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Attorneys for Defendant
WageWorks, Inc.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

IN RE WAGEWORKS, INC.
SECURITIES LITIGATION

CASE NO.: 4:18-CV-01523-JSW

DECLARATION OF BETTY CHANG ROWE IN SUPPORT OF DEFENDANT WAGEWORKS, INC.'S REQUEST FOR JUDICIAL NOTICE AND NOTICE OF INCORPORATION BY REFERENCE IN SUPPORT OF MOTION TO DISMISS CONSOLIDATED AMENDED COMPLAINT

Hearing Date: November 22, 2019
Hearing Time: 9:00 a.m.
Courtroom: 5

I, Betty Chang Rowe, declare as follows:

1. I am an attorney duly admitted to practice in the State of California and before this Court and am an attorney of the law firm Wilson Sonsini Goodrich & Rosati, P.C. ("WSGR"), counsel of record for Defendant WageWorks, Inc. ("WageWorks" or the "Company"), in this case. I have personal knowledge of the facts set forth below and, if called and sworn as a witness, I could and would testify competently thereto.

2. Attached hereto as Exhibit A is a true and correct copy of the signed contract between WageWorks and the United States Office of Personnel Management, dated March 1, 2016 (the "OPM Contract"), filed in the matters of *WageWorks, Inc. v. Office of Personnel Management*, CBCA Nos. 6027, 6224, United States Civil Board of Contract Appeals, that was a subject of Plaintiffs' counsel request for production under the Freedom of Information Act ("FOIA").

3. Attached hereto as Exhibit B is a true and correct copy of WageWorks' Form 10-K for fiscal year ended December 31, 2017, filed on March 18, 2019 with the United States Securities and Exchange Commission ("SEC").

4. Attached hereto as Exhibit C is a true and correct copy of the signed OPM Modification No. M0001, dated July 22, 2016, to the OPM Contract, filed in the matters of *WageWorks, Inc. v. Office of Personnel Management*, CBCA Nos. 6027, 6224, United States Civil Board of Contract Appeals, that was a subject of Plaintiffs' counsel request for production under FOIA.

5. Attached hereto as Exhibit D is a true and correct copy of WageWorks' Form 424B5 Prospectus Supplement for the Company's Secondary Offering, filed on June 20, 2017 with the SEC.

6. Attached hereto as Exhibit E is a true and correct copy of a table of WageWorks' historical common stock price from May 5, 2016 through March 18, 2019, sourced from Yahoo! Finance.

7. Attached hereto as Exhibit F is a true and correct copy of an excerpt from WageWorks' Form 10-K for fiscal year ended December 31, 2018, filed on May 30, 2019 with the SEC.

8. Attached hereto as Exhibit G is a true and correct copy of the Order on Proceeding, dated March 22, 2019, issued by the United States Civilian Board of Contract Appeals in the matters of *WageWorks, Inc. v. Office of Personnel Management*, CBCA Nos. 6027, 6224.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 26th day of July, 2019, at Palo Alto, California.

/s/ Betty Chang Rowe
Betty Chang Rowe

EXHIBIT A

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SOLICITATION/CONTRACT/ORDER FOR COMMERCIAL ITEMS
OFFEROR TO COMPLETE BLOCKS 12, 17, 23, 24, & 30

1. REQUISITION NUMBER
PAGE 1 OF 79

2. CONTRACT NO. OPM3516C0003
3. AWARD/EFFECTIVE DATE 03/01/2016
4. ORDER NUMBER
5. SOLICITATION NUMBER
6. SOLICITATION ISSUE DATE

7. FOR SOLICITATION INFORMATION CALL: a. NAME Cheryl Allen
b. TELEPHONE NUMBER (No collect calls)
8. OFFER DUE DATE/LOCAL TIME

9. ISSUED BY CODE 29000
DC CENTRAL OFFICE ISSUING OFC
US OFFICE OF PERSONNEL MANAGEMENT
CONTRACTING GROUP
1900 E STREET NW
ROOM 1342
WASHINGTON DC 20415

10. THIS ACQUISITION IS ☒ UNRESTRICTED OR ☐ SET ASIDE: % FOR:
☐ SMALL BUSINESS
☐ HUBZONE SMALL BUSINESS
☐ SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS
☐ WOMEN-OWNED SMALL BUSINESS (WOSB) ELIGIBLE UNDER THE WOMEN-OWNED SMALL BUSINESS PROGRAM
☐ ECONOMICALLY DISADVANTAGED WOMEN-OWNED SMALL BUSINESS (EDWOSB)
☐ 8(A)
NAICS: 519130
SIZE STANDARD: 500

11. DELIVERY FOR FOB DESTINATION UNLESS BLOCK IS MARKED ☐ SEE SCHEDULE
12. DISCOUNT TERMS
☐ 13a. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 700)
13b. RATING
14. METHOD OF SOLICITATION ☐ RFQ ☐ IFB ☐ RFP

15. DELIVER TO CODE

16. ADMINISTERED BY CODE 29000
DC CENTRAL OFFICE CONTRACTING
US OFFICE OF PERSONNEL MANAGEMENT
1900 E ST NW
ROOM 1342
WASHINGTON DC 20415-7710

17a. CONTRACTOR/OFFEROR CODE 940061927 FACILITY CODE
WAGEWORKS INC
1100 PARK PL 4TH FL
SAN MATEO CA 94403
TELEPHONE NO. 650-5775200

18a. PAYMENT WILL BE MADE BY CODE 42AA
US OFFICE OF PERSONNEL MANAGEMENT
OFFICE OF THE CHIEF FINANCIAL OFFIC
1900 E ST NW RM 5475
WASHINGTON DC 20415

☐ 17b. CHECK IF REMITTANCE IS DIFFERENT AND PUT SUCH ADDRESS IN OFFER
18b. SUBMIT INVOICES TO ADDRESS SHOWN IN BLOCK 18a UNLESS BLOCK BELOW IS CHECKED ☐ SEE ADDENDUM

19. ITEM NO.	20. SCHEDULE OF SUPPLIES/SERVICES	21. QUANTITY	22. UNIT	23. UNIT PRICE	24. AMOUNT
	See Continuation Pages 4-8.				

(Use Reverse and/or Attach Additional Sheets as Necessary)

25. ACCOUNTING AND APPROPRIATION DATA
26. TOTAL AWARD AMOUNT *(For Govt. Use Only)* $0.00

☐ 27a. SOLICITATION INCORPORATES BY REFERENCE FAR 52.212-1, 52.212-4. FAR 52.212-3 AND 52.212-5 ARE ATTACHED. ADDEND ☐ ARE ☐ ARE NOT ATTACHED.
☒ 27b. CONTRACT/PURCHASE ORDER INCORPORATES BY REFERENCE FAR 52.212-4. FAR 52.212-5 IS ATTACHED. ADDENDA ☒ ARE ☐ ARE NOT ATTACHED.

☐ 28. CONTRACTOR IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN ____ COPIES TO ISSUING OFFICE. CONTRACTOR AGREES TO FURNISH AND DELIVER ALL ITEMS SET FORTH OR OTHERWISE IDENTIFIED ABOVE AND ON ANY ADDITIONAL SHEETS SUBJECT TO THE TERMS AND CONDITIONS SPECIFIED.

☒ 29. AWARD OF CONTRACT: Contr.'s Proposal OFFER DATED 02/15/2016. YOUR OFFER ON SOLICITATION (BLOCK 5), INCLUDING ANY ADDITIONS OR CHANGES WHICH ARE SET FORTH HEREIN, IS ACCEPTED AS TO ITEMS:

30a. SIGNATURE OF OFFEROR/CONTRACTOR: Kim Wilford
30b. NAME AND TITLE OF SIGNER (Type or print): KIM WILFORD General Counsel
30c. DATE SIGNED: 3/1/16

31a. UNITED STATES OF AMERICA *(SIGNATURE OF CONTRACTING OFFICER)*: Cheryl D. Allen
31b. NAME OF CONTRACTING OFFICER (Type or print): Cheryl D. Allen
31c. DATE SIGNED: 03/01/2016

AUTHORIZED FOR LOCAL REPRODUCTION
PREVIOUS EDITION IS NOT USABLE

STANDARD FORM 1449 (REV. 5/2011)
Prescribed by GSA - FAR (48 CFR) 53.212

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19. ITEM NO.	20. SCHEDULE OF SUPPLIES/SERVICES	21. QUANTITY	22. UNIT	23. UNIT PRICE	24. AMOUNT

32a. QUANTITY IN COLUMN 21 HAS BEEN

☐ RECEIVED ☐ INSPECTED ☐ ACCEPTED, AND CONFORMS TO THE CONTRACT, EXCEPT AS NOTED: ____________

32b. SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE	32c. DATE	32d. PRINTED NAME AND TITLE OF AUTHORIZED GOVERNMENT REPRESENTATIVE

32e. MAILING ADDRESS OF AUTHORIZED GOVERNMENT REPRESENTATIVE	32f. TELEPHONE NUMBER OF AUTHORIZED GOVERNMENT REPRESENTATIVE
	32g. E-MAIL OF AUTHORIZED GOVERNMENT REPRESENTATIVE

33. SHIP NUMBER	34. VOUCHER NUMBER	35. AMOUNT VERIFIED CORRECT FOR	36. PAYMENT	37. CHECK NUMBER
☐ PARTIAL ☐ FINAL			☐ COMPLETE ☐ PARTIAL ☐ FINAL	

38. S/R ACCOUNT NUMBER	39. S/R VOUCHER NUMBER	40. PAID BY

41a. I CERTIFY THIS ACCOUNT IS CORRECT AND PROPER FOR PAYMENT		42a. RECEIVED BY *(Print)*	
41b. SIGNATURE AND TITLE OF CERTIFYING OFFICER	41c. DATE	42b. RECEIVED AT *(Location)*	
		42c. DATE REC'D *(YY/MM/DD)*	42d. TOTAL CONTAINERS

(b) Continuation of Any Block from Standard Form 1449

(1) Block 10 (Continued)

In accordance with Federal Acquisition Regulation (FAR) 19.303(b), since different services are required for the contract, we have identified the applicable North American Industry Classification System (NAICS) codes and size standards as follows:

(a) NAICS Code: 519130 – Internet Publishing and Broadcasting and Web Search Portals
Size Standard: 500 Employees
Applicable Services: Development and maintenance of website and development and production of enrollment portal

(b) NAICS Code: 524292 – Third Party Administration of Insurance and Pension Funds
Size Standard: $32.5 Million
Applicable Services: All other services

(2) Contract Line Item Numbers (CLINs)

(a) This document establishes a five-year firm-fixed-price (FFP) contract between the United States Office of Personnel Management (OPM, The Government, or We) and WageWorks, Inc. for Federal Flexible Spending Account (FSAFEDS) Program Services. The contract includes FFP Contract Line Item Numbers (CLINs), which specify pricing for each of the deliverables associated with the requirements described in Performance Work Statement (PWS).

(b) Each CLIN represents one of the deliverables in the contractor's technical approach. Each deliverable consists of an end product or business or technical outcome that is of value to OPM.

(c) Section (b)(4) CLINs Pricing Information on Page 9 contains pricing information for all CLINs.

(d) There is no funding source other than per account per month charges paid by Federal agencies for their participating employees with the exceptions of OPM's discretionary Risk Reserve Account offset or "buy-down" of these charges, as provided in Section D.1.3.4.5, Risk Reserve Account and Sources and Uses of Funds, Number 1, Risk Reserve Account, and temporary Risk Reserve assistance to pay claims if needed, as provided in Section D.1.3.4.2 FSAFEDS Administration, Number 3, Funding Claims Payments.

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(3) Blocks 19, 20, 22, and 23 (Continued)

Base Year 1 (March 1, 2016 – August 31, 2016)			
19. CLINs	**20. SCHEDULE OF SUPPLIES/SERVICES**	**22. UNIT**	**23. UNIT PRICE**
00001	FSAFEDS Administration, which includes all costs to perform the deliverable area as described in the PWS including but not limited to: ▪ Development and Maintenance of Website ▪ Development and Production of Enrollment Portal ▪ Development, Production, and Distribution of Marketing/Educational Materials ▪ Development and Maintenance of Payroll Interfaces (BENEFEDS) ▪ Development and Maintenance of Interfaces with OPM-Sponsored FEHB and FEDVIP Plans ▪ Establishment and Maintenance of Flexible Spending Accounts, Including Grace Periods and Carryover ▪ Establishment and Operation of Claims Systems ▪ Establishment and Normal Operation (Excluding Open Season) of Call Center Including Personnel, Training, and Hardware ▪ Additional Call Center Expenses (Open Season Only) ▪ Establishment and Maintenance of Accounting/Financial System for OPM Contract ▪ Appeals ▪ Mail (Not Accounted for Above) ▪ Discrimination Testing ▪ Reporting ▪ Travel	Per Account Per Month Fixed Price	$2.53

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Base Year 2 (September 1, 2016 – August 31, 2017)			
19. CLINs	**20. SCHEDULE OF SUPPLIES/SERVICES**	**22. UNIT**	**23. UNIT PRICE**
10001	FSAFEDS Administration, which includes all costs to perform the deliverable area as described in the PWS including but not limited to: ▪ Development and Maintenance of Website ▪ Development and Production of Enrollment Portal ▪ Development, Production, and Distribution of Marketing/Educational Materials ▪ Development and Maintenance of Payroll Interfaces (BENEFEDS) ▪ Development and Maintenance of Interfaces with OPM-Sponsored FEHB and FEDVIP Plans ▪ Establishment and Maintenance of Flexible Spending Accounts, Including Grace Periods and Carryover ▪ Establishment and Operation of Claims Systems ▪ Establishment and Normal Operation (Excluding Open Season) of Call Center Including Personnel, Training, and Hardware ▪ Additional Call Center Expenses (Open Season Only) ▪ Establishment and Maintenance of Accounting/Financial System for OPM Contract ▪ Appeals ▪ Mail (Not Accounted for Above) ▪ Discrimination Testing ▪ Reporting ▪ Travel	Per Account Per Month Fixed Price	$2.53

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Base Year 3 (September 1, 2017 – August 31, 2018)			
19. CLINs	**20. SCHEDULE OF SUPPLIES/SERVICES**	**22. UNIT**	**23. UNIT PRICE**
20001	FSAFEDS Administration, which includes all costs to perform the deliverable area as described in the PWS including but not limited to: ▪ Development and Maintenance of Website ▪ Development and Production of Enrollment Portal ▪ Development, Production, and Distribution of Marketing/Educational Materials ▪ Development and Maintenance of Payroll Interfaces (BENEFEDS) ▪ Development and Maintenance of Interfaces with OPM-Sponsored FEHB and FEDVIP Plans ▪ Establishment and Maintenance of Flexible Spending Accounts, Including Grace Periods and Carryover ▪ Establishment and Operation of Claims Systems ▪ Establishment and Normal Operation (Excluding Open Season) of Call Center Including Personnel, Training, and Hardware ▪ Additional Call Center Expenses (Open Season Only) ▪ Establishment and Maintenance of Accounting/Financial System for OPM Contract ▪ Appeals ▪ Mail (Not Accounted for Above) ▪ Discrimination Testing ▪ Reporting ▪ Travel	Per Account Per Month Fixed Price	$2.53

Base Year 4 (September 1, 2018 – August 31, 2019)			
19. CLINs	**20. SCHEDULE OF SUPPLIES/SERVICES**	**22. UNIT**	**23. UNIT PRICE**
30001	FSAFEDS Administration, which includes all costs to perform the deliverable area as described in the PWS including but not limited to: ▪ Development and Maintenance of Website ▪ Development and Production of Enrollment Portal ▪ Development, Production, and Distribution of Marketing/Educational Materials ▪ Development and Maintenance of Payroll Interfaces (BENEFEDS) ▪ Development and Maintenance of Interfaces with OPM-Sponsored FEHB and FEDVIP Plans ▪ Establishment and Maintenance of Flexible Spending Accounts, Including Grace Periods and Carryover ▪ Establishment and Operation of Claims Systems ▪ Establishment and Normal Operation (Excluding Open Season) of Call Center Including Personnel, Training, and Hardware ▪ Additional Call Center Expenses (Open Season Only) ▪ Establishment and Maintenance of Accounting/Financial System for OPM Contract ▪ Appeals ▪ Mail (Not Accounted for Above) ▪ Discrimination Testing ▪ Reporting ▪ Travel	Per Account Per Month Fixed Price	$2.53

Option Year (September 1, 2019 – August 31, 2020)			
19. CLINs	**20. SCHEDULE OF SUPPLIES/SERVICES**	**22. UNIT**	**23. UNIT PRICE**
40001	FSAFEDS Administration, which includes all costs to perform the deliverable area as described in the PWS including but not limited to: ▪ Development and Maintenance of Website ▪ Development and Production of Enrollment Portal ▪ Development, Production, and Distribution of Marketing/Educational Materials ▪ Development and Maintenance of Payroll Interfaces (BENEFEDS) ▪ Development and Maintenance of Interfaces with OPM-Sponsored FEHB and FEDVIP Plans ▪ Establishment and Maintenance of Flexible Spending Accounts, Including Grace Periods and Carryover ▪ Establishment and Operation of Claims Systems ▪ Establishment and Normal Operation (Excluding Open Season) of Call Center Including Personnel, Training, and Hardware ▪ Additional Call Center Expenses (Open Season Only) ▪ Establishment and Maintenance of Accounting/Financial System for OPM Contract ▪ Appeals ▪ Mail (Not Accounted for Above) ▪ Discrimination Testing ▪ Reporting ▪ Travel	Per Account Per Month Fixed Price	$2.53

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(4) CLINs Information

(a) All pricing is all-inclusive and FFP. The price includes all costs associated with providing the services for the Program. The FFP is the maximum amount the Contractor will receive per account. The actual aggregate amount may vary based on the number of accounts and on meeting performance targets as outlined in the Quality Assurance Surveillance Plan (QASP).

(b) All costs must be allowable, allocable and reasonable as defined in Part 31 of the FAR.

(c) The Contactor receives fixed prices for participants only. If an enrollee is not eligible post enrollment, fixed prices must be returned to the applicable Federal agency.

(c) Contract Clauses

(1) 52.252-2 Clauses Incorporated by Reference (Feb 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address: https://www.acquisition.gov/far.

FAR Clause	Title	Date
52.204-4	Printed or Copied Double-Sided on Postconsumer Fiber Content Paper	May 2011
52.204-6	Data Universal Numbering System Number	Jul 2013
52.204-7	System for Award Management	Jul 2013
52.204-9	Personal Identity Verification of Contractor Personnel	Jan 2011
52.212-4	Contract Terms and Conditions – Commercial Items	May 2015
52.224-1	Privacy Act Notification	Apr 1984
52.224-2	Privacy Act	Apr 1984
52.227-14	Rights in Data – General	May 2014

(2) 52.212-5 Contract Terms and Conditions Required to Implement Statutes or Executive Orders – Commercial Items (Feb 2016)

(a) The Contractor shall comply with the following Federal Acquisition Regulation (FAR) clauses, which are incorporated in this contract by reference, to implement provisions of law or Executive orders applicable to acquisitions of commercial items:
(1) 52.209-10, Prohibition on Contracting with Inverted Domestic Corporations (Nov 2015)
(2) 52.233-3, Protest After Award (Aug 1996) (31 U.S.C. 3553).
(3) 52.233-4, Applicable Law for Breach of Contract Claim (Oct 2004)(Public Laws 108-77 and 108-78 (19 U.S.C. 3805 note)).
(b) The Contractor shall comply with the FAR clauses in this paragraph (b) that the Contracting Officer has indicated as being incorporated in this contract by reference to implement provisions of law or Executive orders applicable to acquisitions of commercial items:
[Contracting Officer check as appropriate.]
_X_ (1) 52.203-6, Restrictions on Subcontractor Sales to the Government (Sept 2006), with Alternate I (Oct 1995) (41 U.S.C. 4704 and 10 U.S.C. 2402).
_X_ (2) 52.203-13, Contractor Code of Business Ethics and Conduct (Oct 2015) (41 U.S.C. 3509)).
__ (3) 52.203-15, Whistleblower Protections under the American Recovery and Reinvestment Act of 2009 (June 2010) (Section 1553 of Pub. L. 111-5). (Applies to contracts funded by the American Recovery and Reinvestment Act of 2009.)
_X_ (4) 52.204-10, Reporting Executive Compensation and First-Tier Subcontract Awards (Oct 2015) (Pub. L. 109-282) (31 U.S.C. 6101 note).
__ (5) [Reserved].

_X_ (6) 52.204-14, Service Contract Reporting Requirements (Jan 2014) (Pub. L. 111-117, section 743 of Div. C).
__ (7) 52.204-15, Service Contract Reporting Requirements for Indefinite-Delivery Contracts (Jan 2014) (Pub. L. 111-117, section 743 of Div. C).
_X_ (8) 52.209-6, Protecting the Government's Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment. (Oct 2015) (31 U.S.C. 6101 note).
_X_ (9) 52.209-9, Updates of Publicly Available Information Regarding Responsibility Matters (Jul 2013) (41 U.S.C. 2313).
__ (10) [Reserved].
__ (11)(i) 52.219-3, Notice of HUBZone Set-Aside or Sole-Source Award (Nov 2011) (15 U.S.C. 657a).
__ (ii) Alternate I (Nov 2011) of 52.219-3.
__ (12)(i) 52.219-4, Notice of Price Evaluation Preference for HUBZone Small Business Concerns (Oct 2014) (if the offeror elects to waive the preference, it shall so indicate in its offer) (15 U.S.C. 657a).
__ (ii) Alternate I (Jan 2011) of 52.219-4.
__ (13) [Reserved]
__ (14)(i) 52.219-6, Notice of Total Small Business Set-Aside (Nov 2011) (15 U.S.C. 644).
__ (ii) Alternate I (Nov 2011).
__ (iii) Alternate II (Nov 2011).
__ (15)(i) 52.219-7, Notice of Partial Small Business Set-Aside (June 2003) (15 U.S.C. 644).
__ (ii) Alternate I (Oct 1995) of 52.219-7.
__ (iii) Alternate II (Mar 2004) of 52.219-7.
_X_ (16) 52.219-8, Utilization of Small Business Concerns (Oct 2014) (15 U.S.C. 637(d)(2) and (3)).
_X_ (17)(i) 52.219-9, Small Business Subcontracting Plan (Oct 2015) (15 U.S.C. 637(d)(4)).
__ (ii) Alternate I (Oct 2001) of 52.219-9.
__ (iii) Alternate II (Oct 2001) of 52.219-9.
__ (iv) Alternate III (Oct 2015) of 52.219-9.
__ (18) 52.219-13, Notice of Set-Aside of Orders (Nov 2011) (15 U.S.C. 644(r)).
__ (19) 52.219-14, Limitations on Subcontracting (Nov 2011) (15 U.S.C. 637(a)(14)).
_X_ (20) 52.219-16, Liquidated Damages—Subcontracting Plan (Jan 1999) (15 U.S.C. 637(d)(4)(F)(i)).
__ (21) 52.219-27, Notice of Service-Disabled Veteran-Owned Small Business Set-Aside (Nov 2011) (15 U.S.C. 657 f).
__ (22) 52.219-28, Post Award Small Business Program Rerepresentation (Jul 2013) (15 U.S.C. 632(a)(2)).
__ (23) 52.219-29, Notice of Set-Aside for, or Sole Source Award to, Economically Disadvantaged Women-Owned Small Business Concerns (Dec 2015) (15 U.S.C. 637(m)).
__ (24) 52.219-30, Notice of Set-Aside for, or Sole Source Award to, Women-Owned Small Business Concerns Eligible Under the Women-Owned Small Business Program (Dec 2015) (15 U.S.C. 637(m)).
_X_ (25) 52.222-3, Convict Labor (June 2003) (E.O. 11755).

_X_ (26) 52.222-19, Child Labor—Cooperation with Authorities and Remedies (Feb 2016) (E.O. 13126).
_X_ (27) 52.222-21, Prohibition of Segregated Facilities (Apr 2015).
_X_ (28) 52.222-26, Equal Opportunity (Apr 2015) (E.O. 11246).
_X_ (29) 52.222-35, Equal Opportunity for Veterans (Oct 2015)(38 U.S.C. 4212).
_X_ (30) 52.222-36, Equal Opportunity for Workers with Disabilities (Jul 2014) (29 U.S.C. 793).
_X_ (31) 52.222-37, Employment Reports on Veterans (Feb 2016) (38 U.S.C. 4212).
_X_ (32) 52.222-40, Notification of Employee Rights Under the National Labor Relations Act (Dec 2010) (E.O. 13496).
__ (33)(i) 52.222-50, Combating Trafficking in Persons (Mar 2015) (22 U.S.C. chapter 78 and E.O. 13627).
__ (ii) Alternate I (Mar 2015) of 52.222-50 (22 U.S.C. chapter 78 and E.O. 13627).
_X_ (34) 52.222-54, Employment Eligibility Verification (Oct 2015). (Executive Order 12989). (Not applicable to the acquisition of commercially available off-the-shelf items or certain other types of commercial items as prescribed in 22.1803.)
__ (35)(i) 52.223-9, Estimate of Percentage of Recovered Material Content for EPA–Designated Items (May 2008) (42 U.S.C. 6962(c)(3)(A)(ii)). (Not applicable to the acquisition of commercially available off-the-shelf items.)
__ (ii) Alternate I (May 2008) of 52.223-9 (42 U.S.C. 6962(i)(2)(C)). (Not applicable to the acquisition of commercially available off-the-shelf items.)
__ (36)(i) 52.223-13, Acquisition of EPEAT®-Registered Imaging Equipment (Jun 2014) (E.O.s 13423 and 13514).
__ (ii) Alternate I (Oct 2015) of 52.223-13.
__ (37)(i) 52.223-14, Acquisition of EPEAT®-Registered Televisions (Jun 2014) (E.O.s 13423 and 13514).
__ (ii) Alternate I (Jun 2014) of 52.223-14.
__ (38) 52.223-15, Energy Efficiency in Energy-Consuming Products (Dec 2007) (42 U.S.C. 8259b).
__ (39)(i) 52.223-16, Acquisition of EPEAT®-Registered Personal Computer Products (Oct 2015) (E.O.s 13423 and 13514).
__ (ii) Alternate I (Jun 2014) of 52.223-16.
_X_ (40) 52.223-18, Encouraging Contractor Policies to Ban Text Messaging While Driving (Aug 2011) (E.O. 13513).
_X_ (41) 52.225-1, Buy American—Supplies (May 2014) (41 U.S.C. chapter 83).
_X_ (42)(i) 52.225-3, Buy American—Free Trade Agreements—Israeli Trade Act (May 2014) (41 U.S.C. chapter 83, 19 U.S.C. 3301 note, 19 U.S.C. 2112 note, 19 U.S.C. 3805 note, 19 U.S.C. 4001 note, Pub. L. 103-182, 108-77, 108-78, 108-286, 108-302, 109-53, 109-169, 109-283, 110-138, 112-41, 112-42, and 112-43.
__ (ii) Alternate I (May 2014) of 52.225-3.
__ (iii) Alternate II (May 2014) of 52.225-3.
__ (iv) Alternate III (May 2014) of 52.225-3.
__ (43) 52.225-5, Trade Agreements (Feb 2016) (19 U.S.C. 2501, et seq., 19 U.S.C. 3301 note).

_X_ (44) 52.225-13, Restrictions on Certain Foreign Purchases (June 2008) (E.O.'s, proclamations, and statutes administered by the Office of Foreign Assets Control of the Department of the Treasury).
__ (45) 52.225-26, Contractors Performing Private Security Functions Outside the United States (Jul 2013) (Section 862, as amended, of the National Defense Authorization Act for Fiscal Year 2008; 10 U.S.C. 2302 Note).
__ (46) 52.226-4, Notice of Disaster or Emergency Area Set-Aside (Nov 2007) (42 U.S.C. 5150).
__ (47) 52.226-5, Restrictions on Subcontracting Outside Disaster or Emergency Area (Nov 2007) (42 U.S.C. 5150).
_X_ (48) 52.232-29, Terms for Financing of Purchases of Commercial Items (Feb 2002) (41 U.S.C. 4505, 10 U.S.C. 2307(f)).
__ (49) 52.232-30, Installment Payments for Commercial Items (Oct 1995) (41 U.S.C. 4505, 10 U.S.C. 2307(f)).
_X_ (50) 52.232-33, Payment by Electronic Funds Transfer—System for Award Management (Jul 2013) (31 U.S.C. 3332).
__ (51) 52.232-34, Payment by Electronic Funds Transfer—Other than System for Award Management (Jul 2013) (31 U.S.C. 3332).
__ (52) 52.232-36, Payment by Third Party (May 2014) (31 U.S.C. 3332).
_X_ (53) 52.239-1, Privacy or Security Safeguards (Aug 1996) (5 U.S.C. 552a).
__ (54)(i) 52.247-64, Preference for Privately Owned U.S.-Flag Commercial Vessels (Feb 2006) (46 U.S.C. Appx. 1241(b) and 10 U.S.C. 2631).
__ (ii) Alternate I (Apr 2003) of 52.247-64.
(c) The Contractor shall comply with the FAR clauses in this paragraph (c), applicable to commercial services, that the Contracting Officer has indicated as being incorporated in this contract by reference to implement provisions of law or Executive orders applicable to acquisitions of commercial items:
[Contracting Officer check as appropriate.]
_X_ (1) 52.222-17, Nondisplacement of Qualified Workers (May 2014)(E.O. 13495).
_X_ (2) 52.222-41, Service Contract Labor Standards (May 2014) (41 U.S.C. chapter 67).
_X_ (3) 52.222-42, Statement of Equivalent Rates for Federal Hires (May 2014) (29 U.S.C. 206 and 41 U.S.C. chapter 67).
_X_ (4) 52.222-43, Fair Labor Standards Act and Service Contract Labor Standards-Price Adjustment (Multiple Year and Option Contracts) (May 2014) (29 U.S.C. 206 and 41 U.S.C. chapter 67).
_X_ (5) 52.222-44, Fair Labor Standards Act and Service Contract Labor Standards—Price Adjustment (May 2014) (29 U.S.C. 206 and 41 U.S.C. chapter 67).
__ (6) 52.222-51, Exemption from Application of the Service Contract Labor Standards to Contracts for Maintenance, Calibration, or Repair of Certain Equipment—Requirements (May 2014) (41 U.S.C. chapter 67).
__ (7) 52.222-53, Exemption from Application of the Service Contract Labor Standards to Contracts for Certain Services—Requirements (May 2014) (41 U.S.C. chapter 67).
__ (8) 52.222-55, Minimum Wages Under Executive Order 13658 (Dec 2015) (E.O. 13658).

__ (9) 52.226-6, Promoting Excess Food Donation to Nonprofit Organizations (May 2014) (42 U.S.C. 1792).
__ (10) 52.237-11, Accepting and Dispensing of $1 Coin (Sept 2008) (31 U.S.C. 5112(p)(1)).
(d) Comptroller General Examination of Record. The Contractor shall comply with the provisions of this paragraph (d) if this contract was awarded using other than sealed bid, is in excess of the simplified acquisition threshold, and does not contain the clause at 52.215-2, Audit and Records—Negotiation.
(1) The Comptroller General of the United States, or an authorized representative of the Comptroller General, shall have access to and right to examine any of the Contractor's directly pertinent records involving transactions related to this contract.
(2) The Contractor shall make available at its offices at all reasonable times the records, materials, and other evidence for examination, audit, or reproduction, until 3 years after final payment under this contract or for any shorter period specified in FAR Subpart 4.7, Contractor Records Retention, of the other clauses of this contract. If this contract is completely or partially terminated, the records relating to the work terminated shall be made available for 3 years after any resulting final termination settlement. Records relating to appeals under the disputes clause or to litigation or the settlement of claims arising under or relating to this contract shall be made available until such appeals, litigation, or claims are finally resolved.
(3) As used in this clause, records include books, documents, accounting procedures and practices, and other data, regardless of type and regardless of form. This does not require the Contractor to create or maintain any record that the Contractor does not maintain in the ordinary course of business or pursuant to a provision of law.
(e)(1) Notwithstanding the requirements of the clauses in paragraphs (a), (b), (c), and (d) of this clause, the Contractor is not required to flow down any FAR clause, other than those in this paragraph (e)(1) in a subcontract for commercial items. Unless otherwise indicated below, the extent of the flow down shall be as required by the clause—
(i) 52.203-13, Contractor Code of Business Ethics and Conduct (Oct 2015) (41 U.S.C. 3509).
(ii) 52.219-8, Utilization of Small Business Concerns (Oct 2014) (15 U.S.C. 637(d)(2) and (3)), in all subcontracts that offer further subcontracting opportunities. If the subcontract (except subcontracts to small business concerns) exceeds $700,000 ($1.5 million for construction of any public facility), the subcontractor must include 52.219-8 in lower tier subcontracts that offer subcontracting opportunities.
(iii) 52.222-17, Nondisplacement of Qualified Workers (May 2014) (E.O. 13495). Flow down required in accordance with paragraph (l) of FAR clause 52.222-17.
(iv) 52.222-21, Prohibition of Segregated Facilities (Apr 2015)
(v) 52.222-26, Equal Opportunity (Apr 2015) (E.O. 11246).
(vi) 52.222-35, Equal Opportunity for Veterans (Oct 2015) (38 U.S.C. 4212).
(vii) 52.222-36, Equal Opportunity for Workers with Disabilities (Jul 2014) (29 U.S.C. 793).
(viii) 52.222-37, Employment Reports on Veterans (Feb 2016) (38 U.S.C. 4212)
(ix) 52.222-40, Notification of Employee Rights Under the National Labor Relations Act (Dec 2010) (E.O. 13496). Flow down required in accordance with paragraph (f) of FAR clause 52.222-40.
(x) 52.222-41, Service Contract Labor Standards (May 2014) (41 U.S.C. chapter 67).

(xi)
__(A) 52.222-50, Combating Trafficking in Persons (Mar 2015) (22 U.S.C. chapter 78 and E.O 13627).
__(B) Alternate I (Mar 2015) of 52.222-50 (22 U.S.C. chapter 78 and E.O 13627).
(xii) 52.222-51, Exemption from Application of the Service Contract Labor Standards to Contracts for Certain Services-Requirements (May 2014) (41 U.S.C. chapter 67).
(xiv) 52.222-54, Employment Eligibility Verification (Oct 2015) (E.O. 12989).
(xv) 52.222-55, Minimum Wages Under Executive Order 13658 (Dec 2015) (E.O. 13658).
(xvi) 52.225-26, Contractors Performing Private Security Functions Outside the United States (Jul 2013) (Section 862, as amended, of the National Defense Authorization Act for Fiscal Year 2008; 10 U.S.C. 2302 Note).
(xvii) 52.226-6, Promoting Excess Food Donation to Nonprofit Organizations (May 2014) (42 U.S.C. 1792). Flow down required in accordance with paragraph (e) of FAR clause 52.226-6.
(xviii) 52.247-64, Preference for Privately Owned U.S.-Flag Commercial Vessels (Feb 2006) (46 U.S.C. Appx. 1241(b) and 10 U.S.C. 2631). Flow down required in accordance with paragraph (d) of FAR clause 52.247-64.
(2) While not required, the Contractor may include in its subcontracts for commercial items a minimal number of additional clauses necessary to satisfy its contractual obligations.

(3) 52.217-8 Option to Extend Services (Nov 1999)

The Government may require continued performance of any services within the limits and at the rates specified in the contract. These rates may be adjusted only as a result of revisions to prevailing labor rates provided by the Secretary of Labor. The option provision may be exercised more than once, but the total extension of performance hereunder shall not exceed 6 months. The Contracting Officer may exercise the option by written notice to the Contractor within 60 days before the contract expires.

(4) 52.217-9 Option to Extend the Term of the Contract (Mar 2000)

(a) The Government may extend the term of this contract by written notice to the Contractor within 60 days; provided that the Government gives the Contractor a preliminary written notice of its intent to extend at least 60 days before the contract expires. The preliminary notice does not commit the Government to an extension.
(b) If the Government exercises this option, the extended contract shall be considered to include this option clause.

(c) The total duration of this contract, including the exercise of any options under this clause, shall not exceed five years.

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(5) 52.222-42 Statement of Equivalent Rates for Federal Hires (May 2014)

In compliance with the Service Contract Labor Standards statute and the regulations of the Secretary of Labor (29 CFR part 4), this clause identifies the classes of service employees expected to be employed under the contract and states the wages and fringe benefits payable to each if they were employed by the contracting agency subject to the provisions of 5 U.S.C. 5341 or 5332.

This Statement is for Information Only:
It is not a Wage Determination

Employee Class	Monetary Wage – Fringe Benefits
Customer Service Representatives	$19.30

(6) OPM-Specific Clauses

1752.205-70 Announcement of Contract Award (July 2006)

OPM complies with FAR 5.3, Synopses of Contract Awards, in terms of synopsizing and publicly announcing contract awards. These actions take place at the time of, and not before, the contract is awarded. Contract award, in this case, means signature of the contractual document by the Contracting Officer and forwarding of the contractual document to the contract awardee. If the contract awardee wishes to make a separate public announcement, the awardee must obtain the approval of the Contracting Officer prior to releasing the announcement, and must plan to make announcement only after the contract has been awarded.

1752.209-70 Contractor Performance Capabilities (July 2005)

The Contractor must be capable of performing all the tasks described in the Statement of Work. The Government shall not be liable for any costs or other involvement in the purchase, repair, maintenance or replacement of Contractor items used to implement or comply with requirements of the contract. Likewise, the Government shall in no way be held accountable by the Contractor for the Contractor's inability to perform under this Contract due to Government technology implementations and or changes.

1752.209-71 Contractor's Key Personnel (July 2005)

(a) In order to ensure a smooth and orderly start up of work, it is essential that the key personnel specified in the Contractor's proposal be available on the effective date of the

contract. If these personnel are not made available at that time, the Contractor must notify the Government Contracting Officer and show cause. If the Contractor does not show cause, the Contractor may be subject to default action.

(b) The Contractor shall not of its own will remove or replace any personnel designated as "key" personnel without the written concurrence of the cognizant Contracting Officer. Prior to utilizing employees other than specified personnel, the Contractor shall notify the Government Contracting Officer and the COR. This notification must be no later than five (5) calendar days in advance of any proposed substitution and must include justification (including resume(s) of proposed substitution(s)) in sufficient detail to permit evaluation of the impact on contract performance.

(c) Substitute personnel qualifications must be equal to, or greater than, those of the personnel being substituted. If the Government Contracting Officer and the COR determine that the proposed substitute personnel is unacceptable, or that the reduction of effort would be so substantial as to impair the successful performance of the work under the contract, the Contractor may be subject to default action. If deemed necessary by the Government, substitute personnel must be given a one-(1) day orientation by Contractor personnel at no additional cost to the Government and with no change in the delivery schedule.

(d) In the event that the performance of assigned Contractor personnel or any substitute(s) is determined by the Government to be unsatisfactory at any time during the life of the Contract, the Government reserves the right to request and receive satisfactory personnel replacement within five (5) calendar days of receipt by the Contractor of written notification. Notification will include the reason for requesting replacement personnel.

(e) The Contractor-supplied personnel are employees of the Contractor and under the administrative control and supervision of the Contractor. The Contractor, through its personnel, shall perform the tasks prescribed herein. The Contractor must select, supervise, and exercise control and direction over its employees (including subcontractors) under this Contract. The Government shall not exercise any supervision or control over the Contractor in its performance of contractual services under this contract. The Contractor is accountable to the Government for the action of its personnel.

(f) The Contractor is herewith notified that employee recruiting and employee retention practices shall be monitored on a regular basis.

1752.209-72 Qualifications of Contractor's Employees (July 2005)

The Contracting Officer may require dismissal from work of those employees which he/she deems incompetent, careless, insubordinate, unsuitable or otherwise objectionable, or whose continued employment he/she deems contrary to the public interest or inconsistent with the best interest of national security. The Contractor must fill out, and cause each of its

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employees on the contract work to fill out, for submission to the Government, such forms as may be necessary for security or other reasons. Upon request of the Contracting Officer, the Contractor's employees must be fingerprinted. Each employee of the Contractor who works on this contract shall be a citizen of the United States of America, or an alien who has been lawfully admitted for permanent residence as evidenced by Alien Registration Receipt Card Form 1-151, or who presents other evidence from the Immigration and Naturalization Service that employment will not affect his/her immigration status.

1752.209-73 Standards of Conduct (June 2006)

(a) Personnel assigned by the contractor to the performance of work under this order must be acceptable to the Government in terms of personal and professional conduct. Contractor personnel shall conform to standards of conduct as follows:

(1) No contractor employees shall solicit new business while performing work under this order.

(2) The contractor and its employees shall not discuss with unauthorized persons any information obtained in the performance of work under this order.

(b) Should the continued assignment to work under this order of any person in the contractor's organization be deemed by the Contracting Officer to conflict with the interests of the Government, that person shall be removed immediately from assignment, and the reason for removal shall be fully documented in writing by the Contracting Officer. Employment and staffing difficulties shall not be justification for failure to meet established schedules, and if such difficulties impair performance, the contractor may be subject to default.

1752.209-74 Organizational Conflicts of Interest (July 2005)

(a) The Contractor warrants that, to the best of the Contractor's knowledge and belief, there are no relevant facts or circumstances which could give rise to an organizational conflict of interest (OCI), as defined in FAR 9.5, Organizational and Consultants Conflicts of Interest, or that the Contractor has disclosed all such relevant information.

