www.proxyvote.com.** The Notice or our proxy materials, as applicable, are first being mailed to stockholders on or about April 26, 2019.

By Order of the Board of Directors,

M. Chinta Gaston

April 26, 2019 **Senior Vice President, General Counsel &**

Atlanta, Georgia **Corporate Secretary**

IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING, PLEASE

VOTE YOUR SHARES USING ONE OF THE METHODS OUTLINED IN THE PROXY STATEMENT

AS PROMPTLY AS POSSIBLE. SEE "VOTING PROCEDURES" IN THE ACCOMPANYING PROXY

STATEMENT FOR FURTHER DETAILS. IF YOU DO ATTEND THE MEETING, YOU MAY, IF
YOU PREFER, REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON.

THE PROVIDENCE SERVICE CORPORATION

**1275 Peachtree Street, Sixth Floor
Atlanta, GA 30309**

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the “Board”) of The Providence Service Corporation, a Delaware corporation, for use at the 2019 Annual Meeting of Stockholders (the “Annual Meeting”) of the Company, to be held at 1275 Peachtree Street, Sixth Floor, Atlanta, GA 30309, at 11:00 a.m. Eastern Time on June 12, 2019, and at any adjournments, postponements or reschedulings of the meeting, for the purposes set forth herein and in the attached notice of the Annual Meeting. Accompanying this Proxy Statement is the Board’s Proxy for the Annual Meeting, which you may use to indicate your vote on the proposals described in this Proxy Statement.

As is the practice of many other companies, the Company provides proxy materials by a “notice and access” process through the Internet. Those stockholders who wish to receive paper proxy materials may request them. This Proxy Statement and accompanying proxy will be mailed to Company stockholders who request paper proxy materials on or about April 26, 2019.

Only stockholders of record, as shown on the transfer books of the Company, at the close of business on April 18, 2019 (the “Record Date”) will be entitled to notice of, and to vote at, the Annual Meeting or any adjournments, postponements or reschedulings thereof. On the Record Date, there were 12,894,725 shares of the Company’s common stock, par value \$0.001 per share (“Common Stock”), outstanding and 801,606 shares of the Company’s Series A convertible preferred stock, par value \$0.001 per share (“Preferred Stock”), outstanding, which, on an as-converted basis, represented 2,010,045 shares of Common Stock. The Common Stock and Preferred Stock are the only outstanding classes of capital stock of the Company with voting rights, and the Common Stock and the Preferred Stock vote together as a single class. Each share of Common Stock is entitled to one vote, and each share of Preferred Stock is entitled to that number of votes equal to the whole number of shares of Common Stock into which such holder’s aggregate number of shares of Preferred Stock are convertible as of the close of business on the Record Date. As of the Record Date, each share of outstanding Preferred Stock was convertible into approximately 2.51 shares of Common Stock.

Sending in a signed proxy will not affect a stockholder’s right to attend the Annual Meeting and vote in person since the proxy is revocable. All proxies which are properly completed, signed and returned to the Company prior to the Annual Meeting or voted by Internet or telephone, and which have not been revoked, will, unless otherwise directed

by the stockholder, and other than with respect to broker non-votes, as discussed below, be voted in accordance with the recommendations of the Board set forth in this Proxy Statement. A stockholder may revoke his or her proxy at any time before it is voted by following the instructions under “Voting Procedures—Changing or Revoking Your Vote.”

The principal executive offices of the Company are located at 1275 Peachtree Street, Sixth Floor, Atlanta, GA 30309 and the telephone number of the Company is (404) 888-5800. References to the “Company,” “Providence,” “we,” “us” or “our” and similar terms mean The Providence Service Corporation and, except as otherwise specified herein, its subsidiaries. When such terms are used in reference to the Common Stock or Preferred Stock, they refer specifically to The Providence Service Corporation.

VOTING PROCEDURES

The presence, in person or represented by proxy, of the holders of a majority of the outstanding shares of Common Stock and Preferred Stock (on an as-converted basis) entitled to vote at the Annual Meeting will constitute a quorum for the transaction of business at the Annual Meeting. Withheld votes, abstentions and broker non-votes (that is when a nominee holding shares of Common Stock or Preferred Stock cannot vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received voting instructions from the beneficial owner) will be included in the number of shares present at the Annual Meeting for the purpose of determining the presence of a quorum.

A holder of Common Stock is entitled to cast one vote for each share of Common Stock held of record on the Record Date on all matters to be considered at the Annual Meeting. A holder of Preferred Stock is entitled to that number of votes equal to the whole number of shares of Common Stock into which such holder's aggregate number of shares of Preferred Stock are convertible as of the close of business on the Record Date. As of the Record Date, each share of outstanding Preferred Stock was convertible into approximately 2.51 shares of Common Stock.

If you hold your shares in "street name" (that is, your shares are held in an account at and registered in the name of a brokerage firm, bank, broker-dealer or similar organization), your broker may vote your shares under certain limited circumstances if you do not provide voting instructions before the Annual Meeting, in accordance with the NASDAQ rules that govern the banks and brokers. These circumstances include voting your shares on "routine matters," such as the ratification of the appointment of our independent registered public accountants described in this proxy statement. With respect to this proposal, therefore, if you do not vote your shares, your bank or broker may vote your shares on your behalf or leave your shares unvoted. The election of directors and the non-binding advisory vote approving executive compensation are not considered routine matters under NASDAQ rules relating to voting by banks and brokers. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a "broker non-vote." Accordingly, it is particularly important that beneficial owners instruct their brokers how they wish to vote their shares.

Approval of Proposal 1 requires a majority of the votes cast for each director nominee. Abstentions and broker non-votes are not considered votes cast with respect to the election of directors and thus will have no effect on the election of directors. In accordance with the Company's amended and restated bylaws, cumulative voting is not permitted for the election of directors.

Approval of Proposal 2 requires the affirmative vote of the majority of shares present in person or represented by proxy and entitled to vote at the Annual Meeting. Abstentions are considered present and entitled to vote on Proposal 2 and will have the same legal effect as votes against such proposal. Broker non-votes are not entitled to vote on Proposal 2 and will not count as votes against such proposal at the Annual Meeting.

Approval of Proposal 3 requires the affirmative vote of the majority of shares present in person or represented by proxy and entitled to vote at the Annual Meeting. Abstentions are considered present and entitled to vote on Proposal 3 and will have the same legal effect as votes against such proposal. There will be no broker non-votes associated with this proposal, as the ratification of our independent registered public accounting firm is a routine matter. As a result, if your shares are held in "street name" and you do not give your bank or broker instructions on how to vote, your shares will be voted by the broker in its discretion.

Notice and Access. The Company uses the Internet as the primary means of furnishing proxy materials to stockholders. Stockholders will receive a Notice of Internet Availability of Proxy Materials (the "Notice") with

instructions for accessing the proxy materials and voting via the Internet. The Notice will also provide information on how stockholders may obtain paper copies of our proxy materials.

The Company's proxy materials are also available at www.proxyvote.com.

Stockholder of Record. If you are the stockholder of record with respect to your shares (that is, your shares are registered directly in your name with the Company's transfer agent, Computershare Trust Company, N.A.), you may vote using the following methods:

- **In Person.** You may vote in person at the Annual Meeting by requesting a ballot from a Company representative when you arrive.
- **Internet.** You may vote by Internet at www.proxyvote.com. You will be prompted to enter your Control Numbers which are located on the Notice and then follow the instructions on the Notice to vote.
- **Telephone.** You may vote by telephone at (800) 690-6903. You will be prompted to enter your Control Numbers which are located on the Notice and then follow the instructions on the Notice to vote.
- **Mail.** If you requested printed copies of the proxy materials by mail, you may vote by proxy by filling out the voting instruction form included with your proxy materials and returning it in the envelope provided.

The deadline for registered stockholders to vote by Internet, telephone or mail is 11:59 p.m. Eastern Time on June 11, 2019.

Beneficial Owner of Shares Held in Street Name. If you are the beneficial owner of shares held in street name (that is, your shares are held in an account at and registered in the name of a brokerage firm, bank, broker-dealer or similar organization), you may vote using the following methods:

- **In Person.** You must obtain a "legal proxy" from the organization that holds your shares. A legal proxy is a written document that authorizes you to vote your shares held in street name at the Annual Meeting. Please contact the organization that holds your shares for instructions regarding obtaining a legal proxy.

You must bring a copy of the legal proxy to the Annual Meeting and ask for a ballot from a Company representative when you arrive. In order for your vote to be counted, you must hand both the copy of the legal proxy and your completed ballot to a Company representative to be provided to the inspector of election.

- **Internet and Telephone.** Please check your proxy card or contact your respective organization to determine your availability to vote by Internet or telephone.

- **Mail.** If you requested printed copies of the proxy materials by mail, you may vote by proxy by filling out the voting instruction form included with your proxy materials and returning it in the envelope provided.

Changing or Revoking Your Vote. After voting, you may change your vote one or more times by completing and returning a new proxy to the Company, by voting again either by Internet or telephone as described in this Proxy Statement, or by voting in person at the Annual Meeting. You may request a new proxy card from the Company's Corporate Secretary at the address below. You may revoke a proxy before its exercise by filing written notice of revocation with the Company's Corporate Secretary at 1275 Peachtree Street, Sixth Floor, Atlanta, GA 30309, before the Annual Meeting. The last vote received chronologically will supersede any prior votes. The deadline for registered stockholders to change their vote by Internet or telephone is 11:59 p.m. Eastern Time on June 11, 2019.

If you hold your shares through a brokerage firm, bank, broker-dealer or similar organization, please refer to your proxy card or other information forwarded by such organization to learn how you can revoke your proxy and change your vote.

Failure to Provide Voting Instructions. Other than with respect to broker non-votes, if you submit a signed proxy card or vote by Internet or telephone, but do not indicate how you want your shares voted, the persons named in the enclosed proxy card will vote your shares of Common Stock or Preferred Stock, as the case may be:

- “FOR” the election of the nominees, Christopher S. Shackelton and Richard A. Kerley, as Class 1 directors;
- “FOR” the non-binding advisory vote to approve named executive officer compensation;
- “FOR” the ratification of the appointment of KPMG as the independent registered public accounting firm of the Company to serve for the 2019 fiscal year; and
- with respect to any other matter that properly comes before the Annual Meeting, the proxy holders will vote the proxies in their discretion in accordance with their best judgment and in the manner they believe to be in the best interest of the Company.

Solicitation of Proxies. The entire cost of soliciting proxies, including the costs of preparing, assembling and mailing this Proxy Statement, the proxy card and any additional soliciting materials furnished to stockholders, will be borne by the Company. In addition to solicitation by mail, officers, directors or employees of the Company may solicit proxies in person or by telephone, facsimile or similar means without additional compensation. Upon request, the Company will pay the reasonable expenses incurred by record holders of the Common Stock or Preferred Stock who are brokers, dealers, banks or voting trustees, or their nominees, for sending proxy materials and the Annual Report on Form 10-K for the year ended December 31, 2018 (the “2018 Annual Report”) to the beneficial owners of the shares they hold of record.

The Company is not presently aware of any matters that will be brought before the Annual Meeting that are not reflected in the attached Notice of the Annual Meeting. If any such matters are brought before the Annual Meeting, the persons named in the enclosed proxy will act or vote in accordance with their best judgment.

VOTING SECURITIES OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information, as of the Record Date, with respect to the beneficial ownership of Providence's Common Stock and Preferred Stock by (a) each stockholder known by us to own beneficially more than 5% of our outstanding voting power of Common Stock and Preferred Stock, (b) each of Providence's directors and nominees for director, (c) each of Providence's executive officers named in the "Summary Compensation Table" which follows, who were named executive officers on the Record Date and (d) all of Providence's directors and executive officers as a group. Except as otherwise specified, the named beneficial owner has sole voting and investment power with respect to the shares.

Name and Address	No. of Shares of Common Stock Beneficially Owned (1)	No. of Shares of Preferred Stock Beneficially Owned (1)	Percent of Total Voting Power (1)
BlackRock, Inc. (2)	1,754,971	—	11.8%
Coliseum Capital Management, LLC (3)	1,224,557	765,916	21.1%
Dimensional Fund Advisors LP (4)	917,208	—	6.2%
Renaissance Technologies LLC (5)	972,699	—	6.5%
<u>Directors</u>			
Todd J. Carter (6)	8,905	—	*
David A. Coulter (6)	16,780	—	*
Richard A. Kerley (7)	33,026	—	*
Leslie V. Norwalk (7)	10,958	—	*
Christopher S. Shackelton (8)	1,224,557	765,916	21.1%
Frank J. Wright (6)	9,896	—	*
<u>Named Executive Officers</u>			
R. Carter Pate (9)	134,130	—	*
Kevin Dotts	—	—	*
William Severance (10)	57,853	—	*
Laurence Orton (11)	26,099	—	*
David C. Shackelton (12)	90,423	76	*
Sophia D. Tawil (13)	42,609	—	*
All current directors and executive officers as a group (11 persons) (14)	1,497,955	765,916	22.7%

*Less than 1 %

(1) The securities “beneficially owned” by each stockholder are determined in accordance with the definition of “beneficial ownership” set forth in the regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, they may include securities to which the stockholder has or shares voting or investment power or has the right to acquire within 60 days of the Record Date. Beneficial ownership may be disclaimed as to certain of the securities. As of the Record Date there were 12,894,725 shares of the Common Stock outstanding, and 801,606 shares of Preferred Stock outstanding, which, on an as-converted basis, represents 2,010,045 shares of Common Stock. The Common Stock and Preferred Stock are the only outstanding classes of capital stock of the Company with voting rights, and the Common Stock and the Preferred Stock vote together as a single class. Each share of Common Stock is entitled to one vote, and each share of Preferred Stock is entitled to that number of votes equal to the whole number of shares of Common Stock into which such holder’s aggregate number of shares of Preferred Stock are convertible as of the close of business on the Record Date. As of the Record Date, each share of outstanding Preferred Stock was convertible into approximately 2.51 shares of Common Stock.

- (2) This information is based on the Schedule 13G/A filed with the SEC by BlackRock, Inc. (55 East 52nd Street, New York, NY 10055) on January 31, 2019.

- (3) This information is based on ownership information reported in the Schedule 13D/A filed with the SEC on June 6, 2018 by Coliseum Capital Management, LLC (“CCM”), Coliseum Capital, LLC (“CC”), Coliseum Capital Partners, L.P. (“CCP”), Coliseum Capital Partners II, L.P. (“CCP2”), Coliseum Capital Co-Invest, L.P. (“CCC”), Adam Gray and Christopher Shackelton (105 Rowayton Avenue, Rowayton, CT 06853) and on the Form 4 filed with the SEC by the same entities and individuals on March 15, 2019. Based on information available in the Schedule 13D/A and Form 4, the shares are held directly by (a) CCP, an investment limited partnership of which CC is general partner and for which CCM, a Delaware limited liability company, serves as investment adviser, (b) CCP2, an investment limited partnership of which CC is general partner and for which CCM serves as investment adviser, (c) a separate account investment advisory client of CCM (the “Separate Account”) and (d) CCC, a Delaware limited partnership of which CC is general partner (together with CCP, CCP2 and the Separate Account, the “Coliseum Stockholders”). Christopher Shackelton, the Chairman of our Board, and Adam Gray are managers of and have an ownership in each of CCM and CC and may be deemed to have an indirect pecuniary interest in the shares held by CCP, CCP2 and the Separate Account due to CCM’s right to receive performance-related fees from the Separate Account and CC’s right to receive performance-related fees from CCP and CCP2. Each of Christopher Shackelton, Adam Gray, CCP, CCP2, the Separate Account, CC, CCM and CCC disclaims beneficial ownership of these securities except to the extent of that person’s own pecuniary interest therein.

- (4) This information is based on the Schedule 13G/A filed with the SEC by Dimensional Fund Advisors LP (Building One, 6300 Bee Cave Road, Austin, TX 78746) on February 8, 2019.

- (5) This information is based on the Schedule 13G/A filed with the SEC by Renaissance Technologies LLC and Renaissance Technologies Holdings Corporation (800 Third Avenue, New York, NY 10022) on February 13, 2019.

- (6) The shares reported include 4,879 unvested restricted shares that are scheduled to vest more than 60 days after the Record Date.

- (7) The shares reported include 4,234 unvested restricted shares that are scheduled to vest more than 60 days after the Record Date.

- (8) Includes shares of Common Stock and Preferred Stock held by the Coliseum Stockholders (for additional information see (3) above). Christopher Shackelton disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

- (9) The shares reported include 23,317 unvested restricted shares that are scheduled to vest more than 60 days after the Record Date and 110,813 shares of Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.

- (10) The shares reported include 51,615 shares of Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.
- (11) The shares reported include 24,520 shares of Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.

(12) David Shackelton is no longer an employee of the Company. Mr. Shackelton's Common Stock holdings are based on the most recent Form 4 filed by Mr. Shackelton reporting Common Stock ownership, which was filed on March 16, 2018. These shares are held by an irrevocable trust for the benefit of David Shackelton, his wife and children. The shares reported also include 75,256 shares of Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date. The shares of Preferred Stock reported are based on Mr. Shackelton's holdings as of April 18, 2018, the most recent date for which ownership information was available to the Company. The business address of Mr. David Shackelton is c/o The Providence Service Corporation, 1275 Peachtree Street, Sixth Floor, Atlanta, GA 30309.