(b) The Contractor agrees that if an actual or potential OCI is discovered after award, the Contractor shall make a full disclosure in writing to the Contracting Officer. This disclosure must include a description of actions, which the Contractor has taken or proposes to take, after consultation with the Contracting Officer, to avoid, mitigate, or neutralize the actual or potential conflict.

(c) The Contracting Officer may terminate this contract for convenience, in whole or in part, if it deems such termination necessary to avoid an OCI. If the Contractor was aware of a potential OCI prior to award or discovered an actual or potential conflict after award and did not disclose or misrepresented relevant information to the Contacting Office, the Government may terminate the contract for default, debar the Contractor from Government contracting, or

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pursue such other remedies as may be permitted by law or this contract.

(d) The Contractor must include this clause in all subcontracts and in lower tier subcontracts unless a waiver is requested from, and granted by, the Contracting Officer.

(e) In the event that a requirement changes in such a way as to create a potential conflict of interest for the Contractor, the Contractor must:

(1) Notify the Contracting Officer of a potential conflict, and;

(2) Recommend to the Government an alternate approach which would avoid the potential conflict, or

(3) Present for approval a conflict of interest mitigation plan that will:

(i) Describe in detail the changed requirement that creates the potential conflict of interest; and

(ii) Outline in detail the actions to be taken by the Contractor or the Government in the performance of the task to mitigate the conflict, division of subcontractor effort, and limited access to information, or other acceptable means.

(4) The Contractor must not commence work on a changed requirement related to a potential conflict of interest until specifically notified by the Contracting Officer to proceed.

(5) If the Contracting Officer determines that it is in the best interest of the Government to proceed with work, notwithstanding a conflict of interest, a request for waiver must be submitted in accordance with FAR 9.503.

1752.209-75 Reducing Text Messaging While Driving (October 2009)

(a) In accordance with Section 4 of the Executive Order, “Federal Leadership on Reducing Text Messaging While Driving,” dated October 1, 2009, you are hereby encouraged to:

(1) Adopt and enforce policies that ban text messaging while driving company-owned or -rented vehicles or Government-owned, -leased or -rented vehicles, or while driving privately-owned vehicles when on official Government business or when performing any work for or on behalf of the Government; and

(2) Consider new company rules and programs, and reevaluating existing programs to prohibit text messaging while driving, and conducting education, awareness, and other outreach for company employees about the safety risks associated with texting while driving. These initiatives should encourage voluntary compliance with the company’s text messaging policy while off duty.

(b) For purposes of complying with the Executive Order:

(1) “Texting” or “Text Messaging” means reading from or entering data into any handheld or other electronic device, including for the purpose of SMS texting, e-mailing, instant messaging, obtaining navigational information, or engaging in any other form of electronic data

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retrieval or electronic data communication.

(2) "Driving" means operating a motor vehicle on an active roadway with the motor running, including while temporarily stationary because of traffic, a traffic light or stop sign, or otherwise. It does not include operating a motor vehicle with or without the motoring running when one has pulled over to the side of, or off, an active roadway and has halted in a location where one can safely remain stationary.

1752.219-70 Small Business Subcontracting Plan (June 2006)

(a) If your company is required to file a Small Business Subcontracting Plan in accordance with FAR 52.219-9, please use the U.S. Office of Personnel Management Small Business Subcontracting Plan Outline.

(b) The on-line Electronic Subcontracting Reporting System (eSRS) must now be used for input of the reports required by FAR 52.219-9(d)(10)(iii). To comply with this requirement, please do the following:

(1) If your company does not yet have an eSRS account, then please sign up for one at www.esrs.gov. A user guide that explains how to use eSRS is available at: http://esrs.gov/documents/esrs_contractor_user_guide_1.7.pdf. If you notice that your company contact information or DUNS number in eSRS are not correct, then please make corrections through the Central Contractor Registration (CCR) website at http://www.ccr.gov/. That data will then flow from the CCR to the Federal Procurement Data System – Next Generation (FPDS-NG) and then finally into the eSRS system. Repopulation of your eSRS contact info can take two business days after you make corrections in the CCR. Please include the e-mail addresses of the contracting officer in eSRS for notification in block 13 of the report.

(2) Starting with fiscal year 2005, submit your Summary Subcontracting Reports (SSRs – Old SF 295) and your Individual Subcontracting Reports (ISRs – Old SF 294) for contracts into the eSRS. Midyear reports are not required in eSRS for FY 2004 and 2005.

(3) For fiscal year 2006 onward also submit your midyear (March) ISRs into eSRS.

(4) If you have not yet submitted a final report for any contracts closed during FY 2004 onward, you should do so now using the eSRS.

(5) Please continue to submit to the Contracting Officer paper prints of all the reports you input to eSRS, until further notice. (This continues to be a FAR requirement)

(6) If you have a Blanket Purchase Agreement (BPA) with OPM, please submit your ISRs via paper. FPDS-NG, which provides data into eSRS, does not identify subcontracting plans resulting from BPAs and other types of orders.

1752.222-70 Notice of Requirement for Certification of Nonsegregated Facilities (July 2005)

By signing this offer or contract, the contractor will be deemed to have signed and agreed to the provisions of Federal Acquisition Regulations (FAR) Clause 52.222-21, Certification of Nonsegregated Facilities, incorporated by reference in this contract. The certification provides that the Contractor does not maintain or provide for its employees, facilities which are

segregated on a basis of race, color, religion, or national origin, whether such facilities are segregated by directive or on a de facto basis. The certification also provides that the Contractor does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. FAR Clause 52.222-21 must be included in all subcontracts as well.

1752.222-71 Special Requirements for Employing Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (July 2005)

(a) If this contract contains FAR Clause 52.222-35 (Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans), your company must comply with the requirements of this clause, including the listing of employment opportunities with the local office of the state employment service system.

(b) If this contract contains FAR clauses 52.222-37 (Employment Reports on Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans) or 52.222-38 (Compliance with Veterans' Employment Reporting Requirements), you are reminded that your company must comply with the special reporting requirements described in those clauses. Your company must submit information on several aspects of its employment and hiring of special disabled and Vietnam era veterans or other veterans who served on active duty during a war or in a campaign or expedition for which a campaign badge has been authorized. You must submit this information no later than September 30th of each year, in the "Federal Contractor Veterans' Employment Report" or VETS-100 Report. The U.S. Department of Labor has established a website for submitting this report. The address is: http://www.vets100.cudenver.edu.

1752.223-71 Environmentally Preferable Products and Services (July 2005)

(a) Executive Order 13423, Strengthening Federal Environmental, Energy, and Transportation Management, requires in agency acquisitions of goods and services (i) use of sustainable environmental practices, including acquisition of biobased, environmentally preferable, energy-efficient, water-efficient, and recycled-content products, and (ii) use of paper of at least 30 percent post-consumer fiber content.

(b) By signing this offer or contract, the contractor will be deemed to have signed and agreed that all goods and services provided under this contract will comply with the above requirements of Executive Order 13423.

1752.224-70 Protecting Personally Identifiable Information (November 2012)

(a) Applicability

This clause applies to contractor personnel and addresses specific OPM

requirements in addition to those included in the Privacy Act of 1974 (5 U.S.C. 552a - the Act). The following should not be construed to alter or diminish civil and/or criminal liabilities provided under the Act.

(b) Definition of Personally Identifiable Information (PII)

Personally Identifiable Information (PII) is "information which can be used to distinguish or trace an individual's identity, such as their name, social security number, biometric records, etc. alone, or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth, mother's maiden name, etc." (http://www.whitehouse.gov/omb/memoranda/fy2007/m07-16.pdf). In other words, **PII** refers to **any information**, on **any medium**, that **identifies a specific individual** whether the information is on paper or electronic.

(c) Contract employees shall not remove PII from their individual assigned duty station without prior approval of their supervisor.

(d) All contract employees are personally responsible for the proper handling of PII, regardless of location. All contract employees must be:

- Responsible for the proper control and handling of PII residing on their computer, on removable media, and on paper documents.
- Responsible for ensuring portable data storage and communication devices are properly controlled and secured at all times and ensuring the use FIPS 140-2 compliant encryption to protect information stored on digital media during transport outside of OPM controlled areas.
- Responsible for ensuring PII data at rest is encrypted in contractor and government Cloud computing environments.
- Responsible for the proper marking, control and storage of printouts and other paper documents containing PII in their possession.

(e) OPM has a policy protecting, and when appropriate, restricting sending, copying or moving PII from the OPM network. Therefore, if the contract employees must send PII, it is the responsibility of the contractor to ensure the PII is not inadvertently disclosed to unauthorized individuals. PII must not be sent in the body of an e-mail. Attachments containing PII must be encrypted.

(f) IT Security Incident and PII Breach Protection and Notification

All security incidents that involve OPM information or information systems must be reported to the OPM Situation Room. Contractors must also report incidents to the OPM Contracting Officer. This reporting must occur immediately upon discovery of the incident. Incidents and breaches must be reported, even if it is believed the breach is limited, small, or

insignificant. OPM's IT security experts will determine when a breach needs additional focus and attention. The OPM Situation Room is available 24 hours per day, 365 days per year. Report the breach to the OPM Situation Room and the Contracting Officer either by phone or by e-mail; however, be sure NOT to include PII in the e-mail.

1. OPM contractors must report a breach or potential security breach to the OPM Situation Room at: sitroom@opm.gov, (202) 418-0111, Fax (202) 606-0624.
2. When notifying the Situation Room, copy the Contracting Officer.
   If you have questions regarding these procedures, contact the Contracting Officer.

1752.224-71 Freedom of Information Act Requests (September 2009)

(a) The Contractor is reminded that information furnished under this contract may be subject to disclosure under the Freedom of Information Act (FOIA). Therefore:

(1) All items that are confidential to business, or contain trade secrets, proprietary, or personnel information must be clearly marked in all documents submitted to the U.S. Office of Personnel Management (OPM or The Government). Marking of items will not necessarily preclude disclosure when the OPM determines disclosure is warranted by FOIA. However, if such items are not marked, all information contained within the submitted documents will be deemed to be releasable.

(2) No later than five (5) business days after award of a contract, blanket purchase agreement (BPA), or order, the Contractor must provide OPM a redacted copy of the contract/BPA/order in electronic format. This copy will be used to satisfy any requests for copies of the contract/BPA/order under the FOIA. If the Contracting Officer believes that any redacted information does not require protection from public release, the issue will be resolved in accordance with paragraph 3.104-4(d) of the Federal Acquisition Regulation.

(b) Any information made available to the Contractor by the Government must be used only for the purpose of carrying out the provisions of this contract and must not be divulged or made known in any manner to any person except as may be necessary in the performance of the contract.

(c) In performance of this contract, the Contractor assumes responsibility for protection of the confidentiality of Government records and must ensure that all work performed by its subcontractors shall be under the supervision of the Contractor or the Contractor's responsible employees.

(d) Each officer or employee of the Contractor or any of its subcontractors to whom any Government record may be made available or disclosed must be notified in writing by the Contractor that information disclosed to such officer or employee can be used only for a purpose and to the extent authorized herein, and that further disclosure of any such

information, by any means, for a purpose or to an extent unauthorized herein, may subject the offender to criminal sanctions imposed by 19 U.S.C. 641. That section provides, in pertinent part, that whoever knowingly converts to their use or the use of another, or without authority, sells, conveys, or disposes of any record of the United States or whoever receives the same with intent to convert it to their use or gain, knowing it to have been converted, shall be guilty of a crime punishable by a fine of up to $10,000, or imprisoned up to ten years, or both.

1752.228-70 Insurance (July 2005)

(a) In accordance with FAR 52.228-5, "Insurance-Work on a Government Installation (JAN 1997)" incorporated by reference, the Contractor must secure, pay the premiums for and keep in force until the expiration of this contract, and any renewal thereof, adequate insurance of the types and in the amounts as specified under FAR 28.3.

(b) Each policy of insurance must contain an endorsement that any cancellation or material change in the coverage adversely affecting the Government's interest must not be effective unless the insurer or the Contractor gives written notice of cancellation or change, as required by the CO. When the coverage is provided by self-insurance, the Contractor shall not change or decrease the coverage without the CO's prior approval.

(c) A certificate of each policy of insurance must be furnished to the CO within ten (10) days after notice of award certifying, among other things, that the policy contains the aforementioned endorsement. The insurance company providing the above insurance must be satisfactory to the Government. Notices of policy changes shall be furnished to the CO. The substance of this clause must be made to flow down to any subcontractors.

1752.232-70 Large Business Invoice Requirements (October 2012)

(a) A proper invoice must include the following items (except for interim payments on cost reimbursement contracts for services):

(1) Name and address of the contractor.

(2) Invoice date and invoice number. (Contractors should date invoices as close as possible to the date of transmission.)

(3) Contract number or other authorization for supplies delivered or services performed (including order number and contract line item number).

(4) Description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed.

(5) Shipping and payment terms (*e.g.,* shipment number and date of shipment, discount for prompt payment terms). Bill of lading number and weight of shipment will be shown for shipments on Government bills of lading.

(6) Name and address of contractor official to whom payment is to be sent (must be the same as that in the contract or in a proper notice of assignment).

(7) Name (where practicable), title, phone number, and mailing address of person to notify in the event of a defective invoice.

(8) Taxpayer Identification Number (TIN). The contractor must include its TIN on the invoice only if required by agency procedures. (See 4.9 TIN requirements.)

(9) Electronic funds transfer (EFT) banking information.

(i) The contractor shall have submitted correct EFT banking information in accordance with the applicable solicitation provision (*e.g.,* 52.232-38, Submission of Electronic Funds Transfer Information with Offer), contract clause (*e.g.,* 52.232-33, Payment by Electronic Funds Transfer-Central Contractor Registration, or 52.232-34, Payment by Electronic Funds Transfer-Other Than Central Contractor Registration), or applicable agency procedures.

(ii) The last four digits of the contractor's bank account must be shown on each invoice submitted for payment. This information will be used as a cross-reference in situations where the EFT banking information in the Central Contract Registration is suspect.

(iii) EFT banking information is not required if the Government waived the requirement to pay by EFT.

(10) The vendor's certification that their EFT banking information in the Central Contractor Registration is current, accurate and complete as of the date of the invoice.

(11) Any other information or documentation required by the contract (*e.g.,* evidence of shipment).

(b) Any invoice that does not contain all of the information listed in paragraph (a) above will be rejected as improper, and a new complete corrected invoice must be submitted. The payment due date for the corrected invoice will be calculated from the date it is received in the Prompt Pay e-mail box.

(c) ALL large business invoices—without exception—must have unique identifying numbers, and be submitted via e-mail to OPM's Prompt Pay e-mail box at:
PromptPay@opm.gov

Please note that OPM cannot guarantee payment of invoices sent by any other means, such as regular mail or e-mail to other addresses.

(d) Please attach only one invoice to each e-mail, and use the following format for the subject line of the e-mail:

<Contractor name>&<Invoice no>&<Amount>&<Contract Number>/<Call or Order Number>

Example:
ABC Co&AB-1298433&10000.00&OPM00-00-X-0000/X0000

(e) Payment due dates will only be calculated from the date that invoices are received in the Prompt Pay e-mail box.

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(f) Inquiries regarding payment of invoices should be e-mailed to InvoiceInquiries@opm.gov. The relevant invoice must be attached to the inquiry e-mail, and the subject line of the e-mail must state "INQUIRY," followed by the information described in paragraph (d) above.

Example:
INQUIRY: ABC Co&AB-1298433&10000.00&OPM00-00-X-0000/X0000

Do NOT use the Prompt Pay e-mail box for inquiries.

(g) If the supplies, services, technical or other reports are rejected for failure to conform to the technical requirements of the contract, or for damage in transit or otherwise, the invoice will be rejected and returned to the Contractor.

1752.232-71 Method of Payment (July 2005)

(a) Payments under this contract will be made either by check or by wire transfer through the Treasury Financial Communications System at the option of the Government.

(b) The Contractor must forward the following information in writing to the Contracting Officer not later than seven (7) days after receipt of notice of award:

(1) Full Name (where practicable), title, telephone number, and complete mailing address of responsible official(s):

(i) to whom check payments are to be sent, and

(ii) who may be contacted concerning the bank account information requested below.

(2) The following bank account information required to accomplish wire transfers:

(i) Name, address, and telegraphic abbreviation of the receiving financial institution.

(ii) Receiving financial institution's 9-digit American Bankers Association (ABA) identifying number for routing transfer of funds. (Provide this number only if the receiving financial institution has access to the Federal Reserve Communications System.)

(iii) Recipient's name and account number at the receiving financial institution to be credited with the funds. If the receiving financial institution does not have access to the Federal Reserve Communications System, provide the name of the correspondent financial institution through which the receiving institution receives electronic funds transfer messages. If a correspondent financial institution is specified, also provide:

(A) Address and telegraphic abbreviation of the correspondent financial institution.

(B) The correspondent financial institution's 9-digit ABA identifying number for routing transfer of funds.

(c) Any changes to the information furnished under paragraph (b) of this clause shall be furnished to the Contracting Officer in writing at least 30 days before the effective date of the

change. It is the Contractor's responsibility to furnish these changes promptly to avoid payments to erroneous addresses or bank accounts.

(d) The document furnishing the information required in paragraphs (b) and (c) must be dated and contain the signature, title, and telephone number of the Contractor official authorized to provide it, as well as the Contractor's name and contract number

1752.232-74 Providing Accelerated Payment to Small Business Subcontractors (July 2012)

(a) This clause implements the temporary policy provided by OMB Policy Memorandum M-12-16, Providing Prompt Payment to Small Business Subcontractors, dated July 11, 2012. (Note: OMB Policy Memorandum M-12-16 is accessible on line at: http://www.whitehouse.gov/sites/default/files/omb/memoranda/2012/m-12-16.pdf.)

(b) Upon receipt of accelerated payments from the Government, the contractor is required to pay all small business subcontractors on an accelerated timetable to the maximum extent practicable after receipt of invoice and all proper documents.

(c) Include the substance of this clause, including this paragraph (b), in all subcontracts with small business.

1752.237-70 Non-Personal Services (July 2005)

(a) As stated in the Office of Federal Procurement Policy Letter 92-1, dated September 23, 1992, Inherently Governmental Functions, no personal services shall be performed under this contract. No Contractor employee will be directly supervised by the Government. All individual employee assignments, and daily work direction, shall be given by the applicable employee supervisor. If the Contractor believes any Government action or communication has been given that would create a personal services relationship between the Government and any Contractor employee, the Contractor must promptly notify the Contracting Officer of this communication or action.

(b) The Contractor must not perform any inherently Governmental actions under this contract. No Contractor employee shall hold him or herself out to be a Government employee, agent, or representative. No Contractor employee may state orally or in writing at any time that he or she is acting on behalf of the Government. In all communications with third parties in connection with the contract, Contractor employees must identify themselves as Contractor employees and specify the name of the company for which they work. In all communications with other Government Contractors in connection with this contract, the Contractor employee must state that they have no authority to in any way change the contract and that if the other Contractor believes this communication to be a direction to change their contract, they should notify the Contracting Officer for that contract and not carry out the direction until a clarification has been issued by the Contracting Officer.

(c) The Contractor must insure that all of its employees working on this contract are informed of the substance of this clause. Nothing in this clause limits the Government's rights in any way under any other provision of the contract, including those related to the Government's right to inspect and accept the services to be performed under this contract. The substance of this clause must be included in all subcontracts at any tier.

1752.239-70 Internet Protocol Version 6 (IPV6) (November 2012)

In accordance with OPM CIO Directives, this acquisition requires all functionality, capabilities and features to be supported and operational in both a dual-stack IPv4/IPv6 environment and an IPv6 only environment. Furthermore, all management, user interfaces, configuration options, reports and other administrative capabilities that support IPv4 functionality will support comparable IPv6 functionality. Respondents are required to include in their response a letter of self-certification that their product has been tested in both a dual-stack IPv4/IPv6 and IPv6 only environment and meets this requirement. OPM reserves the right to require the respondent's products to be tested within an OPM or 3rd party test facility to show compliance with this requirement.

In accordance with FAR 11.002(g) and OPM CIO Directives, this acquisition must comply with the NIST USGv6 Profile and IPv6 Test Program.

1752.239-71 Information Technology Systems Security (November 2012)

The activities required shall necessitate the Contractor's access to a Federal Automated Information System (AIS) or systems. The Contractor's proposal must include a detailed outline of its present and proposed Information Technology systems security program and demonstrate that it is commensurate with OPM security requirements for the information and information system they will have access to based on the Federal Information Processing Standard (FIPS) 199 categorization. At a minimum, the Contractor must meet the security requirements for a Moderate-impact system as defined by FIPS 199. Similar information must be detailed for any subcontract proposed.

1752.239-72 Contractor Access to OPM IT Systems (November 2012)

OPM's Center for Information Services has implemented policies to ensure the security and safety of OPM's information systems. One policy is the ability to audit who has access to OPM IT systems. For that reason the contractor must:

(a) Immediately following contract award, the contractor must provide to the distribution list "System Access Control" (systemaccesscontrol@opm.gov) an initial and complete list of employee's names that require access to OPM information systems.

(b) The contractor must send a staffing change report by the fifth day of each month after contract award to the Contracting Officer's Representative, contract administrator and systemaccesscontrol@opm.gov on a monthly basis. A template for the submission is below. The report must contain the listing of all staff members who left or were hired under this contract in the past 60 days. This form must be submitted even if no separation has occurred during this period. Failure to submit a 'Contractor Staffing Change Report' each month will result in the suspensions of all user ids associated with this contract.

(c) Each contractor employee is required to utilize individual identification and authorization to access OPM IT systems. Using shared accounts to access OPM IT systems is strictly prohibited. OPM will disable accounts and access to OPM IT systems will be revoked and denied if carriers share accounts. Users of the systems will be subject to periodic auditing to ensure compliance to OPM Security and Privacy Policies.

(d) The Government, at its discretion, may suspend or terminate the access and/or use of any or all Government access and systems for conducting business with any/or all Contractors when a security or other electronic access, use or misuse issue gives cause for such action. The suspension or termination may last until such time as the Government determines that the situation has been corrected or no longer exists.

(e) The contractor Contracting Officer's Technical Representative (COTR) and the OPM Helpdesk must be notified at least 5 days prior to a contractor being removed from a contract. For unplanned terminations or removals of contractor employees from the contractor organization that occur with less than five days notice, the COTR and OPM Helpdesk must be notified immediately. OPM Personal Identification Verification (PIV) cards issued to contractors must be returned to the COTR prior to departure.

The contractor must allow OPM access to OPM information including data schemas, meta data, and other associated data artifacts that are required to ensure OPM can fully and appropriately retrieve OPM information that can be stored, read, and processed.

Contractor Staffing Change Report

Contract/Order/Call Number: ____________________________

Employees who left the contract in the past 60 days:

(If no employees have left the contract during this period, indicate "none in the column labeled "last name.")

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Last Name	First	MI	Date Separated

Employees who joined the contract in the past 60 days:

(If no employees have joined the contract during this period, indicate "none in the column labeled "last name.")

Last Name	First	MI	Date Separated

Manager's Certification:

Contract Number:	Company Name:	Project Manager (Please Print):	Date:

________________________________ ____________________

Project Manager's Signature Date

1752.239-73 Section 508 Standards (July 2005)

(a) All electronic and information technology (EIT) procured through this contract must meet the applicable accessibility standards at 36 CFR 1194, unless an agency exception to this requirement exists. 36 CFR 1194 implements Section 508 of the Rehabilitation Act of 1973, as amended, and is viewable at: http://www.accessboard.gov/sec508/508standards.htm.

(b) The following standards have been determined to be applicable to this RFQ:
(1) 1194.21. Software applications and operating systems.
(2) 1194.22. Web-based intranet and Internet information and applications.
(3) 1194.23 Telecommunications products.
(4) 1194.24 Video and multimedia products.
(5) 1194.26 Desktop and portable computers.

(c) The standards do not require the *installation* of specific accessibility-related software or the attachment of an assistive technology device, but merely require the EIT be compatible with such software and devices so that it can be made accessible if so required by the agency in the future

(d) OPM is required by Section 508 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794d), to offer access to electronic and information technology for disabled individuals within its employ, and for disabled members of the public seeking information and services. This access must be comparable to that which is offered to similar individuals who do not have disabilities. Standards for complying with this law are prescribed by the Architectural and Transportation Barriers Compliance Board ("The Access Board").

(e) The current deliverable(s) must incorporate these standards as well as any agency specific standards developed by OPM. The attached technical description contains further information on how this is to be done. Your response to the solicitation should contain documentation of your compliance with these standards. However, the Contracting Officer may request additional technical documentation, if necessary to make this determination.

(f) The final work product must include documentation that the deliverable conforms with the Section 508 Standards promulgated by the US Access Board.

(g) In the event of a dispute between you and OPM, then OPM's assessment of the Section 508 compliance will control and you will need to make any additional changes needed to conform with OPM's assessment, at no additional charge to OPM.

1752.242-70 Contract Performance Information (July 2005)

(a) Dissemination of Contract Performance Information

The Contractor must not publish, permit to be published, or distribute for public consumption, any information, oral or written, concerning the results or conclusions made pursuant to the performance of this contract, without the prior written consent of the Contracting Officer. Two copies of any material proposed to be published or distributed must be submitted to the Contracting Officer for approval.

(b) Contractor Testimony

All requests for the testimony of the Contractor or its employees, and any intention to testify as an expert witness relating to: (a) any work required by, and or performed under, this contract: or (b) any information provided by any party to assist the Contractor in the performance of this contract, must be immediately reported to the Contracting Officer. Neither the Contractor nor its employees must testify on a matter related to work performed or information provided under this contract, either voluntarily or pursuant to a request, in any judicial or administrative proceeding unless approved by the Contracting Officer or required by a judge in a final court order.

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1752.239-74 OPM and Federal Security Policies (November 2012)

Information systems and system services provided to OPM by any contractor or other government organization (hereafter referred to as 'contractor') must comply with current OPM security policies and guidance. The contractor shall meet and comply with all OPM IT Security Policies described in the OPM Security and Privacy Policy Handbook and all other current OPM security polices and security guidance approved for use at the time of contract approval.

Contractors are also required to comply with current Federal regulations and guidance found in; the Federal Information Security Management Act (FISMA), the Privacy Act of 1974, the E-Government Act of 2002, Section 208, National Institute of Standards and Technology (NIST) Federal Information Processing Standards (FIPS) and the 800-Series Special Publications (SP), Office of Management and Budget (OMB) memorandum, and other relevant Federal laws and regulations that OPM must comply with.

1752.239.75 Minimum Information System Security Requirements (November 2012)

(a) Contractor and federal systems must adhere to minimum security requirements following the guidance provided in NIST's FIPS publication 200, *Minimum Security Requirements for Federal Information and Information Systems* and the corresponding security controls described in the current version of NIST Special Publication 800-53, *Recommended Security Controls for Federal Information Systems and Organizations*.

(b) Federal Information Processing Standard (FIPS) publication 199 must be utilized to determine the security categorization (High, Moderate, or Low) for OPM and contractor systems. OPM must determine the categorization for contractor systems. The security categorization, as determined by OPM, must be utilized to identify the security control baseline requirements. The security requirements are the controls baseline, as defined in NIST SP 800-53.

1752.239-76 Security Assessment and Authorization (November 2012)

(a) All information systems that input, store, process, and/or output OPM information must be authorized to operate by an Authorizing Official (AO) prior to operation either as a stand-alone system or included as a sub-system or component of another system for authorization. Only an Authorizing Official (AO) may authorize an information system to operate. AOs must be government employees. Contractors must adhere to current OPM security Assessment and Authorization (A&A) policies, procedures, and guidance for security A&A activities.

(b) Security authorization documentation must be developed with the use of OPM security documentation templates. Templates are available for all security documentation including; System Security Plan, FIPS 199 Security Categorization, Security Assessment Report, and Contingency Plan. The OPM authorization checklist must be followed throughout the security

authorization process to ensure proper oversight from OPM Information Technology Security and Privacy (ITSP) program.

(c) Prior to Security Assessment and Authorization, a Privacy Threshold Analysis (PTA) for all systems must be completed and provided to the OPM Privacy Officer for a determination. If determination is made that a Privacy Impact Assessment (PIA) is required, it must be completed in accordance with the *OPM Privacy Impact Assessment Guide*.

1752.239-77 Privacy Act Compliance (November 2012)

(a) Contractors must comply with the Privacy Act of 1974 rules and regulations in the design, development, or operation of any system of records on individuals to accomplish an OPM function for a System of Records (SOR)[1].

(b)In the event of violations of the Act, a civil action may be brought against OPM involved when the violation concerns the design, development, or operation of a SOR on individuals to accomplish an OPM function, and criminal penalties may be imposed upon the officers or employees of OPM when the violation concerns the operation of a SOR on individuals to accomplish an OPM function. For purposes of the Act, when the contract is for the operation of a SOR on individuals to accomplish an OPM function, the contractor/subcontractor is considered to be an employee of the agency.

1752.239-78 Federal Reporting Requirements (November 2012)

Contractors operating information systems on behalf of OPM must comply with Federal Information Security Management Act (FISMA) reporting requirements. Annual and Quarterly data collection will be coordinated by OPM. Contractors must provide OPM with the requested information based on the timeframes provided with each request. Contractor systems must comply with monthly data feed requirements as coordinated by OPM. Reporting requirements are determined by the Office of Management and Budget (OMB), and may change each reporting period. It is expected that all OPM contractor systems will provide OPM with all information in order for OPM to fully satisfy FISMA reporting requirements for contractor systems.

1752.239-79 Cloud Computing (November 2012)

(a) Contractors handling OPM information or operating information systems on behalf of OPM must protect OPM information and information systems against

[1] "System of Records" is defined as a group of any records under the control of any agency from which information is retrieved by the name of the individual or by some identifying number, symbol, or other identifying particular assigned to the individual.

unauthorized access, use, disclosure, disruption, modification, or destruction per the Federal Information Security Management Act (FISMA) and OPM Security and Privacy policy.

(b) OPM information stored in a cloud environment remains the property of OPM, not the contractor or cloud service provider. OPM retains ownership of the information. The cloud provider does not have rights to the OPM information for any purposes other than those explicitly stated in the contract.

(c) The cloud provider must protect OPM information from unauthorized access by cloud provider personnel, contractors, or other cloud service subscribers.

(d) The cloud provider must allow OPM access to OPM information including data schemas, meta data, and other associated data artifacts that are required to ensure OPM can fully and appropriately retrieve OPM information from the cloud environment that can be stored, read, and processed.

1752.239-80 IT Security and Privacy Awareness Training (November 2012)

All contractor personnel must complete mandatory security and privacy training prior to gaining access to OPM information systems and provide their completion certificate number to their COTR or supervisor. The following training requirements are mandatory, non-compliance may result in revocation of system access.

- Security and privacy awareness training must be completed prior to gaining access to OPM systems. The certificate number provided when the training is completed must be provided to the COTR of supervisor. Training instructions will be provided by OPM.
- Annual security and privacy refresher training must be completed on an annual basis. OPM will provide notification and instructions on completing this training.
- The OPM Rules of Behavior must be acknowledged prior to gaining access, and reviewed at least annually. OPM will provide access to the rules of behavior and provide notification when a review is required.

1752.239-81 Specialized IT Security Awareness Training for Security Staff (Federal/Contractor) (November 2012)

IT security contractor personnel are required to complete specialized IT security training based on the role-based requirements below. Contractors are required to report training completed to ensure competencies that address this training. Reporting instructions are sent by OPM to all OPM employees and contractors. Contractors must ensure their training hours satisfying the below training requirements are submitted to OPM Information Technology Security and Privacy (ITSP) upon completion of training.

IT Security Roles/Functions	Recommended Hours for Specialized Training
Contractor System Manager\Owner	1-2
Information Security Specialist Information System Security Officer (ISSO)	20-40
Privacy Officer	5-10
System Administrator Network Administrator Database Administrator Service Desk Personnel/HelpDesk Programmer/Developer	10-20

1752.239-82 HSPD-12 Compliance (November 2012)

(a) The Contactor shall be subject to screening prior to authorizing access to information systems; and rescreening according to change in position risk designation, new position with higher risk designation, or other according to HSPD-12 requirements.

(b) Contracting Officer's Technical Representative (COTR) approval is required for contractors. Contractors shall sign access agreements before access is granted to OPM information and information systems.

(c) Procurements for services and products involving facility or system access control shall be in accordance with HSPD-12 policy and the Federal Acquisition Regulation.

(d) All new system development for OPM systems must include requirements to enable the use PIV credentials, in accordance with NIST FIPS 201, Personal Identity Verification (PIV) of Federal Employees and Contractors, prior to being operational.

1752.239-83 Federal Desktop Core Configuration / United States Government Configuration Baseline Compliance (November 2012)

(a) The contractor shall certify applications are fully functional and operate correctly as intended on systems using the Federal Desktop Core Configuration (FDCC)\United States Government Configuration Baseline (USGCB). This includes Internet Explorer 7 configured to operate on Windows XP and Vista (in Protected Mode on Vista.) For the

Windows XP settings, see http://csrc.nist.gov/itsec/guidance_WinXP and for the Windows Vista settings, see http://csrc.nist.gov/itsec/guidance_vista.html.

(b) The standard installation, operation, maintenance, updates, and/or patching of software shall not alter the configuration settings from the approved FDCC\USGCB configuration. The information technology should also use the Windows Installer Service for installation to the default "program files" directory and should be able to silently install and uninstall.

(c) Applications designed for normal end users shall run in the standard user context without elevated system administration privileges.

1752.239-84 FIPS 140-2 Encryption Requirements (November 2012)

Cryptographic modules used to protect OPM information must be FIPS 140-2 compliant and validated by the Cryptographic Module Validation Program (CMVP). Contractors must provide the validation certificate number to OPM for verification. Encryption is required to protect sensitive federal and contractor data when transmitting between systems.

1752.239-86 Contractor System Oversight/Compliance (November 2012)

(a) All contractor systems, service providers and third-party vendors must complete the IT OPM Offsite System Security Self-Assessment Survey and submit the assessments to their Contracting Officer and the CIO IT Security and Privacy Office for review and evaluation. This is a supplemental requirement and does not replace contract requirements under FISMA. The federal government has the authority to conduct site reviews for compliance validation. Full cooperation by contractor and third-party providers is required for audits and forensics.

(b) The Contractor shall support the OPM in its efforts to assess and monitor the contactor systems and infrastructure. The contractor shall provide logical and physical access to the contractor's facilities, installations, technical capabilities, operations, documentation, records, and databases upon request. The contractor will be expected to perform automated scans and continuous monitoring activities which may include, but not limited to, authenticated and unauthenticated scans of networks, operating systems, applications, and databases and provide the results of the scans to OPM or allow OPM personnel to run the scans directly.

1752.239-87 Additional Security Requirements (April 2012)

(a) As prescribed in the FAR clause 24.104:

- If the system involves the design, development, or operation of a system of records on individuals, the contractor shall implement requirements in FAR clause 52.224-1, "Privacy Act Notification" and FAR clause 52.224-2, "Privacy Act"[2]

Information technology acquisitions shall use OPM established configuration settings, or utilize common security configurations available from the National Institute of Standards and Technology's website at http://checklists.nist.gov where OPM standards do not exist. (FAR Part 39).

[2] Access to the Federal Acquisition Regulation (FAR) can be obtained on the web at http://farsite.hill.af.mil/farsite_alt.html, or by contacting the Contracting Officer/Contract Specialist.

(d) Contract Documents, Exhibits or Attachments

(1) Performance Work Statement

D.1.1 Background

This contract is for a qualified third party administrator to administer health and dependent care flexible spending accounts (FSAs) on a self-supporting basis for active civilian Federal employees. Enrollment will be voluntary. We will pay the Contractor through administrative fees, which are paid by participating Federal agencies.

D.1.1.1 OPM's Role / Need for Flexible Spending Accounts

OPM is the executive branch agency with primary responsibility for the Federal Government's human resources management policy and structure. As part of its basic mission, OPM administers the Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS), Federal Employees Health Benefits (FEHB) Program, Federal Employees Dental and Vision Insurance Program (FEDVIP), Federal Employees' Group Life Insurance (FEGLI) Program, and the Federal Long Term Care Insurance Program (FLTCIP). OPM also exercises a leadership role in the development of new benefit programs for Federal employees.

At the direction of the President, OPM implemented a Health Insurance Premium Conversion Plan in October 2000 for approximately 1.6 million executive branch employees. OPM also conducted a study of design and pricing options for implementation of medical and dependent care FSAs across the executive branch. These accounts – also referred to as reimbursement accounts – provide tax advantages authorized under the Internal Revenue Code and are widely used by both private and public employers in the United States.

In the years since their development, FSA programs have become an expected benefit that is popular among employees.

From the employee's perspective, FSAs offer an attractive opportunity to convert some health care and dependent care expenses from an after-tax expense to a pre-tax expense or to provide for benefits that may not be provided on a pre-tax basis through the employer's benefit program. On benefit attitude surveys for individual employers, the robustness of the employer's health benefit package regularly ranks in the top two or three factors in importance of employee attitudes toward FSAs relative to other benefits.

Why is it important for the Federal Government to provide FSAs for likely participants? The demographics of the Federal workforce show that we can anticipate substantial retirements in the next few years. The Federal Government must compete energetically to recruit high-quality workers and to retain gifted and experienced workers. With so many Federal employees eligible to retire by the year 2020, the Government must be able to attract and keep an

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excellent high performing workforce.

Many private and public sector employers have offered FSAs and other pre-tax benefits to their employees for years and now consider health care and dependent care FSAs an integral component in making their benefits packages attractive to both prospective and current employees. Employees who have worked in the private sector or in parts of the public sector have come to expect that FSAs for medical and day care expenses will be available. The Federal Executive Branch must remain competitive with private employers and state and local governments. Continuing to offer pre-tax spending accounts as a component of the Federal benefits package will help us to recruit and retain the top-performing employees the Government needs. This contract is intended to procure third party administration services for the Federal Flexible Spending Account (FSAFEDS) Program to allow OPM to continue offering this benefit to Federal employees.

D.1.1.2 The Federal Flexible Benefits Plan

In 2000, OPM implemented pre-tax premium conversion benefits for the Federal Executive Branch and other adopting agencies (see Appendix A – Adopting Agencies). The Federal Flexible Benefits Plan (FedFlex), as currently structured, allows employees to allot on a pre-tax basis from their pay the amount of their share of premiums paid for participation in FEHB. OPM adopted the plan on behalf of the Federal Executive Branch and also accepted adoption agreements from other agencies with employees participating in FEHB.

FedFlex is a cafeteria benefits plan under Section 125 of the Internal Revenue Code. OPM enhanced FedFlex to implement health care and dependent care flexible spending accounts in 2003.

Features and operation of the premium conversion plan and FSAs are described in Appendix B – The Federal Flexible Benefits Plan (FedFlex) and in regulations issued by OPM. These regulations may be found at 5 CFR Part 892. A link to FedFlex is available in Appendix B.

D.1.1.3 Profile of Employees

We have demographic information for active Federal employees eligible to participate in FSAFEDS. See Appendix C – Profile of Employees (FedScope).

D.1.1.4 Communication Vehicles

A number of vehicles are available to communicate with employees about FSAFEDS. See Appendix D – Communication Vehicles.

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D.1.2 Overview

OPM will allow a minimum of three months and no more than six months after contract award for transition services to a new Contractor. The term year for this contract will begin every September 1st. Therefore, the Contractor must be ready for implementation services by September 1, 2016.

The large size of this program offers challenges as well as innovations. The biggest challenge will be integrating information from many different payroll offices while utilizing different systems and software. However, much of the background and other information necessary to build linkages with these systems have already been gathered by the U.S. Office of Personnel Management (OPM) voluntary benefits enrollment portal administrator (BENEFEDS), Long Term Care Partners, LLC. The contractor will be able to tie into these existing relationships, thus greatly reducing the time and costs needed for information gathering and analysis.

You will note in Section D.1.3.1 Plan Design that we offer you the opportunity to provide input in the final plan design. In addition to the negotiable features of the plan design, you can offer any other options and features that may be unique to your company, or which you feel would be advantageous to FSAFEDS. In particular, we are interested in your innovative ideas and proposals on how to limit start-up costs. Please note, however, six months after contract award is firm for transition of services to a new Contractor, and that partial implementation (e.g., limited to certain agencies or geographic areas) is not acceptable.

D.1.3 Summary of Requirements

Special Note: See the Contractor's answers to OPM's questions, which is included in the Contractor's proposal. The Contractor's proposal is incorporated by reference and is part of the PWS.

D.1.3.1 Plan Design

D.1.3.1.1 Plan Summary

The following chart summarizes the plan design, which is included in the Contractor's proposal.

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Federal FSA Program Plan Design: Key Elements	
▪ **Eligible Employee Population**	We expect the total eligible population for FSAFEDS to be approximately 1.8 million people. ♦ Eligible participants for the Health Care FSA are Federal employees eligible to enroll in the FEHB Program and who are: employed by an Executive Branch agency that has elected to participate with the Contractor and set up payroll deductions with BENEFEDS; or employed by another agency or organization that has adopted the FSAFEDS Plan document (FedFlex). ♦ Eligible participants for the Dependent Care FSA include those Federal employees whose agency or organization adopts the FSAFEDS Plan Document (FedFlex) except certain temporary, seasonal, and intermittent employees.
▪ **Employee Eligibility Date**	♦ For the Health Care FSA, all eligible Federal employees of Executive Branch agencies and other Adopting Employers may participate immediately upon hire, with the exception that temporary, seasonal, and intermittent employees may participate when they are eligible for FEHB as provided by 5 CFR Part 890 (as amended October 17, 2014). ♦ For the Dependent Care FSA, all Federal employees of Adopting Employers are eligible immediately upon hire.

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▪ **Covered Employee Choices**	*Each covered employee will be able to elect:* ♦ *A Health Care Spending Account to a maximum annual election of $2,550 per participant,* ♦ *A Dependent Care Spending Account to a maximum annual election of $5,000 per household ($2,500 if married filing separately).*
▪ **Covered Services**	Eligible Health Care Expenses are defined in Section 4.3(c) and Eligible Dependent Care Expenses are defined in Section 4.4(c) in the FedFlex document.
▪ **Government Contribution**	None. Employee-pay-all via allotment.
▪ **Allotments**	*Minimum annual allotment of $100.* See Section (d)(2) Definitions for a definition of allotment.
▪ **Open Season Period for Enrollment**	Applicants may enroll as part of the annual Federal Benefits Open Season in the fall of each year with elections effective the following calendar year. Section D.1.3.6 Customer Service has more detail on the Open Season period. Each year, Open Season runs from the Monday of the second full workweek in November through the Monday of the second full workweek in December.
▪ ***Claim Payments***	*Weekly with a minimum of $25*

D.1.3.1.2 Plan Details

You must review the FedFlex document for details that are important to the administration of the program.

D.1.3.2 Contractor Information

1. The Contractor may be a single company or be comprised of more than one company, or other entities, aligned together for this contract. However, the contract will not be

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awarded to any group of companies that divides the administrative servicing of the plan into geographic areas or any other type of classification.

2. Relationships with subcontractors, partners or members of a joint contracting entity cannot be exclusive. This means that each company is free to enter into more than one contracting relationship and/or contracting arrangement with us, at the outset of this contract as well as in any re-competition.

3. If submitting a proposal as a Consortium, you will clearly define the roles and responsibilities of each entity and provide information as to which entity speaks for the Consortium.

4. The Contractor will be at risk for all claims processed and administrative expenses during the FSAFEDS plan year. Should the Contractor have insufficient payroll deductions to pay claims, the Contractor is still responsible for paying these claims and, if needed, may request temporary assistance from the OPM Risk Reserve Account. The Contractor's financial statements must demonstrate the ability to assume this risk.

5. The Contractor must have the financial ability and experience to undertake the risk imposed by this program as well as have a track history of properly investing and managing monies. At a minimum, the selected vendor will have assets of $80 million, and a current ratio of 1.0 or higher; have administered at least 50,000 spending accounts for at least five years; and will either be actively managing monies or have a partner that is actively managing monies.

6. The Contractor must not have filed for Chapter 11 or Chapter 7 bankruptcy in the last five years.

D.1.3.3 Reporting Requirements

1. The Contractor will furnish reports and data that OPM determines to be necessary to assess the success of the FSAFEDS. These reports will include, but not be limited to: financial reports describing monies flowing in and out of accounts; participation reports and reconciliation of accounts; payroll reconciliation reports; performance against benchmarks; waste, fraud, and abuse; and others that will be agreed upon for content and frequency. The Contractor will also issue incident reports to OPM if there is an incident it believes may adversely impact customer service/enrollee satisfaction in accordance with OPM's policies.

   The Contractor will be required to submit reports to OPM that include, but are not limited to:

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A. Standard Weekly/Bi-Weekly:

a. Enrollment Report (daily during Open Season) – number of enrollments by account type by agency;

b. Deliverables Log – progress on action items requested by OPM;

c. Claim/Web/Call Center Status Report – claim numbers by type of account and by processing type (paperless, manual, auto-adjudication). Number of phone calls by reason for calling, average wait time, overall abandonment rate, average call duration, and average response accuracy of reviewed calls. Number of e-mails and average response accuracy of reviewed e-mail replies;

d. Issues Log – Participant complaints likely to escalate;

e. Web Feedback Sample Report (weekly) – Sample of reviewed e-mails with review score and reasons;

f. Marketing Update during Open Season – Status of Open Season marketing initiatives;

g. Immediate Incident Reporting – Details on suspected unauthorized receipt or disclosure of personal identifying information or personal health information;

h. Incident Tracking Report – Status updates on previously reported incidents;

i. Debit Card activity (if FSAFEDS implements debit cards) as needed at no charge;

j. Standard Debit Card Transaction Report (if FSAFEDS implements debit cards) as needed at no charge;

k. Letter of Medical Necessity Status Report – number of Letters of Medical Necessity received, processing time, and outcome;

l. Qualifying Life Event Status Report – number of Qualifying Life Event requests received, processing time, and outcome;

m. Appeal Status Report – number of claims appealed, processing time, and outcome;

n. Cash flow (may be weekly and/or daily during peak period) – inputs to and outlays from the claims reimbursement account, with projected days on hand of cash available to pay claims; and

o. Other reports as requested by OPM.

B. Standard Monthly:

a. Forfeiture Report for FSAFEDS – Current unspent funds in participants' accounts, by account type and by agency;

b. Paperless Reimbursement Chart – status of paperless reimbursement implementation among health, dental, and vision carriers;

c. Marketing Update – Status of marketing initiatives;

d. Quality Report – status of initiatives to improve Contractor processes and participant experiences;

e. Financial Reports

   i. Audit Report – status of internal or external audit (if ongoing);
   ii. Invoice copies - Summary (not detail) – Status of participating agency payment of administrative and Risk Reserve fees; and
   iii. Non-payment by agency – Identification of participating agencies that are delinquent on their fee invoices.

f. Other reports as requested by OPM.

C. Standard Quarterly:

a. Performance Standards/QASP – QASP standards and Contractor performance therein, by month and by quarter;

b. Quarterly Executive Summary Report - overall status update on health of FSAFEDS program and current initiatives;

c. Audit Results Report – status of initiatives in response to audit findings; and

d. Other reports as requested by OPM.

D. Standard Ad-Hoc Reporting (when requested by OPM):

a. Capitol Hill requests – responses to requests for information from members of Congress and congressional staff;

b. Congressional inquiries – responses to constituent complaints through congressional representatives;

c. Belated Enrollment Report – Numbers of participants requesting belated enrollment after Open Season by agency and by outcome;

d. Web based satisfaction surveys – Responses to satisfaction survey;

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e. Communication Plan – Scheduled communications to current or potential participants;

f. Fraud and Abuse – Overpayments by number of participants and by dollar amount, sorted by organization responsible for overpayment, with amount recovered; and

g. Other reports as requested by OPM.

E. Annual Financial Reporting:

a. Audited financial statements of the Contractor;

b. Audited accounting statements of FSAFEDS in a format mutually agreed upon by both parties;

c. Specific FSAFEDS Program financial reporting, in a format mutually agreed upon by the parties;

d. Annual report of expenses incurred administering FSAFEDS; and

e. Other reports as requested by OPM.

2. The Contractor will permit OPM and the Government Accountability Office (GAO) to examine its records to the extent necessary for OPM and GAO to carry out their functions and responsibilities. OPM intends to use these reports for a variety of purposes, but also to determine if the Contractor has met the performance standards in the Quality Assurance Surveillance Plan and to determine if the Contractor has adequate financial resources to perform the proposed contract. The Contractor will not receive additional compensation for providing information or otherwise complying with OPM and GAO audits.

3. The Contractor cannot use any FSAFEDS data (including enrollees' addresses) for any reason other than administration of FSAFEDS without OPM's explicit written approval.

4. Major subcontracts to perform work for which the contractor is responsible, as defined by OPM, will be subject to OPM review and prior approval.

D.1.3.4 Administration and Systems

D.1.3.4.1 General Administration

There are at least two unique challenges in managing the FSAFEDS Program. First, while the same Federal benefits are applied to a broad population of Federal employees, they are administered and tracked very differently depending upon the capabilities of the responsible

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payroll office. That payroll office may be quite removed from the employee and from the local human resource office, posing communication challenges. Second, the eligible Federal population includes many whose work involves issues important to our national security. While information regarding these individuals must be protected, we want to ensure that all eligible Federal employees have the opportunity to participate in FSAFEDS.

The Contractor will need to develop linkages with all Federal payroll systems via BENEFEDS (see Section D.1.3.4.3 BENEFEDS for more information about BENEFEDS), encompassing numerous file layouts. We believe that much of the work gathering detailed information on the various systems has already been done by BENEFEDS, who is administering the Federal Employees Dental and Vision Insurance Program (FEDVIP) and the Federal Long Term Care Insurance Program (FLTCIP). That information will be shared with the successful Contractor. Similar to the FLTCIP contractor, the FSAFEDS Contractor will need to focus enrollment and reconciliation activities on the individual covered employee/participant. We assume that once the covered employee has been enrolled, the Contractor will communicate with BENEFEDS the employee name, social security number, and amount of allotment(s). Each payroll office will transmit allotments to the Contractor on its specified pay date. Allotments will continue to be withheld from each covered employee's pay until the earliest of the:

- end of the Plan Year;
- date the covered employee terminates service with the Government; or
- the effective date of a change in allotment on account of a Qualifying Life Event.

If the Contractor determines that a covered employee has a Qualifying Life Event (visit http://www.opm.gov/healthcare-insurance/life-events/ for a complete list) that will allow a change in election, the Contractor must notify the appropriate payroll office of the change in allotment(s) via BENEFEDS.

Of course, the Contractor must be able to match up allotments from each payroll office to the correct covered employee. With the support of BENEFEDS (see Section D.1.3.4.3 BENEFEDS), the Contractor will develop exception reports that match up expected allotments from a particular payroll office for a payroll cycle with the actual allotments from that payroll office. If an employee's allotment is missing, then the Contractor must try to match that employee up with other payroll office allotments. If at the end there is still no allotment from an employee, the Contractor must contact the employee directly to try and resolve the discrepancy.
The Contractor's focus must be on the individual covered employee. The payroll office may not always know why an employee's pay has changed, including why the employee is not receiving pay. This is perhaps nowhere more apparent than when a Federal employee transfers between agencies. While their years of Federal service, eligibility for benefits, etc. move with them, this individual is very much like a new employee from a payroll perspective.

Reconciliation will be particularly challenging. Unlike other programs, where participants may

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be direct billed if premiums are not transmitted, FSAFEDS contributions must come via an allotment. When a Federal employee transfers to another agency, there can be a significant lag time for appropriate paperwork documenting an individual's eligibility for certain benefits to be sent to the receiving agency.

Under IRS rules, the employee who elects to participate in a FSA has made an irrevocable election, and that the account(s) must be funded. If the Contractor is unable to gain the cooperation of the Employee, the original payroll office and/or human resource office will provide limited assistance in locating the employee and working with the Contractor to adjust allotments as needed.

D.1.3.4.2 FSAFEDS Administration

1. Schedule of FSA Services

A. **Processing Services.** The Contractor will accept and use data from the OPM's designated third party system (BENEFEDS) at intervals, mutually agreed upon by OPM and the Contractor for the purposes of updating, among other elements, demographic, payroll deduction information and changes to participant allotments. See Paragraph B. Collections Services below.

B. **Collection Services.** The Contractor will bill and collect HCFSA and DCFSA Service Fees and bill Reserve Account Fees from agencies. Administrative fee bills are produced and distributed to participating agencies between January 15th and February 15th for each HCFSA and DCFSA associated with an active participant with a verified payroll allotment deduction.

   A second billing is done between September 15th and October 15th for each HCFSA and DCFSA associated with a participant who had a verified payroll allotment deduction not previously billed, or new to the program. No refunds are due if participants transfer between Agencies or leave the employment of the Government. It is assumed no new participants enroll in the program after October 1st of each year.

C. **Management Report.** The Contractor will provide to OPM the agreed-upon reports as listed in Schedule 1, Standard Reporting.

D. **Claim Services.** The Contractor will provide for translation services for claims submitted in a foreign language (i.e., non-English) with the same level of accuracy and timeliness as all other manual claims.

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2. Claim Payments to Participants

A. EFT. All claim payments made to participants by the Contractor will be by Electronic Funds Transfer (EFT), or, if unavailable, by check drawn on an account ("the Contractor's Account") established by the Contractor and funded by participating agencies for this purpose. When the amount of requested claims payments exceeds the amount of deposits received, the Contractor will follow the policies set forth in Funding Claims Payments, see Number 3. Funding Claims Payments below.

B. Acceptance of Paper Claims and Paperless Reimbursement Claims. The Contractor will accept claims submitted directly by participants using mutually agreed upon claim formats. The Contractor will also accept claims submitted by Paperless Reimbursement from OPM sponsored FEHB Program carriers and FEDVIP carrier(s). If a Paperless Reimbursement Claim cannot be processed based on the information received from OPM's listed insurance carrier(s), then the Contractor will manually process the claim. In either case, the Contractor will make payments directly to the participant in accordance with the FedFlex document. The Contractor will pay claims as approved, as long as the reimbursement exceeds any OPM specific minimum required claim amount for health care and dependent care reimbursements, as established by OPM and provided to the Contractor.

C. Grace Period/Carryover Claims. IRS regulations governing flexible spending accounts change frequently, and the Contractor must be able to offer participants all features of flexible spending accounts permitted by the IRS. To that end, the Contractor may be required to, and must be capable of, administering both a 2 ½ month grace period (allowing eligible expenses for one benefit year to be incurred in the subsequent benefit year) and carryover of up to $500 (allowing unreimbursed funds to roll over to the next benefit year), as permitted by the IRS and described in the FedFlex document provided to the Contractor. The Contractor will utilize a claims payment process mutually agreed upon by the parties. Carryover administration will be included in the contractor's administrative fee. The contractor may hold a participant's carryover funds as a separate account but the contractor cannot impose a separate administrative fee for carryover accounts.

D. Reissued Checks. The Contractor will reissue checks to participants whose uncashed checks, in an amount of at least twenty-five dollars ($25) have become 'stale' 180 days after issue. The Contractor will send a letter to participants notifying them of an uncashed check. Within a specified time period, the participant must contact the Contractor to request that their check be re-issued and must be notified that $12 will be withheld from the check amount to pay for the each re-issuance. The Contractor shall perform this service once per calendar year (for a maximum of 5

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years), at a time of the year agreeable to both parties, and when requested by a participant.

E. **FSA Claim Appeals.** The Contractor will follow mutually agreed upon written procedures for appeals as may be amended from time to time.

3. **Funding Claims Payments**

Claim payments will be funded by payroll allotments collected by payroll providers for each agency's official pay date. Payroll providers will transfer collected allotments to the Contractor via BENEFEDS as soon as reasonably possible.

The Contractor must pay valid claims using sources to fund claims set forth at (c) below. OPM recognizes there may be times when it is necessary to balance the speed of claims payments with the availability of cash.

While the allotments from participants are provided at regular intervals, demands for claim payments are not regular and may exceed cash allotment contributions. The Contractor has the responsibility for paying claims that are not funded and may request temporary assistance from OPM's Risk Reserve Account if needed. If OPM asks the Contractor to pay claims for participants before their first payroll allotment, this action may accelerate the need for funds advancement.

In addition to providing cash flow reporting on a regular basis to OPM, the Contractor will alert OPM when a funding shortfall happens, as indicated in the table on the next page. The Contractor can neither completely predict claims demand nor be responsible for disruptions in the receipt of funds from the payroll providers. OPM agrees to act within a few business days on any requests from the Contractor to make additional funding sources available at no additional cost to the Contractor.

To maintain positive cash flow, the Contractor recognizes OPM's right to request the Contractor to slow down the payment of claims. If instructed to do so, the Contractor will be relieved of its performance penalties regarding claims turnaround and Call Center responsiveness for a mutually agreed upon number of days following the requested interruption of timely claims payment.

4. **Sources Available to Pay Claims**. The following sources are available to the Contractor to pay claims:

- First – Payroll allotments from the current Plan Year;
- Second – Remaining payroll allotments from the prior plan year (forfeitures);

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- Third – Risk Reserve Account. Upon OPM approval, Risk Reserve Account held by OPM at the U.S. Treasury may be used to fund current claims when cash forecasts indicate five days or less of cash on hand and must be reimbursed to the Risk Reserve Account once cash forecasts exceed five days of cash on hand, or as mutually agreed; and
- Fourth - Line of Credit. If available, and when first through three funding sources have been exhausted or are not feasible to use, a line of credit will be used upon OPM approval. The Contractor will manage the need for these funds and will make all attempts to limit the costs associated with a line of credit.

A. Investment Income and Bank Fee Reconciliation Procedures

Daily:

- Contractor will maintain all bank accounts and sweep available funds into identified investments.

Monthly:

- Obtain the invoice for all FSAFEDS bank accounts;
- Review the bank statements for accuracy;
- Transfer interest to OPM;
- Pay the bank for fees incurred;
- Prepare the accounting statement of fees paid and interest earned;
- If interest earned exceeds bank fees, transfer funds to the Claims Reimbursement account;
- Contractor is responsible for bank fees not covered by the interest;
- Contractor will not assess OPM a separate management fee related to investing idle funds; and
- Contractor will be responsible for income tax liability. The bank accounts that support the FSAFEDS program will be in Contractor's tax ID. Contractor is responsible for paying bank fees in excess of the interest earned from the management of OPM's account.

B. OPM

- Review the monthly statement for interest and fees; and

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- Confirm receipt of the transfer of funds as a result of interest exceeding bank fees within three business days of funds being deposited.

C. Ongoing

- All interest income, derived though the investment of idle funds, belongs to the FSAFEDS program. The funds invested are payroll deductions received and used for the payment of FSAFEDS claims. It is assumed that the greatest net return to the FSAFEDS program is derived through investing 100% of idle funds, not by reducing bank fees through earnings credits for funds not invested. No specific guidance will be given regarding permitted investments;
- Bank fees are charged by banks providing contracted services associated with service delivery. There are fees assessed for 1) having an account, 2) bank account services (i.e. fraud protection services, online account access, investment and reporting) and 3) fees per transaction (i.e. per check issued, per ACH originated). A complete list of bank fees is provided via a monthly statement. The monthly statement of fees incurred is called the account analysis statement;
- There are no guarantees of investment earnings; and
- There is no guarantee bank fees will not change.

Situation	**Contractor – Roles Responsibilities**	**OPM – Roles Responsibilities**
Monitor cash flow	Daily	Weekly
Cash forecasts indicate the first, second, and third sources of funds are believed to be within 5 days of being exhausted.	Inform OPM in writing, by e-mail.	Choose an alternative funding source or strategy.
The Contractor needs access to the Risk Reserve Account to fund current claims payments.	Request amount to be transferred and the duration of the transfer. Transfer funds back to the Risk Reserve Account once cash forecasts indicate more than five days of cash on hand, or otherwise as mutually agreed.	Act on the Contractor's request within 2 business days or as soon as reasonably practical.
When available, the	Recommend amount to be	Act on the Contractor's

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Contractor needs access to the line of credit to fund current claims payments	borrowed, the duration of the need, and borrow the funds with OPM's approval. Use first through third sources of funds to pay down the line of credit when the cash forecast indicates more than five days of cash on hand, or otherwise as mutually agreed.	request within a few business days or as soon as reasonably practical.

i. **Marketing Services.** The Contractor will provide marketing services as mutually agreed to by the Contractor and OPM and in connection with Service Fees mutually agreed to.

ii. **Enrollment Vehicles.** The Contractor will provide various forms of enrollment as required in the Contract or as may be otherwise mutually agreed upon.

iii. **Web Hosting and Management Services**. The Contractor will host the 508 compliant FSAFEDS website on behalf of OPM. The Contractor will make such changes, updates, redesigns, troubleshooting adjustments and repairs or other services needed to maintain the FSAFEDS website. The Contractor must keep the website content current on any changes to the program. The Contractor must keep the website accessible and operational 24 hours a day, seven days a week, except for maintenance downtime of less than 1%.

iv. **Hardware and Software Maintenance**. The Contractor will perform such system maintenance as is reasonably necessary to meet current service requirements, including but not limited to 508 compliance and website compatibility with mobile devices and all major web browsers. These maintenance activities will include maintaining a separate secure database for OPM's information.

v. **Travel**. The Contractor administrative fee includes travel to OPM's location up to four (4) times each year as may be necessary, at intervals mutually agreed upon by the parties. The travel will include up to three (3) staff members of the Contractor per trip or more as may be mutually agreed upon. Lodging, airfare, and food expenses for any mutually agreed upon additional travel, beyond the four trips, will be subject to the requirements

set forth at 48 CFR section 31.205-46. OPM must approve any such additional travel and costs in advance. OPM will not be responsible for special necessary travel required by OPM in connection with service failures by the Contractor. Such travel will not count toward the four trips per year allowance. The Contractor will inform OPM of their visits to Washington, DC and will also attempt to combine OPM visits with other trips to Washington DC as may be needed and are practical, but they will not count against the four trips per year allowance.

1. The Contractor is responsible for all enrollment activities for eligible persons.

2. The Contractor must interface with approximately 160 federal payroll interfaces in a wide variety of formats, usually through BENEFEDS. (BENEFEDS will interface on the Contractor's behalf.) The Contractor must invoice the appropriate payroll offices directly for its Service Fee and for the Risk Reserve fee.

3. The Contractor must perform the work necessary to handle enrollment, interactive voice response (IVR) systems, customer service, and so forth.

4. The Contractor must provide basic administrative training and materials approved by OPM to OPM and agency staffs, as required.

5. The Contractor must work with BENEFEDS reconciliation processes to ensure that the participants and allotments from each payroll interface accurately reflect the Contractor's records, and to contact employees and make adjustments as needed.

6. The Contractor must maintain the security and confidentiality of all files. The Contractor must meet all HIPAA EDI, privacy and security rules.

7. The Contractor must be willing to work with the intelligence community agencies to meet their additional security and confidentiality requirements as outlined in Appendix E – Intelligence Community Security Requirements.

8. The Contractor must keep all records for at least six years from contract award.

9. The Contractor will be responsible for performing the discrimination tests for FSAFEDS.

10. The Contractor must be willing to provide a seamless link from Employee Express, an online portal where Federal employees can check their payroll deductions and elect health coverage, and any other requested benefit interface or agency website to the Contractor's website for FSAFEDS.

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11. The Contractor must provide auto-adjudication for substantial quantity of FSAFEDS claims.

12. The Contractor must determine if a requested change in a participant's election is permitted as an IRS approved Qualifying Life Event.

13. The Contractor must provide each participant the amount of any balance subject to forfeiture in his or her account no later than 60 days before the deadline to incur eligible expenses.

14. The Contractor must provide an e-mail confirmation notice to each participant stating the participant's election, change in election, account balance, amount subject to forfeiture, etc., upon request.

15. The Contractor must provide the enrollment, financial, reconciliation, and other files to BENEFEDS described in Section D.1.3.4.3 BENEFEDS.

D.1.3.4.3 BENEFEDS

The Contractor will work with BENEFEDS, a payroll deduction and enrollment reconciliation module with a separate administrator (currently Long Term Care Partners, LLC.). Each day, the Contractor will create and transmit enrollment files to BENEFEDS. Upon receipt, BENEFEDS will create new participant accounts, update existing accounts, and reject non-compliant enrollment data. BENEFEDS will send an enrollment error file back to the Contractor and will process compliant data.

BENEFEDS will send a daily update file containing changes made to participants' accounts. This file will provide participant status codes (e.g., leave without pay, insufficient funds, terminations, retirements, and transfers) to assist the Contractor with managing enrollment and suspending claims.

The Contractor will also be required to process a pre-funding file to enable it to pay health care claims before receiving payment. This pre-funding file will contain participants for which BENEFEDS has validated their enrollment.

The Contractor will process a weekly coordination of benefits file that will provide enrollment demographic data for FSAFEDS participants who are also enrolled in the Federal Employees Health Benefit Program (FEHB) and the Federal Employees Dental and Vision Insurance Program (FEDVIP). Under Federal law, claims must first be processed by FEHB and FEDVIP before FSAFEDS claims adjudication can occur.

The Contractor will be responsible for processing allotment reconciliation files generated and sent by BENEFEDS with a frequency that aligns to each respective payroll cycle. As part of the

payroll payment process, the Contractor receives the funds directly from the payroll provider and is responsible for reporting all received funds to BENEFEDS to assist with reconciliation.

The Contractor will be responsible for sending refund and account funds transfer requests to BENEFEDS for processing. For refunds, the Contractor will be responsible for sending funds to payroll providers and/or properly accounting for refunded monies that are recouped on the payment files from the payroll providers. The recouped funds are then passed as negatives on the reconciliation file to FSAFEDS. The Contractor will need to properly account for current year and prior year refunds and account funds transfers.

To ensure accuracy BENEFEDS and the Contractor will perform 28 reconciliations annually include the following:

- 10 monthly enrollment reconciliations;
- 6 refund reconciliations;
- 6 account fund transfer reconciliations;
- 2 YTD allotment reconciliations;
- 2 agency/payroll demographic data reconciliations; and
- 2 BENEFEDS fee reconciliations.

D.1.3.4.4 Paperless Reimbursement Carriers

The contractor must accept health care, dental and vision flexible spending account claims electronically from participating carriers through Paperless Reimbursement. A Paperless Reimbursement system must be fully operational beginning the first day of the contract period to ensure no disruption to participant benefits.

While more carriers may be added in 2014 and beyond, the carriers participating in Paperless Reimbursement as of 2014 are:

OPM Sponsored FEHB Health Carriers:

Aetna
APWU Health Plan
BCBS Service Benefit Plan
Compass Rose Health Plan
Foreign Service Benefit Plan
GEHA
Humana
Mail Handlers Benefit Plan
M.D. IPA
NALC

SAMBA
United Health Care

OPM Sponsored FEDVIP Dental and Vision Carriers:

Aetna Dental
FEP BlueDental
GEHA Dental
United Concordia Dental
FEP BlueVision
Vision Service Plan (VSP)

New carriers must be added to the Paperless Reimbursement Program at no additional cost unless the carrier(s) require unreasonable special programming or handling as agreed by OPM and the Contractor. The Contractor will involve OPM with any unusual or unreasonable, non-standard requests. All specialized programming requested by carriers must be approved by OPM in advance through the work/change order process.

The Contractor will strive for consistency across all areas of the Paperless Reimbursement Program for participating plans when possible. Consistency includes, but is not limited to, file formats, types of claims received, and descriptive materials.

The contractor will annually report its Paperless Reimbursement claim file requirements on participating carriers for OPM's review and approval.

The contractor will provide Paperless Reimbursement Program maintenance at no additional cost to OPM. Requested enhancements will be made as may be agreed to by the parties.

D.1.3.4.5 Risk Reserve Account and Sources and Uses of Funds

1. **Risk Reserve Account**

   OPM will administer a Risk Reserve Account at U.S. Treasury. The Contractor will invoice participating agencies for a Risk Reserve fee payable to the Risk Reserve Account administered by OPM (refer to the table on Pages 56 and 57 in Section D.1.3.4.2 FSAFEDS Administration for more information about OPM's role in managing the Risk Reserve Account).

   The Risk Reserve Account will be used to fund expenses incurred by BENEFEDS for allotment administration and other services provided to the FSAFEDS Program.

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The Risk Reserve Account may also be used to fund payments of current claims under the following limited circumstances, upon OPM advance approval. The Contractor will monitor the cash on hand vs. the claims payments to be funded. The Contractor also agrees to monitor the schedule of payroll allotments due from agencies. When the cash forecast indicates the Contractor will have five (5) days or less of cash on hand, the Contractor will request in writing to OPM to transfer cash from the Risk Reserve Account to fund claims payments. Such funds shall be immediately replenished by the Contractor once cash forecasts exceed greater than five days of cash on hand. The parties may mutually agree to alternate approaches. A request to use the Risk Reserve Account will not be made unless the cash forecasts indicate a shortfall.

At OPM's sole discretion, the Risk Reserve Account may also be used to offset or "buy-down" the administrative fees due from participating agencies to the Contractor.

2. **Sources and Uses of Funds**

The following chart documents the appropriate sources and uses of funds under the contract by the Contractor.

Source	Use
Allotments (current year)	Claims Reimbursement
Allotments (prior year)	Claims Reimbursement
Interest on Allotments (less banking fees)	Claims Reimbursement
Forfeitures	Deposit in Risk Reserve Account
Interest on Forfeitures	Deposit in Risk Reserve Account
HCFSA Service Fee	FSA Administration within Scope of Services
DCFSA Service Fee	FSA Administration within Scope of Services
Interest on HCFSA Service Fee	Deposit in Risk Reserve Account
Interest on DCFSA Service Fee	Deposit in Risk Reserve Account
Interest on Incremental Service Fee	Deposit in Risk Reserve Account
Reserve Account Fee	Payable by agencies to OPM Risk Reserve Account directly
Risk Reserve Account (with OPM Approval)	Claims Reimbursement (current) - 5 day forecast

Risk Reserve Account (with OPM Approval)	Other Expenses as identified by OPM
Risk Reserve Account (with OPM Approval)	BENEFEDS expenses
Line of Credit (with OPM Approval)	Claims Reimbursement when OPM Approved

D.1.3.4.6 Unpaid Agency Invoice Recovery Protocols

The Contractor will follow recovery protocols which include, but are not limited to: increased billing intervals, consultation with OPM, and other direct Agency communications. The Contactor must provide to OPM all unpaid agency invoices each year on June 30th.

The Contractor will follow the protocol below for regular billing and unpaid invoices:

- At least 60 days before the January and the October billing cycles – send billing estimates by e-mail, with a request for confirmation of billing contact information;

- Send out actual bills by e-mail between January 15th and February 15th for each HCFSA and DCFSA associated with an active participant with a verified payroll allotment deduction and a second billing between September 15th and October 15th for each HCFSA and DCFSA associated with a participant who had a verified payroll allotment deduction not previously billed, or new to the program;

- On/about 30 days after the January and the October bills go out – 1st 'friendly collections call' to agencies with outstanding balances by telephone. Determine if correct person received the bill and the nature of the delay in payment. Resolve any incorrect delivery issues and resend the original bill to the correct person/place, if necessary;

- Send delinquent letter and current outstanding balance statements followed by a phone call and e-mail at 60 days delinquent to the correct person/place as defined by the agency or determined by the Contractor during the 1st "friendly collections call." In the normal course of business, the Contractor will always make reasonable attempts to ensure current agency contact information;

- At 90 days delinquent, send list of agencies with unpaid HCFSA, DCFSA, or Reserve Account Service Fees, and/or interest balances, to OPM;

- With assistance from OPM as needed, the Contractor will escalate delinquent letter/bill to higher levels within the delinquent agency at 90, 120, 150 and 180 days delinquent, with copies to the original recipient and to OPM. Follow each notice with a phone call to the most recent contact person of record. The 90 day

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delinquent letter may be sent to the Chief Financial Officer and it can include verbiage about escalating the delinquency to the agency Director if the balance remains outstanding. The 120 day delinquent letter may be sent to the agency Director with a courtesy copy to the Chief Financial Officer. The 150 and 180 delinquent letters can be updated repeats of the 120 day letter;

- At 180 days delinquent, the Contractor will follow normal procedures to recover agency debts as it does in its other lines of business, including but not limited to, any remedies or actions permitted under the contract or as may be provided by law, except that the Contractor may not stop payment of claim services for participants associated with delinquent agencies;

- OPM will consider "IPACing" agencies after the Contractor has followed aggressive collection protocols with no success. The Contractor must initiate a request for "IPAC" action from OPM within 12 months of the date of the invoice; and

- During a year in which this contract terminates, the Contractor may bill on a different schedule or have more than two billing cycles, as directed by OPM. There is a possibility of up to 4 billing cycles during such a period.

D.1.3.5 Claims Administration

1. The Contractor must:

   a. Develop enrollment, claims forms and explanation of benefits reimbursed forms for review and approval by OPM;

   b. Administer appropriate program provisions;

   c. Administer paperless reimbursement process with FEHB and FEDVIP carriers and auto-adjudicate paperless reimbursement claims when possible;

   d. Adjudicate all requests for reconsideration (first level appeals);

   e. Further review the denied claim using procedures outlined by the Contractor and agreed to by OPM if after reconsideration, the claim is not reimbursed in full;

   f. Subcontract for a vendor to provide independent review of claims decisions through a binding arbitration process;

   g. Upon written request of the participant, submit a disputed claim for resolution through a binding arbitration process mutually agreed upon by OPM and the Contractor. Establish quality assurance guidelines and audit procedures for independent vendors contracted with the program; and

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h. The Contractor is prohibited from paying commissions, establishing quotas, offering incentives or taking any other action(s) to reward its employees/subcontractors for denying or approving claims (incentives for prompt and accurate payment of approved claims are allowed).

D.1.3.6 Customer Service

1. **Telephone**

The Contractor provides a toll-free telephone number for use by OPM's participants. The Contractor's Benefits Counselor (BC) will answer calls from 9:00 a.m. to 9:00 p.m., Monday through Friday, Eastern time, except for agreed upon holidays.

a. The Contractor will ensure domestic and international access;

b. The Contractor will provide a toll-free TTY number;

c. The Contractor will provide prompts in Spanish;

d. The Contractor will provide translation support for Spanish and other languages as you determine their value to prospective and actual participants;

e. We expect first-rate customer service;

f. The Contractor must coordinate with OPM in conducting open enrollments for FSAFEDS as part of the annual Federal Benefits Open Season. Open season for enrollment will typically be conducted from the Monday of the second full workweek in November through the Monday of the second full workweek in December;

g. OPM must approve the training program for service personnel prior to implementation;

h. OPM requires a separate toll free number and dedicated personnel to service questions from OPM and HR departments at the agencies;

i. We reserve the right to review and approve information on the FSAFEDS website for FSA education, customer service, and enrollment;

j. The Contractor must provide mechanisms to provide participants with immediate access to their account balance information including web, IVR and customer service representatives. The account information must include: date and amount of most recent allotment; recent claims paid; any outstanding claims submitted but not yet reimbursed; and current balance. Paper confirmation must be available upon request; and

k. Customer service call centers must be staffed and open for sufficient hours to support a Federal workforce that operates around the clock across the globe.

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2. **Interactive Voice Response (IVR)**

   OPM's participants may obtain account information by calling the Contractor's IVR twenty-four (24) hours per day, seven (7) days per week, excluding routine maintenance or unforeseen/unforeseeable events. Participants may elect to exit the IVR and speak with a BC during hours as set forth in Number 1. Telephone above.

3. **Website**

   The Contractor must host and operate a specific website for FSAFEDS. The website must include at least the following services and information: secure participant login, account information, claim status, online claim submission, enrollment portal, list of eligible expenses, program information, claim forms, laws and regulations, link to OPM's website, customer service contact information, and a tax savings calculator.

D.1.3.7 Education, Marketing, and Enrollment

It is our firm commitment to maintain and increase FSAFEDS enrollment in 2015 and beyond.

We will consider a proposal which focuses on targeting the major education and marketing campaign to integrate with the Fall 2015 Federal Benefits Open Season activities and materials. Please refer to OPM's website www.opm.gov/openseason for the types of information we provide about the annual open season in general, and each of our health, dental, and vision plans specifically. In addition, you may review the OPM sponsored the guide to Federal Benefits and FEHB/FEDVIP plan brochures in the appendices.

1. The Contractor will be responsible for conducting, as appropriate, a multi-dimensional, cost-effective and creative FSAFEDS education and marketing campaign for the entire contract term. The campaign may include printed materials, web-based materials, in-person presentations, videos, webcasts, webinars and other media resources.

2. The Contractor will be responsible for, and provide a detailed plan for, the annual enrollments during the Federal Benefits Open Season. The Contractor shall also be responsible for enrollment of newly eligible persons throughout the plan year and shall provide a detailed plan for successful ongoing enrollment activities.

3. Enrollment in the plan will be through the following vehicles and methods: (a) web based interactive enrollment that must, to a reasonable degree, be compatible with current web browsers and mobile devices; (b) customer service representatives; and (c) paper based enrollment forms.

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4. The Contractor must provide information about the availability of FSAFEDS to all employees (mainly via their agencies).

5. Enrollment opportunity will be provided to all eligible Federal employees, including employees located in other countries.

6. The Contractor will provide all communication and enrollment materials. OPM reserves the right to review and approve all literature, materials, forms, presentations, etc. We also expect that the Contractor will discuss, plan, and schedule all communications events with OPM and agency human resources personnel before implementation.

7. The Contractor's customer service staff must be knowledgeable about the OPM Sponsored FEHB Program and the FEDVIP Program (see Appendix F – Links to the Guide to Federal Benefits and the FEHB and FEDVIP Brochures), and be able to assist eligible persons to make informed decisions about whether to participate in FSAFEDS and what amount to contribute.

8. The Contractor will commit to providing web-based educational material, including the ability for individuals to model potential tax savings. We reserve the right to review and approve in advance any information to be included on the FSAFEDS's website for FSA education, customer service, and enrollment.

9. No later than the Federal Benefits Open Season in November 2015, the Contractor must provide the following information as part of an educational campaign and/or part of product specific marketing materials:

   a. The principal benefits and coverage available under FSAFEDS;
   b. How the Health Care FSA can be used effectively;
   c. How Dependent Care FSA benefits and coverage compare to the available childcare tax credit and current government subsidized day care programs;
   d. Forfeitures, and how to minimize them;
   e. Representative examples of the potential income tax and FICA savings. The information shall also include the projected effect on social security retirement benefits of pre-tax reductions; and
   f. Description of the changes in family status that will allow enrollees to change their elections.

10. The Contractor must host and operate a specific website for FSAFEDS. The website must include at least the following services and information: secure participant login, account

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information, claim information status, online claim submission, enrollment portal, list of eligible expenses, program information, claim forms, laws and regulations, link to OPM's website, customer service contact information, and a tax savings calculator.

11. OPM adopted the plan for the Federal Government, including all Federal Executive Branch agencies. Other Federal agencies, branches or related employers that employ persons eligible for this plan may become Adopting Employers of the plan by executing an adoption agreement. Adopting employers may adopt the plan with a different effective date than that for the Federal Executive Branch. The Contractor will be responsible for facilitating the process to bring these adopting employers and their employees into the program.

12. The Contractor must read Appendix D – Communications Vehicles, and propose the best use of these vehicles.

D.1.3.8 Financial

D.1.3.8.1 General

1. FSAFEDS will be fully self-supporting. The Contractor will not secure any payment from the Federal Government for administering FSAFEDS, for marketing/ongoing expenses, or for program losses, including but not limited to claims exceeding contributions/allotments (except that temporary assistance from the Risk Reserve Account may be granted at OPM's discretion), overpayments due to contractor error, banking fees, and overpayments due to erroneous claims submitted by carrier(s). OPM is not liable for non-payments or insufficient funds, if any.

2. The term year for this contract will begin every September 1st.

3. The Contractor must account for the experience of FSAFEDS separately from that of other programs that the Contractor administers. The Contractor must account for all FSA funds as described in Section D.1.3.8.2 Fund Maintenance below. FSAFEDS funds will not be available for any obligations other than those associated with this program.

D.1.3.8.2 Fund Maintenance

1. The Contractor must account for the experience of FSAFEDS and FSA monies held separately from that of its other accounts.

2. Actual claims, forfeitures and investment income will be accounted for separately for FSAFEDS.

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3. The Contractor must credit to the FSAFEDS account the actual total net income for assets in the separately identifiable FSA account.

4. The Contractor can expect to incur monthly banking fees on the claims reimbursement account. Interest earned on this account may be used to offset these banking fees. In some months, interest earned is expected to exceed banking fees. In other months, banking fees is expected to exceed interest earned. If banking fees exceed interest earned in a particular month, the Contractor must pay these excess fees out of its own funds. If interest earned exceeds banking fees in a particular month, the Contractor must deposit this excess interest in the FSAFEDS claims reimbursement account.

D.1.3.9 Contract Termination

D.1.3.9.1 Transfer to New Contractor

If we terminate the contract for convenience or default, the current Contractor must transfer the aggregate FSAFEDS Fund including interest (reduced by claims remaining with the current Contractor), calculated as of the date of termination, to the new Contractor.

In making this transfer, the current Contractor must:

- Provide estimates of reserves and assets, including interest, at least forty-five (45) days prior to the contract termination date;
- Give OPM the final calculation of reserves and assets, including interest, within thirty (30) days after the contract termination date; and
- Transfer all reserves and assets, including interest, to the new Contractor within ninety (90) days after the contract termination date.

D.1.3.9.2 Returns of Forfeitures and Outstanding Checks

1. **Return of Forfeitures**

   a. No later than ninety (90) days following the end of the annual benefit period (including a grace period, if applicable), the Contractor will return to OPM any funds unclaimed by participants plus funds from any outstanding checks along with any applicable interest; and
   b. No later than one hundred eighty (180) days following the contract termination date, or, if applicable, the end of the Claims Run Out Period following such contract termination, the Contractor will refund to OPM any funds unclaimed by participants, plus funds from any outstanding checks.

2. **Outstanding Checks**

No later than one hundred eighty (180) days following contract termination date, or, if applicable, the end of the Claims Run Out Period following such contract termination, and in the event an FSA reimbursement check remains outstanding at that time, the Contractor will void uncashed checks. The Contractor will send the amount of such checks to the Risk Reserve Account within twenty (20) business days after the payment stoppage date.