(13) Sophia Tawil is no longer an employee of the Company. Ms. Tawil's Common Stock holdings are based on the most recent Form 4 filed by Ms. Tawil reporting Common Stock ownership, which was filed on March 17, 2017. The shares reported also include 41,510 shares of Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date. The business address of Ms. Tawil is c/o The Providence Service Corporation, 1275 Peachtree Street, Sixth Floor, Atlanta, GA 30309.

(14) Includes 1,334,526 shares of Common Stock and 163,429 shares of Common Stock issuable upon the exercise of options that are exercisable within 60 days of the Record Date. The shares reported include 46,922 unvested restricted shares that are scheduled to vest more than 60 days after the Record Date.

PROPOSAL 1 – ELECTION OF DIRECTORS

The Company's second amended and restated certificate of incorporation, as amended, provides that the number of directors be between five and eleven, as determined by the Board. The Board currently has six directors divided into three classes, equal in size, serving staggered three-year terms. Each class must be as nearly equal in size as possible. At each annual meeting of stockholders, the successors to the directors whose terms will then expire will be elected to serve from the time of their election and qualification until the third annual meeting following their election or until their successors have been duly elected and qualified, or until the earlier of their death, resignation or removal.

Under the Company's amended and restated bylaws, to be elected in an uncontested election, a director nominee must receive a majority of the votes cast for each director nominee. In an uncontested election, the incumbent director nominee must submit an irrevocable resignation that is subject to (i) that director receiving less than a majority of the votes cast in the uncontested election, and (ii) acceptance of the resignation by the Board in accordance with the policies and procedures adopted by the Board for such purpose. In the event an incumbent director does not receive a majority of the votes cast in an uncontested election, the Nominating and Governance Committee will make a recommendation to the Board as to whether to accept or reject the resignation or whether other action should be taken. The Board is required to act on the Nominating and Governance Committee's recommendation no later than 90 days following certification of the stockholder vote. If any incumbent director does not receive a majority of the votes cast, the Board will publicly disclose its decision regarding accepting or not accepting a resignation within four business days of reaching its decision.

The Board proposes the election of Christopher S. Shackelton and Richard A. Kerley as Class 1 directors. The director nominees were nominated by the Nominating and Governance Committee of our Board, which nomination was confirmed by the Board. Each nominee has consented to serve as a nominee for election to the Board, to be named in the Proxy Statement and to serve as a member of the Board if elected by the Company's stockholders. Information regarding each nominee is set forth below.

The Board has no reason to believe that the Board's nominees are unable to serve or will not serve if elected. If for any reason a nominee becomes unable to serve or for good cause will not serve if elected, the Nominating and Governance Committee of our Board may designate a substitute nominee, in which event the shares represented by proxies returned to us will be voted for such substitute nominee. If the Nominating and Governance Committee designates a substitute nominee, we will file an amended proxy statement that, as applicable, identifies the substitute nominee, discloses that such nominee has consented to being named in the revised proxy statement and to serve if elected, and includes certain biographical and other information about such nominee required by the applicable rules promulgated by the SEC.

If elected, Christopher S. Shackelton and Richard A. Kerley are each expected to serve until the 2022 annual meeting of stockholders or until his successor is duly elected and qualified. Mr. Shackelton and Mr. Kerley are presently

directors of the Company.

Unless directed otherwise, the persons named in the enclosed proxy intend to vote such proxy for the election of the listed nominees or, in the event of death, disqualification, refusal or inability of a nominee to serve, for the election of such other person as the Board may recommend in the place of such nominee to fill the vacancy.

The Board unanimously recommends that the stockholders vote “FOR” election of Christopher S. Shackelton and Richard A. Kerley as directors of the Company for the ensuing term.

The following table sets forth certain information with respect to the current directors and the director nominees as of the Record Date.

Name	Age	Class	Term
			Expires
Todd J. Carter	55	3	2021
David A. Coulter	71	2	2020
Richard A. Kerley†	69	1	2019
Leslie V. Norwalk	53	2	2020
Christopher S. Shackelton†	39	1	2019
Frank J. Wright	71	3	2021

† = Director Nominee

The process undertaken by the Nominating and Governance Committee in selecting qualified director candidates is described below under “Corporate Governance—Director Nomination Process—Director Nominee Selection Process.” Certain individual qualifications and skills of our directors that contribute to the Board’s effectiveness as a whole are described in each director’s biography.

Director Nominees

Christopher S. Shackelton

Director Since: 2012

Chairman of the Board

Christopher S. Shackelton was appointed Chairman in 2012 and served as Interim CEO in 2015. Mr. Shackelton is managing partner and co-founder of Coliseum Capital Management, a private investment firm that invests with a long-term orientation in undervalued companies. Previously, Mr. Shackelton worked at Watershed Asset Management and Morgan Stanley & Co. Mr. Shackelton also serves on the boards of BioScrip Inc., an infusion services company, Lazydays Holdings, Inc., an operator of recreation vehicle dealership, and Universal Technical Institute, a technical training school for the transportation industry, as well as a number of private companies. Mr. Shackelton was previously Chairman of Rural/Metro Corp, an emergency ambulance company, from December 2010 to June 2011 and served on the boards of LHC Group Inc., a nursing care company from November 2012 through August 2017, Advanced Emissions Solutions Inc., a clean energy technology company, from August 2014 through May 2016, and Interstate Hotels Inc., a global hotel management company, from February 2009 through March 2010. Mr. Shackelton is actively involved in multiple charitable organizations, including as Chairman of The Connecticut Open. Mr.

Shackelton received a bachelor's degree in Economics from Yale College in 2001.

Christopher Shackelton's experience creating stockholder value for a wide range of companies provides the Board with valuable business leadership and strategic focus. Mr. Shackelton brings financial, investing and accounting experience from other public company boards on which he led mergers and acquisitions, financings, restructurings and other initiatives. Furthermore, Christopher Shackelton's in-depth knowledge of the healthcare industry is particularly beneficial to the Board.

Richard A. Kerley

Director Since: 2010

Board Committees: Chairperson of the Compensation Committee and Chairperson of the Audit Committee

Mr. Kerley served as the Senior Vice President, Chief Financial Officer and member of the board of directors of Peter Piper, Inc., a privately held pizza and entertainment restaurant chain, from November 2008 to December 2014, when he retired. From July 2005 to October 2008, Mr. Kerley served as the Chief Financial Officer of Fender Musical Instruments Corporation. From June 1981 to July 2005, Mr. Kerley was an audit partner with Deloitte & Touche LLP. Prior to becoming a partner at Deloitte & Touche, Mr. Kerley served as an audit manager and staff accountant from August 1971 to June 1981. Mr. Kerley also serves on the board of The Joint Corp., a publicly traded operator, manager and franchisor of chiropractic clinics. He received a bachelor's degree in accounting from Marshall University in 1971.

Mr. Kerley served as a senior financial executive with experience in a variety of operational issues, financial budgeting, planning and analysis, capital investment decisions, mergers and acquisitions, operational and financial controls, internal and external reporting, financings and public offerings and filings with the SEC. This strong financial background provides the Board with financial expertise, including an understanding of financial statements, finance, capital investing strategies and accounting.

Directors

Todd J. Carter

Director Since: 2016

Board Committees: Compensation Committee member

Todd J. Carter is Co-President and Chief Executive Officer of GCA Savvian Advisors, a global independent investment banking firm, and serves on the firm's board of directors. He has served in these roles since 2008, and is a co-founder of the firm. Previously, Mr. Carter served as Chairman, President and Chief Executive Officer of Savvian Inc. and Perseus Group. Prior to 2003, he was President of Robertson Stephens & Company Inc., a global investment banking and asset management firm, and served on the firm's board of directors. Earlier in his career, Mr. Carter was employed by McKinsey & Company and Smith Barney Inc. Additionally, Mr. Carter has served on a number of company, advisory and non-profit boards of directors. Mr. Carter received a bachelor's degree from the University of Texas and a master of business administration degree from Harvard University.

Mr. Carter brings to the Board global investment banking experience, including his service as founder and chief executive officer of a large independent global investment bank, and his extensive financial expertise and experience in the transaction advisory industry, as well as a broad span of expertise in the financial advisory and mergers & acquisitions sectors.

David A. Coulter

Director Since: 2016

Board Committees: Compensation Committee and Nominating and Governance Committee member

Mr. Coulter is a Special Limited Partner of Warburg Pincus. During the past 10 years, he served in roles at Warburg Pincus, including Vice Chairman as well as Managing Director and senior advisor focused on the firm's financial

services investment activities. Prior to that, Mr. Coulter held a series of positions at J.P. Morgan Chase and was a member of its Office of the Chairman. He also served as Chairman and Chief Executive Officer of Bank of America Corporation. Mr. Coulter is a director of Triton Container International and Varo Money. He is also a board member of Lincoln Center, Carnegie Mellon University, Third Way and the Northern California Asia Society. Mr. Coulter received a bachelor's degree and master's degree from Carnegie Mellon University.

Mr. Coulter's experiences as both a senior executive of publicly traded financial services corporations, and as a director of public and private companies, provides the Board with extensive executive experience with regard to matters of interest to financial institutions, including risk, compensation, corporate governance and mergers and acquisitions.

Leslie V. Norwalk

Director Since: 2015

Board Committees: Chairperson of the Nominating and Governance Committee, Audit Committee member

Since September 2007, Ms. Norwalk has served as Strategic Counsel to Epstein Becker & Green, P.C. From 2001 to 2007, Ms. Norwalk served the Bush Administration in the Centers for Medicare & Medicaid Services (CMS). From 2006 to 2007, she was the Acting Administrator, where she managed the operations of federal health care programs, including Medicare and Medicaid. For the four years prior to that position, she was the agency's Deputy Administrator. Prior to serving the Bush Administration, Ms. Norwalk practiced law with Epstein Becker & Green, P.C. where she advised clients on a variety of healthcare policy matters. She also served the first Bush administration in the White House Office of Presidential Personnel and the Office of the U.S. Trade Representative. Ms. Norwalk is currently a director on the public company boards of Magellan Health Inc., NuVasive Inc. and Endologix, Inc. She also serves as an Advisor to Warburg Pincus, Enhanced Equity and Peloton Equity. She received a bachelor's degree from Wellesley College and a juris doctor degree from George Mason University School of Law.

Ms. Norwalk's significant healthcare regulatory and policy expertise, including her experiences with the Bush Administration on Medicare and Medicaid matters, provides healthcare industry expertise to the Board. Ms. Norwalk will be able to help guide the Company's strategy, particularly as the healthcare regulatory environment continues to evolve.

Frank J. Wright

Director Since: 2016

Board Committees: Audit Committee and Nominating and Governance Committee member

Mr. Wright is founder of the PharmaTrust, a firm that provides advisory services to companies and investors engaged in healthcare services and pharmaceutical development and manufacturing. Mr. Wright has almost 40 years of experience in the chemical and pharmaceutical industries. He served as a senior executive of Alexion Pharmaceuticals LLC from 2012 to 2014, as President of European operations, and is a co-founder of Aptuit, an integrated drug development services company. Prior to that, Mr. Wright held a variety of executive positions in multiple pharmaceutical companies, including Glaxo Wellcome (now GlaxoSmithKline). He is a director of Exela Pharma Sciences and ZenQMS LLC, and retired in 2017 as a Director of Laurus Labs Private, Limited and Laurus Synthesis Inc. where he served for 10 years. Mr. Wright received a mechanical engineering degree from the University of Strathclyde, Glasgow.

Mr. Wright has almost 40 years of operational experience in the chemical and pharmaceutical industries, including as the founder of an advisory services firm engaged in healthcare services, pharmaceutical development and manufacturing adding value to the Board. Mr. Wright's executive leadership and experience provides the Board with operational expertise.

Non-director Executive Officers

The following is a brief summary of the background of each executive officer who is not a director:

R. Carter Pate, 63, has served as Interim Chief Executive Officer ("Interim CEO") since November 2017. Mr. Pate joined Providence from Carter Pate, LLC, a resource for management and boards of directors seeking expertise and interim C-suite services, which he founded and served as Chief Executive Officer. From 2011 to 2014, he served as the Chief Executive Officer of one of the largest privately owned passenger transportation contracting firms based in the United States. Prior to that, Mr. Pate spent nearly two decades at PricewaterhouseCoopers ("PwC"), most recently serving as Global & U.S. Managing Partner, Capital Projects, Infrastructure & Government Practice. During his

tenure at PwC, Mr. Pate held multiple leadership positions and advised Fortune 500 companies and G-20 governments. He currently serves as Chairman of the Board of Directors for BioScrip, Inc. and Board Chair of Compensation for Advanced Emissions Solutions, Inc. Mr. Pate is currently nominated for shareholder election to serve on the Board of Directors of Red Lion Hotels Corporation. Author of “The Phoenix Effect” (now in five languages), Mr. Pate was recently named a “Board Governance Fellow” by the National Association of Corporate Directors. Mr. Pate holds a bachelor’s degree in accounting from Greensboro College and a masters of accounting and information management from the University of Texas at Dallas.

Kevin Dotts, 55, has served as Chief Financial Officer since August 2018. Mr. Dotts has over 30 years of experience as a finance and accounting executive at multiple technology companies, serving 14 of those years in the position of chief financial officer. Before joining Providence, Mr. Dotts served as Executive Vice President and Chief Financial Officer of Birch Communications, Inc. and its successor, Fusion Connect, Inc. since February 2017. Prior to that Mr. Dotts held the CFO role at Internap from August 2012 to December 2016, Culligan International from May 2011 to August 2012 and Earthlink from July 2009 to September 2009. In 2010, he served as Interim Chief Financial Officer and Director of Gas Turbine Efficiency Plc. Mr. Dotts began his career at General Electric Company (“GE”) and served in increasingly senior financial roles during his 15 years of tenure at GE. Mr. Dotts received a bachelor’s degree in finance and computer systems management from Drexel University.

Chinta Gaston, 62, has served as our Senior Vice President, General Counsel and Secretary since January 2019. Ms. Gaston has also served as LogistiCare's General Counsel since 2003. Ms. Gaston is responsible for all legal matters relevant to the company including, contracting, litigation and regulatory compliance. Prior to joining LogistiCare, Ms. Gaston was a managing director at Kroll Associates in New York City where she served as a compliance advisor to numerous companies and directed many internal corporate investigations. From 1992 to 1997, Ms. Gaston served as an Assistant United States Attorney in the Civil Division of the Southern District of New York. In that capacity, Ms. Gaston represented federal agencies in a wide variety of areas including international public law, constitutional law, and regulatory and business issues. Ms. Gaston began her legal career at Gibson, Dunn & Crutcher in New York City. Ms. Gaston received a bachelor's degree in linguistics with honors from Harvard University and a juris doctorate degree from the University of Virginia School of Law.

William Severance, 52, has served as the Company's Executive Vice President, Finance, Office of the Providence CEO since August 22, 2018. Mr. Severance will resign as the Company's Executive Vice President, Finance, Office of the Providence CEO, effective May 10, 2019. Mr. Severance previously served as Interim Chief Financial Officer of the Company from April 11, 2018 until August 22, 2018 and as Chief Accounting Officer of the Company from February 2016 until April 2018. Prior to joining the Company, Mr. Severance served as the Chief Accounting Officer of the Gilt Groupe, a pioneer in e-commerce in the U.S., from 2010 to January 2016. Prior to that, he served in various roles for Travelport Limited, a global travel commerce platform providing distribution and technology solutions to the travel industry, from 2005 to 2009; and IAC/InterActiveCorp, a leading media and Internet company, from 1999 to 2005. Mr. Severance also worked for 11 years for Ernst and Young LLP in the Atlanta, New York and Hamburg, Germany offices. He received a bachelor's degree in accounting from Louisiana State University and is a member of the Georgia Society of CPAs and American Institute of CPAs.

Suzanne G. Smith, 51, has served as Chief Accounting Officer of the Company since February 2019. Ms. Smith most recently served as Chief Accounting Officer of Cumulus Media from May 2017 until February 2019. Ms. Smith previously served as Vice President and Corporate Controller of Employbridge from September 2015 to April 2017, as an independent advisor to Acuity from May 2015 to Aug 2015, and as Senior Vice President and Corporate Controller of Serta Simmons Bedding from June 2014 to May 2015. Ms. Smith graduated from The Ohio State University with a Bachelor of Science in Human Ecology and received a Master in Business Administration with a concentration in Finance from Georgia State University. She is CPA licensed in Georgia.

CORPORATE GOVERNANCE

Board Leadership Structure

The Board recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide independent oversight of management. The Board understands that there is no single, generally accepted approach to providing Board leadership and recognizes that, depending on the circumstances, other leadership models might be appropriate. Accordingly, the Board periodically reviews its leadership structure.

In 2012, the Board reviewed its leadership structure and determined to separate the roles of Chief Executive Officer (“CEO”) and Chairman of the Board between two individuals. The Board believes this leadership structure is appropriate because it strengthens the Board’s independence and enables the CEO to focus on the management of our business.

Independence of the Board

The Board believes that independence depends not only on our directors’ individual relationships, but also on the Board’s overall attitude. Providing objective, independent judgment is at the core of the Board’s oversight function. Under our corporate governance guidelines, the Board, with the assistance of legal counsel and the Nominating and Governance Committee, uses the current standards for “independence” established by NASDAQ to evaluate any material relationship a director may have with the Company to determine director independence. A director is not considered “independent” unless the Board affirmatively determines that the director has no material relationship with the Company or any subsidiary in the consolidated group (other than as a director of Providence or one of our consolidated subsidiaries). Any relationship that falls below a threshold set forth by the standards for “independence” established by NASDAQ and our corporate governance guidelines, or is not required to be disclosed under Item 404(a) of Regulation S-K, is automatically deemed to be an immaterial relationship. Our Board has affirmatively determined that Mr. Carter, Mr. Coulter, Mr. Kerley, Ms. Norwalk and Mr. Wright are independent directors.

The Board’s Role in Risk Oversight

The Board has an active role, as a whole and at the committee level, in overseeing management of the Company’s risks. The Board regularly reviews information regarding the Company’s credit, liquidity and operations, as well as the risks associated with each. The Company’s Compensation Committee is responsible for overseeing the management of risks relating to the Company’s executive compensation plans and arrangements. The Audit Committee oversees

management of financial risks. The Nominating and Governance Committee manages risks associated with the independence of the Board, potential conflicts of interest as well as legal and regulatory compliance. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through attendance at committee meetings or committee reports about such risks. In addition, members of senior management regularly provide reports to the Board about their respective areas of responsibility and any risks thereof. These reports include actions taken by senior management to monitor and control such risks.

Compensation Risks

Prudent risk management is necessary to deliver long-term, sustainable stockholder value. The Compensation Committee believes that the Company's executive compensation program supports the objectives described above without encouraging inappropriate or excessive risk-taking. In reaching this conclusion, the Compensation Committee considered in particular the following attributes and risk mitigation features of our compensation program:

- our program's emphasis on long-term, equity-based compensation discourages risk-taking that produces short-term results at the expense of building long-term stockholder value;

the maximum payout levels for bonuses and equity-based compensation are capped by the Compensation Committee;

we cap the payment amounts under our annual cash incentive compensation plan, and the Compensation Committee can exercise negative discretion to reduce annual cash incentive compensation payments;

the Compensation Committee uses an independent compensation consultant that performs no other services for the Company; and

the Compensation Committee has the authority to make retroactive adjustments to incentive compensation pursuant to the Company's clawback policy.

Communication with the Board

Stockholders may communicate with the Board as a whole, the non-management directors or any individual director, by sending a letter to The Providence Service Corporation, c/o Corporate Secretary, 1275 Peachtree Street, Sixth Floor, Atlanta, GA 30309. In the letter, the stockholder must identify him or herself as a stockholder of Providence. The Corporate Secretary may require reasonable evidence that the communication is being made by or on behalf of a stockholder before the communication is transmitted to the individual director or to the Board as a whole. Depending on the subject matter, the Corporate Secretary will either (i) promptly forward to the Chairperson of the Audit Committee and the General Counsel any communication alleging legal, ethical or compliance issues by management or any other matter deemed by the Corporate Secretary to be potentially material to the Company or (ii) not forward to the Board, any committee or any director, any communications of a personal nature or not related to the duties of the Board, including, without limitation, junk mail and mass mailings, business solicitations, routine customer service complaints, new product or service suggestions, opinion survey polls or any other communications deemed by the Corporate Secretary to be immaterial to the Company.

Meetings of the Board of Directors and Committees

During 2018, the Board held 23 meetings, the Audit Committee held 8 meetings, the Compensation Committee held 15 meetings and the Nominating and Governance Committee held 6 meetings. During 2018, all directors attended at least 75% of all of the meetings of the Board held during the period for which he or she was a director and at least 75% of the meetings of each committee of the Board held during the period in which he or she served on such committee, other than Mr. Carter, who attended 60% of the Compensation Committee meetings held in 2018.

Members of the Board and its committees also consulted informally with management from time to time and acted at various times by written consent without a meeting during 2018. Additionally, the independent members of the Board

met in executive session regularly without the presence of management.

The Board has an internal policy that all of the directors should attend (either telephonically or in person) the annual meeting of stockholders, absent exceptional cause. All directors attended the 2018 annual meeting of stockholders.

Committees of the Board of Directors

The Board has three separately designated standing committees: an Audit Committee, a Compensation Committee and a Nominating and Governance Committee, each as described below.

Audit Committee. The Audit Committee is currently composed of Mr. Kerley (Chairperson), Ms. Norwalk and Mr. Wright. Ms. Norwalk was appointed as a member of the Audit Committee on June 12, 2018. The primary function of our Audit Committee is to assist our Board in fulfilling its responsibility to oversee management's conduct of our financial reporting process, including review of our financial reports and other financial information, our system of internal accounting controls, our compliance with legal and regulatory requirements, the qualifications and independence of our independent auditors and the performance of our internal audit staff and independent auditors. Our Audit Committee has sole authority to appoint, retain, compensate, evaluate and terminate our independent auditors and to approve all engagement fees and terms for our independent auditors.

The Board has determined that each member of the Audit Committee is independent as defined by the applicable NASDAQ listing standards and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Board has determined that Mr. Kerley is an “audit committee financial expert” as defined under Item 407 of Regulation S-K.

Compensation Committee. The Compensation Committee currently consists of Mr. Kerley (Chairperson), Mr. Carter and Mr. Coulter.

The primary function of our Compensation Committee is to assist our Board in discharging its responsibilities relating to compensation of our executives. These responsibilities include reviewing our general compensation philosophy for executive officers, overseeing the development and implementation of compensation programs for executive officers and reviewing compensation levels, including incentive and equity-based compensation, for executive officers, directors and Board committee members. Our Compensation Committee determines and approves compensation for our executive officers and administers our incentive and equity-based compensation plans. In doing so, it considers recommendations made by our CEO meeting in executive session with the Compensation Committee. Our Compensation Committee also reviews, and makes recommendations to the Board regarding, the compensation of our CEO. Neither our CEO nor any of our other executive officers participates in our Compensation Committee’s final deliberations on compensation matters. Under its charter, the Compensation Committee may, in its discretion, form and delegate all or a portion of its authority, duties and responsibilities to one or more subcommittees or to an officer of the Company (so long as such officer does not decide his or her own compensation).

Since 2015 the Compensation Committee has engaged an independent compensation consultant, ClearBridge Compensation Group LLC (“ClearBridge”), a nationally recognized consulting firm, to review the executive compensation programs (including executive pay levels) and assist in structuring short-term and long-term incentive programs for executive and operational management. ClearBridge reports directly and solely to the Compensation Committee. ClearBridge does not provide any other services to the Company, except at the direction of the Compensation Committee. The Compensation Committee assessed the independence of ClearBridge pursuant to the applicable rules and concluded that ClearBridge’s work did not raise any conflict of interest that would prevent it from independently representing the Compensation Committee.

The Board has determined that each member of the Compensation Committee is independent as defined in applicable NASDAQ listing standards.

Nominating and Governance Committee. The Nominating and Governance Committee currently consists of Ms. Norwalk (Chairperson), Mr. Coulter and Mr. Wright.

The primary functions of our Nominating and Governance Committee are to identify individuals qualified to become members of our Board, recommend to our Board a slate of director nominees for election at our next annual meeting of stockholders, monitor legal and regulatory compliance, and develop and recommend to our Board a set of corporate governance principles. These corporate governance principles are set forth in our Corporate Governance Guidelines which can be found on our website at www.prscholdings.com/corporategovernance and are available in print to any stockholder who requests a copy by writing to our Corporate Secretary.

The Board has determined that each member of the Nominating and Governance Committee is independent as defined in applicable NASDAQ listing standards.

The Audit, Compensation and Nominating and Governance Committees are each governed by a written charter approved by the Board. A copy of each committee's charter is available on our website at www.prscholdings.com/corporategovernance. Providence intends to disclose any amendments to these charters required by the SEC or listing standards of NASDAQ at the same location on our website. The information contained on our website is not part of, and is not incorporated by reference in, this Proxy Statement or any other report we file with or furnish to the SEC.

Director Nomination Process

Director Qualifications

Nominees for director are selected on the basis of outstanding achievement in their careers and other factors including: board experience; education; whether they are independent under applicable NASDAQ listing standards and the SEC rules; financial expertise; integrity; ability to make independent, analytical inquiries; understanding of the business environment; industry experience; and willingness to devote adequate time to Board and committee duties. The proposed nominee should also be free of conflicts of interest that could prevent such nominee from acting in the best interest of Providence and our stockholders. Additional special criteria apply to directors being considered to serve on a particular committee of the Board. For example, members of the Audit Committee must meet additional standards of independence and have the ability to read and understand Providence's financial statements.

Director Nominee Selection Process

In evaluating potential director nominees, including those identified by stockholders, for recommendation to our Board, our Nominating and Governance Committee seeks individuals with talent, ability and experience from a wide variety of backgrounds to provide a diverse spectrum of experience and expertise relevant to a diversified business enterprise such as ours. Although we have no minimum qualifications, a candidate should represent the interests of all stockholders, and not those of a special interest group, have a reputation for integrity and be willing to make a significant commitment to fulfilling the duties of a director. Our Nominating and Governance Committee will screen and evaluate all recommended director nominees based on the criteria set forth above, as well as other relevant considerations. Our Nominating and Governance Committee will retain full discretion in considering its nomination recommendations to our Board. In identifying, evaluating and nominating individuals to serve as directors, our Board and its Nominating and Governance Committee do not rely on any preconceived guidelines or rules. Rather, our Board and its Nominating and Governance Committee believe that the Company is best served by directors with a wide range of perspectives, professional experiences, skills and other individual qualities and attributes and who come from diverse backgrounds.

To become a nominee, an incumbent director must also submit an irrevocable resignation to the Board that is contingent upon (a) that director receiving less than a majority of the votes cast in the uncontested election, and (b) acceptance of that resignation by the Board in accordance with the policies and procedures adopted by the Board for such purpose. The incumbent director must also complete and submit a questionnaire with respect to his or her background and execute a written representation and agreement (the “Director/Prospective Director Agreement”).

The Director/Prospective Director Agreement requires directors and nominees to disclose certain types of voting commitments and compensation arrangements and represent that the director or nominee, if elected, would be in compliance with all applicable corporate governance, conflicts of interest, confidentiality, securities ownership and stock trading policies and guidelines of the Company, and also provides for the immediate resignation of a director if such person is found by a court of competent jurisdiction to have breached the Director/Prospective Director Agreement in any material respect.

The Nominating and Governance Committee will consider properly submitted stockholder recommendations for director candidates. Director candidates recommended by stockholders are given the same consideration as candidates suggested by directors and executive officers. The Nominating and Governance Committee has the sole authority to select, or to recommend to the Board, the nominees to be considered for election as a director.

The officer presiding over the annual meeting of stockholders, in such officer's sole and absolute discretion, may reject any nomination not made in accordance with the procedures outlined in this Proxy Statement and Providence's amended and restated bylaws. Under Providence's amended and restated bylaws, a stockholder who desires to nominate directors for election at an annual meeting of stockholders must comply with the procedures summarized below. Providence's amended and restated bylaws are available, at no cost, at the SEC's website, www.sec.gov, as Exhibit 3.2 to Providence's Annual Report on Form 10-K filed with the SEC on March 12, 2010, or upon the stockholder's written request directed to the Company's Corporate Secretary at the address given in the paragraph below. See "Stockholder Nominations" below for a description of the procedures that must be followed to nominate a director.

Stockholder Nominations

According to Providence's amended and restated bylaws, nominations by stockholders for directors to be elected at a meeting of stockholders which have not previously been approved by the Board must be submitted to our Corporate Secretary in writing, either by personal delivery, nationally recognized express mail or United States mail, postage prepaid, at 1275 Peachtree Street, Sixth Floor, Atlanta, GA 30309, not earlier than the close of business on the 120th calendar day, and not later than the close of business on the 60th calendar day, prior to the first anniversary of the immediately preceding year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is more than 30 calendar days earlier or more than 60 calendar days later than such anniversary date, notice by the stockholder in order to be timely must be so delivered or received no earlier than the close of business on the 120th calendar day prior to the date of such annual meeting and not later than the close of business on the later of the 60th calendar day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 70 calendar days prior to the date of such annual meeting, the 10th calendar day following the day on which public disclosure of the date of such annual meeting is first made by the Company.

Each notice of nomination is required to set forth:

As to each person whom the stockholder proposes to nominate for election or reelection as a director:

- the name, age, business address and residence address of such person;
- the principal occupation and employment of such person;
- the class and series and number of shares of each class and series of capital stock of the Company which are owned beneficially or of record by such person (which information shall be supplemented not later than ten (10) calendar

days after the record date for the meeting to disclose such ownership as of the record date);

such person's executed written consent to being named in the proxy statement as a nominee and to serving as a director if elected;

all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made with the SEC in connection with the solicitation of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act (or pursuant to any law or statute replacing such section), and the rules and regulations promulgated thereunder;

- a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such person being nominated, on the one hand, and the stockholder and any Stockholder Associated Person, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K if the stockholder making the nomination and any Stockholder Associated Person were the "registrant" for purposes of such rule and the person being nominated were a director or executive officer of such registrant. A "Stockholder Associated Person" is, with respect to any stockholder, (a) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (b) any beneficial owner of shares of Common Stock of the Company owned of record or beneficially by such stockholder, and (c) any person controlling, controlled by or under common control with such Stockholder Associated Person; and

a questionnaire regarding his or her background and an executed Director/Prospective Director Agreement.

As to the stockholder giving the notice:

- the name and record address, as they appear on the Company's stock ledger, of such stockholder and the name and address of any Stockholder Associated Person;

(a) the class, series and number of shares of each class and series of capital stock of the Company which are, directly or indirectly, owned beneficially and/or of record by such stockholder or any Stockholder Associated Person, documentary evidence of such record or beneficial ownership, and the date or dates such shares were acquired and the investment intent at the time such shares were acquired, (b) any derivative instrument (as defined in the amended and restated bylaws) directly or indirectly owned beneficially by such stockholder or any Stockholder Associated Person and any other direct or indirect right held by such stockholder or any Stockholder Associated Person to profit from, or share in any profit derived from, any increase or decrease in the value of shares of the Company, (c) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder or any Stockholder Associated Person has a right to vote any shares of any security of the Company, (d) any short interest (as defined in the amended and restated bylaws) indirectly or directly held by such stockholder or any Stockholder Associated Person in any security issued by the Company, (e) any rights to dividends on the shares of the Company owned beneficially by such stockholder or any Stockholder Associated Person that are separated or separable from the underlying shares of the Company, (f) any proportionate interest in shares of the Company or derivative instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or any Stockholder Associated Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, and (g) any performance-related fees (other than an asset-based fee) that such stockholder or any Stockholder Associated Person is entitled to based on any increase or decrease in the value of shares of the Company or derivative instruments, if any, as of the date of such notice, including without limitation, any such interests held by members of such stockholder's or any Stockholder Associated Person's immediate family sharing the same household (which information, in each case, must be supplemented by such stockholder and any Stockholder Associated Person not later than ten (10) calendar days after the record date for the meeting to disclose such ownership as of the record date);

a description of all arrangements or understandings between such stockholder and/or any Stockholder Associated Person and each proposed nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by such stockholder;

any material interest of such stockholder or any Stockholder Associated Person in the election of such nominee, individually or in the aggregate, including any anticipated benefit to such stockholder or any Stockholder Associated Person therefrom;

a representation from such stockholder as to whether the stockholder or any Stockholder Associated Person intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding capital stock required to elect the person and/or (2) otherwise to solicit

proxies in support of the election of such person;

a representation that such stockholder is a holder of record of stock of the Company entitled to vote at such meeting, that such stockholder intends to appear in person, or by proxy at the meeting to nominate the person or persons named in the notice;

whether and the extent to which any agreement, arrangement or understanding has been made, the effect or intent of which is to increase or decrease the voting power of such stockholder or any Stockholder Associated Person with respect to any shares of the capital stock of the Company, without regard to whether such transaction is required to be reported on a Schedule 13D or other form in accordance with Section 13(d) of the Exchange Act or any successor provisions thereto and the rules and regulations promulgated thereunder; and

any other information relating to such stockholder or any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made with the SEC in connection with the solicitations of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act (or pursuant to any law or statute replacing such section) and the rules and regulations promulgated thereunder.

In the event that a special meeting of stockholders is called for the election of directors, a stockholder's nomination must be delivered to the Company not earlier than the close of business on the 120th calendar day prior to the date of the special meeting and not later than the close of business on the later of the 60th calendar day prior to the date of the special meeting, or, if the first public disclosure made by the Company of the date of the special meeting is less than 70 days prior to the date of the special meeting, not later than the 10th calendar day following the day on which public disclosure is first made of the date of the special meeting. The stockholder submitting a notice of nomination with respect to the election of directors at a special meeting must include, in its timely notice, the same information as set forth above.

A majority of the Board may reject any nomination by a stockholder not timely made or otherwise not made in accordance with the terms of the Company's amended and restated bylaws. If a majority of the Board reasonably determines that the information provided in a stockholders' notice does not satisfy the informational requirements in any material respect, the Corporate Secretary will promptly notify such stockholder of the deficiency in writing. The stockholder will then have an opportunity to cure the deficiency by providing additional information to the Corporate Secretary within such period of time, not to exceed ten (10) days from the date such deficiency notice is given to the stockholder, as a majority of the Board reasonably determines. If the deficiency is not cured within such period, or if a majority of the Board reasonably determines that the additional information provided by the stockholder, together with the information previously provided, does not satisfy the requirements in any material respect, then a majority of the Board may reject such stockholder's nomination.