D.1.3.10 Quality Assurance Surveillance Plan (QASP)

(a) A Quality Assurance Surveillance Plan (QASP) will be used as OPM's codification of its method of implementing FAR 37.601, which requires that performance-based contracts:

(1) Describe the requirements in terms of results required rather than the methods of performance of the work;
(2) Use measurable quality/performance standards (i.e., in terms of quality, timeliness, quantity, etc.) and quality assurance surveillance plans; and
(3) Specify procedures for reductions of a charge or for reductions to the price of a fixed-price contract when services are not performed or do not meet contract requirements.

(b) The QASP will be in the form of a matrix, as shown at the end of this section. Following is a description of the elements contained in a QASP:

(1) Performance Standard

The factors that OPM considers to be of the utmost importance to appropriately evaluate FSAFEDS operations and quality of services.

The Contractor must respond to the performance standards included in the QASP.

(2) Time Period

The period of time that is being measured to determine performance.

(3) Monitoring Method

The method OPM will use to monitor performance and determine the extent to which performance has met the standard. In general, OPM prefers monitoring methods that automatically capture measurements as part of the process and do not place a burden on either the contractor or OPM to collect and analyze data. Regardless of the method or degree of monitoring, OPM reserves the right to audit all performance data to

independently verify its accuracy.

(4) Acceptable Quality Level (AQL)

Describes that range of deviation, if any, in which the Government will consider performance to be acceptable.

The Contractor must utilize the assigned AQLs where indicated and must agree to the percentage of charge at risk based on OPM's AQLs.

For several of the customer service oriented performance measures, OPM will accept a different Acceptable Quality Level for the fourth quarter of the year, which includes the Federal Benefits Open Season.

(5) Percentage of Charge at Risk

The Contractor must also specify any formulas and decision criteria that OPM will use to calculate the actual amount of price reduction for each CLIN, if applicable.

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QASP #1: Contract Award through Transfer Date

#	Performance Standard	Time Period	Monitoring (Measurement) Method	Minimum Acceptable Quality Level (AQL)	5% Charge At Risk
1	A fully developed high level project plan is submitted to OPM after the first transition meeting.	Contract Award through Transfer Date	High level project plan received and accepted by OPM.	21 calendar days from contract award	1%
2	A detailed project plan is submitted to OPM, with tasks, timelines, staffing by title/position and when key personnel as well as other staff will join the project, including the percentage of their time dedicated to OPM is submitted and updated on a regular basis.	Contract Award through Transfer Date	Detailed project plan received and accepted by OPM.	Weekly update (every seven days) after initial meeting	1%

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3					
3.1	Contractor provides staff with adequate skills and experience.	Contract Award through Transfer Date	OPM review and acceptance of detailed staffing plan.	21 calendar days from contract award	1%
3.2	Contractor timely submits all necessary clearance (background investigation) applications and documentation for all staff requiring clearance.	Contract Award through Transfer Date	OPM review and acceptance of detailed staffing plan.	21 calendar days from contract award	1%
3.3	Progress reviews of all implementation/ transition tasks provided.	Contract Award through Transfer Date	Progress reviews received timely.	Every 14 calendar days	.5%
4	Timeliness of deliverables including: • adherence to project plan • meeting all timeframes committed	Contract Award through Transfer Date	Deliverables completed timely.	95%	.5%

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QASP #2: Transfer Date through end of Base Period

#	Performance Standard	Time Period	Monitoring (Measurement) Method	Minimum Acceptable Quality Level (AQL)	20% Charge At Risk
1	**Customer Service**			**5%**	
1.1	Calls answered (IVR Responses) within 30 second.	Q1-Q4	Call Center Reports	>99%	1%
1.2	Access to FSAFEDS Benefit Counselor within 30 seconds when a caller chooses to speak with a Benefit Counselor.	Q2-Q3	Call Center Reports	>93%	1%
		Q1-Q4		92%	
1.3	Abandonment rate – Average call abandonment rate will not exceed 1.5% of call volume.	Q1-Q4	Call Center Reports	<1.5%	1%

1.4	Call Monitoring and Quality – • The Contractor will record FSAFEDS participant calls. • Post-call assessment and quality review of 5% of calls recorded from participants using standard assessment tool approved by OPM.	Q1-Q4	Call recorded to total volume	>99.5%	1%
		Q1-Q4	<5% fail to meet the standard	>5%	1%
2	**Claim Operations**			**5%**	
2.1					
	Manual claims will be processed and released for payment within 5 business days.	Q1, Q3, Q4	Contractor reports	>95% in 5 business days	1%
		Q2		>90% in 5 business days	
	Manual claims submitted will be processed within 8 business days.	Q1-Q4	Contractor reports	>99.9% in 8 business days	1%
2.2					
	Paperless claims files will be loaded, processed and paid within 2 business days.	Q1-Q4	Contractor reports	>97%	1%

	Paperless claims files will be loaded, processed and paid within 4 business days.	Q1-Q4	Contractor reports	100%	1%
	The Contractor will ensure paperless system and processes are current and at least 99.8% of claims are accepted without the Contractor's error out on the first pass.	Q1-Q4	Contractor reports	>99.8%	.5%
2.3	Claim Accuracy and Quality.	Q1-Q4	Contractor reports	>99%	.5%
3	**Inquiry Response Time**				**5%**
3.1	Written Inquiries (including e-mail; excluding claims appeals and QLEs.)	Q1-Q4	Contractor reports	>99.8% within 2 business days of receipt	2%
				100% within 4 business days	2%
3.2	Review at least 5% of written inquiries, per quarter.	Q1-Q4	Contractor reports	Review at least 5% and assessed at 95% accuracy or better	1%
4	**Responsiveness to OPM**				**5%**
4.1	The volume and validity of complaints received by OPM.	Q1-Q4	OPM experience	100%	.5%

4.2	The timeliness and adequacy of requested reports.	Q1-Q4	OPM experience	100%	.5%
4.3	Responsiveness to OPM offices, enrollees, Federal agencies, and Congress.	Q1-Q4	OPM experience	100%	.5%
4.4	Proactive monitoring and reporting industry trends.	Q1-Q4	Contractor reports	100%	.5%
4.5	The Contractor's suggestions to improve operations or participant experiences of the FSAFEDS Program.	Q1-Q4	Contractor reports	Quarterly	.5%
4.6	Both Contractor's staff and the Contractor's processes support and utilize the information provided via BENEFEDS to promote best practices and avoid duplicative efforts to the extent possible.	Q1-Q4	OPM experience	98%	.5%
4.7	Action items/ deliverables completed by date promised as mutually agreed.	Q1-Q4	OPM experience	99%	.5%

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4.8	The timeliness of requested text changes (additions or deletions) to the FSAFEDS website.	Q1-Q4	OPM experience	99%	.5%
4.9	The Contractor verbally reports incidents/ potential incidents it believes may adversely impact FSAFEDS customer service/ participant satisfaction within 2 hours of the Government Operations Client Service Team becoming aware. The Contractor will provide OPM with a preliminary incident report within 24 hours. Thereafter, the Contractor will monitor and track the incident, and provide OPM with updates, new information, and corrective plan of action at least weekly. HIPAA and/or PII breaches will incur an automatic assessment upon reaching a	Q1-Q4	OPM experience	100%	.5%

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	threshold of 4 during any three month period.				
4.10	Contractor reports breaches and potential breaches of personal identifying information (PII) and personal health information (PHI) to the OPM Situation Room within 30 minutes of discovery, or as required as by the OPM Situation Room.	Q1-Q4	OPM experience	100%	.5%

*OPM will let the Contractor know of any event or activity where it believes that the Contractor has failed to meet this standard.

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(2) Definitions

Note: These definitions of terms and acronyms are only for the purpose of this contract.

Term	Definition
Adopting Employer	The Executive Branch of the Federal Government. Adopting Employer also means an Employer that signs an adoption agreement, accepted by OPM, to participate in this Plan. An Employer remains an Adopting Employer until the Plan terminates, the Adopting Employer withdraws from the Plan, or OPM terminates the Adopting Employer's participation in the Plan.
Agency(ies)	Departments and independent agencies of the Federal Government, including the Tennessee Valley Authority, but not including the D.C. Government.
Allotment	Also called an election. The total amount of pre-tax gross income a participant puts into their FSAFEDS flexible spending account for the benefit period.
Annuitants	Federal retirees (who retired on an immediate annuity), and survivors (of those retired on an immediate annuity) receiving annuity compensation. Also includes those receiving compensation from the Department of Labor. Sometimes called retirees.
BC	Benefits Counselor. Also called a Customer Service Representative or CSR.
BENEFEDS	An enrollment and premium administration portal contracted by OPM
Contractor	WageWorks, Inc.
Contracting Officer	The OPM employee who has the authority to bind the Government under the resulting contract with the Contractor.
Covered Employee	Under FedFlex, means an individual who is an employee under Section 2.9, is employed by an executive branch or Adopting Employer, and satisfies coverage requirements under Article 3.
CSR	Customer Service Representative. Also called BC.
DCFSA	Dependent Care Flexible Spending Account
EFT	Electronic Funds Transfer.

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Election	Also called an allotment. The total amount of pre-tax gross income a participant puts into their FSAFEDS flexible spending account for the benefit period.
Employee	Under FedFlex, for purposes of the Health Care Flexible Spending Account, and no other purpose, an employee is as defined in 5 USC section 8901(1); except that Employee does not include: employees of the judicial branch; employees of the District of Columbia government; or employees not eligible to participate in the FEHB Program in accordance with applicable statutes and regulations; or a Reemployed Annuitant. For purposes of the Dependent Care Flexible Spending Account, and no other purpose, an employee as defined in 5 USC section 8901(1); except that Employee does not include: employees of the judicial branch; employees of the District of Columbia government; or a Reemployed Annuitant.
Employee Express	A portal used by some agencies that allow employees to initiate the processing of their discretionary personnel-payroll transactions electronically.
Employer	Any Agency whose employees are eligible to elect a health care and/or dependent care FSA under the Federal Flexible Benefits Plan (FedFlex). In the case of an employee whose payroll office is not an Executive Branch payroll office, the employer is the entity that issues pay on behalf of the Employee.
FedFlex	The Federal Flexible Benefits Plan (See Appendix B)
FEDVIP	Federal Employees Dental and Vision Insurance Program
FEGLI	Federal Employees' Group Life Insurance
FEHB	Federal Employees Health Benefits
FFP	Firm-Fixed-Price
FLTCIP	Federal Long Term Care Insurance Program
FSA	A health care or dependent care Flexible Spending Account, as allowed by Internal Revenue Code Section 125.
FSAFEDS	The Federal Flexible Spending Account Program offered to eligible employees of an employer, as determined by OPM.
GAO	United States Government Accountability Office

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Grace Period	An additional 2 ½ months (January 1 through March 15) during which FSAFEDS participants can incur eligible expenses that can be reimbursed from the prior year balance.
HCFSA	Health Care Flexible Spending Account
HIPAA	Health Insurance Portability and Accountability Act
IPAC	Intra-Governmental Payment and Collection
IVR	Interactive Voice Response System
LEX HCFSA	Limited Expense HCFSA. A LEX HCFSA is considered to be an HCFSA.
LTC	Long term care
OPM	United States Office of Personnel Management. Also referred to as 'we'.
Paperless Reimbursement (PR)	The process by which participating FEHB and FEDVIP carriers regularly submit claims data to the Contractor on behalf of their FSAFEDS-participating members. The data includes all information required by the Contractor to process a health care FSA claim, including date of service, type of service, and patient out-of-pocket liability. The Contractor uses this data to automatically adjudicate claims and reimburse health care FSA participants for eligible expenses without the need for the participant to submit a manual claim.
Plan Agent	A third party administrator under contract to OPM to provide designated administrative services with regard to the Plan.
Plan Year	A 12-month period ending on each December 31. The plan year may be extended 2 ½ months by a grace period in some situations.
PHPM	Per HCFSA Per Month
PMPM	Per Member Per Month
PWS	Performance Work Statement
Qualifying Life Event	Also called a QLE. An event defined by the Internal Revenue Service in Internal Revenue Code, Section 125 that allows participants to change their flexible spending account election outside of the annual Open Season.
Reemployed Annuitant	An individual who is retired from the Federal Government, is reemployed as an employee as defined in 5 USC 8901(1), and who

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	continued to receive an annuity.
Risk Reserve Account	OPM's FSAFEDS funds
SOB	Summary of Benefits
We	United States Office of Personnel Management
You	The Contractor

(3) Appendices

Appendix Number	Appendix Title
Appendix A	Adopting Agencies
Appendix B	The Federal Flexible Benefits Plan (FedFlex)
Appendix C	Profile of Employees (FedScope)
Appendix D	Communication Vehicles
Appendix E	Intelligence Community Security Requirements
Appendix F	Links to the Guide to Federal Benefits and the FEHB and FEDVIP Brochures

(4) Attachments

Attachment Number	Attachment Title
Attachment 1	Small Business Subcontracting Plan
Attachment 2	Wage Determination Number 2015-5637, Revision Number 2

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Appendix A
Adopting Agencies

The agencies, commissions, and other entities listed below currently participate in FSAFEDS as of February 2014:

Abraham Lincoln Bicentennial Commission

Administrative Conference of the United States

Advisory Council on Historic Preservation

African Development Foundation

American Battle Monuments Commission

American Institute in Taiwan

Antitrust Modernization Commission

Appalachian Regional Commission

Appraisal Subcommittee/Federal Financial Institution Exam Council

Architect of the Capitol

Architectural and Transportation Barriers Compliance Board

Arctic Research Commission

Armed Forces Retirement Home

Barry M. Goldwater Scholarship and Excellence in Education Foundation

Bonneville Power Administration

Broadcasting Board of Governors

Central Intelligence Agency

Chemical Safety and Hazard Investigation Board

Christopher Columbus Fellowship Foundation

Citizens Health Care Working Group

Commission for the Preservation of America's Heritage Abroad

Commission of Fine Arts

Commission on Civil Rights

Commission on International Religious Freedom

Commission on Security and Cooperation in Europe

Commodity Futures Trading Commission

Congressional Budget Office

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Appendix A (Continued)
Adopting Agencies

Congressional-Executive Commission on the People's Republic of China

Consumer Product Safety Commission

Corporation for National and Community Service

Council of the Inspector General on Integrity and Efficiency

Court Services & Offender Supervision Agency

Defense Nuclear Facilities Safety Board

Defense Programs Support Activity

Delta Authority Commission

Denali Commission

Department of Agriculture

Department of Commerce

Department of Defense Agencies

Department of Education

Department of Energy

Department of Health and Human Services

Department of Homeland Security

Department of Housing and Urban Development

Department of Interior

Department of Justice

Department of Labor

Department of State

Department of the Air Force

Department of the Army

Department of the Navy

Department of Transportation

Department of Treasury

Department of Veterans Affairs

Department of Veterans Affairs - Office of Inspector General

Appendix A (Continued)
Adopting Agencies

District of Columbia Court of Appeals

District of Columbia Court Systems

District of Columbia Superior Courts

Dwight D. Eisenhower Memorial Commission

Election Assistance Commission

Environmental Protection Agency

Equal Employment Opportunity Commission

Executive Office of the President

Export / Import Bank of the U.S.

Federal Communications Commission

Federal Election Commission

Federal Energy Regulatory Commission

Federal Housing Finance Agency

Federal Housing Finance Agency - Office of the Inspector General

Federal Labor Relations Authority

Federal Maritime Commission

Federal Mediation and Conciliation Service

Federal Mine Safety and Health Review Commission

Federal Reserve Board

Federal Resources Management Commission

Federal Retirement Thrift Investment Board

Federal Trade Commission

Financial Crisis Inquiry Commission

Gallaudet University

General Services Administration

Government Accountability Office

Government Printing Office

Harry S. Truman Scholarship Foundation

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Appendix A (Continued)
Adopting Agencies

Institute of Museum and Library Services

Inter-American Foundation

International Boundary & Water Commission

International Trade Commission

James Madison Memorial Fellowship Foundation

Japan-U.S. Friendship Commission

John C. Stennis Center for Public Service

John F. Kennedy Center for Performing Arts

Library of Congress

Marine Mammal Commission

Medicaid and CHIP Payment and Access Commission

Medicare Payment Advisory Commission

Merit Systems Protection Board

Millennium Challenge Corporation

Morris K. Udall Scholarship & Stewart L. Udall Foundation

National Aeronautics and Space Administration

National Archives and Records Administration

National Capital Planning Commission

National Commission on Libraries and Information Science

National Council on Disability

National Credit Union Administration

National Education Goals Panel

National Endowment for the Arts

National Endowment for the Humanities

National Gallery of Art

National Labor Relations Board

National Mediation Board

National Science Foundation

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Appendix A (Continued)
Adopting Agencies

National Security Agency

National Transportation Safety Board

Nuclear Regulatory Commission

Nuclear Waste Technical Review Board

Occupational Safety and Health Review Commission

Office of Congressional Compliance

Office of Government Ethics

Office of Navajo and Hopi Indian Relocation

Office of Personnel Management

Office of Special Counsel

Office of the Director of National Intelligence

Office of the Federal Coordinator for Alaska Natural Gas

Overseas Private Investment Corporation

Peace Corps

Pension Benefit Guaranty Corporation

Public Defender Service of the District of Columbia

Public Interest Declassification Board

Railroad Retirement Board

Recovery Act Accountability and Transparency

Securities and Exchange Commission

Selective Service System

Small Business Administration

Smithsonian Institution

Social Security Administration

State Justice Institute

Surface Transportation Board

U.S. Agency for International Development

U.S. Capitol Police

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U.S. Commission on Helping to Enhance the Livelihood of People

U.S. Court of Appeals for the Armed Forces

U.S. Court of Appeals for Veterans Claims

U.S. Holocaust Memorial Museum

U.S. House of Representatives

U.S. Institute of Peace

U.S. Interagency Council on Homelessness

U.S. Senate

U.S. Tax Court

U.S. Trade And Development Agency

US Ability One Commission

Utah Reclamation Mitigation and Conservation Commission

Valles Caldera Trust

Vietnam Education Foundation

Woodrow Wilson International Center For Scholars

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The Federal Flexible Benefits Plan

“FedFlex”

Revised as of
September 9, 2014

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THE FEDERAL FLEXIBLE BENEFITS PLAN

Article 1. INTRODUCTION.

1.1 **Purpose of Plan.** The purpose of this Plan is to provide Employees a choice between cash and pre-tax coverage under a Medical Plan, Vision Plan, Dental Plan, Health Care Flexible Spending Arrangement (HCFSA) and/or Dependent Care Flexible Spending Arrangement (DCFSA).

1.2 **Cafeteria Plan Status.** This Plan is intended to qualify as a "cafeteria plan" under Section 125 of the Internal Revenue Code of 1986, as amended, and applicable regulations, and is to be interpreted in a manner consistent with the requirements of Section 125.

1.3 **Flexible Spending Arrangement Plan Status.** The HCFSAs are offered pursuant to a self-insured medical expense reimbursement plan under Code Section 105. The DCFSAs are offered under Code Section 129. FSAs are intended to allow Employees to pay medical and dependent care expenses using pre-tax dollars and are intended not to discriminate as to eligibility or benefits in favor of the prohibited group under Code Sections 105, 125, and 129.

Article 2. DEFINITIONS.

Whenever used, these terms have the following meanings unless a different meaning is clearly required by the context:

2.1 **"Adopting Employer"** means the Executive Branch of the Federal Government. Adopting Employer also means an Employer that signs an adoption agreement, accepted by OPM, to participate in this Plan. An Employer remains an Adopting Employer until the Plan terminates, the Adopting Employer withdraws from the Plan, or OPM terminates the Adopting Employer's participation in the Plan.

2.2 **"Benefit Period"** means the period of time during which a Covered Employee may incur Eligible Health Care Expenses or Eligible Dependent Care Expenses and may be paid or reimbursed for such expenses. For the DCFSA, this period is the Plan Year and the Grace Period. For an HCFSA, this period is the Plan Year.

2.3 **"Code"** means the Internal Revenue Code of 1986, as amended from time to time.

2.4 **"Covered Employee"** means an individual who is an Employee under Section 2.12, is employed by an Adopting Employer, and satisfies coverage requirements under Article 3.

2.5 **Reserved**

2.6 **"Dental Supplemental Benefit Plan" or "Dental Plan"** means a dental benefits plan participating in the Federal Employees Dental and Vision Insurance Program "FEDVIP" established under 5 U.S.C. Chapter 89A.

2.7 **"Dependent"** for purposes of HCFSA and DCFSA, and no other purpose, means

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any individual who is a tax dependent of the Covered Employee as defined in Code Section 152(a) and with respect to whom the Covered Employee is entitled to an exemption under Code Section 151(c). For the purpose of a HCFSA, an individual's status as a dependent is determined without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B). A child described in Code Section 152(e) shall be treated as a dependent of both parents (except that for purposes of a DCFSA, if the parents are divorced or separated, the individual is the dependent of the custodial parent).

2.8 **"Dependent Care Flexible Spending Arrangement"** or **"DCFSA" or "Day Care FSA"** means an account established by the Employer for designated allotments made by the Employee for reimbursement of Eligible Dependent Care Expenses.

2.9 **"Effective Date"** for an Employer means the date that an Employer becomes an Adopting Employer.

2.10 **"Eligible Dependent Care Expenses"** is defined in Section 4.4.c.

2.11 **"Eligible Health Care Expenses"** is defined in Section 4.3.1.c. A Covered Employee who holds an HSA or whose spouse holds an HSA may only incur eligible health care expenses under the LEX HCFSA. These expenses are described in Section 4.3.2.1 as LEX HCFSA Eligible Health Care Expenses.

2.12 **"Employee"** means

a. For purposes of the Medical Plan and the Health Care Flexible Spending Arrangement, and no other purpose

1. an employee as defined in 5 U.S.C. Section 8901(1) except that Employee does not include: employees of the Judicial Branch; employees of the District of Columbia government; or employees not eligible to participate in the FEHB Program in accordance with applicable statutes and regulations; or

2. a Reemployed Annuitant.

b. For purposes of the Dependent Care Flexible Spending Arrangement, and no other purpose

1. an employee as defined in 5 U.S.C. Section 8901(1); except that Employee does not include: employees of the Judicial Branch; employees of the District of Columbia government; intermittent employees with no fixed work schedule whose tour of duty is expected to be 180 days or less; or

2. a Reemployed Annuitant.

c. For purposes of the Dental Plan and the Vision Plan and no other purpose

1. an employee of the United States Postal Service, and employee of the District of Columbia Courts or an employee as defined in 5 U.S.C. Section 8901(1) except that Employee does not include employees not eligible to participate in the FEHB Program in accordance with applicable statutes and regulations; or

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2. a Reemployed Annuitant.

2.13 **"Employer"** means an employer of an Employee. In the case of an Employee whose payroll office is not an Executive Branch payroll office, the Employer is the entity that issues pay on behalf of the Employee.

2.14 **"FEHB Program"** means Federal Employees Health Benefits Program described in 5 U.S.C. Section 8901, et seq.

2.15 **"Flexible Spending Arrangements"** or **"FSA"** means Health Care Flexible Spending Arrangement and Dependent Care Flexible Spending Arrangement.

2.16 **"Form"** means a paper form, electronic enrollment or other written notice approved by OPM.

2.17 **"FSA Initial Effective Date"** means July 1, 2003.

2.18 **"FSA Initial Plan Year"** for an Employer means the period beginning on the FSA Initial Effective Date and ending on December 31 of that same year.

2.19 **"Grace Period"** means the two month and 15 day period immediately following the end of a Plan Year during which a Covered Employee may incur Eligible Dependent Care Expenses and may be paid or reimbursed for such expenses.

2.20 **"Health Care Flexible Spending Arrangement"** or **"HCFSA"** means an account established by the Employer for designated allotments made by the Employee for reimbursement of Eligible Health Care Expenses. A Covered Employee who holds an HSA or whose spouse holds an HSA may only enroll in a HCFSA for limited expenses, known as a LEX HCFSA.

2.21 **"Health Savings Account"** or **"HSA"** means an account as defined in Code Section 223.

2.22 **"High Deductible Health Plan" or "HDHP"** means a health benefits plan as defined in Code Section 223.

2.23 **"Initial Effective Date"** for the Executive Branch of the Federal Government means October 1, 2000.

2.24 **"Initial Effective Date for Dental Plan and Vision Plan"** for the Executive Branch of the Federal Government means December 31, 2006.

2.25 **"Initial Plan Year"** for an Employer means the period beginning on the Effective Date and ending on December 31 of that same year.

2.26 **"Initial Plan Year for Dental Plan and Vision Plan"** for an Employer means the period beginning on the Initial Effective Date for Dental Plan and Vision Plan and ending on December 31 of the subsequent Plan Year.

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2.27 **"Limited Purpose Health Care Flexible Spending Arrangement"** means an account as defined in Section 4.3.2.

2.28 **"Limited Expense HCFSA"** or **"LEX HCFSA"** means an account as defined in Section 4.3.2.1

2.29 **"Limited Enrollment HCFSA"** or **"LEN HCFSA" [RESERVED].**

2.30 **"Limited Expense Limited Enrollment HCFSA"** or **"LEXLEN HCFSA" [RESERVED].**

2.31 **"Medical Plan"** means an OPM-contracted FEHB health benefits plan or a health benefits plan offered by an appropriate SHOP as determined by the Director pursuant to section 1312(d)(3)(D) of the Affordable Care Act [42 USC 18032(d)(3)(D)].

2.32 **"OPM"** means the United States Office of Personnel Management.

2.33 **"Plan"** means The Federal Flexible Benefits Plan as set forth, together with any and all amendments, supplements and regulations published under Title 5 of the Code of Federal Regulations. If there is a conflict between The Federal Flexible Benefits Plan and the regulations, the regulations will govern. The Plan may also be known as "FedFlex."

2.34 **"Plan Agent"** means a third party administrator under contract to OPM to provide designated administrative services with regard to the Plan.

2.35 **"Plan Administrator"** means OPM.

2.36 **"Plan Year"** means the 12-month period ending on each December 31 after the Initial Plan Year.

2.37 **"Qualifying Dependent"** for purposes of DCFSA, and no other purpose, means:

a. a Dependent of the Covered Employee who is under the age of thirteen (13); or

b. a Dependent or spouse of the Covered Employee who is mentally or physically incapable of caring for himself or herself.

In the case of divorced parents, the child is treated as a qualifying dependent of the custodial parent as provided under Code Section 21(e)(5).

2.38 **"Qualified Reservist"** means a Covered Employee (but not the spouse or Dependent of a Covered Employee) who is a member of: the Army National Guard; the Air National Guard; the Army Reserve; the Navy Reserve; the Marine Corps Reserve; the Air Force Reserve; the Coast Guard Reserve; or the Reserve Corps of the Public Health Service.

2.39 **"Qualified Reservist Distribution"** or **"QRD"** means the taxable distribution of the balance of a Qualified Reservist's HCFSA as set forth in Section 4.22.

2.40 **"Reemployed Annuitant"** means an individual who is retired from the Federal Government, is reemployed as an employee as defined in 5 U.S.C. Section 8901(1), and who continues to receive an annuity.

2.41 **"Summary of Benefits"** means a written document available during each FEHB open season that describes the flexible spending arrangement benefits under the Plan.

2.42 **"Temporary Continuation of Coverage"** or **"TCC"** means coverage that may be available to a Covered Employee who leaves Federal service, or to a dependent who loses coverage because he or she no longer qualifies as an eligible family member, or to a child who turns age 26 and loses coverage under the Medical Plan.

2.43 **"U.S.C."** means the United States Code, as amended from time to time.

2.44 **"Vision Supplemental Benefit Plan" or "Vision Plan"** means a vision benefits plan participating in the Federal Employees Dental and Vision Insurance Program (FEDVIP) established under 5 U.S.C. Chapter 89B.

Article 3. COVERAGE

3.1 **Commencement of Coverage under the Plan.**

a. An employee will become a Covered Employee on the latest of:

1. The Effective Date for his or her Adopting Employer; or

2. The first day he or she becomes an Employee.

b. If an Employee is eligible to participate in a cafeteria benefit plan offered by another Executive Branch Employer, then that Employee is not covered under this Plan with respect to the same or similar type of benefit offered by the other Executive Branch Employer (with the exception of dental and/or vision benefits). In addition, no Employee may be covered under more than one premium conversion plan for premiums paid to: (a) the Medical Plan; or (b) the Dental Plan; or (c) the Vision Plan, respectively.

3.2 **Termination of Coverage under the Plan.** A Covered Employee will cease to be a Covered Employee as of the earliest date on which any of the following occurs:

a. the Plan terminates;

b. he or she ceases to be an Employee;

c. the date the Covered Employee's election or deemed election to receive benefits under the Plan terminates; or

d. the Covered Employee's Employer ceases to be an Adopting Employer.

3.3 **Reinstatement of Former Covered Employee.** A former Covered Employee will become a Covered Employee again if and when he or she meets the coverage requirements of Section 3.1. A reinstated Covered Employee's election will be subject to the provisions of Section 4.16.

Article 4. OPTIONAL BENEFITS COVERAGES.

4.1 **Coverage Options.** Each Covered Employee may choose under this Plan to receive his or her pay for any Plan Year in cash or to have a portion of it applied on a pre-tax basis as Employer provided coverage toward (a) the Medical Plan; (b) the Dental Plan; (c) the Vision Plan; (d) an HCFSA; and/or (e) a DCFSA.

4.1.1 **Account Option.** Each Covered Employee may choose under this Plan to receive his or her pay in cash or to have a portion of it applied on a pre-tax basis as an Employer provided contribution toward an HSA pursuant to Section 4.5.

4.2 **Options for Medical Plan, Dental Plan and Vision Plan.**

a. Coverage and benefits to be provided by the Medical Plan. Medical Plan coverage and benefits will be provided not by this Plan but by the Medical Plan. The types and amounts of benefits available under the Medical Plan, the requirements for participating in the Medical Plan and the other terms and conditions of coverage and benefits under the Medical Plan are as set forth in 5 U.S.C. Section 8901, et seq. and 42 U.S.C. Section 18032, applicable regulations, and applicable official statements of benefits, all of which are incorporated by reference into this Plan.

b. Coverage and benefits to be provided by the Dental Plan. Dental Plan coverage and benefits will be provided not by this Plan but by the Dental Plan. The types and amounts of benefits available under the Dental Plan, the requirements for participating in the Dental Plan and the other terms and conditions of coverage and benefits under the Dental Plan are as set forth in 5 U.S.C. Chapter 89A, and applicable regulations as well as the Dental Plan contracts and benefit brochures, all of which are incorporated by reference into this Plan.

c. Coverage and benefits to be provided by the Vision Plan. Vision Plan coverage and benefits will be provided not by this Plan but by the Vision Plan. The types and amounts of benefits available under the Vision Plan, the requirements for participating in the Vision Plan and the other terms and conditions of coverage and benefits under the Vision Plan are as set forth in 5 U.S.C. Chapter 89B, and applicable regulations as well as the Vision Plan contracts and benefit brochures, all of which are incorporated by reference into this Plan.

d. Cash. A Covered Employee may elect to receive cash in lieu of the optional pre-tax premiums for Medical Plan, Dental Plan, and/or Vision Plan coverage described in Section 4.2.a, 4.2.b, and 4.2.c, respectively, in accordance with the election procedures described in Sections 4.7, 4.8, and 4.9. For purposes of the Medical Plan only, a Covered Employee may use cash to participate in a Medical Plan on an after-tax basis. The Employer will continue to pay its share of the cost of premiums under the Medical Plan.

e. Pre-tax Medical Plan coverage. If a Covered Employee does not elect the cash option under this section, the Covered Employee's pay will be reduced through an allotment as described in Section 4.6, and an amount equal to the reduction will be contributed by the Employer to a Medical Plan designated by the Covered Employee to cover the Covered Employee's share of the cost of the premium.

f. Pre-tax Dental Plan coverage. If a Covered Employee elects to enroll in the Dental Plan, the Covered Employee's pay will be reduced through an allotment as described in Section 4.6, and an amount equal to the reduction will be contributed by the Employer to a Dental Plan designated by the Covered Employee to cover the Covered Employee's Dental Plan premium.

g. Pre-tax Vision Plan coverage. If a Covered Employee elects to enroll in the Vision Plan, the Covered Employee's pay will be reduced through an allotment as described in Section 4.6, and an amount equal to the reduction will be contributed by the Employer to a Vision Plan designated by the Covered Employee to cover the Covered Employee's Vision Plan premium.

4.3. Health Care Flexible Spending Arrangement Options

a. FedFlex offers Covered Employees a traditional general purpose Health Care Flexible Spending Arrangement (HCFSA) as described in Section 4.3.1, or a Limited Purpose Health Care Flexible Spending Arrangement (LEX HCFSA), as described in Sections 4.3.2.

4.3.1 Health Care Flexible Spending Arrangement.

a. Cash. A Covered Employee will receive cash in lieu of the optional pre-tax coverage described below, in accordance with the procedures described in Sections 4.10 and 4.11.

b. Health Care Flexible Spending Arrangement allotment. A Covered Employee may make an allotment as described in Section 4.6 and an amount equal to the allotment will be contributed by the Employer to an HCFSA to pay for Eligible Health Care Expenses incurred during the HCFSA Benefit Period. A Covered Employee who makes an allotment to an HCFSA and the spouse of the Covered Employee are not eligible to contribute to an HSA.

c. Eligible Health Care Expenses. Eligible medical, dental, and vision expenses are expenses incurred during the Benefit Period and while the Employee is a Covered Employee, by the Covered Employee, or the Covered Employee's spouse, Dependent or child defined at 26 U.S.C. § 152(f)(1) who has not attained the age of 27 as of the end of the Covered Employee's taxable year, that:

1. meet the criteria of a medical, dental, or vision expense under Code Section 213(d), and with respect to reimbursement of expenses incurred for medicine or drugs, which are treated as reimbursements for medical expenses under Code Sections 105 and 106(f);

2. will not be taken as a deduction from income on the Employee's federal income tax return in any tax year;

3. are not covered, paid, reimbursed, or reimbursable from any other source;

4. do not exceed the amount that the Employee has elected to have allotted for HCFSA reimbursement for the Plan Year, plus any amounts carried over from the prior Plan Year, less previous reimbursement of Eligible Health Care Expenses made during the Benefit Period;

5. do not include any expense incurred for qualified long-term care services as defined in Code Section 7702B(c);

6. do not include premiums for other health insurance, dental supplemental benefits, and/or vision supplemental benefits;

7. are not limited to the amount in the Covered Employee's HCFSA at the time a claim is reimbursed, but are limited to the Covered Employee's entire allotment to the HCFSA for the Plan Year plus any amounts carried over from the prior Plan Year (properly reduced for prior reimbursements during the Benefit Period).

d. Claims incurred. Eligible Health Care Expenses are reimbursable when incurred. Expenses are treated as incurred when the care that gives rise to the expense is provided, and not when the Employee is billed or pays for the medical care; however, in case of orthodontia and over-the-counter medicines and products, expenses are incurred when paid.

e. Unused allotments. Except as set forth in Section 4.22 and paragraph (f) of this Section, any amounts allotted for the Plan Year will be forfeited if a claim for reimbursement of Eligible Health Care Expenses is not postmarked or electronically transmitted by April 30 following the end of the Plan Year.

f. Carryover of unused funds. Up to five hundred dollars ($500.00) of unused allotments for the Plan Year may be carried over to the subsequent Plan Year. The amount unused for the Plan Year is the amount unused after Eligible Health Care Expenses have been reimbursed at the end of the Plan's run-out period for the Plan Year. Funds carried over will remain available to reimburse Eligible Health Care Expenses (defined with respect to the Plan Year in which they are incurred) in the subsequent Plan Year if the Covered Employee makes an allotment to an HCFSA or a LEX HCFSA for that Plan Year as described in Section 4.6.

4.3.2 Limited Purpose Health Care Flexible Spending Arrangement.

A Limited Purpose Health Care Flexible Spending Arrangement means a Limited Expense Health Care Flexible Spending Arrangement (LEX HCFSA) as described in 4.3.2.1; a Limited Enrollment Health Care Flexible Spending Arrangement (LEN HCFSA) as described in 4.3.2.2; or a Limited Expense Limited Enrollment Health Care Flexible Spending Arrangement (LEXLEN HCFSA) as described in 4.3.2.3.

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4.3.2.1 Limited Expense Health Care Flexible Spending Arrangement or LEX HCFSA.

For purposes of this Section 4.3.2.1 only, "Covered Employee" refers to a Covered Employee who is eligible to contribute to an HSA account or whose spouse is eligible to contribute to an HSA account.

a. Cash. A Covered Employee will receive cash in lieu of the optional pre-tax coverage described below, in accordance with the procedures described in Sections 4.10 and 4.11.

b. LEX HCFSA allotment. A Covered Employee may make an allotment as described in Section 4.6 and an amount equal to the allotment will be contributed by the Employer to an LEX HCFSA to pay for Limited Expense Coverage Eligible Health Care Expenses incurred during the LEX HCFSA Benefit Period.

c. LEX HCFSA Eligible Health Care Expenses. Eligible dental and vision expenses are expenses incurred during the Benefit Period and while the Employee is a Covered Employee, by the Covered Employee, or the Covered Employee's spouse, Dependent or child defined at 26 U.S.C. § 152(f)(1) who has not attained the age of 27 as of the end of the Covered Employee's taxable year that:

1. meet the criteria of a dental or vision expense under Code Section 213(d), and with respect to reimbursement of expenses incurred for medicine or drugs, which are treated as reimbursements for medical expenses under Code Sections 105 and 106(f);

2. will not be taken as a deduction from income on the Employee's federal income tax return in any tax year;

3. are not covered, paid, reimbursed, or reimbursable from any other source;

4. do not exceed the amount that the Employee has elected to have allotted for LEX HCFSA reimbursement for the Plan Year, plus any amounts carried over from the prior Plan Year (less previous reimbursement of LEX HCFSA Eligible Health Care Expenses made during the Benefit Period);

5. do not include any expense incurred for qualified long-term care services as defined in Code Section 7702B(c);

6. do not include premiums for other dental supplemental benefits, and/or vision supplemental benefits;

7. are not limited to the amount in the Covered Employee's LEX HCFSA at the time a claim is reimbursed, but are limited to the Covered Employee's entire allotment to the LEX HCFSA for the Plan Year plus any amounts carried over from the prior Plan Year (properly reduced for prior reimbursements during the Benefit Period).

d. Claims incurred. LEX HCFSA Eligible Health Care Expenses are reimbursable when incurred. Expenses are treated as incurred when the care that gives rise to the

expense is provided, and not when the Employee is billed or pays for the medical care; however, in case of orthodontia and over-the-counter medicines and products, expenses are incurred when paid.

e. Unused allotments. Except as set forth in Section 4.22 and paragraph (f) of this Section, any amounts allotted for the Plan Year will be forfeited if a claim for reimbursement of LEX HCFSA Eligible Health Care Expenses is not postmarked or electronically transmitted by April 30 following the end of the Plan Year.

f. Carryover of unused funds. Up to five hundred dollars ($500.00) of unused allotments for the Plan Year may be carried over to the subsequent Plan Year. The amount unused for the Plan Year is the amount unused after Eligible Health Care Expenses have been reimbursed at the end of the Plan's run-out period for the Plan Year. Funds carried over will remain available to reimburse Eligible Health Care Expenses (defined with respect to the Plan Year in which they are incurred) in the subsequent Plan Year if the Covered Employee makes an allotment to a LEX HCFSA or an HCFSA for that Plan Year as described in Section 4.6.

4.3.2.2 Limited Enrollment Health Care Flexible Spending Arrangement. [Reserved]

4.3.2.3 Limited Expense Limited Enrollment Health Care Flexible Spending Arrangement. [Reserved]

4.4 Dependent Care Flexible Spending Arrangement.

a. Cash. A Covered Employee will receive cash in lieu of the optional pre-tax coverage described below, in accordance with the procedures described in Sections 4.10 and 4.11.

b. Dependent Care Flexible Spending Arrangement allotment. A Covered Employee may make an allotment as described in Section 4.6 and an amount equal to the allotment will be contributed by the Employer to a DCFSA to pay for Eligible Dependent Care Expenses incurred during the DCFSA Benefit Period.

c. Eligible Dependent Care Expenses means employment-related expenses under Code Section 21(b)(2) incurred for the care of a Qualifying Dependent and household services necessary to enable the Covered Employee and spouse, if any, to be gainfully employed, look for employment, or attend school full-time. Eligible Dependent Care Expenses must be incurred while the Employee is a Covered Employee or after separation from service during the Benefit Period, and:

1. are limited to amounts paid for services rendered in the Covered Employee's home or amounts paid for services rendered outside of the Covered Employee's home only if they are for the care of a Qualifying Dependent: (i) defined in Section 2.37.a, or (ii) defined in Section 2.37.b and who regularly spends at least eight hours each day in the Covered Employee's household. Services rendered in a dependent care center as defined in Code Section 21(b)(2)(D) must satisfy the requirements of Code Section 21(b)(2)(C);

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2. are limited to the amount the Covered Employee has allotted for reimbursement of Eligible Dependent Care Expenses for the Plan Year less any prior reimbursement of Eligible Dependent Care Expenses during the Benefit Period;

3. are limited to the amount in the Covered Employee's DCFSA at the time a claim is reimbursed; and

4. are not covered, paid, reimbursed, or reimbursable from any other source.

d. Claims incurred. Eligible Dependent Care Expenses are reimbursable when incurred. Expenses are treated as incurred when the services that give rise to the dependent care expense are provided, and not when they are billed for or paid for; in the case of au pair fees, or fees for a child care placement agency, up-front fees paid to an organization to secure an au pair or child care provider are reimbursable proportionately over the duration of the agreement to employ the au pair or child care provider.

e. Unused allotments. Any amounts allotted for the Plan Year will be forfeited if a claim for reimbursement of Eligible Dependent Care Expenses is not postmarked by April 30 following the end of the Plan Year.

4.5 Health Savings Account "HSA."

a. A Covered Employee who is an eligible individual pursuant to Code Section 223 and IRS guidance shall establish an HSA with an HSA Trustee or Custodian to account for allotments, contributions or other payments used to fund the HSA.

b. Each Covered Employee's HSA will be credited with the sum of:

1. amounts allotted as pre-tax HSA allotments as provided in paragraph (c) of this Section by the Covered Employee, if any;

2. premium pass-through amounts, as defined in paragraph (d) of this Section, if any; and

3. other contributions permitted under Code Section 223 and other IRS guidance.

The Covered Employee's total contribution to an HSA for the Plan Year and eligibility for monthly contributions during a plan year are limited in accordance with Code and IRS guidance.

c. Allotment Election

1. Cash. A Covered Employee will receive cash in lieu of the optional pre-tax HSA unless the allotment is in accordance with Section 4.5.c.2.

2. HSA Allotment.

a. A Covered Employee who is an HSA holder may make an allotment pursuant to Section 4.6 and an amount equal to the allotment will be contributed by the

Employer to the Covered Employee's HSA.

b. A Covered Employee who is an HSA holder may revoke the allotment election made pursuant to Section 4.6 using the HSA revocation procedure described in Section 4.5.e.

c. A Covered Employee who is no longer an eligible individual pursuant to Code Section 223 may not contribute allotments to an HSA account, and must revoke the allotment election made as described above.

d. If a Covered Employee who is an HSA holder is on leave without pay (LWOP), or has insufficient pay, the Employer will not contribute the Covered Employee's allotments during the period of LWOP or insufficient pay. The Covered Employee's allotments that would otherwise be made during the period of LWOP or insufficient pay may be prepaid using the allotment election procedure as described in Section 4.5.c. as permitted by the Employer and its payroll provider or the Covered Employee may pay directly on an after-tax basis, as long as the annual limit is not exceeded.

d. Premium Pass-Through. For purposes of this section, premium pass-through amounts are amounts that a Medical Plan that is an HDHP contributes to an HSA.

e. HSA Election Procedure, Modifications and Revocations. An election to make, change, or revoke an HSA allotment must be made in a form acceptable to the Employer at a time the Employer or its payroll provider is able to effect a pre-tax allotment.

HSA allotments are not subject to a mandatory 12-month period of coverage. A Covered Employee who elects to make HSA allotments may modify the allotment at any time as long as the change is prospective and in accordance with the administrative procedures established by the Covered Employee's payroll provider. Section 4.18 does not apply.

The HSA allotment election continues into a subsequent Plan Year unless or until the Covered Employee modifies or revokes that allotment election.

f. No Forfeiture. Any balance that may remain in a Covered Employee's HSA at the end of a Plan Year is automatically carried forward in the account. No HSA account balance is subject to forfeiture.

g. These rules apply to HSAs notwithstanding Section 4.16 or any other provisions in this plan.

4.6 **Allotments.** Reduction of pay for coverage options elected under Section 4.1 and Section 4.1.1 will occur via an allotment to the agency under 5 U.S.C. 5525, or its functional equivalent, and any applicable regulations. The allotment for any pay date may not exceed the amount of the Covered Employee's pay available for allotment for that pay period. Allotments are deemed to be made voluntarily.

a. Medical Plan. For a Covered Employee who elects pre-tax Medical Plan coverage

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under Sections 4.2 and 4.7, pay will be reduced by the amount equal to the Covered Employee's share of his or her Medical Plan premium. A Covered Employee must elect an HDHP to be eligible to contribute to an HSA.

b. Dental Plan. For a Covered Employee who elects Dental Plan coverage under Sections 4.2 and 4.9, pay will be reduced by the amount equal to the Covered Employee's Dental Plan premium.

c. Vision Plan. For a Covered Employee who elects Vision Plan coverage under Sections 4.2 and 4.9, pay will be reduced by the amount equal to the Covered Employee's Vision Plan premium.

d. HCFSA. For a Covered Employee who elects pre-tax contributions to an HCFSA under Sections 4.3.1 or 4.3.2 and 4.10, pay will be reduced by the amount elected for the year, apportioned substantially equally among the remaining pay periods for such year. A Covered Employee may elect an HCFSA allotment for a Plan Year of an amount within the limits stated in the Summary of Benefits.

e. DCFSA. For a Covered Employee who elects pre-tax contributions to a DCFSA under Sections 4.4 and 4.10, pay will be reduced by the amount elected for the year, apportioned substantially equally among the remaining pay periods for such year. A Covered Employee may elect a DCFSA allotment for a Plan Year of an amount within the limits stated in the Summary of Benefits.

f. HSA. For a Covered Employee who elects pre-tax contributions to an HSA under Section 4.5.c.2, pay will be reduced by the amount elected per pay period.

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4.7 Cash Election Procedure for Employees Covered under a Medical Plan.

a. Initial Plan Year election procedure. A Covered Employee who is enrolled in a Medical Plan may elect to receive cash in lieu of coverage as described in Section 4.2 and may obtain an election form from the Employer. The Covered Employee must obtain, complete and return this election form to the agency human resources office on or before the day designated by the Employer, but in no event later than the day before the first day of the first pay period that begins on or after the Effective Date. The election shall be effective as of the first day of the first pay period that begins on or after the Effective Date.

b. New Covered Employee election procedure. As soon as practicable after an individual becomes a Covered Employee under Section 3.1 or 3.3, the Employer shall have available the election form described in Section 4.7.a. If the Covered Employee enrolls in a Medical Plan and wishes to elect the cash option described in Section 4.2.d for the balance of the Plan Year, the Covered Employee must obtain, complete and return this election form to the agency human resources office together with the Medical Plan enrollment form during the period permitted for new enrollment in the FEHB Program. The election will be effective prospectively as of the first day of the first pay period for which Medical Plan coverage becomes effective.

c. Reemployed Annuitant election procedure. If the new Covered Employee is a Reemployed Annuitant who is already enrolled in a Medical Plan as an annuitant, and that Covered Employee wishes to elect the cash option described in Section 4.2.d, the Covered Employee must obtain, complete and return this election form to the agency human resources office within 60 days of becoming a Covered Employee under 3.1. The election will be effective as of the first day of the first pay period following the Employer's receipt of the Form.

d. Open season election procedure. At the time prescribed for the annual open season for the FEHB Program, a Covered Employee who enrolls or remains enrolled in a Medical Plan may elect to receive cash in lieu of coverage as described in Section 4.2. The Employer shall have available the written election form described in Section 4.7.a. The Covered Employee must obtain, complete and return this election form to the agency human resources office on or before the last day of the open season. The election shall be effective on the same day as all FEHB open season changes. If, for any reason, OPM conducts a special open season, the above procedure shall apply, except that the election shall be effective as of the date that OPM shall prescribe.

e. Change in status election procedure. A Covered Employee may not revoke an election during a Plan Year except in the case of a change in status described in Section 4.16.

4.8 Failure to Obtain and Return Cash Election Form for Employees Covered under a Medical Plan.

a. Initial Plan Year. A Covered Employee's failure to return a completed election form to the Employer on or before the Effective Date for the Initial Plan Year shall

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constitute an election of pre-tax premium coverage under Section 4.2.e.

b. New Covered Employees and Reemployed Annuitants. A Covered Employee's failure to obtain and return a completed election form to the Employer on or before the date described in Section 4.7 for the Plan Year in which he or she becomes a Covered Employee, shall constitute an election of pre-tax premium coverage under Section 4.2.e.

c. Subsequent Plan Years. A Covered Employee's failure to obtain and return a completed election form to the Employer on or before the date described in Section 4.7.d, for any subsequent Plan Year shall constitute a re-election of the same option as was in effect for the Covered Employee just prior to the end of the preceding Plan Year. If the Covered Employee's prior Plan Year election was pre-tax premium coverage, failure to return a completed election form to the Employer on or before the date described in Section 4.7.d shall also constitute election of an allotment under Section 4.6.

4.9 Election Procedures under a Dental Plan and/or a Vision Plan.

a. A Covered Employee's election to enroll in a Dental Plan and/or a Vision Plan constitutes an election of pre-tax premium coverage under Section 4.2.f and/or 4.2.g.

b. Initial Plan Year for Dental Plan and Vision Plan election procedure. Prior to the Initial Effective Date for Dental Plan and Vision Plan, a Covered Employee may elect to allot on a pre-tax basis, an amount equal to the premium required to purchase coverage under a Dental Plan and/or Vision Plan. The Covered Employee must obtain an election Form for this purpose from OPM or its Plan Agent. The Covered Employee must complete and return this election Form to OPM or its Plan Agent on or before the day designated, but in no event later than the Initial Effective Date for Dental Plan and Vision Plan except that a Covered Employee who is not actively at work at any time during the official enrollment period for the Initial Plan Year for Dental Plan and Vision Plan may enroll on the first date he or she could have made an election as determined by the OPM or its Plan Agent The election will be effective prospectively as of the first day of the pay period that begins following acceptance of the election Form by OPM or its Plan Agent, but no earlier than the Initial Effective Date for Dental Plan and Vision Plan. Elections made during the Initial Plan Year for Dental Plan and Vision Plan remain in effect until the end of the following Plan Year.

c. New Covered Employee election procedure. As soon as practicable after an individual becomes a Covered Employee under Section 3.1 or 3.3, OPM or its Plan Agent shall make available the election Form described in Section 4.9.b. If the Covered Employee wishes to elect coverage under the Dental Plan and/or Vision Plan for the balance of the Plan Year, the Covered Employee must complete the Form and return it to OPM or its Plan Agent on or before the day designated by the Employer under Section 4.9.b for pre-tax coverage under a Dental Plan and/or Vision Plan. The election will be effective prospectively as of the first day of the pay period that begins following acceptance of the election Form by OPM or its Plan Agent.

d. Reemployed Annuitant election procedure. Reemployed Annuitants with a break in service of at least 30 days will be treated as new Covered Employees for purposes of Dental Plan and/or Vision Plan elections. For Reemployed Annuitants with a break in service of less than 30 days, Dental Plan and/or Vision Plan elections previously in effect will be automatically reinstated as provided in Section 4.16.f.

e. Open season election procedure. At the time prescribed for the annual open season, a Covered Employee may enroll, remain enrolled, or change his or her enrollment in a Dental Plan and/or a Vision Plan. OPM or its Plan Agent shall make available the election Form described in Section 4.9(b). The Covered Employee must complete and submit the Form to OPM or its Plan Agent on or before the last day of the open season. The election shall be effective on January 1 of the next Plan Year. If, for any reason, OPM conducts a special open season, the above procedure shall apply, except that the election shall be effective as of the date that OPM shall prescribe.

f. Subsequent Plan Years. A Covered Employee's failure to obtain and return a completed election Form to OPM or its Plan Agent on or before the date described in Section 4.9.e, for any subsequent Plan Year shall constitute a re-election of the same option as was in effect for the Covered Employee just prior to the end of the preceding Plan Year.

g. Absentee/belated enrollment. If a Covered Employee is unable to elect coverage under the Dental Plan and/or Vision Plan during an annual open season for the FEHB Program for reasons outside of his or her control, the Covered Employee may make a belated enrollment within 30 days of the first date he or she could have made an election as determined by OPM or its Plan Agent.

h. Change in status election procedure. A Covered Employee may not revoke an election during a Plan Year except in the case of a change in status described in Section 4.16.

4.10 Election Procedures under a Flexible Spending Arrangement.

a. New Covered Employee election procedure. As soon as practicable after an individual becomes a Covered Employee under Section 3.1 or 3.3, the Employee may elect to allot an amount in lieu of pay on a pre-tax basis to an FSA, in an amount not to exceed the limits described in Section 4.6.d for the HCFSA and Section 4.6.e for the DCFSA. The Covered Employee may obtain an election Form for this purpose from OPM or its Plan Agent. If the Covered Employee wishes to elect a pre-tax allotment to a Flexible Spending Arrangement for the balance of the Plan Year, the Covered Employee must complete the Form and submit it to OPM or its Plan Agent on or before the day designated by the Employer under Section 4.7.b for pre-tax coverage under a Medical Plan. The election will be effective prospectively as of the day following acceptance of the election Form by OPM or its Plan Agent.

1. For purposes of HCFSA and LEX HCFSA only, OPM or its Plan Agent will not accept new elections after September 30 of any Plan Year.

b. Reemployed Annuitant election procedure. Reemployed Annuitants with a break in

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service of at least 60 days will be treated as new Covered Employees for purposes of HCFSA and DCFSA elections. For Reemployed Annuitants with a break in service of less than 60 days, HCFSA and DCFSA elections previously in effect will be automatically reinstated as provided in Section 4.16.e.

c. Open season election procedure. At the time prescribed for the annual open season for the FEHB Program, a Covered Employee may elect to make a pre-tax allotment to an FSA, in an amount not to exceed the limits described in the Summary of Benefits. OPM or its Plan Agent shall make available the written election Form described in Section 4.10.a. The Covered Employee must complete and submit the Form to OPM or its Plan Agent on or before the last day of the open season. The election shall be effective on January 1 of the next Plan Year. If, for any reason, OPM conducts a special FEHB Program open season, special Dental open season, or special Vision open season, OPM may also conduct a special open season for the HCFSA. In such case, the above procedure shall apply, except that the election shall be effective as of the date that OPM shall prescribe.

d. Absentee/belated enrollment. If a Covered Employee is unable to make a pre-tax allotment to an FSA during an annual open season or upon first becoming a Covered Employee for the FEHB Program for reasons outside of his or her control, the Covered Employee may make a belated enrollment within 30 days of the first date he or she could have made an election as determined by OPM or its Plan Agent.

1. OPM or its Plan Agent will not accept new elections after September 30 of any Plan Year.

e. Change in status election procedure. A Covered Employee may not revoke an election during a Plan Year except in the case of a change in status described in Section 4.16.

1. OPM or its Plan Agent will not accept change in status to increase an election after September 30 of any Plan Year.

4.11 **Failure to Return Flexible Spending Arrangement Election Form.** A Covered Employee's failure to return a completed election Form to OPM or its Plan Agent on or before:

a. the Effective Date for the FSA Initial Plan Year;

b. the date described in Section 4.10.a for the Plan Year in which he or she becomes a Covered Employee; or

c. the date described in Section 4.10.c, for any subsequent Plan Year;

shall constitute an election to receive cash in lieu of Flexible Spending Arrangement Benefits.

4.12 **Reserved**

4.13 **Reserved**

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4.14 Reserved

4.15 Reserved

4.16 Irrevocability of Election by Covered Employee during the Plan Year.

a. A Covered Employee may not make an election change under the Plan (including an election made through inaction under Section 4.8) during the Plan Year, except as provided in Section 4.16.b.

b. A Covered Employee may revoke an election and file a new election for the balance of a Plan Year if both the revocation and the new election are: (1) consistent with the statutes and regulations applicable to and the terms of the Covered Employee's Medical Plan, Dental Plan, Vision Plan, HCFSA or DCFSA; and (2) made on account of and correspond with a qualifying life event.

For this purpose, a qualifying life event means an event that may permit an election change during a Plan Year pursuant to 26 CFR. §1.125-4 such as: a change in marital status, such as a marriage, death of a spouse, divorce, legal separation or annulment; a change in the Covered Employee’s number of dependents or non-dependent children under age 27 as of the end of the Covered Employee’s taxable year, such as by birth, adoption, death, placement for adoption; or becoming newly eligible for health plan or HCFSA coverage or eligible for coverage beyond the date on which the child would otherwise have lost coverage; a change in employment status that alters the Covered Employee’s eligibility under the Medical Plan, such as termination of employment, a significant curtailment in coverage or elimination or addition of a new benefit package option under the Medical Plan; a significant change in the coverage or cost of coverage of a spouse or dependent or non-dependent child under age 27 as of the end of the Covered Employee’s taxable year under a plan of the employer of the spouse, dependent, or non-dependent child. For purposes of pre-tax Medical Plan coverage the Employer will determine if an event permits an election change during a Plan Year. For purposes of the Dental Plan, Vision Plan and/or FSA coverage, OPM or its Plan Agent will determine if an event permits an election change during a Plan Year.

c. In order to revoke an election and/or file a new election under Section 4.16.b, a Covered Employee must obtain and complete the applicable election Form described in Section 4.7.a for the Medical Plan, Section 4.9.b for the Dental Plan and/or Vision Plan, or Section 4.10.a for the FSA, and return the appropriate form on or before the date specified by OPM to OPM or its Plan Agent. This revocation and new election will be effective at such time as OPM prescribes, but not earlier than the first day of the first pay period beginning after the revocation and new election.

d. No Covered Employee will be allowed to reduce his or her election for an HCFSA or DCFSA to a point where the total allotment for the Plan Year for such benefit is less than the amount already reimbursed for that Plan Year. In addition, any change in an election affecting the Covered Employee’s annual allotments to the HCFSA or DCFSA pursuant to this section also will change the Covered Employee’s benefits for the period of coverage remaining in the Plan Year. The Covered Employee’s

benefits following an election change will be calculated by adding any balance (including a negative balance) remaining in the Covered Employee's HCFSA or DCFSA as of the end of the portion of the Plan Year immediately preceding the change in election, to the total allotments scheduled to be made by the Covered Employee during the remainder of such Plan Year to each account, respectively.

e. If a former Covered Employee whose elections have automatically terminated under Section 4.19 again becomes a Covered Employee:

(1) within 60 days of ceasing to be a Covered Employee; and
(2) before the end of the same Plan Year

the HCFSA and DCFSA elections previously in effect for the Covered Employee will automatically be reinstated for the balance of the Plan Year, unless:

(1) there has been an intervening event that would permit an election change and the election right has been exercised, or
(2) the Covered Employee subsequently qualifies to make an election change under paragraph (b) of this Section.

f. If a former Covered Employee whose elections have automatically terminated under Section 4.19 again becomes a Covered Employee:

(1) within 30 days of ceasing to be a Covered Employee; and
(2) before the end of the same Plan Year

the Dental Plan and/or Vision Plan elections previously in effect for the Covered Employee will automatically be reinstated for the balance of the Plan Year, unless:

(1) there has been an intervening event that would permit an election change and the election right has been exercised, or
(2) the Covered Employee subsequently qualifies to make an election change under paragraph (b) of this Section.

4.17 Reserved

4.18 Adjustment of Allotments.

a. Change in cost of Medical Plan coverage. If the cost of coverage provided by a Medical Plan increases or decreases during a Plan Year, a Covered Employee's allotment will increase or decrease accordingly.

b. Change in cost of Dental Plan and/or Vision Plan coverage. If the cost of coverage provided by a Dental Plan and/or Vision Plan increases or decreases during a Plan Year, a Covered Employee's allotment will increase or decrease accordingly.

c. Adjustment to highly compensated employee allotments. If OPM determines that the Plan will fail to satisfy a nondiscrimination requirement imposed by the Code, OPM may modify or revoke elections made by key employees or highly compensated individuals or employees, as defined under Code Section 125 without the consent of

such Covered Employees, or take any other appropriate action.

4.19 **Automatic Termination of Election.** Any election made under this Plan (including an election made through inaction under Section 4.8) automatically terminates when the Covered Employee stops being a Covered Employee in the Plan, even though coverage or benefits under the Medical Plan may continue if and to the extent provided by the Medical Plan or an election to receive Temporary Continuation of Coverage (TCC).

4.20 **Failure to Pay Premiums.** Coverage and benefits under a Medical Plan, Dental Plan and/or Vision Plan will terminate in accordance with the terms of the Medical Plan, Dental Plan and/or Vision Plan if a Covered Employee fails to pay his or her required premium, through allotment or otherwise. However, a Covered Employee may not make an election change under the Plan during a Plan Year except as permitted under Section 4.16.

4.21 **Leave Without Pay.**

a. For Medical Plan. If a Covered Employee is on leave without pay (LWOP) and continues Medical Plan coverage, the Employer will contribute the Covered Employee's share of premiums during the LWOP period that would otherwise have been treated as allotments under Section 4.6 and the Covered Employee will reimburse the Employer by prior allotment or catch-up allotment as prescribed by OPM regulations. Alternatively, the Covered Employee may pay Medical Plan premiums directly on an after-tax basis, as permitted by the Plan.

b. For Dental Plan and/or Vision Plan. If a Covered Employee is on leave without pay (LWOP) or any non-pay status, the Employer will not contribute the Covered Employee's allotments during the LWOP/non-pay period. The Covered Employee's allotments that would otherwise be made during the LWOP period may be prepaid or the Covered Employee may pay premiums directly on an after-tax basis, as permitted by OPM and the Employer.

c. For FSAs. If a Covered Employee is on leave without pay (LWOP), the Employer will not contribute the Covered Employee's allotments during the leave without pay period. The Covered Employee's allotments that would otherwise be made during the LWOP period may be prepaid or may be made through catch-up allotment as prescribed by OPM regulations or permitted by the Employer.

4.22 **Qualified Reservist Distributions Under the HCFSA**

a. QRD Request and Effective Date. Effective January 1, 2009, a Qualified Reservist who meets the requirements of this Section 4.22 may request a Qualified Reservist Distribution (QRD) to avoid forfeiting unused allotments remaining in his or her HCFSA pursuant to Section 4.3.1(e) or LEX HCFSA pursuant to Section 4.3.2.1(e).

b. Required Length of Order or Call to Active Duty. Covered Employees who are also Qualified Reservists ordered or called to active duty on or after June 18, 2008, for at least 180 days, or for an indefinite period, may request one Qualified Reservist Distribution (QRD) during a Plan Year. An order or call to active duty of less than

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180 days' duration that is supplemented by subsequent calls or orders to increase the total period of active duty to 180 or more days will render a Qualified Reservist eligible for a QRD.

c. Orders Before June 18, 2008. A Qualified Reservist ordered or called to active duty before June 18, 2008 is eligible for a QRD if the Qualified Reservists' period of active duty continues after June 18, 2008, and it otherwise meets the durational requirements outlined in Section 4.22(b), above.

d. Timing of QRD Request. A request for a QRD must be made no earlier than the date of the order or call to active duty and no later than the last day of the Grace Period of the Plan Year that includes the date of the order or call to active duty.

e. Form of QRD Request. To qualify to receive a QRD, the Qualified Reservist must submit a copy of the order(s) or call(s) to active duty to the Plan Agent, accompanied by a written QRD request, specifying the amount desired, on the Form adopted by OPM for this purpose.

f. Review of QRD Request. OPM or its Plan Agent will review all QRD requests on a uniform, non-discriminatory basis and will pay any eligible QRD request within 60 days of receipt of the request.

g. Amount of QRD Request. A Qualified Reservist may request the balance in the Qualified Reservist's HCFSA during the Plan Year as of the date of the request, calculated as follows: the amount contributed to the HCFSA as of the date of the QRD request minus Eligible Health Care Expenses claimed as of the date of the QRD request. After the QRD is requested, the Qualified Reservist's right to submit claims is terminated for the remainder of the Plan Year of the QRD.

h. QRD Request During a Grace Period. If a QRD is requested during the Grace Period for a Plan Year, the distribution may be made for the balance in the HCFSA for the Plan Year of the Grace Period, the current Plan Year, or both. If the Qualified Reservist fails to designate the Plan Year for which a QRD is requested, the distribution will be made for the Plan Year of the Grace Period.

i. Claims Submission Not Permitted On or After Date of QRD Request. A Qualified Reservist has until the date of the request to submit claims for reimbursement of Eligible Health Care Expenses incurred before the date a QRD is requested. Qualified Reservists may not submit claims for reimbursement of Eligible Health Care Expenses incurred on or after the date of the QRD request.

j. When a QRD Will Not be Made. A QRD will not be made with respect to amounts: (1) forfeited on or before June 18, 2008, (2) attributable to a prior Plan Year, or (3) not attributable to the HCFSA.

k. QRD is Taxable Income. Amounts distributed under a QRD are considered taxable income and will be reported on the Covered Employee's Form W-2 for the year in which the QRD is paid.

Article 5. PAYMENT OF CLAIMS FOR FLEXIBLE SPENDING ARRANGEMENTS.

5.1 Claims Reimbursement for Eligible Health Care Expenses.

a. To make a claim for reimbursement of Eligible Health Care Expenses, the Covered Employee must submit a statement to OPM or its Plan Agent on an appropriate form adopted by OPM for this plan. The Covered Employee must provide the following information as requested by the Plan Agent:

1. written evidence from an independent third party stating the services rendered or product purchased and the amount of the health care expense that has been incurred;

2. the Covered Employee's certification that the claimed expenses are Eligible Health Care Expenses; and

3. any other information OPM and its Plan Agent may find necessary.

b. OPM and its Plan Agent reserve the right to verify all claimed expenses prior to reimbursement and to reimburse only those amounts that they determine are Eligible Health Care Expenses.

c. All claims for reimbursement not filed during the Benefit Period must be postmarked or electronically transmitted by April 30 following the end of the Plan Year in which the expense was incurred.

d. On or before January 31 of each year, the Plan Agent will furnish to each Covered Employee who elected a HCFSA for the prior Plan Year, a statement showing the amount of health care expenses reimbursed during the Plan Year for Eligible Health Care Expenses incurred by the Covered Employee.

e. Claim reimbursements as described in Section 5.1.a do not apply to HSAs.

5.2 Claims Reimbursement for Eligible Dependent Care Expenses.

a. To make a claim for reimbursement of Eligible Dependent Care Expenses, the Covered Employee must submit a statement to OPM or its Plan Agent on an appropriate form adopted by OPM for this plan. The Covered Employee must provide the following information as requested by the Plan Agent:

1. information necessary to substantiate that the dependent or dependents are Qualifying Dependent(s), such as the age of the dependent or a statement as to the physical or mental capacity of the dependent;

2. written evidence from an independent third party stating that the expenses have been incurred, a description of the services and where the services were performed, the amount of the expense, and any other information OPM and its Plan Agent may find necessary;

3. the relationship to the Covered Employee, if any, of the person performing the

services;

if the services are to be performed in a dependent care center, a statement that the dependent care center meets the requirements of Code Section 21;

4. if the Covered Employee is married:

a. the spouse's salary or wages, if he or she is employed;

b. if the spouse is not employed, a statement that he or she is incapacitated or is a student within the meaning of Code Section 21(d)(2);

5. the Covered Employee's certification that the expenses are Eligible Dependent Care Expenses, are necessary to enable the Covered Employee and spouse, if any, to be gainfully employed, looking for work, or attending school full time, and have not been reimbursed and are not reimbursable under any other plan or by any other entity.

b. OPM and its Plan Agent reserve the right to verify all claimed expenses prior to reimbursement and to reimburse only those amounts that they determine are Eligible Dependent Care Expenses.

c. All claims for reimbursement must be postmarked or electronically transmitted by April 30 following the end of the Benefit Period in which the expense was incurred.

d. On or before January 31 of each year, the Plan Agent will furnish to each Covered Employee who elected a DCFSA for the prior Plan Year, a statement showing the amount of dependent care assistance paid during the Plan Year for Eligible Dependent Care Expenses incurred by the Covered Employee.

5.3 **Payment of Claims.** OPM or its Plan Agent will pay properly submitted claims for reimbursement at least monthly or when the total amount of the claim to be submitted is at least a specified, reasonable, minimum amount.

5.4 **Reserved.**

5.5 **Expenses.** All administrative expenses, including overpayments, incurred under the Plan will be paid from one or more of the following Plan assets:

a. Forfeitures of FSA coverage under the Plan; or

b. Investment earnings credited on Plan assets pending payment against valid claims; or

c. Contributions by the Employers of Covered Employees.

5.6 **Minimum Reimbursement Amount.** A minimum reimbursement amount from an FSA may be imposed by OPM as provided in the Summary of Benefits.

5.7 **Repayment of Unsubstantiated Reimbursements.** If a Covered Employee receives payments under this Plan that exceed the amount of Eligible Health Care Expenses or

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Eligible Dependent Care Expenses substantiated by the Covered Employee during the Plan Year, OPM or its Plan Agent will notify the Covered Employee in writing of any such excess amount, and the Covered Employee will be required to repay that excess amount to the Plan within 60 days after receiving the notice.

5.8 **Claims Appeal Process.** A Covered Employee has the right to appeal a claim for benefits that has been denied in whole or in part by written request to the Plan Agent for reconsideration. If after reconsideration the claim is not paid in full, the Covered Employee may appeal in writing to the Plan Agent for further review of the denied claim using procedures outlined by the Plan Agent. OPM retains the authority to finally resolve all disputed claims through a binding arbitration process as follows. If the Covered Employee's appeal to the Plan Agent is denied in whole or in part, OPM and the Plan Agent will select an arbitrator from a panel of arbitrators pre-approved by OPM and the Plan Agent. The mutually selected arbitrator will review the denied claim and make a decision whether or not the claim should be paid. The arbitrator's decision will be binding on the Covered Employee and the Employer.

5.9 **Coordination of Benefits under HCFSA.** An HCFSA is not a group health plan for coordination of benefits purposes. Because an HCFSA is intended to reimburse benefits only for otherwise unreimbursable medical expenses, its benefits may not be taken into account when determining benefits payable under any other plan.

5.10 **Post-Mortem Payments.** If a Covered Employee dies after incurring an Eligible Health Care Expense but before filing a claim or receiving reimbursement, the deceased Covered Employee's surviving spouse or dependents, or if none, his or her estate, may submit a claim or receive payment, as appropriate. The Plan Agent will retain the benefits without liability for any interest until the Plan Agent determines the proper person(s) to pay.

5.11 **Inability to Locate Payee.** If after reasonable efforts the Plan Agent cannot ascertain the identity or whereabouts of the proper person(s) to whom payment is due under the Plan, the payment will be forfeited.

5.12 **Non-Alienation of Benefits.** Except as expressly provided by OPM, no benefit under the Plan will be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so will be void. No benefit under the Plan will in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person.

5.13 **Electronic Fund Transfers.** OPM, in its sole discretion, is authorized to require a Covered Employee who has elected a Flexible Spending Arrangement under Section 4.10 to execute an Electronic Fund Transfer (EFT) agreement with their financial institution to allow for the electronic reimbursement of Eligible Health Care Expenses or Eligible Dependent Care Expenses.

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Article 6. ADMINISTRATION OF PLAN.

6.1 **Plan Administration.** OPM will administer the Plan according to its terms and subject to applicable law, for the exclusive benefit of persons entitled to participate in the Plan, without discrimination among them. In addition to all other powers provided by this Plan, OPM has authority to:

a. Make and enforce rules and regulations as OPM deems necessary or proper to efficiently administer the Plan;

b. Interpret the Plan in good faith, and OPM's interpretations will be final and conclusive on all persons claiming benefits under the Plan;

c. Decide all questions concerning the Plan, the criteria for eligibility to participate in the Plan, and accounting requirements under the Plan;

d. Require any person to furnish such information as it may request for the purpose of the proper administration of the Plan and as a condition to receiving any benefits under the Plan;

e. Appoint agents, counsel, accountants, consultants and other persons as needed to help administer the Plan; and

f. Allocate and delegate, in writing, OPM's responsibilities under the Plan and to designate other persons or entities to carry out any of its responsibilities under the Plan.

g. Notwithstanding the foregoing, any claim that arises under a Medical Plan, Dental Plan and/or Vision Plan is not subject to review under this Plan.

6.2 **Eligibility Decisions.** The Employer has authority to determine a Covered Employee's eligibility under the Plan, in accordance with criteria determined by OPM.

6.3 **Accounting.** OPM or its Plan Agent will maintain complete records of all amounts to be credited as a contribution or debited as a reimbursement of Eligible Health Care Expenses or Eligible Dependent Care Expenses on behalf of any Covered Employee. FSA records will be maintained for accounting purposes only and will not be representative of any identifiable trust assets. No interest will be credited to or paid on amounts credited to the FSAs.

6.4 **Audit and Review of Plan Agent.** OPM has the right to audit the records and operations of the Plan Agent and to review any decisions made by the Plan Agent on behalf of the Plan.

6.5 **Examination of Records.** The Employer will make available to each Covered Employee such Plan records that it has in its possession or control that pertain to the Covered Employee, for examination during normal business hours.

6.6 **Reliance on Tables, etc.** In administering the Plan, OPM may rely conclusively on

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all tables, valuations, certificates, opinions and reports which are furnished by, or in accordance with the instructions of the administrators of the Medical Plan, Dental Plan, Vision Plan, Plan Agent, or by accountants, counsel or other experts OPM employs or engages.

6.7 **Nondiscriminatory Exercise of Authority.** Whenever, in the administration of the Plan, any discretionary action by OPM is required, OPM shall exercise its authority in a nondiscriminatory manner so that all persons similarly situated will receive substantially the same treatment.

6.8 **Reserved**

Article 7. AMENDMENT OR TERMINATION OF PLAN.

OPM may amend or terminate the Plan at any time.

Article 8. MISCELLANEOUS PROVISIONS.

8.1 **Information to be Furnished.** Covered Employees must provide the Employer and OPM with information that may reasonably be requested from time to time to administer the Plan.

8.2 **Limitation of Rights.** This Plan and the benefits it offers do not provide any additional rights to Covered Employees.

8.3 **Governing Law.** This Plan shall be construed, administered and enforced according to the laws of the United States of America.

8.4 **Adoption Agreements.** An Employer of an Employee may adopt this Plan by signing an adoption agreement specified by OPM. The Employer will become an Adopting Employer under the Plan upon OPM's acceptance of the adoption agreement.

8.5 **Transition Relief.** For the Plan Year ending December 31, 2005, this Plan is hereby amended to provide eligibility to contribute to an HSA during the Grace Period in accordance with provisions of transitional relief set forth in IRS Notice 2005-86.

8.6 **Severability.** Should any part of this Plan be rendered or declared invalid by Federal statute or regulations, or a court of competent jurisdiction, such invalidation of such part or portion of this Plan should not invalidate the remaining portions thereof, and they shall remain in full force and effect.

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The Director of the Office of Personnel Management adopts this Plan for the Executive Branch of the United States Government.

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT

By:_________________________________ Date: __________________________
Katherine Archuleta
Director

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Appendix C
Profile of Employees (FedScope)

This Appendix includes links to several websites that have demographic data captured by OPM. While the websites may be useful, we do not believe they are necessary for submitting a proposal in response to the Request for Proposals.

The websites with demographic information are as follows:

http://www.opm.gov/feddata/index.htm

http://www.opm.gov/feddata/html/geoagy10.asp

http://www.whitehouse.gov/sites/default/files/omb/performance/chapter11-2012.pdf

http://www.fedscope.opm.gov/index.htm

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Appendix D
Communication Vehicles

Communicating with Federal employees is decentralized at the agency/department level. We do not have one master list of email addresses for all Federal employees, nor do we have a master list of home addresses for all of them. We are not expecting the Contractor to mail information directly to all employees' home addresses. We do expect that the Contractor will discuss, plan and schedule all communications events with OPM prior to implementation.

The rest of this section describes what communications vehicles are available, and how the Contractor can use them.

Federal Benefits Officers

Each agency/department has at least one official headquarters benefits officer who handles open seasons and disseminates information on the various Federal benefits – retirement, thrift savings plan, health benefits, life insurance, leave programs, etc. There are approximately 150 benefits officers. These human resources professionals serve as the Government's front line representatives for providing information about all Federal benefit programs.

We can share names, email addresses and phone numbers of agency Benefits Officers with the successful Contractor. They can help facilitate the educational and marketing campaigns. Contractors should propose the best use of this communication vehicle.

We hold regular meetings of the benefits officers in OPM's auditorium. The Contractor can plan to use these meetings to discuss and help solve any issues with FSAFEDS.

The Contractor will be responsible for educating employees as part of each annual Federal Benefits Open Season. Education may include such avenues as auditorium meetings, web videos, webinars, interactive voice response systems, a toll-free phone number, pamphlets, enrollment kits, etc. We are NOT expecting Federal human resources professionals to become flexible spending account experts and converse knowledgeably with employees about the rules and requirements of flexible spending accounts. That's what the Contractor will do. What we will expect is that when employees approach their agencies with a question, the human resources professionals will know to refer them to the contractor's dedicated toll-free number, the contractor's website, published pamphlets, the schedule of employee meetings, etc. Agency human resources professionals will be conduits in directing employees where to go for answers, as opposed to answering the questions directly.

Payroll Officers

Each agency/department also has a payroll officer to deal with payroll and financial issues related to the benefits programs. There is a separate automated email listserv for payroll officers called FINPAY. More information about this listserv can be found at listserv.opm.gov.

Appendix D (Continued)
Communication Vehicles

Websites

OPM has a website devoted to FSAFEDS at www.opm.gov/fsa. This website includes summary benefit information and links to the Contactor's FSAFEDS website.

Individual Federal agencies/departments also have their own Internet websites and/or Intranets. The Contractor can develop "turn-key" announcements to forward to agencies to post on their websites.

List Serv

We will work with the Contractor to reach benefit officers through OPM's BenefitsInfo listserv. The listserv can be used to share information and documents.

Access to the Internet

With online enrollment, online claims submission and status, and email customer support, FSAFEDS is largely a web-focused benefit. The vast majority of Federal employees have access to the internet at work and/or at home. The Contractor should consider the best ways to communicate using the internet and how to improve the FSAFEDS experience for web savvy participants.

Payroll Stuffers

Most, if not all, Federal employees receive their pay through electronic funds transfer. They may or may not receive a hard-copy statement of their pay each pay period. The Contractor should not plan on using payroll stuffers as an effective means of conveying information to Federal employees.

Bulk Distribution Channels

We expect the Contractor to mail educational/informational pamphlets to Federal agencies/departments for their further distribution to the Federal employees at their worksites. We use this same method to distribute bulk materials for our annual health benefits program to Federal agencies/departments. We anticipate that the Contractor can use the same distribution list for FSAFEDS. We update this list every August. Each year we sent the main insurance benefits informational booklet to approximately 500 different distribution sites.

Benefits Administration Letters

We send Benefits Administration Letters (BALs) to the human resources professionals at all of the Federal agencies/departments. We post BALs on OPM's BAL website at http://www.opm.gov/retire/pubs/bals/index.asp as well as on the Contractor's FSAFEDS website. We also distribute all BALs via email to subscribers of the BENEFITSInfo listserv.

We use BALs to send information and instructions to agencies, and can also send them pattern letters, pattern emails, pattern articles, pattern HTML text, etc., for use in employee letters, employee emails,

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Appendix D (Continued)
Communication Vehicles

house publications, Intranets, etc. This is a good way to get information to employees through their human resources offices.

To join the listserv, visit http://listserv.opm.gov/wa.exe?A0=BENEFITSINFO

Other

Many Federal employees read publications such as the Federal Times, Government Executive, Federal Daily, Federal Managers Association newsletters, Federal News Radio, etc.

Federal Annuitants

Eligibility

Annuitants are not eligible for the Federal Flexible Benefits Program because they do not have earned income from employment with the Federal Government. If an Annuitant is rehired by the Federal Government in a position that conveys eligibility for the FEHB Program, he or she becomes a Reemployed Annuitant and is treated as a Covered Employee. The Reemployed Annuitant may elect participation in the just as any other Covered Employee as long as the Reemployed Annuitant is receiving pay from employment with an Adopting Employer.

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Appendix E
Intelligence Community Security Requirements

Personnel Security

Contractor must be willing and able to clear an appropriate number of people. Key people who manage payroll operations and who have broad access to data and systems will be required to obtain Top Secret clearances and pass polygraph exams.

Physical Security

Contractor must be willing and able to compartmentalize and protect hard copy records. The Contractor agrees to physical security evaluations by the Intelligence Community agencies and to upgrade security as requested. The Contractor agrees to periodic inspections.

Information Security

Contractor must be willing and able to compartmentalize, protect, and limit access to soft copy data. The Contractor agrees to a comprehensive INFOSEC audit of their operations, to include information handling and computer network and telecommunications security. Enhancements will be made per Intelligence Community specifications.

Telecommunications

Contractor must be willing and able to establish secure communications, i.e. phone and fax, with each Intelligence Community client.

Sources and Methods

Contractor must be willing and able to help develop, maintain, modify, and protect processes that support the operation of Intelligence Community payrolls. The Contractor agrees to work with the Intelligence Community and OPM to modify processes per guidance from the Intelligence Community.

Interfaces

Contractor must be willing and able to build or modify interfaces that meet Intelligence Community security requirements, including interfaces with time and attendance, HR, accounting, disbursing, data warehouse and financial management systems. In some cases, client agencies will need the capability to enter the data directly into the pay system.