Compensation of Non-Employee Directors

In assessing compensation elements and making compensation decisions with respect to our non-employee directors, the Compensation Committee engaged ClearBridge in 2017 to provide independent advice and recommendations. The

new non-employee director compensation program (as described below) was approved in 2017, and no changes were made to the program in 2018. The Compensation Committee also relies on information about the director compensation practices of a peer group of companies of similar size to the Company in related industries (see “Executive Compensation—Detailed Discussion and Analysis—Approach for Developing the Executive Compensation Program”), as well as its own judgment and prior experience, in determining director compensation.

As compensation for their service as directors of the Company in 2018 (and consistent with the program approved in April 2017), each non-employee member of the Board received an \$85,000 annual cash retainer. For service as committee Chairs, the Chairperson of the Audit Committee received an additional retainer of \$35,000 and the Chairpersons of the Compensation Committee and Nominating and Governance Committee each received an additional retainer of \$20,000. For service as Chairman of the Board, the Chairman of the Board received an additional retainer of \$35,000. Members of the Audit Committee, the Compensation Committee and the Nominating and Governance Committees (other than the Chairpersons) received an additional retainer of \$15,000, \$7,500 and \$7,500, respectively. Payment of the retainers were made on a monthly basis in advance of each month of service. The Company's target value of the equity retainer for non-employee members of the Board in 2018 was \$130,000, based on the closing stock price of the Company's stock on the grant date. Except for certain expense reimbursements noted below, no additional payments were made to non-employee members for participating in Board and committee meetings. Beginning in December 2016, non-employee members of the Board were offered the opportunity (as approved by the Board) to elect to receive unrestricted shares of Common Stock in lieu of cash compensation. Mr. Coulter and Mr. Wright elected to receive 100% and 50%, respectively, of their 2018 director cash compensation in the form of unrestricted shares of Common Stock.

On February 16, 2018, Mr. Carter, Mr. Coulter, Mr. Kerley, Ms. Meints, Ms. Norwalk and Mr. Wright were each awarded 2,017 shares of restricted stock under the Company's 2006 Long-Term Incentive Plan (the "2006 Plan") for their 2018 annual equity award. On February 16, 2018, Coliseum Capital Partners, L.P. was granted 2,017 stock equivalent units in lieu of an award to Christopher Shackelton. All awards vest in equal installments on the first, second and third anniversaries of the grant date. Ms. Meints did not stand for re-election to the Board following the expiration of her term in 2018. Because Ms. Meints did not continue to serve as a director following the 2018 Annual Meeting, her unvested restricted stock (including her 2018 annual equity award) and unexercised option awards were forfeited in accordance with their terms. In recognition of her contributions to the Company during her 15 years of service as a director and in connection with her departure from the Board, the Company granted to Ms. Meints 4,803 fully vested deferred share units that settled into shares of our Common Stock in March 2019, and extended the exercisability of her outstanding options through such date.

Non-employee directors are also reimbursed for reasonable expenses incurred in connection with attending meetings of the Board and meetings of Board committees.

2018 Director Compensation Table

Name	Fees Earned	Stock	Option	Total (\$)
	Or Paid	Awards	Awards	
	in Cash (\$) (1)	(\$)(2)(3)	(\$)	
Todd J. Carter	92,500	129,975	—	222,475
David A. Coulter	100,000	129,975	—	229,975

Edgar Filing: PROVIDENCE SERVICE CORP - Form DEF 14A

Richard A. Kerley*	171,056	129,975	—	301,031
Kristi L. Meints (4)	60,750	492,650	—	553,400
Leslie V. Norwalk*	153,291	129,975	—	283,266
Christopher S. Shackelton† (5)	120,000	129,975	—	249,975
Frank J. Wright	147,500	129,975	—	277,475

† Board Chairman at December 31, 2018

*Committee Chair at December 31, 2018

(1) The Board may, from time to time, establish ad hoc committees to address matters outside the parameters of the standing committee structure, and the amounts in the “Fees Earned or Paid in Cash” column for each of Mr. Kertley, Ms. Norwalk and Mr. Wright includes compensation for service in 2018 on such an ad hoc committee. Mr. Coulter elected to receive 100% of his 2018 cash compensation in the form of unrestricted shares of Common Stock. Mr. Wright elected to receive 50% of his 2018 cash compensation in the form of unrestricted shares of Common Stock.

(2) Represents the aggregate grant date fair value of the stock and stock equivalent units granted in 2018, including the fully vested deferred share units to Ms. Meints. The aggregate grant date fair value of the restricted stock was computed in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718-Compensation-Stock Compensation (“ASC 718”). For a discussion of valuation assumptions, see Note 14, Stock-Based Compensation and Similar Arrangements, of our 2018 Annual Report. The aggregate number of unvested stock awards outstanding for each non-employee director as of December 31, 2018 is shown below:

<u>Name</u>	Unvested Restricted Stock Awards
Todd J. Carter	4,727
David A. Coulter	4,727
Richard A. Kerley	5,202
Kristi L. Meints (4)	0
Leslie V. Norwalk	5,202
Frank J. Wright	4,727

The aggregate number of unvested stock equivalent units outstanding for each non-employee director as of December 31, 2018 is shown below:

<u>Name</u>	Unvested Stock Equivalent Units
Christopher S. Shackelton (5)	5,202

(3) The following table sets forth the number of outstanding unexercised options to purchase shares of Common Stock and the associated exercise price and grant date fair value held by each non-employee director as of December 31, 2018. All outstanding options were fully vested as of December 31, 2018.

<u>Grant Price</u>	<u>Exercise Price</u>	Number of stock options (Outstanding as of December 31, 2018)
		Kristi L. Meints
5/17/2011	\$ 14.16	2,000
6/14/2010	\$ 16.35	7,814
	Total	9,814

(4) Because Ms. Meints did not continue to serve as a director following the 2018 Annual Meeting, her unvested restricted stock (including those granted in 2018) and unexercised option awards were forfeited in accordance with their terms. In recognition of her contributions to the Company during her 15 years of service as a director, the Company granted to Ms. Meints 4,803 fully vested deferred share units that settled into shares of our Common Stock in March 2019, and extended the exercisability of her outstanding options through such date.

(5) All of Christopher Shackelton's compensation for service on the Board inures to the benefit of CCP pursuant to this entity's policy regarding Christopher Shackelton's service on the board of companies in which it has an equity interest. CCP also holds previously granted stock option equivalent units in respect of Christopher Shackelton's services with respect to the acquisitions of Ingeus UK Holdings Limited and CCHN Group Holdings, Inc. (referred to as "Matrix Medical Network"), 200,000 of which were vested as of December 31, 2018, with an exercise price of \$43.81.

Stock Ownership Guidelines for Non-Employee Directors

Pursuant to our stock ownership guidelines, our non-employee directors are expected to own shares of our Common Stock with a value equal to three times their annual retainer (excluding compensation for board or committee chair, committee member or lead director positions held). Because Christopher Shackelton assigns all of his Board compensation to CCP as described above, he is excluded from these stock ownership guidelines.

The following counts towards meeting the required holding level:

- shares held directly or indirectly;
- any vested restricted stock or stock units held under our annual equity-based compensation program;

- any unvested time-based restricted stock or stock units held under our annual equity-based compensation program (calculated on an assumed net after-tax basis); and
- shares owned jointly with or in trust for, immediate family members residing in the same household.

Non-employee directors are not permitted to sell compensatory shares of our Common Stock until they have reached the required holding level, except if such sale is effected to satisfy tax obligations or to pay the exercise price of options. This holding requirement does not apply to shares purchased by a non-employee director in the market or from the Company for cash unless acquired by exercise of a compensatory option. In the event a non-employee director does not achieve his or her holding level set forth above and sells shares of our Common Stock in violation of the stock ownership guidelines, the Board will consider all relevant facts and take such actions as it deems appropriate under the circumstances. Each of our non-employee directors was in compliance with our stock ownership guidelines in 2018.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who beneficially own more than 10% of a registered class of the Common Stock to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of Providence. Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish Providence with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, the Company believes that all Section 16(a) executive officers, directors and greater than 10% beneficial stockholders of Providence complied with applicable Section 16(a) requirements during the year ended December 31, 2018.

Certain Relationships and Related Party Transactions

Policy Regarding Certain Relationships and Related Party Transactions

Pursuant to its written charter, the Audit Committee has adopted a Related Person Transaction Policy that, subject to certain exceptions, requires the Audit Committee (or the chair of the Audit Committee in certain instances) to review and either ratify, approve or disapprove all “transactions” with “related persons,” which have the meanings given to such terms in Item 404(a) of Regulation S-K.

In determining whether to approve or ratify a transaction with a related person under the policy, the Audit Committee is to consider all relevant information and facts available to it regarding the transaction and take into account factors such as the related person’s relationship to the Company and interest in the transaction (direct or indirect), the terms of the transaction and the benefits to the Company of the transaction. No director is to participate in the approval of a related person transaction for which he or she is a related person or otherwise has a direct or indirect interest.

The Audit Committee is also to review and assess ongoing related person transactions, if any, on at least an annual basis to determine whether any such transactions remain appropriate or should be modified or terminated.

Each year our directors and officers complete Directors’ and Officers’ Questionnaires, which, among other things, are designed to elicit certain information relating to transactions with the Company in which the officer or director or any immediate family member of such officer or director has a direct or indirect interest. We also make inquiries quarterly of officers and directors to identify any additional related person transactions that have arisen since the last inquiry as a means to ensure all potential transactions subject to the policy are captured. These questionnaires are reviewed by our General Counsel and any such transactions or other related person transactions are brought to the attention of the Audit Committee as appropriate.

Retention of Advisors

In 2018 the Company retained Epstein, Becker & Green, P.C. (“EBG”) to provide healthcare regulatory advice in respect of disclosures being made in our 2018 Annual Report and EBG Advisors, Inc. (“EBG Advisors”), an affiliated entity, to provide healthcare advisory services to the Company, both for customary fees. The Company made the decision to retain EBG and EBG Advisors after reviewing several potential healthcare regulatory advisors, and engaging in interviews with four potential firms and determined EBG and EBG Advisors were best positioned to meet the Company’s needs. In 2018, the Company paid \$15,740 and \$50,000 to EBG and EBG Advisors, respectively, for such services. The amounts represent less than 1% of total revenue for both EBG and EBG Advisors, respectively. Leslie Norwalk, a member of our Board, is Counsel at EBG.

Ms. Norwalk receives a fixed base salary for her employment at EBG and no additional variable compensation. The Company has received a letter from EBG advising that the Company’s engagement of the applicable advisor, and Ms. Norwalk’s relationship with the Company and her membership on the Board was not and will not be taken into consideration when calculating her compensation or accounted for in any way as it relates to her compensation. The Board has determined that Ms. Norwalk qualifies as independent under the applicable NASDAQ and SEC standards.

Indemnification Agreement

On May 9, 2018, the Company entered into a registration indemnification agreement with each of the Coliseum Stockholders, pursuant to which the Company agreed to indemnify the Coliseum Stockholders, and the Coliseum Stockholders agreed to indemnify the Company, against certain matters relating to the registration of the Coliseum Stockholders’ securities for resale under the Securities Act.

Employment of David Shackelton

David Shackelton, the brother of Christopher Shackelton, the Chairman of the Board of Providence, served as the Company’s Chief Financial Officer from October 2015 until April 11, 2018, on which date he was appointed as Chief Transformation Officer until December 31, 2018. His total compensation, for 2018, including the grant date fair value of equity awards and payment under the Retention Plan (as defined below), was \$2,509,678. David Shackelton’s compensation for 2018 is more fully described below in the “Summary Compensation Table” and the accompanying explanatory tables.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Mr. Kerley (Chairperson), Mr. Carter and Mr. Coulter. No person who served as a member of the Compensation Committee during the fiscal year ended December 31, 2018 was a current or former officer or employee of Providence, or engaged in certain transactions with us, which was required to be disclosed by regulations of the SEC. None of Providence's executive officers served as a director or member of the compensation committee of another entity, one of whose executive officers served as a member of our Board or as a member of our Board's Compensation Committee.

Equity Compensation Plan Information

The following table provides certain information as of December 31, 2018 with respect to our equity based compensation plans.

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted- Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	960,719	\$ 61.44	1,356,820
Equity compensation plans not approved by security holders	—	—	—
Total	960,719	\$ 61.44	1,356,820

(1) The number of shares shown in this column represents the number of shares available for issuance pursuant to stock options and other stock-based awards that were previously granted and were outstanding as of December 31, 2018 under the 2006 Plan.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis explains the executive compensation program for the following individuals, who are referred to as the Named Executive Officers (“NEOs”):

• R. Carter Pate – Interim CEO

• Kevin Dotts – CFO

• William Severance – Former Interim CFO and current Executive Vice President, Finance, Office of the Providence CEO*

• David C. Shackelton – Former CFO and former Chief Transformation Officer*

• Sophia D. Tawil – Former Senior Vice President, General Counsel & Corporate Secretary*

• Laurence Orton – Senior Vice President, Finance and former Interim Chief Accounting Officer and Senior Vice President Finance

**Mr. Shackelton served as the Company’s CFO prior to his appointment as Chief Transformation Officer in connection with the Organizational Consolidation (as defined below). Mr. Severance served as our Interim CFO from April 11, 2018 until August 22, 2018, when Kevin Dotts was appointed CFO of the Company. Also in connection with the Organizational Consolidation, Mr. Shackelton and Ms. Tawil each concluded employment with the Company effective December 31, 2018, and Mr. Orton ceased to serve as Interim Chief Accounting Officer and Senior Vice President Finance effective March 1, 2019. Mr. Orton is expected to continue to serve as the Company’s Senior Vice President, Finance, and Mr. Severance is expected to continue to serve as the Company’s Executive Vice President, Finance, Office of the Providence CEO, until their respective transition periods conclude under the Organizational Consolidation in May 2019.*

Executive Summary

Overview and 2018 Business Highlights

2018 was a year of transition for the Company, which included the Organizational Consolidation described below, a sale of the Workforce Development Services segment, and an acquisition to expand the Non-Emergency Transportation Services segment. During 2018, Providence Service Corporation owned subsidiaries and investments primarily engaged in the provision of healthcare services in the United States and workforce development services internationally in the following segments:

• **Non-Emergency Transportation Services** – Nationwide provider of non-emergency medical transportation ("NET") programs for state governments and managed care organizations.

• **Workforce Development 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.

• **Matrix Investment** – minority investment in CCHN Group Holdings, Inc. and its subsidiaries, a nationwide provider of high-touch, specialized care in-home or via mobile health clinics to help health plans and other at-risk entities improve quality management, revenue integrity, member satisfaction and overall quality of care.

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 actively monitoring these activities as they relate to our capital allocation and acquisition strategy to ensure alignment with Providence's overall strategic objectives and its goal of enhancing shareholder value.

During 2018, our segments' core competencies included developing and managing large provider networks, tailoring healthcare and workforce development service offerings to the unique needs of diverse communities and populations, and implementing technology-enabled delivery models to achieve superior outcomes in low cost settings. The Company pursued both organic and inorganic growth through entry into adjacent markets and complementary service lines, particularly with offerings that leveraged the advantages inherent in the Company's large-scale, technology-enabled, networks.

On April 11, 2018, the Company announced an organizational consolidation to integrate substantially all activities and functions performed at the corporate holding company level into its LogistiCare subsidiary (the "Organizational Consolidation"). The Organizational Consolidation involved transferring all job responsibilities previously performed by employees of the holding company to LogistiCare and closing the Company's corporate offices in Stamford, Connecticut and Tucson, Arizona. The Organizational Consolidation is expected to be complete by the end of the second quarter of 2019.

On September 21, 2018, we completed the acquisition of Circulation, Inc. ("Circulation"), which offers a full suite of logistics solutions to manage NET programs across all areas of healthcare, powered by its HIPAA-compliant digital platform. Circulation's technology expands LogistiCare's capabilities to manage transportation benefits, integrating all transportation capabilities and emphasizing member convenience and satisfaction.

On December 21, 2018, we completed the sale of substantially all of the operating subsidiaries of our Workforce Development Services segment to Advanced Personnel Management Global Pty Ltd of Australia ("APM") and APM UK Holdings Limited, an affiliate of APM, except for the segment's employment services operations in Saudi Arabia. Our contractual counterparties in Saudi Arabia, including an entity owned by the Saudi Arabian government, assumed these operations beginning January 1, 2019.

In addition to the above, we completed strategic changes to the segment senior leadership teams and achieved certain values, compliance and accounting integrity performance goals during 2018.

Stockholder Say-on-Pay and Say-on-Pay Frequency and Company Response

In establishing and recommending 2018 compensation for the NEOs, the Compensation Committee considered the results of the Say-on-Pay vote and the vote on the frequency of future Say-on-Pay votes at the 2018 annual meeting of stockholders. In advance of that meeting, we reached out to certain stockholders to discuss certain key governance issues. At that meeting, our stockholders approved our executive compensation for the 2018 fiscal year with approximately 80% of the votes cast in favor. Our Board recognizes that executive compensation is important to stockholders and takes this into account when reviewing the compensation program throughout the year. We believe that we have established a compensation plan that aligns the compensation paid to NEOs with value delivered to stockholders, including changes that we made in 2018.

Detailed Discussion and Analysis

Compensation Committee Philosophy

Providence has a strong philosophy that compensation should be earned based on performance. As a result, we believe that compensation programs offered to NEOs should support the achievement of our strategic and financial goals and creation of stockholder value over the long term primarily by rewarding both capital allocation and operational excellence strategies. Accordingly, our guiding compensation principles for 2018 focused on:

- attracting, retaining, and motivating high-performing leaders;
- aligning the interests of our executives with those of our stockholders, and incentivizing shareholder value creation;
- linking a meaningful portion of executive compensation to achievement of key financial, operational, and capital allocation performance goals; and
- maintaining a significant portion of compensation based on at-risk opportunities, including in equity awards tied to stock price and achievement of key transactions and projects.

2018 Compensation Components

The specific components of the 2018 compensation program for NEOs were as follows:

Component	Description	Purpose
Base Salary	Fixed cash component established upon hire (and adjusted from time-to-time) based on overall skills and experience.	Provide competitive fixed compensation to attract and retain executive talent Reviewed to reward for individual performance, and to consider market competitiveness.
2018 Cash Bonus Awards	2018 cash bonus awards consisted of the Annual Incentive Program (“AIP”) for each NEO (excluding Mr. Pate and Mr. Dotts in 2018). In addition, the Compensation Committee approved special bonuses for each of Mr. Pate, Mr. Severance, Mr. Shackelton, and Ms. Tawil, in connection with significant transactions.	Provide financial incentive to the executives to reward them for achieving specific strategic, organizational, financial and individual goals. Long-term incentive grants to certain executives align them with our stockholders’ interest in achieving increases of our stock value.
Long-Term Incentive	Stock option grants and cash bonus awards in 2018 in connection with key projects and executive appointments. Equity grants made in December 2017 under the Company’s 2006 Plan subject to continued vesting during 2018.	The use of stock options as the LTI vehicle in 2018 incentivizes shareholder value creation, as the stock price must appreciate for the executive to realize value. Additionally, stock options and cash awards were chosen as the LTI vehicle for 2018 as they allowed the Company to achieve its performance objectives during the Organizational Consolidation.
Retention Plan	Retention awards for fixed cash amounts.	Our Retention Plan was implemented to retain and motivate key executives during the Organizational Consolidation.
Benefits and Perquisites	We provide certain benefits generally available to all employees and we provide additional benefits for NEOs. Perquisites for NEOs relate to certain enhanced insurance and other non-cash benefits. See “Benefits and Perquisites” for further detail.	Provide a competitive level of employee benefits; aids in attraction and retention of key executives.

Post-Termination Compensation	Certain NEOs are eligible for certain payments post-termination, as specified in “Potential Payments Upon Termination or Change in Control.” Stock Ownership Guidelines	Provide an appropriate level of payment in the event of a change in control or termination.
Other Policies	Clawback Anti-Hedging / Anti-Pledging	Enhance alignment between executive and stockholder interests.

Approach for Developing the Executive Compensation Program

The compensation of our CEO (including our Interim CEO) is determined by the Compensation Committee, subject to the approval of the Board. Our CEO annually reviews the performance of each NEO, other than himself, relative to the annual performance goals established for the year. Our CEO then makes recommendations to the Compensation Committee with respect to all aspects of the compensation of the other NEOs who report directly to him, but does not participate in the final deliberations of the Compensation Committee with respect thereto. The Compensation Committee exercises discretion in modifying compensation recommendations relating to the other NEOs that were made by our CEO and approves all compensation decisions for such NEOs. Our CEO exercises discretion in modifying and approving such compensation recommendation under delegation from the Compensation Committee.

Since 2015, the Compensation Committee has engaged ClearBridge to assess the competitiveness of pay for the executive officers and provide independent advice and recommendations to the Compensation Committee regarding executive compensation. In order to avoid conflicts of interest, ClearBridge only does work for or authorized by the Compensation Committee. The Compensation Committee annually reviews ClearBridge's independence as contemplated by the Compensation Committee's charter and applicable NASDAQ rules, and in February 2018 determined that there were no conflicts of interest.

We believe it is appropriate for NEO pay to be competitive with the market for comparable executives. To achieve this objective, we assess market data for a peer group of companies established by the Compensation Committee from time to time.

We periodically review our peer group for competitive compensation benchmarking analysis. The peer group is comprised of health services related-companies that are comparable in terms of business mix and size (e.g., revenue, EBITDA and enterprise value). The peer group was reviewed and adjusted in June 2018. Provided below are the peer groups used in the first half of 2018 for compensation decisions and the current peer group, which has been used since June 2018.

Initial 2018 Peer Group

Advisory Board Company	Corvel
Alliance Healthcare	Ensign Group

Current Peer Group (1)

Addus HomeCare Corporation	Corvel
Allscripts Healthcare Solutions, Inc.	Ensign Group

Edgar Filing: PROVIDENCE SERVICE CORP - Form DEF 14A

Almost Family	HMS Holdings	Amedisys	HMS Holdings
Amedisys	LHC Group	American Renal Associates Holdings, Inc.	LHC Group
BioScrip, Inc.	National HealthCare Corporation	BioScrip, Inc.	National HealthCare Corporation
Civitas Solutions	Tivity Health	Capital Senior Living Corporation	RadNet, Inc.
		Civitas Solutions	Tivity Health

(1) Current peer group has been in use since June 2018 and reflects the following changes from the initial 2018 peer group:

a. Additions: Addus HomeCare Corporation, Allscripts Healthcare Solutions, Inc., American Renal Associates Holdings, Inc., Capital Senior Living Corporation, and RadNet, Inc.

b. Removals: Advisory Board Company, Alliance Healthcare, and Almost Family

In addition to market data, the Compensation Committee takes into consideration other factors, including an individual's role, tenure, experience, skills and performance when making compensation decisions.

2018 Executive Compensation Program Decisions

The following decisions were made in 2018 regarding each of these compensation components:

Base Salary

The Compensation Committee has periodically reviewed and set salaries for NEOs at levels intended to be competitive, as further discussed under “—Approach for Developing the Executive Compensation Program,” and to provide the appropriate level of fixed compensation for each individual’s role at the Company. In determining the NEOs’ base salaries, the Compensation Committee has considered the internal pay comparisons within the executive group at the Company, individual performance, overall financial performance of the Company, and market data, as appropriate. Salaries for our NEOs as of year-end were as follows:

Name	2018 Base Salary(1)
R. Carter Pate	\$500,000
Kevin Dotts	\$400,000
William Severance	\$450,000
David C. Shackelton	\$450,000
Sophia D. Tawil	\$350,000
Laurence Orton	\$300,000

(1) Reflects base salaries for our NEOs as of December 31, 2018.

2018 Cash Bonus Awards

Annual Incentive Program

For 2018, all of our NEOs except Mr. Pate (given his interim role) and Mr. Dotts (who joined the Company in the third quarter of 2018) participated in the AIP, and each of them had a bonus opportunity based 75% on consolidated financial performance, measured by earnings per share, as adjusted by the Compensation Committee for the AIP (“Compensation Adjusted EPS”), and 25% on individual goals established by the Compensation Committee. As

described below, for 2018, the Compensation Committee determined that on the basis of Compensation Adjusted EPS achievement, and individual performance achievement, these NEOs were entitled to AIP payouts in the amounts shown below for 2018. These payouts are reflective of the Company's performance as described in the "—2018 Business Highlights" section above.

Compensation Adjusted EPS under the AIP is calculated by modifying Adjusted EPS to include budgeted restructuring and related charges and exclude expenses related to taxes, the Company's subsidiaries' long-term incentive plans, unbudgeted restructuring and related charges, transaction expenses and cash-settled equity awards. (For a complete discussion of the method of calculating Adjusted EPS, see the Form 8-K filed with the SEC on February 28, 2019.)

For the NEOs shown below, the 2018 bonus opportunity under the AIP was determined as a percentage of base salary:

Named Executive Officer	Target AIP	Maximum AIP		
	Opportunity as	Opportunity as		
	% of Salary	%	% of Salary	%
William Severance	75	%	150	%
David C. Shackelton	75	%	150	%
Sophia D. Tawil	75	%	150	%
Laurence Orton	50	%	75	%

Our 2018 Compensation Adjusted EPS target was \$3.21, as shown in the table below. In setting the target for 2018, the Compensation Committee took into account, among other factors, the Organizational Consolidation plan. The Company achieved a 2018 Compensation Adjusted EPS of \$2.89, resulting in payouts at threshold levels of achievement for this metric.

Compensation Adjusted EPS Threshold Target Maximum Actual

Targets and FY2018 Actual	\$2.89	\$3.21	\$3.86	\$2.89
Payout %	50%	100%	200%	50%

Each of the NEOs participating in the AIP met his or her individual goals established by the Compensation Committee at a 100% level of achievement. In addition to goals related to individual performance within each NEO's functional area, the goals established by the Compensation Committee for the NEOs included support of the Company's corporate transactions in 2018, including the Organizational Consolidation and the WD Services Sale.

Other Annual Cash Bonuses

Pursuant to the terms of his employment agreement, Mr. Dotts was eligible to receive a bonus of up to \$100,000 (but not less than \$50,000) in respect of the 2018 fiscal year based on his achievement of personal performance targets established by the Compensation Committee. After 2018, Mr. Dotts will be eligible to receive an annual bonus of up to 75% of his base salary under the AIP.

Special Project and Transaction Bonuses

On November 27, 2018, the Compensation Committee approved a special bonus of \$31,800 for Mr. Orton, \$190,900 for Mr. Severance, \$509,200 for Mr. Shackelton, and \$509,200 for Ms. Tawil in recognition of the increased demands of time, attention and work on each of them in respect of the Organizational Consolidation.

On December 11, 2018, the Compensation Committee approved a special bonus of \$450,000 for Mr. Pate in recognition of his performance in respect of certain projects, including the Organizational Consolidation, LogistiCare's acquisition of Circulation, and the WD Services Sale. The Compensation Committee also approved a special bonus of \$50,000 for Mr. Severance, \$250,000 for Mr. Shackelton, and \$250,000 for Ms. Tawil in recognition of their performance in respect of the WD Services Sale.

Retention Bonuses

Upon the conclusion of their employment with the Company on December 31, 2018 following the completion of their tenures under the Retention Plan (as defined below), Mr. Shackelton and Ms. Tawil became entitled to cash payments of \$1,125,000 and \$875,000, respectively, and other benefits under the Retention Plan. Mr. Orton and Mr. Severance also participate in the Retention Plan and are entitled to \$300,000 and \$875,000, respectively, if they remain employed by the Company through May 10, 2019 (see “2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan”).

Election to Receive Shares in Lieu of Cash Bonus

For 2018, each NEO was able to elect to receive up to 50% of his or her 2018 annual bonus in the form of a number of unrestricted shares of the Company’s Common Stock, of equal value on the date bonuses were granted, plus a Company match of one non-qualified stock option, subject to vesting over three years, for every pre-tax share of the Company’s Common Stock received in this election.

None of our NEOs elected to receive a portion of his or her 2018 annual bonus in shares of the Company’s Common Stock in 2019.

Long-Term Incentives

Option Grants

In an effort to retain, motivate, and continue to align the Company's NEOs with shareholders and shareholder value creation, the Compensation Committee granted long term incentive awards in December 2017 and 2018 in the form of stock options to certain executives. The Compensation Committee determined stock options were the best vehicle to meet the Company's objectives during 2018, including continued alignment with shareholders, inherent performance-based aspect of stock option grants, as well as retention of senior executives. Additionally, given the challenges of setting long-term performance goals during the Organizational Consolidation, grants of stock options to our NEOs allows the Company to achieve its objective of providing meaningful long-term incentives tied to shareholder value creation. The Compensation Committee considered various multiple factors in determining the value of the individual stock option grants, including: individuals' roles, performance, historical LTI grants, and market data. Additional detail on the option grants is provided below. The 2017 options vested on December 31, 2018 and will expire on December 31, 2020 if unexercised as of such date.

On April 9, 2018, the Company granted unvested options to purchase up to 394,000 shares of Company stock to Mr. Pate in connection with his entry into a new employment agreement and the extension of his term of employment as Interim CEO through June 30, 2019. On March 31, 2019, 25% of the options vested as a result of Mr. Pate meeting certain personal goals, including those relating to financial reporting, the Organizational Consolidation, and the mentorship of senior executives. 25% of the options were subject to vesting based on a budget goal as of March 31, 2019, of which 50% vested based on performance in respect of this goal. The remaining 50% of the options will become vested if Mr. Pate remains employed by the Company through June 30, 2019 (the "Time-Vesting Options"). In addition, the Time-Vesting Options will become fully vested upon a change in control or a termination of Mr. Pate's employment by the Company without cause or for good reason. 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 (see "Employment Agreements and Offer Letters with the Named Executive Officers—R. Carter Pate"). In 2018, Mr. Pate volunteered to forego 98,500 of the options in order to fund other incentive awards to key employees in amounts and values determined by the Compensation Committee.

Also on April 9, 2018, in connection with his appointment as Interim CFO, Mr. Severance received an option to purchase 13,710 shares of Company stock at a price of \$71.67 per share, the closing price of the Company's Common Stock on the grant date. The option 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 (see "Employment Agreements and Offer Letters with the Named Executive Officers—William Severance").

In connection with his appointment as CFO, on August 27, 2018, the Company granted Mr. Dotts 24,865 unvested options to acquire shares of Company stock, at a price of \$67.00 per share, the closing price of the Company's

Common Stock on the grant date. These options will vest only if Mr. Dotts remains continuously employed with the Company through October 31, 2020, and will expire on December 31, 2021.

Named Executive Officer	Grant Date	Exercise Price	Stock Options (# of underlying shares)
R. Carter Pate	4/9/2018	\$ 71.67	295,500 ⁽¹⁾
Kevin Dotts	8/27/2018	\$ 67.00	24,865
William Severance	4/9/2018	\$ 71.67	13,710

(1) Reflects Mr. Pate's surrender of 98,500 options.

Benefits and Perquisites

401(k) Plans

All NEOs are eligible to participate in our 401(k) Plan and to receive a company match, subject to plan requirements and contribution limits established by the Internal Revenue Service. NEOs receive matching contributions under our 401(k) Plan equal to 10% of participant elective contributions up to a maximum amount of \$400. At the end of each plan year, we also may make a contribution on a discretionary basis on behalf of participants who have made elective contributions for the plan year.

Other Benefits and Perquisites

During 2018, our NEOs received, to varying degrees, a limited amount of other benefits, including certain group life, health, medical and other non-cash benefits generally available to all salaried employees. More detail on these benefits and perquisites may be found in the “Summary Compensation Table.”

Other Compensation Policies

Stock Ownership Guidelines for NEOs

We believe that promoting stock ownership aligns the interests of our NEOs with those of our stockholders and provides strong motivation to build stockholder value. Under the guidelines, NEOs are expected to own shares of our Common Stock with a value equal to the following multiple of their respective salaries:

Executive	Stock Ownership Guideline as a Multiple of Salary
CEO	3x annual base salary
Other NEOs	2x annual base salary

The following will count towards meeting the required holding level:

- shares held directly or indirectly;
- any vested restricted stock or stock units held under our annual equity-based compensation program;
- any unvested time-based restricted stock or stock units held under our annual equity-based compensation program (calculated on an assumed net after-tax basis); and
- shares owned jointly with or in trust for, immediate family members residing in the same household.

Most of our NEOs made significant personal investments in our Common Stock, further aligning their interests with those of our stockholders.

NEOs are not permitted to sell compensatory shares of our Common Stock until they have reached the required holding level, except if such sale is effected to satisfy tax obligations or to pay the exercise price of options. This holding requirement does not apply to shares purchased by an NEO in the market or from the Company for cash unless acquired by exercise of a compensatory option. In the event an NEO does not achieve his or her holding level set forth above and sells shares of our Common Stock in violation of the Company's stock ownership guidelines, the Board will consider all relevant facts and take such actions as it deems appropriate under the circumstances.

Clawback

It is the Board's policy that the Compensation Committee will, to the extent permitted by governing law, have the sole and absolute authority to make retroactive adjustments to any excess cash or equity-based incentive compensation paid to executive officers and certain other officers where the payment was predicated upon the achievement of certain financial results that were subsequently the subject of a restatement. Any such incentive compensation received within the three fiscal years prior to the restatement is subject to retroactive adjustment. The Company may seek cash repayment from the executive, offset compensation due to the executive by the amount subject to retroactive adjustment or cancel the executive's outstanding awards. Where applicable, we will seek to recover any amount determined to have been inappropriately received by the individual executive.

Anti-hedging / anti-pledging

We have a policy that prohibits employees, executive officers and the Board from engaging in any hedging or monetization transactions, or other financial arrangements that establish a short position in our Common Stock or otherwise are designed to hedge or offset a decrease in market value. In addition, we have a policy that prohibits our employees, executive officers and the Board from pledging our Common Stock as collateral for a loan or for a margin account.

Change in Control, Severance Arrangements and Severance Payments

During 2018, we had employment agreements or letters with each of our NEOs. The employment agreements with Mr. Dotts, David Shackelton and Ms. Tawil provided for a severance payment upon the termination of employment under certain circumstances and for a payment upon a change in control as described below under “—Employment Agreements and Offer Letters with the Named Executive Officers” and “—Potential Payments Upon Termination or Change in Control.” The employment letters with Mr. Severance and Mr. Orton also entitled them to severance upon termination of employment. On April 11, 2018, in connection with the Organizational Consolidation, we entered into an option agreement with Mr. Pate that provides for accelerated vesting upon a change in control or in certain circumstances upon the termination of his employment (see “—Employment Agreements and Offer Letters with the Named Executive Officers”). As a result of their participation in the Retention Plan, none of the Specified NEOs (as defined below) was entitled in 2018 to any other severance pay or benefits if their employment is terminated during the retention period, including under the terms of any employment agreement.