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Appendix F
Links to the Guide to Federal Benefits and the FEHB and FEDVIP Brochures

Each year, The Office of Personnel Management publishes a number of Federal Benefits Open Season Guides. The *Guide to Federal Benefits for Federal Civilian Employees* provides basic information about the benefits offered to Federal employees; summarizes FEHB plans' benefits, costs, and quality performance; and provides addresses to access individual FEHB plan brochures. Plan brochures give complete benefit and cost information.

This information is meant to provide you with information and ideas on how you might use these materials for the 2014 Federal Benefits Open Season which will commence in November 2014.

The Guide can be viewed at http://www.opm.gov/healthcare-insurance/healthcare/plan-information/guide/2014-guides/70-1.pdf.

The 2014 FEHB BlueCross and Blue Shield Plan Brochure can be viewed at: http://www.fepblue.org/downloads/2014%20SBP%20BROCHURE%20100413_032414_N%20(2).pdf

The 2014 FEDVIP Plan Brochures can be viewed at: http://www.opm.gov/healthcare-insurance/dental-vision/plan-information/

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Attachment 1

U.S. Office of Personnel Management Small Business Subcontracting Plan Outline

The following outline meets the minimum requirements of Section 8(d) of the Small Business Act (15 U.S.C. 637(d)) and the Federal Acquisition Regulation (FAR) Subpart 19.7. It is intended to be a guideline. It is not intended to replace any existing corporate plan which is more extensive. If assistance is needed to locate small business sources, contact the Contracting Officer for this acquisition. Please note that for Fiscal Year 2015, the U.S. Office of Personnel Management (OPM) has subcontracting goals as follows:

50.0% for all small businesses,
5.0% for small disadvantaged business,
5.0% for women-owned small business,
3.0% for HUBZone small business, and
3.0% for service-disabled, veteran-owned small business concerns.

Identification Data:

Company Name: WageWorks, Inc.
Address: 1100 Park Place #400, San Mateo, CA 94403
Date Prepared: 12/31/2015 Solicitation Number: OPM35-14-R-0004
Item/Service: 524292 Third Party Administration of Insurance and Pension Funds
Place of Performance: Various Locations

1. TYPE OF PLAN: (Check only one).

X INDIVIDUAL PLAN: *In this type of plan all elements are developed specifically for this contract and are applicable for the full term of this contract.*

______ MASTER PLAN: *In this type of plan, goals are developed for this contract; all other elements are standard. The master plan must be approved every three (3) years. Once incorporated into a contract with specific goals, it is valid for the life of the contract.*

______ COMMERCIAL PLAN: *This type of plan is used when the contractor sells products and services customarily used for nongovernment purposes. Plan/goals are negotiated with the initial agency on a company-wide basis rather than for individual contracts. The plan is effective only during year approved. The contractor must provide a copy of the initial agency approval, AND MUST SUBMIT AN ANNUAL SF 295 TO OPM WITH A BREAKOUT OF SUBCONTRACTING PRORATED FOR OPM (WITH A BUREAU BREAKDOWN, IF POSSIBLE).*

2. GOALS:

FAR 19.704(a)(1) requires separate dollar and percentage goals for using small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns for the base year and each option year. (Please note that the goals for veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns are sub-sets of the small business goal).

A. Estimated dollar value of all planned subcontracting, i.e., to all types of business concerns under this contract is:

Base Year 1 Base Year 2 Base Year 3

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$1,186,570	$1,186,570	$1,186,570
Base Year 4	Option Year 1	
$1,186,570	$1,186,570	

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B. Estimated dollar value* and percentage of planned subcontracting to small business concerns is:

*(*This figure includes the amount in C, D, E, F, and G below.)*

Base Year 1	Base Year 2	Base Year 3
$593,285	$593,285	$593,285
50%	50%	50%

Base Year 4	Option Year 1
$593,285	$593,285
50%	50%

C. Estimated dollar value and percentage of planned subcontracting to HUBZone small business concerns is:

Base Year 1	Base Year 2	Base Year 3
$17,799	$17,799	$17,799
3%	3%	3%

Base Year 4	Option Year 1
$17,799	$17,799
3%	3%

D. Estimated dollar value and percentage of planned subcontracting to small disadvantaged business concerns is:

Base Year 1	Base Year 2	Base Year 3
$29,664	$29,664	$29,664
5%	5%	5%

Base Year 4	Option Year 1
$29,664	$29,664
5%	5%

E. Estimated dollar value and percentage of planned subcontracting to small women-owned business concerns is:

Base Year 1	Base Year 2	Base Year 3
$29,664	$29,664	$29,664
5%	5%	5%

Base Year 4	Option Year 1
$29,664	$29,664
5%	5%

F. Estimated dollar value and percentage of planned subcontracting to veteran- owned small business concerns is:

Base Year 1	Base Year 2	Base Year 3
$17,799	$17,799	$17,799
3%	3%	3%

Base Year 4	Option Year 1
$17,799	$17,799
3%	3%

G. Estimated dollar value and percentage of planned subcontracting to service disabled veteran-owned small business concerns is:

Base Year 1	Base Year 2	Base Year 3
$17,799	$17,799	$17,799
3%	3%	3%

Base Year 4	Option Year 1
$17,799	$17,799
3%	3%

H. Supplies and/or services to be subcontracted under this contract, business size (i.e., SB, HUBZone, SDB, WOB, VOSB, SDVOSB, and LB), and the estimated dollar expenditure, are: (Check all that apply).

SUPPLY/ SERVICE	COMPANY NAME (IF KNOWN)	BUSINESS SIZE (SB, HUBZone, SDB, WOB, VOSB, SDVOSB, LB)	DOLLAR AMOUNT
Internet Publishing, Broadcasting, and Web Search Portals		SB	Base Year 1: $166,120 Base Year 2: $166,120 Base Year 3: $166,120 Base Year 4: $166,120 Option Year 1: $166,120
Marketing, Education, Commercial Print and Fulfillment Services		SB	Base Year 1: $427,165 Base Year 2: $427,165 Base Year 3: $427,165 Base Year 4: $427,165 Option Year 1: $427,165

(Attach additional sheets if necessary.)

I. Explain the methods used to develop the subcontracting goals for small, HUBZone small business, small disadvantaged, women-owned small business, veteran-owned small business, and service

disabled veteran-owned small business concerns. Explain how the product and service areas to be subcontracted were established, how the areas to be subcontracted to small, HUBZone small business, small disadvantaged, women-owned small, veteran-owned small business, and service disabled veteran- owned small businesses were determined, and how the capabilities of small, HUBZone small, small disadvantaged, women-owned small, veteran-owned and service disabled veteran-owned small businesses were determined. Identify all source lists used in the determination process.

A key group of internal business owners including management from legal, finance, operations, marketing, sales, and vendor relations met to identify product and service areas eligible for subcontracting. The team identified two criteria that must be met in order for a small business concern to be eligible for consideration: (1) The SB must provide services or products that directly support the business needs associated with this solicitation and contract; and (2) The products or services provided by the SB must consist of core competencies with focused strengths in: commercial print and fulfillment services, marketing and education services including content development, and website design and development.

Source lists that will be used in the selection process will include the following: Small Business Administration (SBA) Dynamic Small Business Search at http://dsbs.sba.gov/dsbs/search/dsp_dsbs.cfm); SBA Subcontracting Opportunities Directory (http://www.sba.gov/category/navigation-structure/contracting/contracting-opportunities/sub-contracting/subcontracting-opportunities-directory); System for Award Management (SAM) at https://www.sam.gov/portal/public/SAM/; Approved State, City, and Local Government Databases; National Minority Supplier Development Council (NMSDC), and Women's Business Enterprise National Council (WBENC).

The U.S. Office of Personnel Management's subcontracting goals for Fiscal Year 2015 were used as guidelines in establishing goals for the Individual Plan specific to this contract for solicitation number OPM35-14-R-0064.

J. Indirect and overhead costs ________ HAVE BEEN
X ______ HAVE NOT BEEN

included in the dollar and percentage subcontracting goals stated above. (Check one.)

K. If indirect and overhead costs HAVE BEEN included, explain the method used to determine the proportionate share of such costs to be allocated as subcontracts to small, HUBZone small, small disadvantaged, women-owned small, veteran-owned, and service disabled veteran-owned small business concerns.

3. PLAN ADMINISTRATOR:

FAR 19.704(a)(7) requires information about the company employee who will administer the subcontracting program. Please provide the name, title, address, phone number, position within the corporate structure and the duties of that employee.

Name:	Edgar Montes
Title:	Chief Operating Officer
Address:	1100 Park Place #400 San Mateo, CA 94403
Telephone:	650-577-6353

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FAX:
Email Address: Edgar.Montes@wageworks.com
Position: Edgar Montes is WageWorks' Chief Operating Officer (COO). In this role, Edgar has executive oversight for WageWorks primary servicing and operational areas. He has accountability for client retention and satisfaction, customer servicing including claims and call center, operational areas, and subcontractor management.

Duties: Does the individual named above perform the following? (If NO is checked, please indicate who in the company performs those duties, or indicate why the duties are not performed in your company).

A. Developing and promoting company/division policy statements that demonstrate the company's/division's support for awarding contracts and subcontracts to small, HUBZone small, small disadvantaged, women-owned small, veteran-owned, and service disabled veteran-owned small business concerns.

_X___YES___NO

B. Developing and maintaining bidders' lists of small, HUBZone small, small disadvantaged, women-owned small, veteran-owned small, and service disabled veteran-owned small business concerns from all possible sources.

X____YES___NO

C. Ensuring periodic rotation of potential subcontractors on bidders' lists.

X____YES___NO

D. Assuring that small, HUBZone small, small disadvantaged, women-owned small, veteran-owned small, and service disabled veteran-owned small businesses are included on the bidders' list for every subcontract solicitation for products and services they are capable of providing.

X____YES___NO

E. Ensuring that subcontract procurement "packages" are designed to permit the maximum possible participation of small, HUBZone small, small disadvantaged, women-owned small, veteran-owned small, and service disabled veteran-owned small businesses.

X____YES___NO

F. Reviewing subcontract solicitations to remove statements, clauses, etc., which might tend to restrict or prohibit small, HUBZone small, small disadvantaged, women-owned small, veteran-owned small, and service disabled veteran-owned small business participation.

X____YES___NO

G. Ensuring that the subcontract bid proposal review board documents its reasons for not selecting any low bids submitted by small, HUBZone small, small disadvantaged, women-owned small, veteran-owned small, and service disabled veteran-owned small business concerns.

X____YES___NO

H. Overseeing the establishment and maintenance of contract and subcontract award records.

X____YES___NO

I. Attending or arranging for the attendance of company counselors at Business Opportunity Workshops, Minority Business Enterprise Seminars, Trade Fairs, etc.

X____YES___NO

J. Directly or indirectly counseling small, HUBZone small, small disadvantaged, women-owned small, veteran-owned small, and service-disabled veteran-owned small business concerns on subcontracting opportunities and how to prepare responsive bids to the company.
X____YES___NO

K. Providing notice to subcontractors concerning penalties for misrepresentations of business status as small, HUBZone small, small disadvantaged, women-owned small, veteran-owned small, or service disabled veteran-owned small business for the purpose of obtaining a subcontract that is to be included as part or all of a goal contained in the contractor's subcontracting plan.
X____YES___NO

L. Conducting or arranging training for purchasing personnel regarding the intent and impact of Public Law 95-907 on purchasing procedures.
X____YES___NO

M. Developing and maintaining an incentive program for buyers which supports the subcontracting program.
X____YES___NO

N. Monitoring the company's performance and making any adjustments necessary to achieve the subcontract plan goals.
X____YES___NO

O. Preparing and submitting timely reports.
X____YES___NO

P. Coordinating the company's activities during compliance reviews by Federal agencies.
X____YES___NO

4. EQUITABLE OPPORTUNITY

FAR 19.704(a)(8) requires a description of the efforts your company will make to ensure that small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns will have an equitable opportunity to compete for subcontracts.
(Check all that apply.)

A. Outreach efforts to obtain sources:

__X_Contacting minority and small business trade associations
__X_Contacting business development organizations
__X_Attending small and minority business procurement conferences and trade fairs
__X_Finding sources from the Small Business Administration's Procurement Network (ProNet)

B. Internal efforts to guide and encourage purchasing personnel:

__X__Presenting workshops, seminars and training programs
__X__Establishing, maintaining and using small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business source lists, guides and other data for soliciting subcontracts
__X_Monitoring activities to evaluate compliance with the subcontracting plan

C. Additional efforts: (Please describe.)

Creation of a corporate website link inviting business concerns meeting SB, HUBZone, SDB, WOB, VOSB, and

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SDVOSB to register with our company's vendor management department to receive notice of applicable subcontracting opportunities

5. CLAUSE INCLUSION AND FLOW DOWN

FAR 19.704(a)(9) requires that your company include FAR 52.219-8, "Utilization of Small Business Concerns", in all subcontracts that offer further subcontracting opportunities. Your company must require all subcontractors, except small business concerns, that receive subcontracts in excess of $550,000 ($1,000,000 for construction) to adopt and comply with a plan similar to the plan required by FAR 52.219-9, "Small Business Subcontracting Plan."

Your company agrees that the clause will be included and that the plans will be reviewed against the minimum requirements for such plans. The acceptability of percentage goals for small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns must be determined on a case-by-case basis depending on the supplies and services involved, the availability of potential small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business subcontractors and prior experience. Once the plans are negotiated, approved, and implemented, the plans must be monitored through the submission of periodic reports, including Standard Form (SF) 294 and SF 295 reports.

6. REPORTING AND COOPERATION

FAR 19.704(a)(10) requires that your company (1) cooperate in any studies or surveys as may be required, (2) submit periodic reports which show compliance with the subcontracting plan; (3) submit Standard Form (SF) 294, "Subcontracting Report for Individual Contracts," and SF 295, "Summary Subcontract Report," in accordance with the instructions on the forms; and (4) ensure that subcontractors agree to submit SF 294 and SF 295. The Contracting Officer must receive the report(s) within 30 days after the close of each calendar period. That is:

Calendar Period	Report Due	Date Due	Send Report To
10/01 - 03/31	SF 294	04/30	Contracting Officer
04/01 - 09/30	SF 294	10/30	Contracting Officer
10/01 - 09/30	SF 295	10/30	Contracting Officer

NOTE: The 294 and 295 reports must also be entered in the Electronic Subcontracting Reporting System, available online at http://www.esrs.gov.

7. RECORDKEEPING

FAR 19.704(a)(11) requires a list of the types of records your company will maintain to demonstrate the procedures adopted to comply with the requirements and goals in the subcontracting plan. (Check all that apply.)
(If NO is checked, please indicate why these types of records are not maintained).

A. Small, HUBZone small, small disadvantaged, women-owned small, veteran- owned small, and service disabled veteran-owned small business concern source lists, guides, and other data identifying such vendors.
_X__________YES_____________NO

B. Organizations contacted for small, HUBZone small, small disadvantaged, women- owned small, veteran-owned small, and service disabled veteran-owned small business sources.
_X__________YES_____________NO

C. On a contract-by-contract basis, records on all subcontract solicitations over $100,000 which indicate for each solicitation (1) whether small business concerns were solicited, and if not, why not; (2) whether HUBZone small business concerns were solicited, and if not, why not; (3) whether small disadvantaged business concerns were solicited, and if not, why not; (4) whether women-owned small business concerns were solicited, and if not, why not; (5) whether veteran-owned small business concerns were solicited, and if not, why not; (6) whether service disabled veteran-owned small businesses were solicited, and if not, why not; and (7) reasons for the failure of solicited small, HUBZone small, small disadvantaged, women-owned small, veteran owned small, and service disabled veteran-owned small business concerns to receive the subcontract award.

X__________YES____________NO

D. Records to support other outreach efforts, e.g., contacts with minority and small business trade associations, attendance at small and minority business procurement conference and trade fairs.

X__________YES____________NO

E. Records to support internal activities to (1) guide and encourage purchasing personnel, e.g., workshops, seminars, training programs, incentive awards; and (2) monitor activities to evaluate compliance.

X__________YES____________NO

F. On a contract-by-contract basis, records to support subcontract award data including the name, address and business size and ownership status (HUBZone, SDB, WOB, VOSB, SDVOSB, etc.) of each subcontractor. (This item is not required for company or division-wide commercial plans.)

X__________YES____________NO

G. Other records to support your compliance with the subcontracting plan: (Please describe)

(1) Documentation supporting outreach attempts to identify SB, HUBZone, SDB, WOB, VOSB, and SDVOSB
(2) Registrations and certificates attesting to SB, HUBZone, SDB, WOB, VOSB, and SDVOSB status for individual subcontractors
(3) Accounts payable records detailing payment amounts to SB, HUBZone, SDB, WOB, VOSB, and SDVOSB subcontractors
(4) Solicitations for SB, HUBZone, SDB, WOB, VOSB, and SDVOSB subcontractor services including advertisements, responses to solicitations, and scoring and evaluations of responses to solicitations
(5) Subcontractor agreements with unit price and contract terms and conditions
(6) Quarterly performance review reports documenting management of subcontractor performance
(7) Supporting documents evidencing company compliance with electronic submission of Standard Forms (SF) 294 (Subcontracting Report for Individual Contracts) and SF 295 (Summary Subcontract Report)

8. TIMELY PAYMENTS TO SUBCONTRACTORS

FAR 19.702 requires your company to establish and use procedures to ensure the timely payment of amounts due pursuant to the terms of your subcontracts with small business concerns, HUBZone small business concerns, small disadvantaged business concerns, women-owned small business concerns, veteran-owned small business concerns, and service disabled veteran-owned small business concerns.

Your company has established and uses such procedures:

X____YES ______NO

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Entire Document
Level I

9. DESCRIPTION OF GOOD FAITH EFFORT

Maximum practicable utilization of small, HUBZone small, small disadvantaged women- owned small, veteran-owned small, and service disabled veteran-owned small business concerns as subcontractors in Government contracts is a matter of national interest with both social and economic benefits. When a contractor fails to make a good faith effort to comply with a subcontracting plan, these objectives are not achieved, and 15 U.S.C. 637(d)(4)(F) directs that liquidated damages shall be paid by the contractor. In order to demonstrate your compliance with a good faith effort to achieve the small, HUBZone small, small disadvantaged, women-owned small, veteran-owned small, and service disabled veteran-owned small business subcontracting goals, **outline the steps your company plans to take**. These steps will be negotiated with the contracting officer prior to approval of the plan.

Step 1: Development of a company statement explaining how the product and service areas to be subcontracted to our approved vendors, which include Disadvantages Business Entities (DBE). We will outline our process to review the supply base and award contracts to vendors based on their capabilities and ability to meet the contract parameters.
Step 2: Internal communication of Individual SB goals published to all areas of the company involved in the solicitation and contracting for applicable subcontractor services.

Step 3: List methods available for identifying potential DBE vendors, including electronic databases.

Step 4: Develop and maintain an approved supplier database for all DBE categories, which will include SB, HUBZone, SDB, WOB, VOSB, and SDVOSB business concerns.
Step 5: Ensure that procurement sourcing packages are structured to permit SB, HUBZone, SDB, WOB, VOSB, and SDVOSB business partners to participate in applicable solicitation opportunities.

Step 6: Attend or arrange attendance for company Vendor Managers at Business Development Organizations, Business Opportunity Workshops, Minority Business Enterprise Seminars, Small Business Conferences and Trade Fairs, etc.

Step 7: Conduct internal training specific to P.L. 95-507 for Vendor Management personnel.

Step 8: Monitor attainment of proposed goals through analytics to meet the company guidelines.

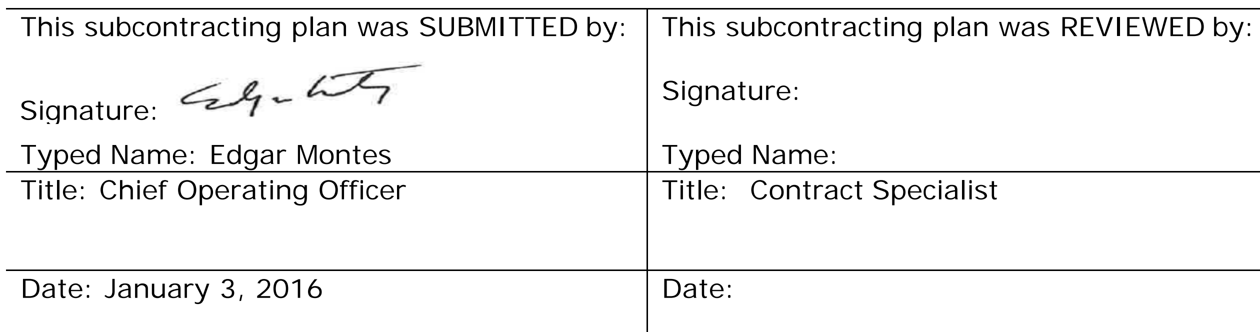
Step 9: Prepare and submit required periodic subcontracting reports.

Step 10: Conduct quarterly performance business reviews(QBR) for contracted all contracted vendors, to include DBE's, and take corrective actions as required.

Step 11: Coordinate internal company Vendor Management compliance reviews by the OPM or other Federal Agencies.

Step 12: Coordinate external subcontractor activities during compliance reviews by the OPM or other Federal Agencies.

10. SIGNATURES REQUIRED



This subcontracting plan was SUBMITTED by:	This subcontracting plan was REVIEWED by:
Signature: [signature] Typed Name: Edgar Montes	Signature: Typed Name:
Title: Chief Operating Officer	Title: Contract Specialist
Date: January 3, 2016	Date:

This subcontracting plan was APPROVED by:	This subcontracting plan was ACCEPTED by:
Signature: Typed Name:	Signature: Typed Name:

Contains Protected Information – Subject to CBCA Protective Order
Entire Document

Level I

Title: Small Business Technical Advocate	Title: Contracting Officer
Date:	Date:

EXHIBIT B

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2017
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to Commission File Number: 001-35232

WAGEWORKS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**94-3351864**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1100 Park Place, 4th Floor	
San Mateo, California	**94403**
(Address of principal executive offices)	**(Zip Code)**

(650) 577-5200
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value per share	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

The aggregate market value of the registrant's common stock, $0.001 par value per share, held by non-affiliates of the registrant on June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, was $2,666,897,804 (based on the closing sales price of the registrant's common stock on that date). This determination of affiliate status is not necessarily a conclusive determination for other purposes.
As of March 14, 2019, there were 39,852,857 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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WAGEWORKS, INC.

ANNUAL REPORT ON FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2017

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EXPLANATORY NOTE

This Annual Report on Form 10-K as of and for the year ended December 31, 2017 includes consolidated financial statements for the years ended December 31, 2017, 2016 and 2015. The consolidated financial statements for the year ended December 31, 2016 and selected financial data for the year ended December 31, 2016 are restated.

Subsequent to the issuance of the unaudited condensed consolidated financial statements as of September 30, 2017, and as previously disclosed on April 5, 2018, the Board of Directors (the "Board") of WageWorks, Inc. (together with its subsidiaries, "WageWorks," the "Company," "we," "our," or "us") concluded that the Company's financial statements for (i) the quarterly and year-to-date periods ended June 30 and September 30, 2016, (ii) the year ended December 31, 2016 and (iii) the quarterly and year-to-date periods ended March 31, June 30 and September 30, 2017 (collectively, the "Non-Reliance Periods") should be restated and should no longer be relied upon. Further, the Company's disclosures related to such financial statements and related communications issued by or on behalf of the Company with respect to the Non-Reliance Periods, including management's assessment of internal control over financial reporting as of December 31, 2016, should also no longer be relied upon. The determination was made upon the recommendation of the audit committee (the "Audit Committee") of the Board as a result of the investigation described below and after consultation with the Company's then independent auditors and management team. The investigation included a review of certain issues, including revenue recognition, related to the accounting for a government contract during fiscal 2016 and associated issues with whether there was an open flow of information and appropriate tone at the top for an effective control environment, the timing of revenue recognition under certain contracts and arrangements, and the impairment assessment for KP Connector, our internal use software, among other matters.

During the course of this investigation, accounting and financial reporting errors were identified. The matters primarily resulted in corrections in accounting under U.S. generally accepted accounting principles ("U.S. GAAP" or "GAAP") related to revenue recognition for a government contract, the timing and presentation of revenue recognition under certain contracts and arrangements, and the impairment assessment for KP Connector.

This Annual Report on Form 10-K ("Form 10-K") for the annual period ended December 31, 2017 reflects changes to the Consolidated Balance Sheet at December 31, 2016 and the Consolidated Statements of Income, Stockholders' Equity, and Cash Flows for the year ended December 31, 2016, and the related notes thereto.

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Forward Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Statements that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "seek," "should," "target," "will," "would" and similar expressions or variations intended to identify forward-looking statements. Such statements include, but are not limited to, statements concerning tax-advantaged consumer-directed benefits, market opportunity, our future financial and operating results, investment strategy, sales and marketing strategy, management's plans, beliefs and objectives for future operations, technology and development, economic and industry trends or trend analysis, expectations about seasonality, opportunity for acquisitions and portfolio purchases, carrier relationships, channel partnerships, private exchanges, operating expenses, anticipated income tax rates, capital expenditures, cash flows and liquidity. These statements are based on the beliefs and assumptions of our management based on information currently available to us. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. You should not place undue reliance on these forward-looking statements which speak only as of the date of this Annual Report on Form 10-K. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such events.

PART I

Item 1. Business

Available Information

WageWorks, Inc. was incorporated as a Delaware corporation in 2000. Our website address is www.wageworks.com. We make available on our website, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). Our SEC reports can be accessed through the Investor Relations section of our website. The information found on our website is not part of this or any other report we file with or furnish to the SEC. As used herein, "WageWorks," "we," "us" and "our" and similar terms include WageWorks, Inc. and its wholly-owned subsidiaries, unless the context indicates otherwise.

Overview

We are a leader in administering Consumer-Directed Benefits (CDBs) which empower employees to lower their tax expense and provide healthcare related tools for employers to provide to their employees. We lead by facilitating companies
with the technology, tools and a comprehensive understanding of current regulations, and we are dedicated to administering CDBs. These include pre-tax spending accounts, such as Health Savings Accounts ("HSAs"), health and dependent care Flexible Spending Accounts, ("FSAs"), Health Reimbursement Arrangements, ("HRAs"), plus commuter benefit services, including transit and parking programs, wellness programs, Consolidated Omnibus Budget Reconciliation Act, ("COBRA"), and other employee benefits.

Our CDB programs assist employees and their families in saving money by using pre-tax dollars to pay for certain expenses related to their healthcare, dependent care and commuter expenses. Employers financially benefit from our programs through reduced payroll taxes. Under our FSA, HSA and commuter programs, employee participants contribute funds from their pre-tax income to pay for qualified out-of-pocket healthcare expenses not fully covered by insurance, such as co-pays, deductibles and over-the-counter medical products or for commuting costs.

We price our services based on a number of variables including but not limited to the estimated number and types of claims, whether payment processing and client support activities will be provided within or outside of the United States, the estimated number of calls to our customer support center and any specific client requirements. In addition, we derive a portion of our revenues from interchange fees from financial institutions that we receive when employee participants use the prepaid debit cards we provide to them for healthcare and commuter expenses as well as interest income or fee income associated with HSA related balances deposited with the financial institutions.

At January 31, 2018, we had approximately 7.6 million participant accounts from approximately 80,000 employer clients. In 2017, employee participants used approximately 6.1 million WageWorks prepaid debit cards. Our participant counts do not include our TransitChek Basic program participants, as that fare media is shipped directly to employers who then distribute the products to their employees based on demand. We believe that January 31 is the most appropriate point-in-time measurement date for annual plan metrics. Although plan changes and the entry and exit of employers and participants from our programs are usually decided late in the calendar year during open enrollment to be effective on January 1, it is not unusual for employers to submit updated participant files in early January. While updates can be delayed past January, any changes from such late updates are usually minimal. Consequently, we believe the January 31 point-in-time measurement date is the most appropriate date to use as a baseline to report these metrics.

Our Services

Health Savings Accounts (HSAs)

We administer HSAs for employers that allow employee participants to invest funds to be used for qualified healthcare expenses at any time without federal tax liability or penalty. In order to be eligible for an HSA, an employee must be enrolled in a qualified High Deductible Health Plan ("HDHP"), that is HSA-compatible and not have any other impermissible coverage. The funds in the HSAs are exempt from payroll taxes for employers and both employees and employers can make contributions to an HSA. Withdrawals for non-medical expenses are treated similarly to those in an individual retirement account, specifically, such withdrawals may provide tax advantages if taken after retirement age, and may incur penalties if taken earlier. HSA funds are held by a custodian, which accumulate year-to-year if not spent and are portable if a participant leaves his or her employer. Our HSA programs are designed to offer employers a choice of third-party custodian as well as a variety of

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investment options within each custodial offering that enables employers the opportunity to explore a broader assortment of funds to offer their employees. Effective December 2017, we became a non-bank custodian and therefore can be another option for our clients for HSA custodian services.

Flexible Spending Accounts (FSAs)

Healthcare

We also offer FSAs, which are employer-sponsored CDBs that enable employees to set aside pre-tax dollars to pay for eligible healthcare expenses that are not generally covered by insurance, such as co-pays, deductibles and over-the-counter medical products, as well as vision expenses, orthodontia, medical devices and autism treatments. Employers benefit from payroll tax savings on the pre-tax FSA contributions made by employees. As an example, based on our average employee participant's annual FSA contribution of approximately $1,250 and an assumed personal combined federal and state income tax rate of 35%, an employee participant will reduce his or her taxes by approximately $438 per year by participating in an FSA. Our employer clients also realize payroll tax (i.e., FICA and Medicare) savings on the pre-tax contributions made by their employees. In the above FSA example, an employer client would save approximately $52 per participant per year, even after the payment of our fees.

The IRS imposes a limit, indexed to inflation, on pre-tax dollar employee contributions made to a healthcare FSAs. The IRS also allows a carryover of up to $500 that does not count against or otherwise affect the indexed salary reduction limit applicable to each plan year. Employers are able to contribute additional amounts in excess of this statutory limit, and may choose to do so in an effort to mitigate the impact of rising healthcare costs on their employees.

Dependent Care

We also administer FSA programs for dependent care plans. These plans allow employees to set aside pre-tax dollars to pay for eligible dependent care expenses, which typically include child care or day care expenses but may also include expenses incurred from adult and elder care. Current laws and regulations impose a statutory limit on the amount of pre-tax dollars employees can contribute to dependent care FSAs with no carryover allowed. Like healthcare FSAs, employers can also contribute funds to employees' dependent care FSAs, subject to the statutory annual limit on total contributions. As with healthcare FSAs, employers realize payroll tax savings on the pre-tax dependent care FSA contributions made by their employees.

Health Reimbursement Arrangements (HRAs)

We offer employer-funded HRAs. Under HRAs, employers provide their employees with a specified amount of reimbursement funds that are available to help employees defray their out-of-pocket healthcare expenses, such as deductibles, co-insurance and co-payments. HRAs may only be funded by employers and, while there is no limitation on how much employers may contribute, employers are required to establish the programs in such a way as to prevent discrimination in favor of highly compensated employees. HRAs must either be considered an excepted benefit (for example, a dental-only HRA or a vision-only HRA), retiree HRA or be integrated with another group health plan. HRAs can be customized by employers so employers have the freedom to determine what expenses are eligible for reimbursement under these arrangements. At the end of the plan year, employers have the option to allow all, or a portion, of the unused funds to roll over and accumulate year-to-year if not spent. All amounts paid by employers into HRAs are deductible for tax purposes by the employer and tax-free to the employee.

COBRA

We offer COBRA continuation services to employer clients to meet the employer's obligation to make available continuation of coverage for participants who are no longer eligible for the employer's COBRA covered benefits which includes medical, dental, vision, HRAs and certain healthcare FSAs. COBRA requires employers to make health coverage available for terminated employees for a period of up to 36 months post-termination. As part of our COBRA program, we offer a direct billing service where former employee participants pay WageWorks directly versus to their employers for coverage they elect to continue. We handle the accounting and customer services for such terminated employees, as well as interfacing with the carrier regarding the employees' eligibility for participation in COBRA program.

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Commuter Programs

We administer pre-tax commuter benefit programs. In 2017, employers were permitted to provide employees with commuter benefits including qualified parking, transit passes, vanpooling and bicycle commuting reimbursement. The maximum monthly federal (and sometimes state) tax free exclusion is adjusted for inflation. The Protecting Americans from Tax Hikes Act of 2015, which was signed into law on December 18, 2015, increased the maximum pre-tax monthly limit for transit passes and vanpooling to be the same as the limit applicable for qualified parking, which was $255 for 2017. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") that eliminated the bicycle commuting reimbursement effective January 1, 2018.

Non-Bank Custodian

The Medicare Modernization Act of 2003 created HSAs a tax-exempt trust or custodial account managed by a custodian that is a bank, an insurance company, or a non-bank custodian specifically authorized by the U.S. Department of the Treasury as meeting certain ownership, capitalization, expertise and governance requirements. Effective December 2017, we received approval from the Internal Revenue Services ("IRS") to become an approved non-bank custodian of our members' HSAs.

Our Clients

As of January 31, 2018, we had approximately 80,000 employer clients across a broad range of industries with approximately 7.6 million participant accounts in all 50 states. Our employer clients include many of the Fortune 100 and Fortune 500 companies.

In addition, in March 2016 we were selected by the United States Office of Personnel Management ("OPM") to administer its Federal Flexible Spending Account Program ("FSAFEDS"). This relationship provides eligible federal government employees access to our advanced technology platform and premium service capabilities. FSAFEDS had started and transition of all participants was completed during the third quarter of 2016. In addition, the United States Postal Service became a member of the OPM contract during the first quarter of 2017.

Our Technology Platforms

We run our services primarily on a number of platforms that have been designed to be highly scalable based on an on-demand delivery model that employer clients and their employee participants may access through a standard web browser on any internet-enabled device, including computers, smart phones, and other mobile devices such as tablet computers. Our on-demand delivery model eliminates the need for our employer clients to install and maintain hardware and software in order to support CDB programs and enables us to rapidly implement product enhancements across our entire user base. We closely monitor utilization of all aspects of our platforms for capacity planning purposes. Our existing infrastructure has been designed with sufficient capacity to meet our current and planned future needs.

The majority of our accounts run on our proprietary platform, which we call our Enterprise platform. We generally use our Enterprise platform for medium-sized and enterprise clients to administer a wide range of CDB programs (FSA, Limited FSA, HRA, Limited HRA, HSA, Commuter, and other programs). Our Enterprise platform supports all account administrative functions and provides integration with the systems used by employer clients, payment networks, health plans and key suppliers. Our Enterprise platform features a flexible, rules-based engine that includes multi-wallet functionality and is highly configurable to accommodate custom client plan designs and service requests. This multi-wallet functionality allows us to include more than one type of healthcare account (FSA, HRA and HSA) on one participant's card, and helps ensure that funds that are otherwise subject to forfeiture at the end of a plan year are used first to pay for eligible expenses.

We also operate a technology platform known as WinFlexOne, which has been specifically designed and enhanced to address the needs of small-and medium-sized business ("SMBs"). While the overall features and capabilities of WinFlexOne are comparable to Enterprise, WinFlexOne utilizes a simpler set of interfaces and product configurations that better accommodate the more limited administrative capabilities and needs of small employers.

Our third primary technology platform, known as CSAM, is used to provide a full suite of CDB programs to our enterprise clients. CSAM is integrated with Automatic Data Processing Inc.'s ("ADP") Health and Welfare ("H/W") and ADP payroll platforms and is designed to support large and small market clients. CSAM supports the overall features and capabilities of the Enterprise platform.

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Our fourth technology platform, known as Complink, is used to provide COBRA and direct bill services to our SMB and enterprise clients. This integrated platform automates COBRA and direct bill administration activities and operations, and helps to ensure the administration of these programs is in compliance with applicable laws.

Our last primary technology platform, known as CASPro, is used to provide COBRA services to our enterprise clients. CASPro is integrated with ADP H/W and ADP payroll platforms and helps to ensure the administration of these programs is in compliance with applicable laws.

In 2017, we continued to develop and implement new features to enhance the participant and client user experience on our enterprise platform. These efforts touched several areas, including the participant website, mobile application, or mobile app, client website, reporting, plan design and administration.

Operations

Operation Support Services

We provide operational support services to our clients and our cross-functional teams including customer support and claims processing. We believe our strict quality standards differentiate us from our competitors and enable us to attract and maintain a broad base of loyal customers. Our client support groups include: customer support, claims servicing, operations support and professional services teams.

Our customer support team handles all incoming interactions from our employee participants, and is responsible for resolving any issues they may encounter. The team serviced approximately 6.2 million calls in 2017. Our claims servicing team works directly with providers or participants and reviews, adjudicates and processes claims for payment or reimbursement. In 2017, the claims servicing team handled more than 15.0 million claims and card use verification forms.

Our operations support team processes and coordinates activities, delivers healthcare and commuter cards to participants and ensures that prepaid funds and reimbursement payments are accurate. In 2017, our operations team serviced approximately 6.1 million healthcare and commuter prepaid debit cards and fulfilled over 14.5 million commuter orders during the calendar year.

Lastly, our professional services team is responsible for coordinating all activities related to the implementation, transition and on-boarding of new employer clients, assisting our existing clients with the addition of new services to their accounts and transitioning clients that we acquire from portfolio purchases to our platforms.

Employer Relationship Management

Each employer client, based on size and complexity, is assigned to an account team with an experienced relationship manager. Our relationship managers act as a client's single point of contact and are trained on all of our account offerings, working closely with our internal partners and subject matter experts to understand how regulatory or operational changes may impact a particular program or procedure.

We enhance the employer client enrollment process by providing tools such as educational information, webinars and onsite support to help facilitate open enrollment and drive employee participation. We also provide consultation services to employer clients which include providing robust data regarding spend patterns, participation and service utilization, online claims submissions and participant feedback.

Our Employer Relationship Management team also ensures that any platform or product changes, such as website or service enhancements, online claims processing, or the launch of our mobile application are properly communicated and adopted by our clients. The team also works to keep our commuter clients' employee participants well informed about any rate changes, new pricing schemes or new technologies as we have relationships with a significant number of regional transit authorities.

Sales and Business Development

We grow our employer client base through our various sales channels and through other business development efforts.

Sales

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We sell our CDB programs to our employer clients through direct and indirect sales channels. Each of these approaches targets a distinct group of clients. Our average sales cycle ranges from approximately two months for smaller opportunities to over a year for large institutional clients and significant new indirect business.

Our direct sales force targets Fortune 1000 companies, which we refer to as enterprise clients, and generates new large account relationships through employer prospecting. Our indirect sales channel consists of carriers, channel partnerships, private exchange partners, institutional brokers and other third parties who refer or resell our CDB programs.

Our channel partnerships usually involve an existing provider agreeing to transition its CDB clients to us over a defined period of time for an agreed upon purchase price. These channel partnerships also have a resale and referral component to them so we stand to derive additional opportunities from these arrangements. The private exchange marketplace offers another opportunity for us to sell our CDB programs to companies of all sizes that participate in such exchanges. Our broker relationships provide another avenue for us to market and sell our CDB programs.

Business Development

In addition to our sales channels, we utilize portfolio purchases as a business development strategy to broaden our employer client base and to acquire new employer clients. Since 2007, we have purchased CDB portfolios of eight third-party administrators ("TPAs"), and completed three acquisitions. In connection with these portfolio purchases, we have leveraged the ease of integration and efficiencies afforded by our on-demand software platforms and cross-sold additional CDB products and services to many acquired employer clients. There are several hundred regional TPA portfolios that we continually monitor and evaluate in order to maintain a robust pipeline of potential candidates for purchase.

Government Regulation

Our business is subject to extensive, complex and rapidly changing federal and state laws and regulations. We have implemented and continue to enhance compliance programs and policies to monitor and address the legal and regulatory requirements applicable to our operations, including dedicated compliance personnel and training programs. For additional information regarding laws and regulations impacting our business, refer to Part I, Item 1A, “Risk Factors,” of this Annual Report on Form 10-K.

Competition

The market for CDBs, as well as COBRA and direct bill services is highly competitive, rapidly evolving and fragmented. Key categories of competitors include national CDB specialists, health insurance carriers, human resource consulting firms, payroll providers, small regional TPAs, and commercial banks.

We believe our focus on CDB and benefit continuation programs, our high quality service and our highly scalable delivery model are our key competitive advantages in the market.

Intellectual Property

Our success depends in part on our ability to protect our core technology and intellectual property. To accomplish this, we rely on a combination of patent laws, trade secrets, including know-how, employee and third-party nondisclosure agreements, copyright laws, trademarks, intellectual property licenses and other contractual rights to establish and protect our proprietary rights in our technology. We have two issued patents which expire in 2022 and 2030.

Despite our efforts to preserve and protect our proprietary and intellectual property rights, unauthorized third parties may attempt to copy, reverse engineer, or otherwise obtain portions of our products. Competitors may attempt to develop similar products that could compete in the same market as our products. Unauthorized disclosure of our confidential information by our employees or third parties could occur.

Third-party infringement claims are also possible in our industry, especially as software functionality and features expand, evolve, and overlap with other industry segments. Current and future competitors, as well as non-practicing patent holders, could claim at any time that some or all of our products infringe on patents they now hold or might obtain, or be issued in the future.