Employee Retention Plan

On April 9, 2018, in connection with the Organizational Consolidation, we adopted an employee retention plan (the “Retention Plan”) covering the employees at the Company’s corporate holding company level, including Mr. Orton, Mr. Shackelton, Mr. Severance and Ms. Tawil (the “Specified NEOs”). The Retention Plan provides for certain payments and benefits to be provided to the Specified NEOs if they remain employed with the Company through a retention date established for each Specified NEO (the “Retention Date”).

Under the terms of the Retention Plan, if a Specified NEO remains employed with the Company through the applicable Retention Date, or is terminated by the Company without “cause,” or by the Specified NEO as a result of a material reduction in base salary or target bonus, prior to the Retention Date, the Specified NEO will be entitled to (i) a retention bonus equal to 100% of the Specified NEO’s base salary, payable in two installments following the Retention Date, (ii) a *pro rata* bonus or prior year annual bonus, depending on the date of termination, (iii) accelerated vesting of all of the Specified NEO’s restricted stock awards and option awards, (iv) an extension of option

exercisability through December 31, 2020, and (v) reimbursement for the Company portion of health insurance premiums following termination for a period up to December 31, 2019. In recognition of the increased demands on their time, attention and work, particularly in light of their increased responsibilities in respect of certain transitional items and special projects, the Compensation Committee increased Mr. Severance's retention bonus to \$875,000, Mr. Shackelton's retention bonus to \$1,125,000, and Ms. Tawil's retention bonus to \$875,000 on August 6, 2018. Each retention bonus increase was effected by the Company and the Specified NEO entering into an amendment to the applicable award agreement.

As a result of their participation in the Retention Plan, none of the Specified NEOs was entitled in 2018 to any other severance pay or benefits if their employment is terminated during the retention period, including under the terms of any employment agreement. The terms of the Retention Plan require a release of claims against the Company as a condition to payment and provide for customary confidentiality, non-disparagement and non-solicitation restrictions.

Upon the conclusion of their employment with the Company on December 31, 2018 following the completion of their tenures under the Retention Plan, Mr. Shackelton and Ms. Tawil became entitled to cash payments of \$1,125,000 and \$875,000, respectively, and other benefits under the Retention Plan. Mr. Orton and Mr. Severance also participate in the Retention Plan and are entitled to \$300,000 and \$875,000, respectively, if they remain employed by the Company through May 10, 2019.

Impact of Tax Treatment on Compensation

While the Compensation Committee endeavors to structure compensation so that we may take a tax deduction, it does not have a policy requiring that all compensation must be deductible and it may, from time to time, authorize compensation that is not tax deductible, including where it deems appropriate or necessary in order to ensure competitive levels of total compensation for our NEOs and where doing so would be in the best interests of the Company. For taxable years beginning after December 31, 2017 (including the Company's 2018 fiscal year), Internal Revenue Code ("IRC") Section 162(m) generally disallows tax deductions for annual compensation in excess of \$1 million paid to certain executive officers unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017.

Other provisions of the IRC can also affect compensation decisions. Section 409A of the IRC, which governs the form and timing of payment of deferred compensation, imposes sanctions, including a 20% additional tax and an interest penalty, on a recipient of deferred compensation that does not comply with Section 409A. The Compensation Committee takes into account the potential implications of Section 409A in determining the form and timing of compensation awarded to our executives and strives to structure its compensation plans to meet these requirements.

Section 280G of the IRC disallows a company's tax deduction for payments received by certain individuals in connection with a change in control to the extent that the payments exceed an amount approximately three times their average annual compensation (an "excess parachute payment") and Section 4999 of the IRC imposes a 20% excise tax on those payments. The Compensation Committee also takes the provisions of Sections 280G and 4999 into account in structuring compensation, endeavoring to enable the Company to take a tax deduction and executives to avoid the excise tax. For example, employment agreements with certain of our NEOs contain provisions reducing parachute payments to an amount that will not constitute an excess parachute payment in certain circumstances.

Compensation Committee Report

The Compensation Committee operates under a written charter and is comprised entirely of directors meeting the independence requirements of NASDAQ listing requirements. The Board established this committee to discharge the Board's responsibilities relating to compensation of our Interim CEO and each of our other executive officers. The Compensation Committee has overall responsibility for decisions relating to all compensation plans, policies, and benefit programs as they affect the Interim CEO and other executive officers.

The Compensation Committee has reviewed and discussed with Providence's management the preceding section entitled "Compensation Discussion and Analysis." Based on this review and discussions with management, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the 2018 Annual Report through filing of this Proxy Statement.

Compensation Committee

Richard A. Kerley
Todd J. Carter David A. Coulter
(Chairperson)

Summary Compensation Table

The following table sets forth certain information with respect to compensation paid by us for services rendered in all capacities to us and our subsidiaries during the fiscal years ended December 31, 2018, 2017 and 2016 to our NEOs, which group is comprised of (1) each person who served as our CEO during 2018, (2) each person who served as our CFO during 2018, and (3) each of our two other most highly compensated executive officers employed on December 31, 2018:

Name	Year	Salary	Bonus	Stock	Option	Non-Equity	All Other	Total (\$)
		(1) (\$)	(2) (\$)	Awards	Awards	Incentive Plan Compensation	Compensation	
			(3) (\$)	(4) (\$)	(5) (\$)	(6) (\$)	(7) (\$)	
R. Carter Pate	2018	553,077	450,000	—	5,091,724	(7)	—	6,098,455
Interim Chief Executive Officer	2017	88,846	—	—	—	—	137	88,983
Kevin Dotts	2018	118,462	50,000	—	372,445	(8)	50,000	596,473
Chief Financial Officer	2018	414,028	240,900	—	161,313	(9)	154,754	984,632
William Severance	2017	309,000	231,750	149,583	408,206	(10)	—	1,113,587
Former Interim CFO and current Executive Vice President, Finance, Office of the Providence CEO	2016	277,568	262,500	209,998	—	—	17,795	767,861
David C. Shackelton	2018	450,000	759,200	—	—	168,750	1,131,728	2,509,678
Former Chief Financial Officer; former Chief Transformation Officer	2017	450,000	—	—	1,212,296	(10)	675,000	2,342,583
	2016	450,000	—	—	—	675,000	5,046	1,130,046
Sophia Tawil	2018	350,000	759,200	—	—	131,250	892,870	2,133,320
Former Senior Vice President,	2017	350,000	—	—	451,253	(10)	525,000	1,339,789

Edgar Filing: PROVIDENCE SERVICE CORP - Form DEF 14A

General Counsel & Corporate Secretary Laurence Orton	2016	242,560	525,000	965,250	—	—	10,922	1,743,732
Senior Vice President, Finance and former Interim Chief Accounting Officer and Senior Vice President Finance	2018	297,269	31,800	—	—	112,500	13,360	454,929

(1) Includes amounts contributed to our 401(k) Plan by each named executive officer.

(2) For 2016, the amounts in the Bonus and Non-Equity Incentive Plan Compensation columns reflect 2017 cash incentive awards made to the NEOs.

(3) The amounts shown in this “Bonus” column for 2018 include:

(i) For Mr. Pate, a special bonus of \$450,000 in recognition of his performance in respect of certain projects, including the Organizational Consolidation, LogistiCare’s acquisition of Circulation, and the WD Services Sale (see “2018 Executive Compensation Program Decisions—2018 Cash Bonus Awards—Other Bonus Compensation”);

(ii) for Mr. Dotts, the guaranteed portion of his bonus for the 2018 fiscal year (see “2018 Executive Compensation Program Decisions—2018 Cash Bonus Awards—Annual Incentive Program”);

(iii) a special bonus of \$31,800 for Mr. Orton, \$190,900 for Mr. Severance, \$509,200 for Mr. Shackelton, and \$509,200 for Ms. Tawil in recognition of their performance in respect of the Organizational Consolidation (see “2018 Executive Compensation Program Decisions—2018 Cash Bonus Awards—Other Bonus Compensation”); and

(iv) a special bonus of \$50,000 for Mr. Severance, \$250,000 for Mr. Shackelton, and \$250,000 for Ms. Tawil in recognition of their performance in connection with the WD Services Sale (see “2018 Executive Compensation Program Decisions—2018 Cash Bonus Awards—Other Bonus Compensation”).

For 2016 and 2017, Mr. Severance's bonus appears in the Bonus column because it was discretionary. For 2016, Ms. Tawil's bonus appears in the Bonus column because the 162(m) performance goal was not satisfied.

This column shows the aggregate grant date fair value of the restricted stock, awards of contingent share base payout based on stock price performance ("HoldCo LTIP" awards) and Time-Based Restricted Stock ("TBRs") awarded in 2017 and 2016 in accordance with FASB ASC 718. Additional information regarding such awards is set forth in the notes to the "Grants of Plan Based Awards Table" and "Outstanding Equity Awards" table. The grant date fair values have been determined based on the assumptions set forth in our Annual Report on Form 10-K for the year ended December 31, 2018 (Note 14, Stock-Based Compensation and Similar Arrangements), and reflect the acceleration provisions of the Retention Plan, calculated in accordance with FASB ASC Topic 718. The (4) incremental fair value of resulting from these adjustments was \$17,704 with respect to Mr. Orton's restricted stock awards, \$13,808 with respect to Mr. Severance's options and \$27,072 with respect to his restricted stock awards, \$55,630 with respect to Mr. Shackelton's options, and \$16,482 with respect to Ms. Tawil's options. Mr. Severance was granted awards of TBRs in 2017 and 2016. The amounts included in this column for the TBRs granted in 2017 and 2016 are consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC 718. The Holdco LTIP awards were made in 2016 to Ms. Tawil and did not result in any payment when cancelled in 2018. The grant date fair value of HoldCo LTIP awards shown in this column was determined based on the likely payout under a Monte Carlo simulation model.

For NEOs other than Mr. Dotts, the amounts shown in this "Non-Equity Incentive Plan Compensation" column for 2018 reflect 2018 bonuses earned under the AIP. For Mr. Dotts, the amount shown reflects the non-guaranteed portion of his bonus in 2018. Pursuant to the terms of his employment agreement, Mr. Dotts was eligible to receive a bonus of up to \$100,000 (but not less than \$50,000) in respect of the 2018 fiscal year based on his achievement of (5) personal performance targets established by the Compensation Committee. See above under "2018 Executive Compensation Program Decisions—2018 Cash Bonus Awards." For 2016 and 2017, Mr. Severance's bonus appears in the Bonus column because it was discretionary. The 2017 bonuses for Mr. David Shackelton and Ms. Tawil are listed under the Non-Equity Incentive column to reflect that their performance criteria were met during 2017. For 2016, because David Shackelton was not a 162(m) covered employee, his bonus is reported in the "Non-Equity Incentive Plan Compensation" column.

(6) We provide the NEOs with certain group life, health, medical and other non-cash benefits generally available to all salaried employees, which are included in this column. For 2018, the amounts in this column include the following:

Name	Health, Dental, Life and Disability	Matching Contributions under Retirement
	Insurance Premiums	Savings Plans
R. Carter Pate	\$ 3,564	\$ 81

Edgar Filing: PROVIDENCE SERVICE CORP - Form DEF 14A

Kevin Dotts	\$ 5,428	\$ 138
William Severance	\$ 13,237	\$ 400
David C. Shackelton	\$ 4,831	\$ —
Sophia D. Tawil	\$ 12,386	\$ 400
Laurence Orton	\$ 12,960	\$ 400

For Mr. Shackelton and Ms. Tawil, the amounts in this column also include payments and benefits in 2018 under the Retention Plan totaling \$1,126,897 for Mr. Shackelton and \$880,085 for Ms. Tawil (see “2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan”).

Represents options granted on April 9, 2018, with an exercise price of \$71.67 (the closing price of the Company's common stock as of the grant date). In 2018, Mr. Pate volunteered to forego 98,500 of the options in order to fund other incentive awards to key employees in amounts and values determined by the Compensation Committee.

(8) Represents options granted on August 27, 2018 with an exercise price of \$67.00 per share, the closing price of the Company's Common Stock on the grant date.

(9) Represents options granted on April 9, 2018, with an exercise price of \$71.67 per share, the closing price of the Company's Common Stock on the grant date.

(10) Represents options granted on December 14, 2017, with an exercise price of \$56.42 (the closing price of the Company's common stock as of the grant date) and options granted on December 16, 2017, with an exercise price of \$56.89 (the closing price of the Company's common stock as of December 15, 2017, the most recent trading day preceding the grant date), which became exercisable on December 31, 2018, and expire on December 31, 2020. Also represents options granted on March 15, 2017, with an exercise price of \$46.44 (the closing price of the Company's common stock as of the grant date). The options granted to Mr. Severance will become exercisable on March 15, 2020, subject to his continued employment through such date or earlier under the terms of the Retention Plan.

Grants of Plan Based Awards Table

The following Grants of Plan Based Awards Table provides additional information about stock and option awards and non-equity incentive plan awards granted to the NEOs during the year ended December 31, 2018. The compensation plans under which the grants in the following table were made are described under "2018 Executive Compensation Program Decisions—2018 Cash Bonus Awards" and "2018 Executive Compensation Program Decisions—Long-Term Incentives" in the "Compensation Discussion and Analysis" section.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards					
		Threshold	Target	Maximum	Threshold	Target	Maximum	All Other	All Other	Exercise
		(\$)	(\$)	(\$)	(#)	(#)	(#)	Other	Option	or Base

									Stock	Awards;	Price of	Val
									Awards: Number	Option	Sto	
									Number of	Awards	and	
									of	Securities	Op	
									Shares	Underlying	Aw	
									of Stock	Options	(\$)	
									or Units	(#) (2)		
									(#)			
R. Carter	4/9/2018	—	—	—	—	—	—	—	394,000	71.67	5,0	
Pate												
Kevin	(1)	50,000	100,000	100,000	—	—	—	—	—	—	—	
Dotts	8/27/2018	—	—	—	—	—	—	—	24,865	67.00	372	
William	(1)	154,754	309,507	619,014	—	—	—	—	—	—	—	
Severance	4/9/2018	—	—	—	—	—	—	—	13,710	71.67	161	
	4/9/2018										40,	
David C.	(1)	168,750	337,500	675,000	—	—	—	—	—	—	—	
Shackelton	4/9/2018										55,	
Sophia D.	(1)	131,250	262,500	525,000	—	—	—	—	—	—	—	
Tawil	4/9/2018										16,	
Laurence	(1)	75,000	150,000	225,000	—	—	—	—	—	—	—	
Orton	4/9/2018										17,	

- (1) Amount represents the threshold, target and to the extent applicable, maximum, under the AIP for 2018 or similar provisions of the NEOs' employment agreements or offer letters. The actual amounts earned by the NEOs in 2018 under the AIP are set forth under the Non-Equity Incentive Plan Compensation column of the "Summary Compensation Table."

- (2) Options granted to Mr. Pate on April 9, 2018 have an exercise price of \$71.67 (the closing price of the Company's common stock as of the grant date). On March 31, 2019, 25% of the options granted under the Pate Option Agreement vested as a result of Mr. Pate meeting certain personal goals, including those relating to financial reporting, the Organizational Consolidation, and the mentorship of senior executives. 25% of the options were subject to vesting based on a budget goal as of March 31, 2019, of which 50% vested based on performance in respect of this goal. The remaining 50% of the options will become vested if Mr. Pate remains employed by the Company through June 30, 2019. 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 2018, Mr. Pate volunteered to forego 98,500 of the options in order to fund other incentive awards to key employees in amounts and values determined by the Compensation Committee. Options granted to Mr. Severance on April 9, 2018 have an exercise price of \$71.67. The options become exercisable on May 10, 2019, subject to Mr. Severance's continued employment through such date, and expire on December 31, 2020. The options held by Mr. Severance may become exercisable at an earlier date under the terms of the Retention Plan (see "2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan"). Options granted to Mr. Dotts on August 27, 2018 have an exercise price of \$67.00 (the closing price of the Company's common stock as of the grant date). The options become exercisable on October 31, 2020, subject to the executive's continued employment through such date, and expire on December 31, 2021.

- (3) The amounts shown in this column, include the grant date fair value of option awards granted in 2018 determined based on the assumptions set forth in our 2018 Annual Report on Form 10-K for the year ended December 31, 2018 (Note 14, Stock-Based Compensation and Similar Arrangements) and, for Mr. Severance, Mr. Shackelton, Ms. Tawil and Mr. Orton, the incremental fair value of outstanding equity awards resulting from acceleration of vesting for restricted stock and options under the terms of the Retention Plan, calculated in accordance with FASB ASC Topic 718 (see "2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan").

Employment Agreements and Offer Letters with the Named Executive Officers

The following discussion and the discussion below under “—Potential Payments Upon Termination or a Change in Control” describe certain terms of the employment agreements and offer letters with the NEOs. As a result of their participation in the Retention Plan, none of the Specified NEOs was entitled in 2018 to any other severance pay or benefits if their employment is terminated during the retention period, including under the terms of any employment agreement (see “Change in Control, Severance Arrangements and Severance Payments”).

R. Carter Pate

Effective November 15, 2017, Mr. Pate became Interim CEO and the Company and Mr. Pate entered into an employment agreement (the “Pate Employment Agreement”). The Pate Employment Agreement provides for a term ending upon the date a permanent successor CEO is hired and commences employment with the Company. The Company agreed to reimburse Mr. Pate for all reasonable and necessary expenses incurred by Mr. Pate in connection with his performance of services as Interim CEO and will provide Mr. Pate with temporary housing in accordance with applicable Company policies and guidelines.

Under the terms of the Pate Employment Agreement, Mr. Pate’s annual base salary was \$700,000. On April 9, 2018, in connection with the Organizational Consolidation, the Company granted Mr. Pate an award of unvested options to purchase up to 394,000 shares of our 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 grant agreement (the “Pate Option Agreement”) also amended the terms of the Pate Employment Agreement by extending the term of his employment as the Interim CEO through June 30, 2019, and providing for a reduced base salary of \$500,000 per year plus a monthly amount of \$1,177.04 for health coverage premiums. Subsequently in 2018, Mr. Pate volunteered to forego 98,500 of the options in order to fund other incentive awards to key employees in amounts and values determined by the Compensation Committee.

On March 31, 2019, 25% of the options granted under the Pate Option Agreement vested as a result of Mr. Pate meeting certain personal goals, including those relating to financial reporting, the Organizational Consolidation, and the mentorship of senior executives. 25% of the options were subject to vesting based on a budget goal as of March 31, 2019, of which 50% vested based on performance in respect of this goal. The remaining 50% of the options will become vested if Mr. Pate remains employed by the Company through June 30, 2019. In addition, the remaining 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 2015 Holding Company LTI Program) or for “good reason” (as defined in the Pate 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.”

The Pate Option Agreement also includes restrictive covenants in favor of the Company, including a one-year noncompetition and nonsolicitation restriction during and for one year following Mr. Pate's employment with the Company.

The 2018 option grant represented a substantial portion of Mr. Pate's overall compensation for 2018. For 2019, the Compensation Committee approved target cash and equity compensation totaling \$3,000,000 for Mr. Pate, comprised of a base salary of \$750,000, a target bonus of \$750,000 and a grant of 23,317 shares of restricted stock representing a value of \$1,500,000 based on the closing price per share of the Company's stock on the grant date. See our current report on Form 8-K filed with the SEC on February 11, 2019.

Kevin Dotts

Effective August 27, 2018, Kevin Dotts, was appointed to serve as CFO of the Company and LogistiCare. The Company, LogistiCare and Mr. Dotts entered into an employment agreement (the “Dotts Employment Agreement”), dated August 18, 2018, in connection with Mr. Dotts’s appointment. The Dotts Employment Agreement provides for a term commencing as of August 27, 2018 and ending on December 31, 2020 (the “Term”).

Under the terms of the Dotts Employment Agreement, Mr. Dotts’s annual base salary was \$400,000, which was increased to \$450,000 effective March 1, 2019. For the 2018 fiscal year, Mr. Dotts was also eligible for a bonus of up to \$100,000 (but not less than \$50,000), based on his achievement of personal performance targets to be established by the Compensation Committee. In addition, Mr. Dotts was eligible to participate in the Company’s 2006 Plan, under the terms approved by the Compensation Committee. After 2018, Mr. Dotts will be eligible for an annual bonus of up to 75% of his base salary, based on his achievement of financial and personal performance targets to be established by the Compensation Committee.

In addition, the Company granted Mr. Dotts 24,685 unvested options to acquire shares of Company common stock, with the exercise price of each option equal to the closing price of a share of the Company’s common stock on August 27, 2018. These options will vest only if Mr. Dotts remains continuously employed with the Company through October 31, 2020, and will expire on December 31, 2021.

While employed, Mr. Dotts is entitled to participate in all employee fringe benefits generally available to the Company’s senior executives. Mr. Dotts is also eligible to receive severance benefits in the event his employment is terminated by the Company without cause or by him for good reason. Details with respect to the severance and change in control provisions under the Dotts Employment Agreement are set forth below under “Potential Payments Upon Termination or Change in Control.”

The Dotts Employment Agreement includes restrictive covenants providing for Mr. Dotts’s non-competition, non-solicitation, non-piracy, non-disclosure and non-disparagement. The term of the non-solicitation and non-piracy covenants is the period that includes the term of Mr. Dotts’s employment and two years thereafter. The term of the non-competition covenant is the period that includes the term of Mr. Dotts’s employment and one year following the termination of his employment.

William Severance

The Company entered into an offer letter with Mr. Severance on November 23, 2015 (the “Prior Severance Offer Letter”) pursuant to which Mr. Severance was appointed as Chief Accounting Officer of the Company reporting directly to the CFO of the Company, effective February 1, 2016. Effective January 10, 2018, the Company and Mr. Severance entered into a new offer letter (the “Amended Severance Offer Letter”), which superseded and replaced the Prior Severance Offer Letter.

Under the terms of the Prior Severance Offer Letter, Mr. Severance’s annual base salary was \$300,000. The Amended Severance Offer Letter provided for an increase of annual base salary to \$318,270. Under the Amended Severance Offer Letter, in addition to his annual base salary, Mr. Severance is entitled to payment of a short-term incentive bonus in an amount targeted to equal 50% of his annual base salary upon the achievement of certain financial goals as well as certain personal performance targets, in each case consistent with other senior executives of the Company and to be determined by the Board. The Compensation Committee has delegated to the Interim CEO authority to determine the ultimate payout of Mr. Severance’s short-term incentive bonus, which may be paid above the target amount. Mr. Severance received an award on his hire date of the number of restricted shares of the Company equal to 70% of his annual base salary divided by the closing price of the Company’s Common Stock on the date of the grant. As long as Mr. Severance remained employed by the Company, he would also be entitled to an award on each anniversary of his hire date of the number of restricted shares of the Company equal to 35% of his annual base salary divided by the closing price of the Company’s Common Stock on the date of the grant.

Effective April 11, 2018, in connection with the Organizational Consolidation, the Company appointed Mr. Severance Interim CFO. In connection with this appointment, Mr. Severance's base salary was increased from \$318,270 to \$450,000 and his annual target bonus was increased from 50% to 75% of his base salary. Also in connection with this appointment, on April 9, 2018, Mr. Severance received options to purchase 13,710 shares of our Common Stock at a price of \$71.67 per share, 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.

Neither the Prior Severance Offer Letter nor the Amended Severance Offer Letter provided for a term of employment. Details with respect to the severance provisions under the Amended Severance Offer Letter are set forth below under "Potential Payments Upon Termination or Change in Control."

In addition, Mr. Severance is covered by the Retention Plan, which became effective on April 9, 2018 (see "2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan").

David Shackelton

Effective October 1, 2015, David Shackelton was appointed Senior Vice President and CFO. On November 18, 2015, the Company and David Shackelton entered into an employment agreement (the "Shackelton Employment Agreement"), effective as of September 28, 2015 with a term ending December 31, 2017. In connection with the Organizational Consolidation, effective April 11, 2018, David Shackelton was appointed Chief Transformation Officer of the Company.

Under the terms of the Shackelton Employment Agreement, David Shackelton's annual base salary was \$450,000. In addition to his annual base salary, during the term of the Shackelton Employment Agreement, David Shackelton was eligible to participate in bonus plans or incentive compensation programs, if any, as may be in effect from time to time with a target bonus opportunity of 75% of base salary. Details with respect to the severance and change in control provisions under the Shackelton Employment Agreement are set forth below under "Potential Payments Upon Termination or Change in Control."

The Company agreed to maintain term life insurance on the life of David Shackelton for a period of five years. David Shackelton had the absolute right to designate the beneficiaries under his policy. The Company agreed to pay the premium until the earlier of (i) the fifth anniversary of the date the insurance goes into effect and (ii) the date Mr. Shackelton is no longer employed by the Company.

David Shackelton was also subject to restrictive covenants regarding non-competition, non-solicitation and confidentiality under the Shackelton Employment Agreement. His non-competition covenant remained in place for the duration of the period during which he receives severance as described under “Potential Payments Upon Termination or Change in Control” or, if David Shackelton was terminated for cause or terminated his employment voluntarily for any reason, two years following termination. His non-solicitation and non-piracy restrictive covenants remained in place for two years following termination.

Effective January 9, 2018, the Company and David Shackelton entered into an Amended and Restated Employment Agreement, which supersedes and replaces the Shackelton Employment Agreement. The amended agreement extends the term to December 31, 2018. In addition, David Shackelton is covered by the Retention Plan, which became effective on April 9, 2018 (see “2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan”). Mr. Shackelton’s employment concluded on December 31, 2018.

Sophia Tawil

Effective April 4, 2016, Ms. Tawil was appointed Senior Vice President, General Counsel, Chief Compliance Officer and Secretary of the Company. The Company and Ms. Tawil entered into an employment agreement (the “Tawil Employment Agreement”), with a term ending April 4, 2018.

Under the terms of the Tawil Employment Agreement, Ms. Tawil's annual base salary was \$350,000. In addition to her annual base salary, during the term of the Tawil Employment Agreement, Ms. Tawil was eligible to participate in bonus plans or incentive compensation programs, if any, as may be in effect from time to time with a target bonus opportunity of 75% of base salary. Details with respect to the severance and change in control provisions under the Tawil Employment Agreement are set forth below under "Potential Payments Upon Termination or Change in Control."

The Company agreed to maintain term life insurance on the life of Ms. Tawil for a period of five years. Ms. Tawil would have the absolute right to designate the beneficiaries under her policy. The Company agreed to pay the premium until the earlier of (i) the fifth anniversary of the date the insurance goes into effect and (ii) the date Ms. Tawil is no longer employed by the Company.

Ms. Tawil was also subject to restrictive covenants regarding non-competition, non-solicitation and confidentiality. Her non-competition covenant would remain in place for the duration of the period during which she received severance as described under "Potential Payments Upon Termination or Change in Control" or, if Ms. Tawil was terminated for cause or terminated her employment voluntarily for any reason, two years following termination. Her non-solicitation and non-piracy restrictive covenants would remain in place for two years following termination.

Effective January 9, 2018, the Company and Sophia Tawil entered into an Amended and Restated Employment Agreement, which supersedes and replaces the Tawil Employment Agreement. The amended employment agreement extends the term to December 31, 2018. In addition, Ms. Tawil is covered by the Retention Plan, which became effective on April 9, 2018 (see "2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan"). Ms. Tawil's employment concluded on December 31, 2018.

Laurence Orton

The Company entered into an offer letter with Mr. Orton on December 28, 2017 (the "Orton Offer Letter") pursuant to which Mr. Orton continued to be employed as Vice President and Corporate Controller of the Company reporting to the Chief Accounting Officer of the Company. The Orton Offer Letter does not provide a term of employment.

Under the terms of the Orton Offer Letter, Mr. Orton's annual base salary was \$290,000. In addition to his annual base salary, Mr. Orton was entitled to payment of a short-term incentive bonus in an amount targeted to equal 50% of his annual base salary upon the achievement of certain goals determined by the Board or Compensation Committee. Mr. Orton was also eligible to participate in the Company's 2006 Plan, under the terms approved by the Compensation Committee, and the Company's fringe benefit programs as may be in effect from time to time.

In addition, Mr. Orton is covered by the Retention Plan, which became effective on April 9, 2018 (see “2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan”).

Outstanding Equity Awards at December 31, 2018

The following table reflects the equity awards granted by us to the NEOs outstanding at December 31, 2018:

Name and Grant Date	Option Awards				Stock Awards		Equity Incentive Plan Awards:	
	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (2)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (3)	Incentive Plan Awards: Number of Shares, Units or Rights that have not Vested (#) (4)	Value of Unearned Shares, Units or Other Rights that have not Vested (\$) (5)
R. Carter Pate								
4/9/2018	—	295,500	71.67	4/8/2021				
Kevin Dotts								
8/27/2018	—	24,865	67.00	12/31/2021				
William Severance								
4/9/2018	—	13,710	71.67	12/31/2020	—	—	—	—
12/16/2017	1,786	—	56.89	12/31/2020	—	—	—	—
12/14/2017	34,504	—	56.42	12/31/2020	—	—	—	—
3/15/2017	—	1,615	46.44	3/15/2027	—	—	—	—

Edgar Filing: PROVIDENCE SERVICE CORP - Form DEF 14A

3/15/2017	—	—	—	—	2,147	128,863	—	—
2/1/2016	—	—	—	—	1,583	95,012	—	—
David C. Shackelton								
12/16/2017	5,053	—	56.89	12/31/2020	—	—	—	—
12/14/2017	97,615	—	56.42	12/31/2020	—	—	—	—
3/15/2017	7,267	—	46.44	12/31/2020	—	—	—	—
8/6/2015	11,319	—	44.17	12/31/2020	—	—	—	—
Sophia D. Tawil								
12/16/2017	1,937	—	56.89	12/31/2020	—	—	—	—
12/14/2017	37,420	—	56.42	12/31/2020	—	—	—	—
3/15/2017	2,153	—	46.44	12/31/2020	—	—	—	—
Laurence Orton								
12/16/2017	1,207	—	56.89	12/31/2020	—	—	—	—
12/14/2017	23,313	—	56.42	12/31/2020	—	—	—	—
6/12/2017	—	—	—	—	1,422	\$85,348	—	—

The options have an exercise price equal to the closing market price of our Common Stock on the grant date. The unvested options granted on March 15, 2017 cliff vest on March 15, 2020. 25% of the options granted to Mr. Pate on April 9, 2018 vested as a result of Mr. Pate meeting certain personal goals. An additional 25% of the options were subject to vesting based on a budget goal as of March 31, 2019, of which 50% vested based on performance in respect of this goal. The remaining 50% are subject to vesting if Mr. Pate remains employed by the Company through June 30, 2019, or earlier upon a change in control of the Company or a termination of Mr. Pate's (1) employment by the Company without cause or by Mr. Pate for good reason. The unvested options granted to Mr. Severance on April 9, 2018 will become fully exercisable on May 10, 2019, subject to Mr. Severance's continued employment with the Company. The options granted on August 27, 2018 will vest if Mr. Dotts remains continuously employed with the Company through October 31, 2020. All unvested options held by Mr. David Shackelton and Ms. Tawil vested on December 31, 2018, under the terms of the Retention Plan. The options held by Mr. Severance may also become vested and exercisable at an earlier date under the terms of the Retention Plan (see "2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan").

- (2) Represents unvested restricted stock awards. The award granted to Mr. Severance on February 1, 2016 became fully vested on February 1, 2019. The remaining unvested restricted stock awards vest as follows:

Award	Grant Date	Vesting
Restricted Stock	6/12/2017	1/3 per year on January 1, 2018, 2019 and 2020
Restricted Stock	3/15/2017	1/3 per year on January 1, 2018, 2019 and 2020
Restricted Stock	2/1/2016	1/3 per year beginning on the anniversary of the grant

Restricted stock awards held by Mr. Orton and Mr. Severance may become vested at an earlier date under the terms of the Retention Plan (see “2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan”).

- (3) The market value of the unvested restricted stock awards was calculated using a value of \$60.02 per share of Common Stock, which was the closing market price of our Common Stock on December 31, 2018.

Option Exercises and Stock Vested Table

The following table provides additional information about the value realized by the NEOs on option award exercises and stock award vesting during the year ended December 31, 2018.

Name	Option Awards		Stock Awards	
	Number		Number	
	of		of	
	Value		Value	
	Shares	Realized	Shares	Realized
Name	Acquired on Exercise		Acquired on Vesting	
	Exercise(\$)		Vesting(\$)	
	(#)		(#)	
William Severance	—	—	2,657	165,566
David Shackelton	50,000	1,304,235	—	—
Laurence Orton	—	—	711	42,191

Non-qualified Deferred Compensation

None of our NEOs participated in or had account balances in non-qualified defined contribution plans or other non-qualified deferred compensation plans maintained by us during 2018.

Potential Payments Upon Termination or Change in Control

General

The employment agreements of David Shackelton and Ms. Tawil provided for severance payments in the event of termination of employment under certain circumstances and each such employment agreement provides for a payment in the event of a change in control (none of which include excise tax gross-ups).

The receipt of the payments and benefits to these NEOs under the employment agreements are generally conditioned upon their complying with non-competition, non-solicitation/non-piracy and non-disclosure provisions. By the terms of such agreements, the executives acknowledge that a breach of some or all of the restrictive covenants described therein will entitle us to injunctive relief restraining the commission or continuance of any such breach, in addition to any other available remedies.

In entering into these agreements, the Compensation Committee considered certain legal and tax provisions, fairness to stockholders, tenure of each executive officer and general corporate practice to select the events that will trigger payments under the employment agreements noted below.

Severance Payments

For 2018, under their respective employment agreements or offer letters, as applicable, Mr. Dotts, Mr. Shackelton, Ms. Tawil, Mr. Severance and Mr. Orton would have been eligible to receive a severance benefit, upon executing a general release in favor of us in the event of a termination of the executive officer by us without Cause (as defined below). The severance payment to which Mr. Dotts, Mr. Shackelton, and Ms. Tawil would have each been entitled to equaled (i) twelve months' base salary plus (ii) any bonus earned for the prior completed fiscal year, but not yet paid, and (iii) a pro-rata portion of any bonus earned for the then fiscal year through the date of termination. The severance payment to which Mr. Severance and Mr. Orton would have been entitled to receive equaled (i) in the event the Company had terminated their employment before December 31, 2018, the base salary that would have been earned if their employment continued until December 31, 2018, (ii) any bonus earned for the prior completed fiscal year, but not yet paid, and (iii) a pro-rata portion of any bonus earned for the then fiscal year through the date of termination

Under the employment agreements and offer letters, as applicable, with Mr. Dotts, Mr. Shackelton, Ms. Tawil, Mr. Severance, and Mr. Orton, "Cause" is defined as:

fraud or theft committed by the employee against us or any of our subsidiaries, affiliates, joint ventures and related organizations, including any entity managed by us (collectively referred to as "Affiliates"), or commission of a felony or any crime involving fraud or moral turpitude;

gross negligence of the employee or willful misconduct by the employee that results, in either case, in material economic or reputational harm to us or our Affiliates;

breach of any provision by the employee of the employment agreement or breach of any fiduciary duty or duty of loyalty owed to us or our Affiliates;

conduct of the employee tending to bring us or our Affiliates into public disgrace or embarrassment, or which is reasonably likely to cause one or more of its customers or clients to cease doing business with, or reduce the amount of business with, the Company or its Affiliates;

neglect or refusal by the employee to perform duties or responsibilities as directed by us, the Board or any executive committee established by the Board, or violation by the employee of any express direction of any lawful rule or regulation established by us or the Board or any committee established by the Board which is consistent with the scope of the employee's duties under the employment agreement, if such failure, refusal, or violation continues uncured for a period 10 days after written notice from us to the employee specifying the failure, refusal, or violation and our intention to terminate the employment agreement for Cause;

• commission of any acts or omissions by the employee resulting in or intended to result in direct material personal gain to the employee at our or our Affiliates' expense; or

• employee materially compromises our or our Affiliates' trade secrets or other confidential and proprietary information.