Employees

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On December 31, 2017, we had 2,098 employees, including 1,921 full-time employees, 11 part-time employees and 166 temporary or seasonal employees. There are 118 employees located in our Northern California headquarters and the remainder are located in our various other offices throughout the U.S. or work remotely from various locations. We also have meaningful office locations in Irving, TX, Milwaukee, WI, Tempe, AZ, Louisville, KY and Alpharetta, GA. None of our employees are currently represented by labor unions or are covered by a collective bargaining agreement with respect to his or her employment. To date, we have not experienced any work stoppages, and we consider our relationship with our employees to be good.

Item 1A. Risk Factors

RISK FACTORS

You should carefully consider the risks described below together with the other information set forth in this report, which could materially affect our business, financial condition and future results. The risks described below are not the only risks facing our company. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results. If any of the following risks is realized, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that event, the trading price of our common stock could decline.

The restatement of our previously issued financial statements has been time-consuming and expensive and could expose us to additional risks that could materially adversely affect our financial position, results of operations and cash flows.

As discussed in the Explanatory Note to this Annual Report and in Note 2, "Restatement" to the Notes to our Consolidated Financial Statements included in this Annual Report, we are restating our previously issued financial statements for (i) the quarterly and year-to-date periods ended June 30 and September 30, 2016, (ii) the year ended December 31, 2016 and (iii) the quarterly and year-to-date periods ended March 31, June 30 and September 30, 2017. These restatements, and the remediation efforts we have undertaken and are continuing to undertake, have been time-consuming and expensive and could expose us to a number of additional risks that could materially adversely affect our financial position, results of operations and cash flows.

In particular, we have incurred significant expenses, including audit, legal, consulting and other professional fees and lender and noteholder consent fees, in connection with the restatement of our previously issued financial statements and the ongoing remediation of material weaknesses in our internal control over financial reporting. We have taken a number of steps, including adding significant internal resources and implementing a number of additional procedures, in order to strengthen our accounting function and attempt to reduce the risk of additional misstatements in our financial statements. To the extent these steps are not successful, we could be forced to incur additional time and expense. Our management's attention has also been diverted from the operation of our business in connection with the restatements and ongoing remediation of material weaknesses in our internal controls.

We are also subject to a securities class action and shareholder derivative suits and investigations arising out of the misstatements in our financial statements, including investigations by the Securities and Exchange Commission (the "SEC") and the U.S. Attorney's Office for the Northern District of California (the "USAO"). For additional discussion see Item 3. Legal Proceedings and "Legal Matters" in Note 15 to our Consolidated Financial Statements.

The restatement of our previously issued financial results has resulted in securities class action and shareholder litigation, as well as government investigations that could result in government enforcement actions that could have a material adverse impact on our results of operations, financial condition, liquidity and cash flows.

We are subject to securities class action and shareholder litigation relating to our previous public disclosures. In addition, we are subject to government investigations arising out of the misstatements in our previously issued financial statements. For additional discussion see Item 3. Legal Proceedings and "Legal Matters" in Note 15 to our Consolidated Financial Statements. On March 9, 2018, a putative class action - captioned *Government Employees' Retirement System of the Virgin Islands v. WageWorks, Inc., et al., No. 4:18-cv-01523-JSW* - was filed in the United States District Court for the Northern District of California (the "Securities Class Action") against the Company, our former Chief Executive Officer, and our former Chief Financial Officer. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, on behalf of persons and entities that acquired WageWorks securities between May 6, 2016 and March 1, 2018, and alleges, among other things, that the defendants issued false and misleading financial statements. On June 22, 2018 and September 6,

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2018, two derivative lawsuits were filed against certain of our officers and directors and the Company (as nominal defendant) in the Superior Court of the State of California, County of San Mateo. Pursuant to the parties' stipulation, which was approved by the Superior Court, the actions were consolidated. On July 23, 2018, a similar derivative lawsuit was filed against certain of our officers and directors and the Company (as nominal defendant) in the United States District Court for the Northern District of California (together, the "Derivative Suits"). Furthermore, the Company voluntarily contacted the San Francisco office of the SEC Division of Enforcement regarding the restatement and independent investigation, is providing information and documents to the SEC and will continue to cooperate with the SEC's investigation into these matters. The U.S. Attorney's Office for the Northern District of California also opened an investigation. The Company has provided documents and information to the U.S. Attorney's Office and will continue to cooperate with any inquiries by the U.S. Attorney's Office regarding the matter. For additional discussion of these matters, see Note 15, "Commitments and Contingencies," to the Notes to our consolidated financial statements included in this Annual Report. We could become subject to additional private litigation or investigations, or one or more government enforcement actions, arising out of the misstatements in our previously issued financial statements. Our management may be required to devote significant time and attention to these matters, and these and any additional matters that arise could have a material adverse impact on our results of operations, financial condition, liquidity and cash flows. While we cannot estimate our potential exposure to these matters at this time, we have already expended significant amounts investigating the claims underlying and defending this litigation and expect to continue to need to expend significant amounts to defend this litigation.

We have identified material weaknesses in our internal control over financial reporting which could, if not remediated, adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. In Item 9A, "Controls and Procedures" of this Annual Report, management identified material weaknesses in our internal control over financial reporting.

As a result of the material weaknesses, our management concluded that our internal control over financial reporting was not effective as of December 31, 2017 and 2016. The assessment was based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. We are actively engaged in developing a remediation plan designed to address the material weaknesses, but our remediation efforts are not complete and are ongoing. If our remedial measures are insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control are discovered or occur in the future, it may materially adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner. If we are unable to report our results in a timely and accurate manner, we may not be able to comply with the applicable covenants in our financing arrangements, and may be required to seek additional waivers or repay amounts under these financing arrangements earlier than anticipated, which could adversely impact our liquidity and financial condition. Although we continually review and evaluate internal control systems to allow management to report on the sufficiency of our internal controls over financial reporting, we cannot assure you that we will not discover additional weaknesses in our internal control over financial reporting. The next time we evaluate our internal control over financial reporting, if we identify one or more new material weaknesses or are unable to timely remediate our existing material weaknesses, we may be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an unqualified opinion or expresses an adverse opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would have a material adverse effect on the price of our common stock and possibly impact our ability to obtain future financing on acceptable terms. We may also lose assets if we do not maintain adequate internal controls.

If our internal controls are not effective, there may be errors in our financial information that could require a restatement or delay our SEC filings. Such material weaknesses could materially and adversely affect our operations, financial condition, reputation and stock price.

We have, in the past, experienced issues with our internal control over financial reporting related to managing change and assessing risk in the areas of non-routine and complex transactions, tone at the top, and commitment to competencies in the areas of non-routine and complex transactions. It is possible that we may discover significant deficiencies or material weaknesses in our internal control over financial reporting in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could cause us to fail to meet our periodic reporting obligations, or result in material misstatements in our financial information. If we are unable to effectively remediate and adequately manage our internal control over financial reporting in the future, we may be unable to produce accurate or timely financial information. As a result, we may be unable to meet our ongoing reporting obligations or comply with applicable legal requirements, which could lead to the imposition of sanctions or further investigation by regulatory authorities.

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Any such action or other negative results caused by our inability to meet our reporting requirements or comply with legal and regulatory requirements could lead investors and others to lose confidence in our financial data and could adversely affect our business and our stock price. Significant deficiencies or material weaknesses in our internal control over financial reporting could also reduce our ability to obtain financing or could increase the cost of available financing. Internal control over financial reporting may not prevent or detect all errors or acts of fraud.

Internal control over financial reporting may not achieve, and in some cases have not achieved, their intended objectives. Control processes that involve human diligence and compliance, such as our disclosure controls and procedures and internal control over financial reporting, are subject to lapses in judgment and breakdowns resulting from human failures. Controls can also be circumvented by collusion or improper management override of such controls. Because of such limitations, there are risks that material misstatements due to error or fraud may not be prevented or detected, and that information may not be reported on a timely basis. The failure of our controls to be effective could have a material adverse effect on our business, financial condition, results of operations, and market for our common stock, and could subject us to regulatory scrutiny and penalties.

Matters relating to or arising from our Special Committee and Audit Committee investigations, including regulatory investigations and proceedings, litigation matters and potential additional expenses, may adversely affect our business and results of operations.

We have incurred, and may continue to incur, significant expenses related to legal, accounting, and other professional services in connection with the Special Committee and Audit Committee investigations and related legal matters, as previously disclosed in our public filings, including the review of our accounting, the audit of our financial statements and the ongoing remediation of deficiencies in our internal control over financial reporting. As described in Item 9A., “Controls and Procedures,” of this report, we have taken a number of steps in order to strengthen our accounting function and attempt to reduce the risk of future recurrence and errors in accounting determinations. The validation of the efficacy of these remedial steps will result in us incurring near term expenses, and to the extent these steps are not successful, we could be forced to incur significant additional time and expense. The incurrence of significant additional expense, or the requirement that management devote significant time that could reduce the time available to execute on our business strategies, could have a material adverse effect on our business, results of operations and financial condition. These expenses, the delay in timely filing our periodic reports, and the diversion of the attention of the management team that has occurred, and is expected to continue, has adversely affected, and could continue to adversely affect, our business and financial condition. As a result, we are exposed to greater risks associated with litigation, regulatory proceedings and government enforcement actions. Any future investigations or additional lawsuits may adversely affect our business, financial condition, results of operations and cash flows.

We have not been in compliance with NYSE’s requirements for continued listing and as a result our common stock may be delisted from trading on the NYSE, which would have a material effect on us and our stockholders.

We were delinquent in the filing of our periodic reports with the SEC and have not convened an Annual Meeting of Stockholders since 2017, and as a result, we are not in compliance with listing requirements of Section 802.01E of the NYSE Listed Company Manual which requires timely filing of periodic financial reports with the SEC. We have requested and received two 6-month extension periods for continued listing of the Company’s common stock on the NYSE and the NYSE has granted us until March 19, 2019 to regain compliance.

Though we expect to file all of our delinquent reports prior to this deadline, there can be no guarantee that we will be able to file by March 19, 2019, in which case our common stock may again be subject to delisting by the NYSE. If our common stock is delisted, there can no assurance whether or when it would again be listed for trading on NYSE or any other exchange. If our common stock is delisted, the market price of our shares will likely decline and become more volatile, and our stockholders may find that their ability to trade in our stock will be adversely affected. Furthermore, institutions whose charters do not allow them to hold securities in unlisted companies might sell our shares, which could have a further adverse effect on the price of our stock. In addition, our ability to hire and retain key personnel and employees may be adversely affected by volatility or reductions in the price of our common stock, since these employees are generally granted equity-based awards. We have previously experienced and may continue to experience employee attrition and difficulty attracting talent as a result of these issues. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs, nor may we be successful in keeping the qualified personnel we currently have.

The delayed filing of some of our periodic SEC reports has made us currently ineligible to use a registration statement on Form S-3 to register the offer and sale of securities, which could adversely affect our ability to raise future capital or complete acquisitions.

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As a result of the delayed filing of some of our periodic reports with the SEC, we will not be eligible to register the offer and sale of our securities using a registration statement on Form S-3 until one year from the date we regained and maintain status as a current filer. Should we wish to register the offer and sale of our securities to the public prior to the time we are eligible to use Form S-3, both our transaction costs and the amount of time required to complete the transaction could increase, making it more difficult to execute any such transaction successfully and potentially harming our financial condition.

Furthermore, the Company has several employee and director equity plans that are registered under the Securities Act of 1933, as amended, pursuant to Form S-8. Under SEC regulations, the Company's failure to timely file its periodic and annual reports with the SEC resulted in the suspension of the availability of these insider equity plans, including the Company's Profit Sharing Plan. For that reason, employees and directors have not been permitted to liquidate any preexisting holdings of the Company's common stock, nor has the Company been able to issue equity retention or incentive awards.

Our business operations are dependent upon our new senior management team and the ability of our other new employees to learn their new roles.

Within the past two years, we have substantially changed our senior management team and have replaced many of the other employees performing key functions at our corporate headquarters. Our Chief Executive Officer is new to that role and we have a new Executive Chairman, Chief Financial Officer, General Counsel and other members of our senior management team. As new employees gain experience in their roles, we could experience inefficiencies or a lack of business continuity due to loss of historical knowledge and a lack of familiarity of new employees with business processes, operating requirements, policies and procedures, some of which are new, and key information technologies and related infrastructure used in our day-to-day operations and financial reporting and we may experience additional costs as new employees learn their roles and gain necessary experience. It is important to our success that these key employees quickly adapt to and excel in their new roles. If they are unable to do so, our business and financial results could be materially adversely affected. In addition, if we were to lose the services of any one or more key employees, whether due to death, disability or termination of employment, our ability to successfully implement our business strategy, financial plans, marketing and other objectives, could be significantly impaired.

Our business is dependent upon the availability of tax-advantaged Consumer-Directed Benefits to employers and employees and any diminution in, elimination of, or change in the availability of these benefits would materially adversely affect our results of operations, financial condition, business and prospects.

Our business fundamentally depends on employer and employee demand for tax-advantaged CDBs. Any diminution in or elimination of the availability of CDBs for employees would materially adversely affect our results of operations, financial condition, business and prospects. In addition, incentives for employers to offer CDBs may also be reduced or eliminated by changes in laws that result in employers no longer realizing financial gain from the implementation of these benefits. If employers cease to offer CDB programs or reduce the number of programs they offer to their employees, our results of operations, financial condition, business and prospects would also be materially adversely affected. We are not aware of any reliable statistics on the growth of CDB programs and cannot assure you that participation in CDB programs will grow.

The Tax Cuts and Jobs Act of 2017 generally disallows a deduction for expenses with respect to Qualified Transportation Fringe Benefits ("QTF(s)") provided by employer taxpayers to their employees, and generally provides that a tax-exempt organization's Unrelated Business Tax Income is increased by the amount of the QTF expense that is nondeductible. This means our revenue may decline and our results of operations, financial condition, business and prospects may be materially adversely affected.

In addition, if the payroll tax savings employers currently realized from their employees' utilization of CDBs become reduced or unavailable, employers may be less inclined to offer these programs to their employees. If the tax savings currently realized by employee participants by utilizing CDBs were reduced or unavailable, we expect employees would correspondingly reduce or eliminate their participation in such CDB plans. Any such reduction in employer or employee incentives would materially adversely affect our results of operations, financial condition, business and prospects.

Future acquisitions are an important aspect of our growth strategy, and any failure to successfully identify, acquire or integrate acquisitions could materially adversely affect our ability to grow our business. In addition, costs of integrating acquisitions may adversely affect our results of operations in the short term.

Our recent growth has been, and our future growth will be, substantially dependent on our ability to continue to make and integrate acquisitions in order to expand our employer client base and service offerings. Since 2007, we have completed eleven significant transactions that involved the acquisition of client relationships, contracts and revenues. These acquisitions

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varied significantly in type and structure and were designed to accommodate each seller's circumstances and to optimize our potential financial returns and manage risks. We expect our future acquisitions (with their attendant risks) will vary similarly as opportunities warrant.

Our successful integration of these acquisitions into our operations on a cost-effective basis is critical to our future financial performance, especially as it relates to our acquisition of ADP's Consumer Health Spending Account ("CHSA"), COBRA, and direct bill businesses (together defined as the "ADP CHSA/COBRA Business"). Our inability to successfully continue and maintain the integration of the ADP CHSA/COBRA Business has resulted in the attrition of ADP's clients, which may continue to occur. As a result our revenue may decline and our results of operations, financial condition, business and prospects may be materially adversely affected. While we believe that there are numerous potential acquisitions that would add to our employer client base and service offerings, we cannot assure you that we will be able to successfully make a sufficient number of such acquisitions in a timely and effective manner in order to support our growth objectives. In addition, the process of integrating acquisitions may create unforeseen difficulties and expenditures. We face various risks in making any acquisitions and entering into strategic relationships, including:

- our ability to retain acquired employer clients and their associated revenues;
- diversion of management's time and focus from operating our business to address integration challenges;
- our ability to retain or replace key employees that come to us from acquisitions we acquire;
- our ability to integrate the combined products, services and technology;
- our ability to cross-sell additional CDB programs to acquired employer clients;
- our ability to realize expected synergies;
- the need to implement or improve internal controls, procedures and policies appropriate for a public company at businesses that, prior to the acquisition, may have lacked effective controls, procedures and policies, including, but not limited to, processes required for the effective and timely reporting of the financial condition and results of operations of the acquired business, both for historical periods prior to the acquisition and on a forward-looking basis following the acquisition;
- possible write-offs or impairment charges that result from acquisitions;
- unanticipated or unknown liabilities that relate to purchased businesses;
- the potential need to implement or improve internal controls relating to privacy, security and data protection;
- the need to integrate purchased businesses' accounting, management information, human resources, and other administrative systems to permit effective management; and
- any change in one of the many complex international, federal or state laws or regulations that govern any aspect of the financial or business operations of our business and businesses we acquire, such as state escheatment laws.

Acquisitions may also have a short-term material adverse impact on our results of operations, including a potential material adverse impact on our cost of revenues, as we seek to migrate acquired employer clients to our proprietary technology platforms, typically 12 to 24 months after transaction close, in order to achieve additional operating efficiencies. Additionally, from time to time, we may incur material costs and charges related to consolidating our operations following our acquisitions.

If we are unable to retain and expand our employer client base, establish new partnerships and exchange relationships, our results of operations, financial condition, business and prospects would be materially adversely affected.

Most of our revenue is derived from the long term, multi-year agreements that we typically enter into with our employer clients. The initial subscription period is typically three years for our enterprise clients and one to three years for our SMB and mid-market clients. We also derive revenue from our partner agreements with Aflac Incorporated, Ceridian Corporation ("Ceridian"), the referral and reseller agreements with ADP, and we anticipate in the future establishing new partnerships with other companies. Our employer clients, however, have no obligation to renew their agreements with us after the initial term and we cannot assure you that these employer clients will continue to renew their agreements at the same rate, if at all. In addition, employer clients transitioning to us from a partner have no obligation to enter into agreements with us and, if they do, there is no guarantee that they will renew their agreements with us after the initial transition period.

Moreover, most of our employer clients have the right to cancel their agreements for convenience, including the OPM, subject to certain notice requirements. While few employer clients have terminated their agreements with us for convenience, some of our employer clients have elected not to renew their agreements with us. Our employer clients' renewal rates may decline or fluctuate as a result of a number of factors, including the prices of competing products or services, reductions in our employer clients' spending levels, disruptions in connection with the migration of accounts from one platform to another and in-house development of CDB services by our employer clients. Our employer client retention rate may further decline as a result of the audit and restatement.

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Another important aspect of our growth strategy depends upon our ability to maintain our existing carrier, partner, and exchange relationships and develop new relationships. No assurance can be given that new carrier, partners, or exchange opportunities will be found, that any such new relationships will be successful when they are in place, or that business with our current partners or exchange opportunities will increase at the level necessary to support our growth objectives. If our employer clients do not renew their agreements with us, and we are unable to attract new employer clients or partners, our revenue may decline and our results of operations, financial condition, business and prospects may be materially adversely affected.

The market for our services and our business may not grow if our marketing efforts do not successfully raise awareness among employers and employees about the advantages of adopting and participating in CDB programs.

Our revenue model is substantially based on the number of employee participants enrolled in the CDB programs that we administer. We devote significant resources to educating both employers and their employees on the potential cost savings and other financial benefits available to them from utilizing CDB programs. We have created various marketing, educational and awareness tools to inform employers about the benefits of offering CDB programs to their employees and how our services allow them to offer these benefits in an efficient and cost effective manner. We also provide marketing information to employees that inform them about the potential tax savings they can achieve by utilizing CDB programs to pay for their healthcare, commuter and other benefit needs. However, if more employers and employees do not become aware of or understand these potential cost savings and other financial benefits and do not choose to adopt CDB programs, our results of operations, financial condition, business and prospects may be materially adversely affected.

In addition, there is no guarantee that the market for our services will grow as we expect. For example, the value of our services is directly related to the complexity of administering CDB programs. Government action that significantly reduces or simplifies these requirements could reduce demand or pricing for our services. Further, employees may not participate in CDB programs because they have insufficient funds to set aside into such programs, find the rules regarding the use of such programs too complex, or otherwise. If the market for our services declines or develops more slowly than we expect, or the number of employer clients that select us to provide CDB programs to their employee participants declines or fails to increase as we expect, our results of operations, financial condition, business and prospects could be materially adversely affected.

Our business and prospects may be materially adversely affected if we are unable to cross-sell our products and services.

One component of our growth strategy is the increased cross-selling of products and services to current and future employer clients. In particular, many of our employer clients use only one of our products so we expect our ability to cross-sell our commuter programs to our healthcare program clients and our healthcare programs to our commuter employer clients to be an important part of this strategy. We may not be successful in cross-selling our products and services if our employer clients find our additional products and services to be unnecessary or unattractive. Any failure to sell additional products and services to current and future clients could materially adversely affect our results of operations, financial condition, business and prospects.

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The misuse or theft of information we possess, including as a result of cyber security breaches, could harm our brand, reputation or competitive position and give rise to material liabilities.

We regularly possess, store and handle non-public information about millions of individuals and businesses, including both credit and debit card information and other sensitive and confidential personal information. In addition, our customers regularly transmit confidential information to us via the internet and through other electronic means. Despite the security measures we currently have in place, our facilities and systems and those of our third-party service providers may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other forms of deception of our employees or contractors. Many of the techniques used to obtain unauthorized access, including viruses, worms and other malicious software programs, are difficult to anticipate until launched against a target and we may be unable to implement adequate preventative measures. Our failure to maintain the security of that data, whether as the result of our own error or the malfeasance or errors of others, could harm our reputation, interrupt our operations, result in governmental investigations and give rise to a host of civil or criminal liabilities. Any such failure could lead to lower revenues, increased remediation, prevention and other costs and other material adverse effects on our results of operations.

Failure to ensure and protect the confidentiality and security of participant data could lead to legal liability, adversely affect our reputation and have a material adverse effect on our results of operations, business or financial condition.

We must collect, store and use employee participants' confidential information and transmit that data to third parties, to provide our services. For example, we collect names, addresses, and other personally identifiable information from employee participants which may include social security numbers (i.e., partial or, in some cases, full). We also collected personal health information ("PHI"), including information about employee participants' health plans and insurance coverage. In addition, we facilitate the issuance and funding of prepaid debit cards and, in some cases, collect bank routing information, account numbers and personal credit card information for purposes of funding an account or issuing a reimbursement. Because of the types of data we collect, we are subject to numerous state data breach laws as well as the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the Health Information Technology for Economic and Clinical Health (HITECH) Act, and other legal and contractual obligations.

We utilize a number of third-party platforms and outsource a portion of customer support center services and claims processing services to third-party service providers to whom we transmit certain confidential information of our employee participants. We have security measures in place with each of these service providers to help protect this confidential information, including written agreements that outline how protected health information will be handled and shared. We cannot, however, verify the security procedures and protections of these third-party platforms or vendors are adequate. Furthermore, there are no assurances that the security measures and agreements we have in place with these service providers, or any additional security measures that our service providers may have in place, will be sufficient to protect this outsourced confidential information from unauthorized security breaches.

We have taken numerous measures to secure the data we collect; however, we cannot assure you that we will not be subject to a security incident or other data breach or that this data will not be compromised. We may be required to expend significant capital and other resources to protect against security breaches or to alleviate problems caused by security breaches, or to pay penalties as a result of such breaches. Despite our implementation of security measures, techniques used to obtain unauthorized access or to sabotage systems change frequently. As a result, we may be unable to anticipate these techniques or implement adequate preventative measures to protect this data. In addition, security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by our employees or service providers or by other persons or entities with whom we have commercial relationships. Any compromise or perceived compromise of our security could damage our reputation with our clients, brokers and partners, and could subject us to significant liability, as well as regulatory action, including financial penalties, which would materially adversely affect our brand, results of operations, financial condition, business and prospects.

We have incurred, and expect to continue to incur, significant costs to protect against and respond to security breaches. We may incur significant additional costs in the future to address problems caused by any actual or perceived security breaches.

Breaches of our security measures or those of our third-party service providers could result in unauthorized access to our sites, networks and systems; unauthorized access to, misuse or misappropriation of employer client or employee participants' information, including personally identifiable information, or other confidential or proprietary information of ourselves or third parties; viruses, worms, spyware or other malware being served from our sites, networks or systems; deletion or modification of content or the display of unauthorized content on our sites; interruption, disruption or malfunction of

operations or destruction of data, such as through ransomware; fraud; costs relating to notification of individuals, or other forms of breach remediation; deployment of additional personnel and protection technologies; response to governmental investigations and media inquiries and coverage; engagement of third-party experts and consultants; litigation, regulatory investigations, prosecutions, and other actions, and other potential liabilities. If any of these events occurs, or is believed to have occurred, our reputation and brand could be damaged, our business may suffer, we could be required to expend significant capital and other resources to alleviate problems caused by such actual or perceived breaches, we could be exposed to a risk of loss, litigation or regulatory action and possible liability, and our ability to operate our business, including our ability to provide access, usage or maintenance and support services to our customers, may be impaired. If current or prospective employer clients or employee participants believe that our systems and solutions do not provide adequate security for the storage of personal or other sensitive information or its transmission over the internet, our business and our financial results could be harmed. Additionally, actual, potential or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants.

Although we maintain privacy, data breach and network security liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. Any actual or perceived compromise or breach of our security measures, or those of our service providers, or any unauthorized access to, misuse or misappropriation of consumer information or other confidential business information, could violate applicable laws and regulations, contractual obligations or other legal obligations and cause significant legal and financial exposure, adverse publicity and a loss of confidence in our security measures, any of which could have a material adverse effect on our business, financial condition and operating results.

Our business is subject to a variety of laws and regulations, including those regarding privacy, data protection and information security, and our customers, partners and service providers are subject to regulations related to the handling and transfer of certain types of sensitive and confidential information. Any failure of our infrastructure, our platform, third-party platforms that we utilize, or our solutions to enable us or our customers, partners and service providers to comply with applicable laws and regulations would harm our business, financial condition and operating results.

As part of our business, we collect employee participants' personal data for the purpose of processing their benefits. Our services and solutions are subject to privacy- and data protection-related laws and regulations that impose obligations in connection with the collection, processing and use of personally identifiable information, financial data, health data or other similar data. Among other things, we have access to, and our employer clients and employee participants are able to use our solutions to handle and transfer, personally identifiable information and other data of our current and prospective employee participants and others. The U.S. federal and various state and other jurisdictional governments have adopted or proposed limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information and other data, and the Federal Trade Commission and numerous state attorneys general are applying federal and state consumer protection laws to impose standards on the online collection, use and dissemination of data, and to the security measures applied to such data. In addition, we may find it necessary or desirable to join industry or other self-regulatory bodies or other privacy- or data protection-related organizations that require compliance with their rules pertaining to privacy, data protection, and data security, or may find it necessary or desirable to align our practices with, or certify under, other industry standards. We also are and routinely become bound by contractual obligations relating to our collection, use and disclosure of personal, financial and other data. Although we work to comply with applicable laws, regulations, industry standards, contractual obligations and other legal obligations that apply to us, these are constantly evolving and may be modified, may be interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another, other requirements or legal obligations or our practices.

In addition, various federal, state and other legislative or regulatory bodies have in place and may enact new or additional laws and regulations mandating certain disclosures, including disclosures of personally identifiable information, to domestic enforcement bodies, which could adversely impact our business, our brand or our reputation with employer clients and employee participants. Despite our efforts to protect customer data, perceptions that the privacy of personal information is not satisfactorily protected in connection with our products or services could inhibit sales of our products or services, could limit adoption of our services by consumers, businesses, and government entities, and could expose us to claims or litigation. Additional privacy- or data security-related measures we may take to address such customer concerns, constraints on our flexibility to determine how to respond to customer expectations or governmental rules or actions, or costs associated with compliance with law enforcement or other regulatory authority demands or requests may adversely affect our business and operating results.

Any failure or perceived failure by us to comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations relating to privacy or data security, or any actual or perceived security incident resulting in unauthorized access to, or acquisition, release or transfer of, personally identifiable information or other customer

data may result in governmental or regulatory investigations, inquiries, enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity and could cause our employer clients, employee participants, and others to lose trust in us, which could have an adverse effect on our reputation, business, financial condition and results of operations.

Our services and solutions are subject to numerous laws and regulations related to the privacy and security of personal health information, including those promulgated pursuant to HIPAA, as well as HITECH, which was enacted as part of the American Recovery and Reinvestment Act of 2009, which require the implementation of administrative, physical and technological safeguards to ensure the confidentiality and integrity of individually identifiable health information in electronic form. Further, our services and solutions are subject to Payment Card Industry, or ("PCI"), data security standards that impose requirements regarding the storage and processing of payment card information. If we cannot comply with, or if we incur a violation of, any of these obligations, we could incur significant liability or our growth could be adversely impacted, either of which could have an adverse effect on our reputation, business, financial condition and operating results.

We expect that there will continue to be new proposed laws, regulations, industry standards, contractual obligations and other obligations concerning privacy, data protection and information security and we cannot yet determine the impact of such future laws, regulations, standards and obligations may have on our business. Future laws, regulations, standards and other obligations, or changed interpretations of the foregoing, could, for example, impair our ability to collect, use or store information that we utilize to provide our services, thereby impairing our ability to maintain and grow our total customer base and increase revenues. New laws, amendments to or re-interpretations of existing laws and regulations, industry standards, contractual obligations and other obligations may impact our business and practices. We may be required to expend significant resources to modify our solutions and otherwise adapt to these changes, which we may be unable to do on commercially reasonable terms or at all, and our ability to develop new solutions and features could be limited. These developments could harm our business, financial condition and results of operations.

Any such new laws, regulations, industry standards, or other legal obligations or any changed interpretation of existing laws, regulations, industry standards, or other obligations may require us to incur additional costs and restrict our business operations.

The European General Data Protection Regulation (“GDPR”) took effect in May 2018. We have conducted an analysis regarding whether and how the GDPR may impact our organization and we have determined that we and our services are not subject to the GDPR at this time. Notwithstanding, we are aware that the scope of the GDPR may implicate certain organizations in the U.S., including some of our clients, partners and other entities with which we do business. We continue to monitor this regulation, and as necessary, will update any necessary processes, policies and systems.

California recently enacted legislation, the California Consumer Privacy Act (“CCPA”), which will become effective January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. As required by the CCPA, the Attorney General must adopt certain regulations on or before July 1, 2020. It remains unclear the extent of the modifications that will be made to the CCPA, or how such modifications will be interpreted. The effects of the CCPA potentially are significant and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply.

If our privacy or data security measures fail or are perceived to fail to comply with current or future laws, regulations, policies, legal obligations or industry standards, or any changed interpretations of the foregoing, we may be subject to litigation, regulatory investigations, enforcement actions, inquiries, prosecutions, fines or other liabilities, as well as negative publicity and a potential loss of business. Moreover, if future laws, regulations, industry standards, or other legal obligations, or any changed interpretations of the foregoing, limit the ability of our customers, partners or service providers to use and share personally identifiable information or other data or our ability to store, process and share personally identifiable information or other data, demand for our solutions could decrease, our costs could increase and our business, financial condition and operating results could be harmed. Even the perception of privacy or data protection concerns, whether or not valid, may inhibit market adoption, effectiveness or use of our applications.

A breach of our IT security, loss of customer data or system disruption could have a material adverse effect on our results of operations, business or financial condition and reputation.

Our business is dependent on our transaction, financial, accounting and other data processing systems, as well as instances of third-party service provider systems that we use to provide our services. We rely on these systems to process, on a daily basis, a large number of complicated transactions. Any security breach in our business processes and/or systems, or those

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third-party systems that we use, has the potential to impact our customer information and our financial reporting capabilities which could result in the potential loss of business and our ability to accurately report information. If any of these systems fail to operate properly or become disabled even for a brief period of time, we could potentially lose control of customer data and we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or damage to our reputation. In addition, any issue of data privacy as it relates to unauthorized access to or loss of employer client and/or employee participant information could result in the potential loss of business, damage to our market reputation, litigation and regulatory investigation and penalties. Our continued investment in the security of our IT systems, continued efforts to improve the controls within our IT systems and those of any service providers that we use to provide our services, business processes improvements, and the enhancements to our culture of information security may not successfully prevent attempts to breach our security or unauthorized access to confidential, sensitive or proprietary information.

In addition, we depend on information technology networks and systems to collect, process, transmit and store electronic information and to communicate among our locations and with our partners, service providers, employer clients and employee participants. Security breaches could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information. We also are required at times to manage, utilize and store sensitive or confidential employer client and employee participant data, as well as our own employee data in the regular course of business. As a result, we are subject to numerous laws and regulations designed to protect this information, including various U.S. federal and state laws governing the protection of health or other individually identifiable information. If any person, including any of our personnel, fails to comply with, disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines or criminal prosecution. Unauthorized disclosure of sensitive or confidential data, whether through systems failure, accident, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose customers. Similarly, unauthorized access to or through our information systems or those we develop or utilize in connection with our provision of services, whether by our personnel or third parties, could result in significant additional expenses (including expenses relating to notification of data security breaches and costs of credit monitoring services), negative publicity, legal liability and damage to our reputation, as well as require substantial resources and effort of management, thereby diverting management’s focus and resources from business operations.

We may be unable to compete effectively against our current and future competitors.

The market for our products and services is highly competitive, rapidly evolving and fragmented. We have numerous competitors, including health insurance carriers, human resources consultants and outsourcers, payroll providers, national CDB specialists, regional third party administrators and commercial banks. Many of our competitors, including health insurance carriers, have longer operating histories and significantly greater financial, technical, marketing and other resources than we have. As a result, some of these competitors may be in a position to devote greater resources to the development, promotion, sale and support of their products and services.

For example, we may face increased competition in the FSA and HSA markets, which could result in a lower rate of account growth, service fees paid by our employer clients, and interchange fees paid by financial institutions related to transaction fees on debit cards used by employee participants. In addition, we may face competition between our internal product offerings to the extent that our employer clients choose to discontinue participation in our FSA program and instead enroll in our HSA program or otherwise. We are also challenged to maintain and increase the employee participation rates in all our CDB programs, and if we fail to successfully do so, our results of operations, business and prospects could be materially adversely affected.

In addition, if one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could materially adversely affect our ability to compete effectively. Our competitors may also establish or strengthen cooperative relationships with our current or future strategic brokers, insurance carriers, payroll services companies, private exchanges, third-party advisors or other parties with which we have relationships, thereby limiting our ability to promote our CDB programs with these parties and limiting the number of brokers available to sell or market our programs. This competitive environment is further magnified by relatively low customer switching costs between providers. If we are unable to compete effectively with our competitors for any of the foregoing or other reasons, our results of operations, financial condition, business and prospects could be materially adversely affected.

Changes in healthcare, security and privacy laws and other regulations applicable to our business may constrain our ability to offer our products and services.

Changes in healthcare or other laws and regulations applicable to our business may occur that could increase our compliance and other costs of doing business, require significant systems enhancement, or render our products or services less

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profitable or obsolete, any of which could have a material adverse effect on our results of operations. We may also be subject to additional obligations relating to personal data by contract that industry standards apply to our practices.

The Patient Protection and Affordable Care Act (“PPACA”) signed into law on March 23, 2010 and related regulations or regulatory actions could adversely affect our ability to offer certain of our CDBs in the manner that we do today or may make CDBs less attractive to some employers. For example, any new laws that increase reporting and compliance burdens on employers may make them less likely to offer CDBs to their employees and instead offer employees benefit coverage through public exchanges. In addition, it is unclear whether the “Cadillac Tax”, now delayed until 2022, will be modified so that employee contributions to FSAs and HSAs are excluded from the calculation or if the entire tax will be repealed. If employers are less incentivized to offer our CDB programs to employees because of the Cadillac Tax, the resulting increased regulatory burdens, costs or other impacts, could materially adversely affect our results of operations and financial condition, business and prospects.

In addition, the numerous federal and state laws and regulations related to the privacy and security of personal health information, in particular those promulgated pursuant to HIPAA require the implementation of administrative, physical and technological safeguards to ensure the confidentiality and integrity of individually identifiable health information in electronic form. We are required to enter into written agreements with all of our employer clients known as Business Associate Agreements. Pursuant to these agreements, and as our employer client’s “Business Associate” thereunder, we are required to safeguard all individually identifiable health information of their participating employees and are restricted in how we use and disclose such information. These agreements also contain data security breach notification requirements which, in some circumstances, may be more stringent than HIPAA requirements. As we are unable to predict what changes to HIPAA or other privacy and security laws or regulations might be made in the future, we can’t be certain how those changes could affect our business or the costs of compliance.

We plan to extend and expand our products and services and introduce new products and services, and we may not accurately estimate the impact of developing and introducing these products and services on our business.

We intend to continue to invest in technology and development to create new and enhanced products and services to offer our employer clients and their participating employees. Scalability of our platforms remains an on-going focus as our platform volume increases. We continue to make investments in technology upgrades to ensure stability and performance of our applications for our clients and participants. Despite quality testing of technology prior to use, it may contain errors that impact its function and performance and this may result in negative consequences. We may not be able to anticipate or manage new risks and obligations or legal, compliance or other requirements that may arise. The anticipated benefits of such new and improved products and services may not outweigh the costs and resources associated with their development.

Our ability to attract and retain new employer clients and increase revenue from existing employer clients will depend in large part on our ability to enhance and improve our existing products and services and to introduce new products and services. The success of any enhancement or new product or service depends on several factors, including the timely completion, introduction and market acceptance of the enhancement or new product or service. Any new product or service we develop or acquire may not be introduced in a timely or cost-effective manner and may not achieve the broad market acceptance necessary to generate significant revenue. If we are unable to successfully develop or acquire new products or services or enhance our existing products or services to meet client requirements, our results of operations, financial condition, business or prospects may be materially adversely affected.

Our future results will depend on our ability to continue to focus our resources and manage costs effectively.

We are continually implementing productivity measures and focusing on measures intended to further improve cost efficiency. We may be unable to realize all expected cost savings in connection with these efforts within the expected time frame, or at all and we may incur additional and/or unexpected costs to realize them. Further, we may not be able to sustain any achieved savings in the future. Future results will depend on the success of these efforts.

If we are unable to control costs, we may incur losses, which could decrease our operating margins and significantly reduce or eliminate our profits. Our future profitability will depend on our ability to manage costs or increase productivity. An inability to effectively manage costs could adversely impact our business, results of operations, or financial condition.

If we fail to manage future growth effectively, we may not be able to market and sell our products and services successfully.

We have expanded our operations significantly in recent years and anticipate that further expansion will be required in order for us to grow our business. If we do not effectively manage our growth, the quality of our services could suffer, which

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could materially adversely affect our results of operations, financial condition, business and prospects, and damage our brand and reputation among existing and prospective clients. In order to manage our future growth, we will need to hire, integrate and retain highly skilled and motivated employees. We will also be required to continue to improve our existing systems for operational and financial information management, including our reporting systems, procedures, controls, and regulatory compliance processes. These improvements may require significant capital expenditures and will place increasing demands on our management. We may not be successful in managing or expanding our operations, or in maintaining adequate operating and financial information systems and controls. If we are not successful in implementing improvements in these areas, our results of operations, financial condition, business and prospects would be materially adversely affected.

General economic and other conditions may adversely affect trends in employment and hiring patterns, which could result in lower employee participation in CDB programs, which would materially adversely affect our results of operations, financial condition, business and prospects.

Our revenue is attributable to the number of employee participants at each of our employer clients, which in turn is influenced by the employment and hiring patterns of our employer clients. To the extent our employer clients freeze or reduce their headcount or wages paid because of general economic or other conditions, demand for our programs may decrease, which could materially adversely affect our results of operations, financial condition, business and prospects.

A decline in interest rate levels may reduce our ability to generate income on our custodial cash assets, which would adversely affect our profitability.

We must partner with our FDIC-insured custodial depository bank partners to hold and invest our custodial cash assets. A decline in prevailing interest rates may negatively affect our business by reducing the yield we realize on our custodial cash assets and such scenario could materially and adversely affect our business and results of operations.

We rely on our FDIC-insured custodial depository bank partners for certain custodial account services from which we generate interest income and fees. A business failure in any FDIC-insured custodial depository bank partner would materially and adversely affect our business.

We rely on our FDIC-insured custodial bank partners to hold and invest our custodial cash assets. If any material adverse event affected one of our FDIC-insured custodial depository bank partners, including a significant decline in its financial condition, a decline in the quality of its service, loss of deposits, its inability to comply with applicable banking and financial services regulatory requirements, systems failure, or any sort of cybersecurity incident, our business, financial condition and results of operations could be materially and adversely affected. If we were required to change custodial depository banking partners, we could not accurately predict the success of such change or that the terms of our agreement with a new banking partner would be as favorable to us as those in our current agreements.

Restrictive covenants in our Credit Agreement may restrict our ability to pursue our business strategies.

Our existing Credit Agreement contains a number of restrictive covenants that impose significant operating and financial restrictions on us, and may limit our ability to engage in acts that may be in our long-term best interests. These include covenants restricting, among other things, our (and our subsidiaries') ability:

- to incur additional indebtedness;
- to grant liens;
- to enter into burdensome agreements with negative pledge clauses or restrictions on subsidiary distributions;
- to pay dividends or make other distributions in respect of equity;
- to make investments, including acquisitions, loans, and advances;
- to consolidate, to merge, to liquidate, or to dissolve;
- to sell, to transfer, or to otherwise dispose of assets;
- to engage in certain transactions with affiliates; and
- to materially alter the business that we conduct.