Action or inaction by the employee is not considered "willful" unless done or omitted by him or her intentionally and without his or her reasonable belief that his or her action or inaction was in our or our Affiliates' best interests, and does not include failure to act by reason of total or partial incapacity due to physical or mental illness.

The amount of estimated payments and benefits that would be provided by us (or our successor) to each of the NEOs employed by us as of December 31, 2018, under the employment agreements and the HoldCo LTIP (for those NEOs who participate in the HoldCo LTIP), assuming that such agreement had been in effect and the termination circumstance occurred on December 31, 2018 and did not involve a Change in Control (as defined below) is as follows:

Under their employment agreements, in the event of a termination of employment by the Company without cause, Mr. Dotts, Mr. Shackelton, and Ms. Tawil would have received cash severance payments totaling \$400,000, \$450,000 and \$350,000, respectively. The Company does not provide NEOs with continuation of benefits or accelerated vesting of equity awards upon a termination of employment, and no NEO is entitled to payments or benefits in connection with a termination other than by the Company without cause. Neither Mr. Orton nor Mr. Severance would have been entitled to cash severance payments or other benefits upon a termination by the Company without cause on December 31, 2018 under the terms of their offer letters. However, as a result of their participation in the Retention Plan, discussed below, our NEOs were not entitled in 2018 to receive severance payments under their employment agreements or offer letters.

In connection with the Organizational Consolidation, on April 9, 2018, we adopted the Retention Plan, which provides for certain payments and benefits in the event of a covered employee's termination under certain circumstances. Effective December 31, 2018, Mr. Shackelton and Ms. Tawil concluded their employment with the Company following the completion of their tenures under the Retention Plan, becoming entitled to payments and benefits totaling \$1,126,897 for Mr. Shackelton and \$880,085 for Ms. Tawil. Mr. Severance and Mr. Orton also participate in the Retention Plan, and will be entitled to the payments and benefits thereunder in the event of their termination in accordance with the terms of the plan (see "2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan").

Change in Control Payments

Employment Agreements

Certain payment provisions of the employment agreements are also triggered by a "Change in Control." Under the employment agreements with Mr. Dotts, Mr. Shackelton, and Ms. Tawil, a "Change in Control" is defined as an event or events, in which:

any "person" as defined in Sections 13(d) and 14(d) of the Exchange Act (other than (i) us or our subsidiaries, (ii) any fiduciary holding securities under our employee benefit plan or our subsidiaries, or (iii) any company owned by our stockholders), is or becomes the "beneficial owner" of 50% or more of our voting outstanding securities; or

we consummate (i) mergers or consolidations as more specifically described in the employment agreements, (ii) a liquidation or (iii) the sale or disposition of all or substantially all of our assets.

For 2018, Mr. Dotts's, Mr. Shackelton's, and Ms. Tawil's employment agreements would have entitled each of them to receive from the Company continued payment of base salary for twelve months and a pro rata portion of any bonus

earned for the then fiscal year through the date of termination had a Change in Control occurred during the agreement term and after such Change in Control but prior to the end of the term, such person had been terminated without Cause. However, following the effective date of the Retention Plan, neither Mr. Shakelton nor Ms. Tawil was entitled to any other severance pay or benefits upon their termination of employment, including under the terms of any employment agreement, except as provided in the Retention Plan. (see “2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan”).

Equity Awards

Upon a Change in Control, each of Mr. Orton and Mr. Severance are entitled to accelerated vesting and payment of stock options and restricted stock awards granted to that executive officer, as applicable.

In addition, on April 9, 2018 we entered into an option agreement with Mr. Pate which provides for accelerated vesting upon a Change in Control. The options granted to Mr. Severance on April 9, 2018 provide for accelerated vesting upon a Change in Control in certain circumstances under the terms of the 2006 Plan. See “—Employment Agreements and Offer Letters with the Named Executive Officers.”

The following table quantifies the estimated maximum amount of payments and benefits under the employment agreements, offer letters, and agreements relating to awards granted under our 2006 Plan to which the NEOs employed by us as of December 31, 2018 would have been entitled upon a Change in Control of our Company that occurred on December 31, 2018 and termination of employment, but without giving effect to any reduction for excess parachute payments.

Name	Value of		
	Change in Accelerated Total		
	Control	Vesting of	Termination
	Payment	Equity	Benefits
	(\$)	Awards	(\$)(2)
		(\$)(1)	
R. Carter Pate	—	—	—
Kevin Dotts	500,000	—	500,00
William Severance	1,029,754	245,806	1,275,560
Laurence Orton	412,500	85,348	497,848

(1) Calculated based on the closing market price of our Common Stock on December 31, 2018

(2) No value has been assigned to any provisions of the employment agreements that remain in force following a Change in Control.

Mr. Shackelton and Ms. Tawil would also have been entitled to accelerated vesting and payment of equity awards upon a Change in Control during 2018. However, the unvested equity awards held by Mr. Shackelton and Ms. Tawil were accelerated upon the conclusion of their employment with the Company on December 31, 2018 following the completion of their tenures under the Retention Plan (see “2018 Executive Compensation Program Decisions—Long-Term Incentives—Employee Retention Plan”). Therefore, no additional acceleration would have resulted from a Change in Control of our Company occurring on December 31, 2018 with respect to equity held by Mr. Shackelton or Ms. Tawil.

CEO Pay Ratio Disclosure

Pay Ratio Methodology

To determine the estimated ratio of CEO pay to median employee pay (the “Pay Ratio”) in accordance with Item 402(u) of Regulation S-K, we considered our entire employee population of approximately 4,000 employees who were on the payroll as of December 31, 2018. We then used base salary paid during 2018 as the form of compensation to determine our median employee, and annualized pay for those employees who commenced work during 2018. We then identified our median employee, whose Summary Compensation Table (“SCT”) total compensation, as calculated in accordance with Item 402(u)(2) of Regulation S-K, was \$26,156 in 2018.

The CEO pay used for purposes of calculating the Pay Ratio is \$6,098,455, the SCT total compensation paid to our Interim CEO, R. Carter Pate, from January 1, 2018 through December 31, 2018.

As a result, the reasonable estimated ratio of CEO pay to median employee pay, calculated in a manner consistent with Item 402(u) of Regulation S-K is 233:1. The SEC’s pay ratio disclosure rules permit the use of estimates, assumptions, and adjustments. We believe that the foregoing pay ratio is a reasonable estimate calculated in a manner consistent with the SEC’s pay ratio disclosure rules.

PROPOSAL 2 – ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), enables our stockholders to vote, on a non-binding advisory basis, on the compensation of our NEOs as disclosed in this Proxy Statement in accordance with the SEC’s compensation disclosure rules.

The Compensation Committee has considered that the holders of over 80% and 79% of the votes cast at our 2018 and 2017 annual meeting of stockholders, respectively, approved, on an advisory basis the compensation of our NEOs as disclosed in the Proxy Statement for those annual meetings.

As described in detail under the heading “Executive Compensation—Compensation Discussion and Analysis,” above, our executive compensation programs are designed to attract, motivate, and retain our NEOs, who are critical to our success. Under these programs, our NEOs are rewarded for the achievement of specific annual, long-term and strategic goals, corporate goals, and the realization of increased stockholder value. Please read the “Compensation Discussion and Analysis” beginning on page 25 for additional details about our executive compensation programs, including information about the fiscal year 2018 compensation of our NEOs.

We believe that the compensation programs offered to our NEOs should support the creation of stockholder value and achievement of our financial goals. Accordingly, our guiding compensation principles focus on:

- attracting, retaining, and motivating high-performing leaders;
- aligning the interests of our executives with those of our stockholders, and incentivizing shareholder value creation;
- linking a meaningful portion of executive compensation to achievement of key financial, operational, and capital allocation performance goals; and
- maintaining a significant portion of compensation based on at-risk opportunities including in equity awards tied to stock price.

Our Compensation Committee has a long history of performance-based pay practices and considers numerous factors when setting compensation for our NEOs including:

actual and adjusted EBITDA, earnings per share, return on equity performance, and stockholder value created;

goals and objectives set for each executive officer at the beginning of the year; and

recommendations of an independent third-party executive compensation consultant.

Other considerations include individual performance, internal pay comparisons within the executive group at the Company, overall financial performance of the Company, and market data.

Performance based portions of our executive compensation for any given year are awarded primarily based on the respective prior year financial performance. Our annual incentive cash compensation and equity-based compensation programs are designed to be performance-based and to incentivize achievement of the Company's short- and long-term financial, operation and strategic goals. Our long-term incentive program has historically used equity grants to incentivize performance, reward our executives for substantial stockholder value creation and drive extraordinary stockholder value. We believe this structure encourages an ownership mentality that incentivizes our management to create stockholder value over a multi-year period.

Our Compensation Committee continually reviews the compensation programs for our NEOs to ensure they achieve the desired goals of aligning our executive compensation structure with our stockholders' interests and current market practices.

We are asking our stockholders to indicate their support for our NEO compensation as described in this Proxy Statement. This proposal, commonly known as a "Say-on-Pay" proposal, gives our stockholders the opportunity to express their views on our NEOs' compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we will ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the Company stockholders approve, on a non-binding advisory basis, the compensation of the Named Executive Officers, as disclosed in the Company's Proxy Statement for the 2019 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the 2018 Summary Compensation Table and the other related tables and disclosure."

The Say-on-Pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or the Board. The Company values the opinions of our stockholders and to the extent there is any significant vote against the NEO compensation as disclosed in this Proxy Statement, we will consider our stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

The Board unanimously recommends that you vote "FOR" the compensation of our Named Executive Officers, as disclosed in this Proxy Statement.

PROPOSAL 3 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Company's independent registered public accounting firm for the fiscal year ended December 31, 2018 was KPMG. The Audit Committee of the Board has selected KPMG as its independent registered public accounting firm to audit the Company's consolidated financial statements for the fiscal year ending December 31, 2019.

Although we are not required to do so, we believe that it is appropriate for us to request stockholder ratification of the appointment of KPMG as our independent registered public accounting firm. If stockholders do not ratify the appointment, though it may nevertheless retain KPMG, the Audit Committee will investigate the reasons for the stockholders' rejection and reconsider the appointment. In addition, even if the stockholders ratify the selection of KPMG, the Audit Committee may in its discretion appoint a different independent registered public accounting firm at any time during the year if the Audit Committee determines that a change is in the best interest of the Company.

The Company has been advised that representatives of KPMG will be present at the Annual Meeting with the opportunity to make a statement if the representatives desire to do so. It is expected that the representatives will be available to respond to appropriate questions.

The Board unanimously recommends that you vote "FOR" the ratification of the appointment of KPMG as our independent registered public accounting firm for the fiscal year ending December 31, 2019.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board consists of Mr. Kerley, Ms. Norwalk and Mr. Wright. Mr. Kerley is the Chairperson of the Audit Committee.

The Audit Committee operates under a written charter adopted by the Board, a copy of which is available on the Company's website at www.prscholdings.com/corporategovernance.

The Audit Committee has reviewed and discussed with management its assessment and report on the effectiveness of Providence's internal control over financial reporting as of December 31, 2018, which it made using the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Audit Committee has also reviewed and discussed with KPMG, the Company's independent registered public accounting firm, its review and report on Providence's internal control over financial reporting. Providence published these reports in its 2018 Annual Report.

The Audit Committee has reviewed and discussed with management and KPMG the audited consolidated financial statements of Providence for the fiscal year ended December 31, 2018. Management represented to the Audit Committee that Providence's consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States. The Audit Committee also discussed with representatives of KPMG the matters required to be discussed by Statement on Auditing Standards No. 16 as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T.

The Audit Committee received the written disclosures and the confirming letter from KPMG required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence and discussed with KPMG its independence from Providence.

Based on these reviews and discussions and in reliance thereon, the Audit Committee recommended to the Board that the audited financial statements be included in the 2018 Annual Report.

The Audit Committee

Richard A. Kerley (Chairperson) Leslie V. Norwalk Frank J. Wright

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**Fees of Independent Registered Public Accounting Firm**

Fees for professional services provided by KPMG, the Company's independent registered public accounting firm, for the fiscal years ended December 31, 2018 and 2017, in each of the following categories were:

	Fiscal Year Ended December 31,	
	2018	2017
Audit fees	\$2,289,800	2,131,916
Audit related fees	15,000	40,581
Tax fees	1,971,768	1,251,303
All other fees	472,862	290,660
Total	\$4,749,430	\$3,714,460

Audit Fees. Audit fees consisted of amounts incurred for services performed in association with the annual financial statement audit (including required quarterly reviews), the audit of the Company's internal control over financial reporting, and for services provided in connection with statutory and regulatory filings or engagements.

Audit Related Fees. Audit related fees consisted of amounts incurred for internal control assurance services in 2018 and 2017.

Tax Fees. Tax fees consisted of amounts incurred for professional services rendered by KPMG for tax compliance, transfer pricing and tax consulting.

All Other Fees. Other fees for 2017 primarily consisted of fees incurred for services rendered by KPMG for the audit of information technology security and internal control over protected client health information related to our non-emergency transportation services operating segment. For 2018, other fees consisted of fees incurred for services rendered by KPMG in connection with the disposal of our workforce development services business.

The Audit Committee has considered and determined that the services provided by KPMG were compatible with KPMG maintaining their independence.

The Audit Committee has adopted a policy that requires advance approval of all audit, audit related, tax services and other services performed by the independent auditor. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it. The Audit Committee pre-approved all of the foregoing services provided to the Company by KPMG in fiscal years 2018 and 2017.

STOCKHOLDER PROPOSALS FOR 2020 ANNUAL MEETING

Pursuant to the proxy rules promulgated under the Exchange Act, Company stockholders are notified that the deadline for providing the Company with timely notice of any stockholder proposal to be submitted within the Rule 14a-8 process for consideration at the Company's annual meeting to be held in 2020 (the "2020 Annual Meeting") will be December 28, 2019.

Pursuant to the amended and restated bylaws, in order for a stockholder to bring a proposal (other than proposals sought to be included in the Company's Proxy Statement pursuant to Rule 14a-8 of the Exchange Act) before, or make a nomination at, the 2020 Annual Meeting, such stockholder must deliver a written notice of such proposal and/or nomination to, or it must be mailed and received by, the Company's Corporate Secretary at the principal executive offices of the Company, located at 1275 Peachtree Street, Sixth Floor, Atlanta, GA 30309, no earlier than the close of business on February 13, 2020, and not later than the close of business on April 13, 2020. Stockholders are also advised to review the Company's amended and restated bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

As to all such matters which the Company does not have notice on or prior to April 13, 2020, discretionary authority shall be granted to the persons designated in the Company's proxy related to the 2019 Annual Meeting to vote on such proposal.

OTHER MATTERS

On the date we filed this Proxy Statement with the SEC, the Board did not know of any other matter to be raised at the Annual Meeting. If any other matters properly come before our stockholders at this Annual Meeting, the persons named on the enclosed proxy card intend to vote the shares they represent in accordance with their best judgment.

ADDITIONAL INFORMATION

The Company files reports and other information with the SEC. Copies of these documents may be obtained at the SEC's public reference room in Washington, D.C. The Company's SEC filings are also available on the SEC's web site at www.sec.gov. Stockholders may also request additional copies of the Company's 2018 Annual Report, except for exhibits to the 2018 Annual Report, without charge, by submitting a written request to the Company's Corporate Secretary at 1275 Peachtree Street, Sixth Floor, Atlanta, GA 30309.

HOUSEHOLDING

In order to reduce printing costs and postage fees, the Company has adopted the process called “householding”. Under this procedure, the Company may deliver a single copy of the Notice, and if applicable, this Proxy Statement and 2018 Annual Report to multiple stockholders who share the same last name and address, unless the Company receives contrary instructions from stockholders at that address. Stockholders who participate in householding will continue to receive separate proxy cards, if applicable.

If you prefer to receive multiple copies of the Company’s Notice or Proxy Statement and the 2018 Annual Report, at the same address, you may obtain additional copies by writing to the Company’s Corporate Secretary at 1275 Peachtree Street, Sixth Floor, Atlanta, GA 30309 or by calling (404) 888-5800. Eligible stockholders of record receiving multiple copies of this Proxy Statement and 2018 Annual Report can request householding by contacting the Company in the same manner.

On behalf of the Board of Directors

R. Carter Pate

Interim Chief Executive Officer

April 26, 2019

Atlanta, Georgia