Our Credit Agreement also requires that we maintain compliance with a maximum leverage ratio and a minimum interest coverage ratio. The terms of these covenants may limit our ability to obtain, or increase the costs of obtaining, additional financing to fund working capital, capital expenditures, acquisitions or general corporate requirements. This in turn may have the impact of reducing our flexibility to respond to changing business and economic conditions, thereby placing us at a relative disadvantage compared to competitors that have less indebtedness, or fewer or less onerous covenants associated with such indebtedness, and making us more vulnerable to general adverse economic and industry conditions.

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The financing incurred under our Second Amended Credit Agreement could adversely affect our liquidity and financial condition.

As of December 31, 2017, we had outstanding revolving loans of $247.0 million under our Second Amended Credit Agreement and $150.2 million of undrawn letters of credit. Our ability to meet our payment obligations and satisfy the covenants under the Second Amended Credit Agreement, including the financial ratios, depends on our ability to generate sufficient cash flow and can be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios and our other obligations under the Second Amended Credit Agreement. If we are not able to generate sufficient cash flow from operations to service our obligations under our Second Amended Credit Agreement, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could impede the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business. Additionally, we may not be able to effect such actions or refinance any of our debt, if necessary, on commercially reasonable terms, or at all.

A breach of any covenant or restriction contained in the Second Amended Credit Agreement could result in a default under the Second Amended Credit Agreement. Upon the occurrence of an event of default, the lenders could elect to declare some or all outstanding borrowings, together with accrued and unpaid interest and other amounts payable thereunder, to be immediately due and payable and to terminate any commitments they have to provide further borrowings. Further, following an event of default, the lenders will have the right to proceed against the collateral granted to them to secure that debt, including substantially all of our assets. If the debt under the Second Amended Credit Agreement was to be accelerated, we may not have sufficient funds to repay our existing debt and our assets may not be sufficient to repay in full that debt or any other debt that may become due as a result of that acceleration. Any such default could have a material adverse effect on our liquidity and financial condition.

Failure to effectively develop and expand our direct and indirect sales channels may materially adversely affect our results of operations, financial condition, business and prospects and reduce our growth.

We will need to continue to expand our sales and marketing infrastructure in order to grow our employer client base and our business. We rely on our enterprise sales force to target new Fortune 1000 client accounts and sell into carriers, partnership, and private exchanges, as well as to cross-sell additional products and services to our existing enterprise clients. Effectively training our sales personnel requires significant time, expense and attention. In addition, we utilize various partners, brokers, insurance agents, benefits consultants, regional and national insurance carriers, health plans, payroll companies, banks and regional third party administrators, to sell and market our programs to employers. Furthermore, we are investing more marketing and advertising spend to increase our HSA accounts. If we are unable to develop and expand our direct sales team, our indirect sales channels, or become a partner to more carriers and private exchanges, our ability to attract new employer clients may be negatively impacted and our growth opportunities will be reduced, each of which would materially adversely affect our results of operations, financial condition, business and prospects.

We may incur significant expenses in connection with the development and expansion of our sales and marketing efforts. If our efforts to develop and expand our direct and indirect sales channels do not generate a corresponding increase in revenue, our business may be materially adversely affected. In particular, if we are unable to effectively train our sales personnel or if our direct sales personnel are unable to achieve expected productivity levels in a reasonable period of time, we may not be able to increase our revenue and grow our business.

Long sales cycles make the timing of our long-term revenues difficult to predict.

Our average sales cycle ranges from approximately two months for small opportunities to over a year for large and significant new indirect business. Factors that may influence the length of our sales cycle include:

- the need to educate potential employer clients about the uses and benefits of our CDB programs;
- the relatively long duration of the commitment clients make in their agreements;
- the discretionary nature of potential employer clients' purchasing and budget cycles and decisions;
- the competitive nature of potential employer clients' evaluation and purchasing processes;
- fluctuations in the CDB program needs of potential employer clients; and
- lengthy purchasing approval processes of potential employer clients.

If we are unable to close an expected significant transaction with one or more of these potential clients in the anticipated period, our operating results for that period, and for any future periods in which revenue from such transaction would otherwise have been recognized, would be harmed.

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Our business and operational results are subject to seasonality as a result of open enrollment for CDB programs and decreased use of commuter program offerings during typical vacation months.

Typically our revenue is greatest during our first calendar quarter. This is primarily due to two factors. First, new employer clients and their employee participants typically begin service on January 1. Second, during the first calendar quarter, we are also servicing the end of plan year activity for existing clients, including assisting our clients with initiating the deduction of healthcare premiums on a tax deferred basis, and employee participants who do not continue participation into the next plan year.

Generally, in comparison to other quarters, our SMB revenue is highest in the first quarter and lowest in the second and third quarters. Thereafter, our SMB revenue generally grows gradually in the fourth quarter as our employer clients hire new employees who then elect to participate in our programs, thereby increasing our monthly minimum billing amount. The minimum billing amount is not, however, generally subject to downward revision when employees leave their employers because we continue to administer those former employee participants' accounts for the remainder of the plan year while there is an available balance. Revenue from commuter programs may vary from month-to-month because employees may elect to participate in our commuter programs at any time during the year and may change their election to participate or the amount of their contribution on a monthly basis; however, participation rates in our commuter business typically slow during the summer as people take vacations and do not purchase transit passes or parking passes during that time.

Our operating expenses increase during the fourth quarter because of increased debit card production and because we increase our customer support center capacity to answer questions from employee participants during the open enrollment periods related to their CDB participation decisions. The cost of providing services peaks in the first quarter as new employee participants contact us for information about their CDBs, and as terminating employee participants submit their final claims for reimbursement.

Our revenue growth rate in recent periods may not be indicative of our future performance.

Our revenue growth rate in recent periods may not be indicative of our future performance. Factors that may contribute to declines in our growth rates include challenges in the selling environment, the continued impact of integration activities and late notifications in 2018, and a mid-year phase-out of a partner that migrated to their own platform. You should not rely on our revenue for any prior quarterly or annual period as an indication of our future revenue or revenue growth. If we are unable to maintain consistent revenue or revenue growth, our business, financial condition, results of operations and prospects could be materially adversely affected and our stock price could be volatile.

Our operating results can fluctuate from period to period, which could cause our share price to fluctuate.

Fluctuations in our quarterly operating results could cause our stock price to decline rapidly, may lead analysts to change their long-term models for valuing our common stock, could cause short-term liquidity issues, may impact our ability to retain or attract key personnel or cause other unanticipated issues. If our quarterly operating results or guidance fall below the expectations of research analysts or investors, the price of our common stock could decline substantially. Our quarterly operating expenses and operating results may vary significantly in the future and period-to-period comparisons of our operating results may not be meaningful. You should not rely on the results of one quarter as an indication of future performance.

If employee participants do not continue to utilize our prepaid debit cards or choose another payment method other than signature enabled prepaid debit cards, our results of operations, business and prospects could be materially adversely affected.

We derive a portion of our revenue from interchange fees that are paid to us when employee participants utilize our prepaid debit cards to pay for certain healthcare and commuter expenses under our CDB programs. These fees represent a percentage of the expenses transacted on each debit card and are paid to the Company by the financial institutions that issue the cards and hold the associated participant funds. If our employer clients do not adopt these prepaid debit cards as part of the benefits programs they offer, if the employee participants do not use them at the rate we expect, if employee participants choose to process their transactions over PIN networks rather than signature networks or if other alternatives to prepaid tax-advantaged benefit cards develop, our results of operations, business and prospects could be materially adversely affected.

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If we are unable to maintain and enhance our brand and reputation, our ability to sustain and grow our business may be materially adversely affected.

Maintaining and strengthening our brand is critical to attracting new clients and growing our business. Our ability to maintain and strengthen our brand and reputation will depend heavily on our capacity to continue to provide high levels of customer service to our employer clients and their employee participants at cost effective and competitive prices, which we may not do successfully. In addition, our continued success depends, in part, on our reputation as an industry leader in promoting awareness and understanding of the positive impact of CDBs among employers and employees. If we fail to successfully maintain and strengthen our brand, our results of operations, financial condition, business and prospects will be materially adversely affected.

If our customers are not satisfied with the implementation and professional services provided by us or our partners, it could have a material adverse effect on our business, financial condition, and results of operations.

Our business depends on our ability to implement our solutions on a timely, accurate, and cost-efficient basis and to provide professional services demanded by our customers. Implementation and other professional services may be performed by our own staff, by a third party, or by a combination of the two. Although we perform the majority of our implementations and other professional services with our staff, in some instances we work with third parties to increase the breadth of capability and depth of capacity for delivery of certain services to our customers. If a customer is not satisfied with the quality of work performed by us or a third party or with the implementation or type of professional services or applications delivered, or there are inaccuracies or errors in the work delivered by the third party, then we could incur additional costs to address the situation, the profitability of that work might be impaired, and the customer's dissatisfaction with such services could damage our ability to expand the number of applications subscribed to by that customer or we could be liable for loss or damage suffered by the customer as a result of such third party's actions or omissions, any of which could have a material adverse effect on our business, financial condition, and results of operations. If a new customer is dissatisfied with professional services, either performed by us or a third party, the customer could refuse to go-live, which could result in a delay in our collection of revenue or could result in a customer seeking repayment of its implementation fees or suing us for damages, or could force us to enforce the termination provisions in our customer contracts in order to collect revenue. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may affect our ability to compete for new business with current and prospective customers, which could also have a material adverse effect on our business, financial condition, and results of operations.

Some plan providers with which we have relationships also provide, or may provide, competing services.

We face competitive risks in situations where some of our strategic partners are also current or potential competitors. For example, certain of the banks we utilize as custodians of the funds for our HSA employee participants also offer their own HSA products. To the extent that these partners choose to offer competing products and services that they have developed or in which they have an interest to attract our current or potential clients, our results of operations, business and prospects could be materially adversely affected to a material degree.

We are subject to complex regulation, and any compliance failures or regulatory action could materially adversely affect our business.

The plans we administer and, as a result, our business are subject to extensive, complex and continually changing federal and state laws and regulations, including IRS, Health and Human Services ("HHS"), and Department of Labor ("DOL") regulations; ERISA, HIPAA, HITECH and other privacy and data security regulations; and the PPACA. If we fail to comply with any applicable law, rule or regulation, we could be subject to fines and penalties, indemnification claims by our clients, or become the subject of a regulatory enforcement action, each of which would materially adversely affect our business and reputation.

We may also become subject to additional regulatory and compliance requirements as a result of changes in laws or regulations, or as a result of any expansion or enhancement of our existing products and services or the development of any new products or services in the future. For example, if we expand our product and service offerings into the health insurance market in the future, we would become subject to state Department of Insurance regulations. Compliance with any new regulatory requirements may divert internal resources and take significant time and effort.

Any claims of noncompliance brought against us, regardless of merit or ultimate outcome, could subject us to investigation by the Department of Labor, the IRS, the Centers for Medicare and Medicaid Services, the U.S. Department of the Treasury or other federal and state regulatory authorities, which could result in substantial costs to us and divert management's

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attention and other resources away from our operations. In addition, investor perceptions of us may suffer and could cause a decline in the market price of our common stock. Our compliance processes may not be sufficient to prevent assertions that we failed to comply with any applicable law, rule or regulation.

The occurrence of natural or man-made disasters could result in declines in business and increases in claims that could adversely affect our financial condition and results of operations.

We are exposed to various risks arising out of natural disasters, including earthquakes, hurricanes, fires, floods, tornadoes, climate events or weather patterns, and pandemic health events, as well as man-made disasters, including acts of terrorism, military actions and cyber-terrorism. The continued threat of terrorism and ongoing military actions may cause significant volatility in global financial markets, and a natural or man-made disaster could trigger an economic downturn in the areas directly or indirectly affected by the disaster. These consequences could, among other things, result in a decline in business in the area affected by the event. Disasters also could disrupt public and private infrastructure, including communications and financial services, which could disrupt our normal business operations.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, breach of confidential information, regulatory actions, reputational harm or legal liability.

Should we experience a disaster or other business continuity problem, either natural or man-made, our ability to protect our infrastructure, including customer data, and maintain ongoing operations will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. In such an event, we could experience near-term operational challenges with regard to particular areas of our operations.

In particular, our ability to recover from any disaster or other business continuity problem will depend on our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. Our business continuity plan may not be successful in mitigating the effects of a disaster or other business continuity problem. We could potentially lose client data, experience a breach of security or confidential information, or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster.

We will continue to regularly assess and take steps to improve upon our business continuity plans. However, a disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, breach of confidential information, regulatory actions, reputational harm, damaged client relationships and legal liability.

A disruption of our data centers could have a materially adverse effect on our business.

We host our applications and serve our clients from data centers that we operate and from data centers operated by third-party vendors. If any of our or our third-party vendors' data centers fail or become disabled, even for a limited period of time, our businesses could be disrupted and we could suffer financial loss, liability to clients, loss of clients, regulatory intervention, or damage to our reputation, any of which could have a material adverse effect on our results of operation or financial condition. In addition, our third-party vendors may cease providing data center facilities or services, elect to not renew their agreements with us on commercially reasonable terms or at all, breach their agreements with us or fail to satisfy our expectations, which could disrupt our operations and require us to incur costs which could materially adversely affect our results of operation, financial condition or cash flow.

If our applications fail to perform properly, our reputation could be adversely affected, our market share could decline, and we could be subject to liability claims.

Our applications are inherently complex and may contain material defects or errors. Any defects in functionality or that cause interruptions in the availability of our applications could result in:

- loss or delayed market acceptance and sales;
- legal claims, including breach of warranty claims;
- issuance of refunds or service credits to customers for prepaid and unused subscription services;
- loss of customers;
- diversion of development and customer service resources; and
- injury to our reputation.

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The costs incurred in correcting any material defects or errors might be substantial and could adversely affect our operating results.

Because of the large amount of data that we collect and process, it is possible that hardware failures or errors in our systems could result in data loss or corruption, or cause the information that we collect to be incomplete or contain inaccuracies that our clients and their employee participants regard as significant. Furthermore, the availability or performance of our applications could be adversely affected by a number of factors, including our clients and their employee participants inability to access the Internet, the failure of our network or software systems, security breaches, or variability in user traffic for our services. For example, our clients and their employee participants access our applications through their Internet service providers. If a service provider fails to provide sufficient capacity to support our applications or otherwise experiences service outages, such failure could interrupt access to our applications, which could adversely affect our clients and their participants perception of our applications' reliability and our revenues. We may be required to issue credits or refunds to our clients or otherwise be liable to our clients and/or their employee participants for damages they may incur resulting from certain of these events. In addition to potential liability, if we experience interruptions in the availability of our applications, our reputation could be adversely affected and we could lose customers.

Our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover all claims made against us and defending a suit, regardless of its merit, could be costly and divert management's attention.

If we fail to upgrade, enhance and expand our technology and services to meet client needs and preferences, the demand for our solutions and services may diminish.

Our businesses operate in industries that are subject to rapid technological advances and changing client needs and preferences. In order to remain competitive and responsive to client demands, we continually upgrade, enhance, and expand our existing solutions and services. If we fail to respond successfully to technology challenges and client needs and preferences, the demand for our solutions and services may diminish.

We employ third party software for use in or with both our applications and our internal operations, and the inability to maintain these licenses or errors in the software we license could result in increased costs, or reduced service levels, which could have a material adverse effect on our business, financial condition, and results of operations.

Our applications incorporate certain third party software obtained under licenses from other companies. Additionally, we are reliant on third party software licenses for our internal operational applications. We anticipate that we will continue to rely on such third party software and development tools from third parties in the future. Although we believe that there are commercially reasonable alternatives to the third party software we currently license, this may not always be the case, or it may be difficult or costly to replace, and our failure to migrate off end of life software may significantly impact our customer's ability to operate. In addition, integration of the software used in our applications and in our operations with new third party software may require significant work and require substantial investment of our time and resources. Also, our use of additional or alternative third party software would require us to enter into license agreements with third parties.

Additionally, if the quality of our third party software declines, the overall quality of our products may be negatively impacted. To the extent that our applications depend upon the successful operation of third party software in conjunction with our software, any undetected errors or defects in this third party software could prevent the deployment or impair the functionality of our applications, delay new application introductions, and result in a failure of our applications, which could have a material adverse effect on our business, financial condition, and results of operations.

Any failure to offer high-quality technical support services may adversely affect our relationships with our customers and could have a material adverse effect on our business, financial condition, and results of operations.

Once our applications are deployed, our customers depend on our support organization to resolve technical issues relating to our applications. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by our competitors. Increased customer demand for these services, without corresponding revenues, could increase costs and have an adverse effect on our results of operations. In addition, our sales process is highly dependent on our applications and business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation and our ability to sell our applications to existing and prospective customers, which could have a material adverse effect on our business, financial condition, and results of operations.

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Our future success depends on our ability to recruit and retain qualified employees, including our executive officers and directors.

Our success is substantially dependent upon the performance of our senior management, such as our chief executive officer. Our management and employees may terminate their employment at any time, and the loss of the services of any of our executive officers could materially adversely affect our business. Our success is also substantially dependent upon our ability to attract additional personnel for all areas of our organization. Competition for qualified personnel is increasingly intense, and we may not be successful in attracting and retaining such personnel on a timely basis, on competitive terms or at all. Additionally, it may be more difficult for us to attract and retain qualified individuals to serve on our Board or as our executive officers due to potential liability concerns related to serving on a public company. If we are unable to attract and retain the necessary personnel, our results of operations, financial condition, business and prospects would be materially adversely affected.

Changes in credit card association or other network rules or standards set by Visa or MasterCard, or changes in card association and debit network fees or products or interchange rates, could materially adversely affect our results of operations, business and financial position.

We, and the banks that issue our prepaid debit cards, are subject to Visa and MasterCard association rules that could subject us to a variety of fines or penalties that may be levied by the card associations or networks for acts or omissions by us or businesses that work with us, including card processors, such as Alegeus. The termination of the card association registrations held by us or any of the banks that issue our cards, or any changes in card association or other debit network rules or standards, including interpretation and implementation of existing rules, participants deciding to use PIN networks, standards or guidance that increase the cost of doing business or limit our ability to provide our products and services, or limit our ability to receive interchange fees, could have a material adverse effect on our results of operations, financial condition, business and prospects. In addition, from time-to-time, card associations increase the organization or processing fees that they charge, which could increase our operating expenses, reduce our profit margin and materially adversely affect our results of operations, financial condition, business and prospects.

We have entered into outsourcing and other agreements with third parties related to certain of our business operations, and any difficulties experienced in these arrangements could result in additional expense, loss of revenue or an interruption of our services.

We have entered into outsourcing agreements with third parties to provide certain customer service and related support functions to our employer clients and their employee participants. As a result, we rely on third parties over which we have limited control. If these third parties are unable to perform to our requirements or to provide the level of service required or expected by our employer clients, including ensuring the privacy and integrity of individually identifiable health information that they may be privy to as a result of the services they perform for our employer clients and their employee participants, our operating results, financial condition, business, prospects and reputation may be materially harmed. In addition, we may be forced to pursue alternative strategies to provide these services, which could result in delays, interruptions, additional expenses and loss of clients and related revenues.

If our intellectual property and technology are not adequately protected to prevent use or appropriation by our competitors, our business and competitive position could be materially adversely affected.

We rely on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality procedures and contractual provisions, to establish and protect our intellectual property rights in the United States.

The efforts we have taken to protect our intellectual property may not be sufficient or effective, and our patents, trademarks and copyrights may be held invalid or unenforceable. We may not be effective in policing unauthorized use of our intellectual property, and even if we do detect violations, litigation may be necessary to enforce our intellectual property rights. Any enforcement efforts we undertake, including litigation, could be time consuming and expensive, could divert our management's attention and may result in a court determining that our intellectual property rights are unenforceable. If we are not successful in cost-effectively protecting our intellectual property rights, our results of operations, financial condition, business and prospects could be materially adversely affected.

We may be required to record goodwill or other long-lived asset impairment charges, which could result in a significant charge to earnings, which could have a material adverse non-cash impact on our results of operations.

Under U.S. GAAP, we review our long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is assessed for impairment at least annually. Factors that may be

considered in assessing whether goodwill or other long-lived assets may not be recoverable include a decline in our share price or market capitalization, reduced estimates of future cash flows and slower growth rates in our industry. We may experience unforeseen circumstances that adversely affect the value of our goodwill or other long-lived assets and trigger an evaluation of the recoverability of the recorded goodwill and other long-lived intangible assets. Future goodwill or other long-lived asset impairment charges could have a material adverse non-cash impact on our results of operations.

Changes in our accounting estimates and assumptions could negatively affect our financial position and results of operations.

We prepare our consolidated financial statements in accordance with U.S. GAAP. These accounting principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our financial statements. We are also required to make certain judgments that affect the reported amounts of revenues and expenses during each reporting period. We periodically evaluate our estimates and assumptions including, but not limited to, those relating to revenue recognition, restructuring, recoverability of assets including customer receivables, valuation of goodwill and intangibles, contingencies, share-based payments, and income taxes. We base our estimates on historical experience and various assumptions that we believe to be reasonable based on specific circumstances. These assumptions and estimates involve the exercise of judgment and discretion, which may evolve over time in light of operational experience, regulatory direction, developments in accounting principles, and other factors. Actual results could differ from these estimates, or changes in assumptions, estimates, policies, or developments in the business may change our initial estimates, which could materially affect our financial position, the Consolidated Statements of Income, Comprehensive Income, Stockholders' Equity and Cash Flows.

Our ability to use net operating losses and income tax credits carryforwards to offset future taxable income may be limited.

As of December 31, 2017, we had $2.6 million and $17.0 million of federal and state net operating loss carryforwards available to offset future taxable income. The federal and state net operating loss carryforwards have been prepared on a post-apportionment basis. These net operating loss carryforwards will begin to expire in the year 2018 through 2033 for both federal and state income tax purposes, if not fully utilized. In addition, we have federal and state research and development credit carryforwards of approximately $7.8 million and $3.8 million, respectively. The federal research credit carryforwards expire beginning in 2030 through 2037, if not fully utilized. The California state research credit carries forward indefinitely and other states begin to expire in years 2036 through 2037. In addition, we have $0.1 million of state investment tax credits that will begin to expire in years 2018 through 2019, if not fully utilized. Our ability to utilize net operating loss and tax credit carryforwards are subject to restrictions, including limitations in the event of past or future ownership changes as defined in Section 382 of the Internal Revenue Code, or IRC, of 1986, as amended ("IRC"), and similar state tax laws. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders increases by more than 50 percentage points over such stockholders' lowest percentage ownership during the testing period (generally three years). We have considered Section 382 of the IRC and concluded that any ownership change would not diminish our utilization of our net operating loss carryforwards or our research and development credits during the carryover periods.

If one or more jurisdictions successfully assert that we should have collected or in the future should collect additional sales and use taxes on our fees, we could be subject to additional liability with respect to past or future sales and the results of our operations could be adversely affected.

Sales and use tax laws and rates vary by jurisdiction and such laws are subject to interpretation. In those jurisdictions where we believe sales taxes are applicable, we collect and file timely sales tax returns. Currently, such taxes are minimal. Jurisdictions in which we do not collect sales and use taxes may assert that such taxes are applicable, which could result in the assessment of such taxes, interest and penalties, and we could be required to collect such taxes in the future. This additional sales and use tax liability could adversely affect our results of operations.

Some of our applications may link to or utilize open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Some of our applications may incorporate software covered by open source licenses. The terms of various open source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unfavorable conditions on us. For example, by the terms of certain open source licenses, we could be required to offer our platforms that incorporate the open source software for no cost, that we make publicly-available source code for modifications or derivative works that we created based upon, incorporating or using the open source software, and/or that we license such modifications or derivative works under the terms of the particular open source license. If portions of our proprietary software are determined to be subject to an open source license, then the value of our technologies and services

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could be reduced. In addition to risks related to license requirements, usage of open source software may be riskier than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with usage of open source software cannot be eliminated and could negatively affect our business.

Third parties may assert intellectual property infringement claims against us, or our services may infringe the intellectual property rights of third parties, which may subject us to legal liability and materially adversely affect our reputation.

Assertion of intellectual property infringement claims against us could result in litigation. We might not prevail in any such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party on commercially reasonable terms, or at all. Even if obtained, we may be unable to protect such licenses from infringement or misuse, or prevent infringement claims against us in connection with our licensing efforts. Any such claims, regardless of their merit or ultimate outcome, could result in substantial cost to us, divert management's attention and our resources away from our operations and otherwise adversely affect our reputation. Our process for controlling our own employees' use of third-party proprietary information may not be sufficient to prevent assertions of intellectual property infringement claims against us.

We rely on insurance to mitigate some risks of our business and, to the extent the cost of insurance increases or we maintain insufficient coverage, our results of operations, business and financial condition may be materially adversely affected.

We contract for insurance to cover a portion of our potential business risks and liabilities. In the current environment, insurance companies are increasingly specific about what they will and will not insure. It is possible that we may not be able to obtain sufficient insurance to meet our needs, may have to pay very high prices for the coverage we do obtain or may not acquire any insurance for certain types of business risk. This could leave us exposed, and to the extent we incur liabilities and expenses for which we are not adequately insured, our results of operations, cash flow, business and financial condition could be materially adversely affected. Also, to the extent the cost of maintaining insurance increases, our operating expenses will rise, which could materially adversely affect our results of operations, financial condition, business and prospects.

Substantial sales of our common stock by our stockholders could depress the market price of our common stock regardless of our operating results.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the market price of our common stock and impair our ability to raise capital through offerings of our common stock. Under SEC regulations, the failure to file with the SEC our required annual report on Form 10-K for 2017 and quarterly reports on Form 10-Q for 2018 resulted in the suspension of the availability of our employee and director stock benefit plans, including the Company's 401(k) and Profit Sharing Plan, to allow our employees to exercise any Company stock options that they hold or to choose to invest in our common stock under the 401(k) and Profit Sharing Plan. However, once we become current with our SEC reporting requirements, substantially all of our outstanding common stock will be eligible for sale, subject to Rule 144 volume limitations for holders affected by such limitations, as will be common stock issuable under vested and exercisable options. Rule 144 allows public resale of restricted and control securities if certain conditions are met. If our existing stockholders sell a large number of common stock or the public market perceives that existing stockholders might sell our common stock, the market price of our common stock could decline significantly. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate.

Our stock price has fluctuated and may continue to do so and may even decline regardless of our financial performance.

The market price of our common stock has fluctuated and may continue to fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our financial results;
- changes in the financial projections we provide to the public or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- ratings changes by any securities analysts who follow our company;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic relationships, partnerships or capital commitments;
- changes in operating performance and stock market valuations of other newly public companies generally, or those in our industry in particular;
- changes brought about by health care reform and the emergence of federal, state and private exchanges;
- price and volume fluctuations in the overall stock market, including as a result of trends in the global economy;

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- any major change in our Board or management;
- government investigations and lawsuits threatened or filed against us; and
- other events or factors, including those resulting from a data security breach, war, incidents of terrorism or responses to these events.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against such a company. A Securities Class Action as well as Derivative Suits have been filed against us and a number of our current and former officers and directors. See Item 3. Legal Proceedings and "Legal Matters" in Note 15 to our Consolidated Financial Statements. That litigation, or future securities litigation could result in substantial costs and divert our management's attention and resources from our business. This could have a material adverse effect on our business, results of operations, financial condition and cash flow.

Anti-takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that could have the effect of delaying, preventing or rendering more difficult an acquisition of us if such acquisition is deemed undesirable by our Board. Our corporate governance documents include provisions that:

- create a classified Board whose members serve staggered three-year terms;
- authorize "blank check" preferred stock, which could be issued by the Board without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- limit the ability of our stockholders to call and bring business before special meetings;
- require advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our Board;
- control the procedures for the conduct and scheduling of Board and stockholder meetings; and
- provide the Board with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings.

These provisions, alone or together, could delay or prevent unsolicited takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock.

Any provision of our amended and restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

We do not expect to declare any dividends in the foreseeable future.

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Any future financing agreements may prohibit us from paying any type of dividends. Consequently, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Facilities

We do not currently own any of our facilities. Our corporate headquarters are located in San Mateo, California where we occupy approximately 37,937 square feet of space under a lease that expires in May 2022. We have additional facilities in Arizona, Georgia, Kentucky, New York, Texas, Vermont and Wisconsin under various leases that will expire between March 2020 and July 2028. We believe that our facilities are adequate for our current needs and that suitable additional or substitute space will be available as needed to accommodate planned expansion of our operations.

Item 3. Legal Proceedings

Legal Proceedings

The Company is pursuing affirmative claims against the OPM to obtain payment for services provided by the Company between March 1, 2016 and August 31, 2016 pursuant to our contract with OPM for the Government's Federal Flexible Account Program ("FSAFEDS"). The Company initially issued its invoice for these services in February 2017. On December 22, 2017, the Company received the Contracting Officer's "final decision" refusing payment of the invoiced amount and otherwise denying the Company's Certified Claim. As a result of this decision, and a related Certified Claim that OPM subsequently denied, on February 8, 2018, we filed an appeal to the Civilian Board of Contract Appeals ("CBCA") against OPM for services provided by the Company between March 1, 2016 and August 31, 2016. On August 3, 2018, we filed an appeal to the CBCA of OPM's June 21, 2018 denial of a Request for Equitable Adjustment for extra work associated with a contract modification imposing new security and other requirements not part of the original scope of FSAFED's contract work. The aggregate amount of our claims is approximately $9.1 million. The cases have been consolidated and discovery is ongoing.

There have been multiple discovery motions, as well as motion to dismiss the Claim we filed on August 3, 2018 which has been fully briefed and is awaiting a decision by the CBCA. The cases have been set for a hearing on the merits on April 24, 2019. However, because of the recent partial Government shutdown, the trial date has been postponed and has been tentatively scheduled for mid-June 2019. In connection with the Company's claims against OPM, OPM has also claimed that an erroneous statement in a certificate signed by a former executive officer constituted a violation of the False Claims Act, and has moved to dismiss part of our claim against OPM as a result. As with all legal proceedings, no assurance can be provided as to the outcome of these matters or if we will be successful in recovering the full claimed amount.

On March 9, 2018, a putative class action - captioned *Government Employees' Retirement System of the Virgin Islands v. WageWorks, Inc., et al., No. 4:18-cv-01523-JSW* - was filed in the United States District Court for the Northern District of California (the "Securities Class Action") against the Company, our former Chief Executive Officer, and our former Chief Financial Officer. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") on behalf of persons and entities that acquired WageWorks securities between May 6, 2016 and March 1, 2018, and alleges, among other things, that the defendants issued false and misleading financial statements. The plaintiffs seek unspecified damages, fees, interest, and costs. The Company believes that the claims are without merit. On August 7, 2018, the Court entered an order granting the motion of the Public Pension Group, consisting of Public Employees' Retirement System of Mississippi, the Government Employees' Retirement System of the Virgin Islands, and the New Mexico Public Employees Retirement Association of New Mexico, to be lead plaintiff. Under the schedule stipulated by the parties, and approved by the Court, lead plaintiff will file its consolidated amended complaint no later than forty-five (45) days following issuance of the Company's Restatement.

On June 22, 2018 and September 6, 2018, two derivative lawsuits were filed against certain of our officers and directors and the Company (as nominal defendant) in the Superior Court of the State of California, County of San Mateo. Pursuant to the parties' stipulation, which was approved by the Superior Court, the actions were consolidated. On July 23, 2018, a similar derivative lawsuit was filed against certain of our officers and directors and the Company (as nominal defendant) in the United States District Court for the Northern District of California (together, the "Derivative Suits"). The Derivative Suits purport to allege claims related to breaches of fiduciary duties, waste of corporate assets, and unjust enrichment. In addition, the complaint in District Court includes a claim for abuse of control, and the complaint in Superior Court includes a claim to require the Company to hold an annual shareholder meeting. The allegations in the Derivative Suits relate to substantially the same facts as those underlying the Securities Class Action described above. The plaintiffs seek unspecified damages and fees and costs. In addition, the complaint in the Superior Court seek for us to provide past operational reports and financial statements, to publish timely and accurate operational reports and financial statements going forward, to hold an annual shareholder meeting, and to take steps to improve its corporate governance and internal procedures.

Under the schedule stipulated by the parties, and approved by the Superior Court, the plaintiff in the Superior Court action will file its Consolidated Complaint within 45 days from the date we issue our Restatement. As stipulated by the parties, and approved by the District Court, the District Court action is stayed. The parties in the District Court action are to notify the District Court within 15 days of (1) the dismissal of the Securities Class Action, (2) the denial of defendants' motion(s) to dismiss, or (3) a party giving notice that they no longer consent to the voluntary stay.

From time to time, the Company may become involved in legal proceedings, claims and litigation arising in the ordinary course of business.

The Company voluntarily contacted the San Francisco office of the SEC Division of Enforcement regarding the restatement and independent investigation. The Company is providing information and documents to the SEC and will continue to cooperate with the SEC's investigation into these matters. The U.S. Attorney's Office for the Northern District of California also opened an investigation. The Company has provided documents and information to the U.S. Attorney's Office and will continue to cooperate with any inquiries by the U.S. Attorney's Office regarding the matter.

The Company records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information, the Company does not believe that any additional liabilities relating to other unresolved matters are probable or that the amount of any resulting loss is estimable. However, litigation is subject to inherent uncertainties and the Company's view of these matters may change in the future. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on the Company's financial position, results of operations or cash flows for the period in which the unfavorable outcome occurs, and potentially in future periods.

Additional information with respect to this Item may be found under the heading "Legal Matters" in Note 15. Commitments and Contingencies, in the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K, which is incorporated into this Item 3 by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock has traded on the New York Stock Exchange, (the "NYSE"), under the symbol "WAGE" since May 2012. The following table sets forth the range of high and low sales prices on the NYSE of our common stock for the periods indicated, as reported by the NYSE.

	Price Range	
	High	Low
Fiscal 2017:		
First Quarter (January 1, 2017 - March 31, 2017)	$ 80.50	$ 67.30
Second Quarter (April 1, 2017 - June 30, 2017)	$ 76.55	$ 66.00
Third Quarter (July 1, 2017 - September 30, 2017)	$ 69.25	$ 56.90
Fourth Quarter (October 1, 2017 - December 31, 2017)	$ 65.80	$ 58.30

	Price Range	
	High	Low
Fiscal 2016:		
First Quarter (January 1, 2016 - March 31, 2016)	$ 51.25	$ 38.99
Second Quarter (April 1, 2016 - June 30, 2016)	$ 60.81	$ 49.22
Third Quarter (July 1, 2016 - September 30, 2016)	$ 65.43	$ 55.75
Fourth Quarter (October 1, 2016 - December 31, 2016)	$ 75.28	$ 55.65

Stockholders

As of February 28, 2018, according to the records of our transfer agent, there were 22 holders of record of our common stock. The number of beneficial stockholders is substantially greater than the number of holders of record because a large portion of our common stock is held through brokerage firms.

Dividends

We have never declared nor paid any cash dividend on our common stock. We currently intend to retain any future earnings and do not currently plan to pay any dividends in the immediate future. The payment of future dividends on the common stock and the rate of such dividends, if any and when not restricted, will be determined by our Board in light of our results of operations, financial condition, capital requirements, and any other relevant factors.

Stock Performance Graph

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The following graph compares the cumulative total return of our common stock with the total return for the New York Stock Exchange Composite Index (the "NYSE Composite") and the Russell 3000 Index (the "Russell 3000") from May 10, 2012 (the date our common stock commenced trading on the NYSE) through December 31, 2017. The chart assumes $100 was invested on May 10, 2012, in the common stock of WageWorks, Inc., the NYSE Composite and the Russell 3000, and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

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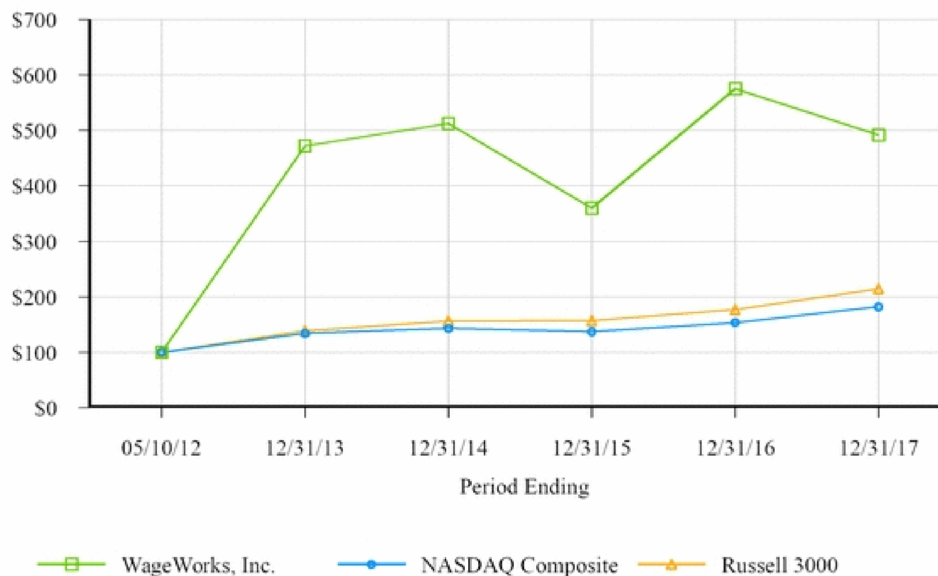

Unregistered Sales of Equity Securities

None.

Public Stock Offering

On June 20, 2017, we closed a public stock offering and sold 1,954,852 shares of our common stock at $69.25 per share, for proceeds of approximately $130.8 million, net of underwriting discounts and commissions and other offering costs. Certain selling stockholders sold 545,148 shares of common stock in the offering for which we did not receive any proceeds. Selling stockholders received proceeds net of their proportionate share of the total underwriting discounts and commissions. We also granted the underwriters a 30-day overallotment option to purchase up to an additional 375,000 shares of our common stock at $69.25 per share. The overallotment option expired unexercised.

Share Repurchase Program

On August 6, 2015, our Board authorized a $100.0 million stock repurchase program which commenced on November 5, 2015 and expires on November 4, 2018. Repurchases made under this program may be made in the open market as we deem appropriate and market conditions allow. In 2017, we repurchased 134,900 shares of our common stock for a total cost of $7.9 million, or an average price of $58.82 per share. In 2016, we repurchased 226,170 shares of our common stock for a total cost of $9.4 million, or an average price of $41.43 per share. As of December 31, 2017, we had $77.7 million available for future purchases under the stock repurchase program.

Item 6. Selected Financial Data

Restatement

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The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to the restatement adjustments made to the previously reported Consolidated Financial Statements as of and for the year ended December 31, 2016. For additional information and a detailed discussion of the restatement, see Note 2, Restatement of Consolidated Financial Statements in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

The following selected consolidated financial data (presented in thousands, except per share amounts) is derived from our consolidated financial statements. As our operating results are not necessarily indicative of future operating results, this data should be read in conjunction with the consolidated financial statements and notes thereto in Item 8 of Part II, "Financial Statements and Supplementary Data", and with Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	Years Ended December 31,				
	2017 (4)	2016 As Restated Note 2 (4)	2015	2014	2013
	(in thousands, except per share data)				
Consolidated Statements of Income Data:					
Revenues	$ 476,095	$ 355,561	$ 334,316	$ 267,832	$ 219,278
Operating expenses:					
Cost of revenues (excluding amortization of internal use software)	173,661	129,046	117,170	100,226	81,918
Technology and development, sales and marketing, general and administrative, and employee termination and other charges	194,112	163,273	149,587	115,565	93,772
Amortization, impairment and change in contingent consideration (1)	37,890	37,175	27,618	20,992	11,612
Total operating expenses	405,663	329,494	294,375	236,783	187,302
Income from operations	70,432	26,067	39,941	31,049	31,976
Other income (expense):					
Interest income	1,147	406	153	5	17
Interest expense	(7,293)	(2,717)	(1,925)	(1,612)	(1,339)
Other income (expense)	(316)	1,075	(182)	743	248
Income before income taxes	63,970	24,831	37,987	30,185	30,902
Income tax provision (2)	(9,583)	(8,929)	(15,037)	(11,943)	(9,203)
Net income (2)	$ 54,387	$ 15,902	$ 22,950	$ 18,242	$ 21,699
Net income per share:					
Basic (2)	$ 1.41	$ 0.44	$ 0.64	$ 0.52	$ 0.65
Diluted (2)	$ 1.38	$ 0.43	$ 0.63	$ 0.50	$ 0.62
Shares used in computing net income per share:					
Basic	38,447	36,404	35,784	35,145	33,626
Diluted (2)	39,415	37,210	36,595	36,330	35,277

	As of December 31,				
	2017	2016 As Restated Note 2 (4)	2015	2014	2013
	(in thousands)				
Consolidated Balance Sheets Data:					
Cash and cash equivalents	$ 779,345	$ 672,609	$ 500,918	$ 413,301	$ 359,958
Short-term investments	195,534	—	—	—	—
Working capital (3)	326,056	104,826	121,781	61,467	68,843
Total assets (2)	1,651,983	1,335,781	888,739	794,715	599,655
Long-term debt	244,915	248,848	78,996	79,219	29,448
Total liabilities	1,039,733	938,139	551,770	515,291	371,523
Total stockholders' equity (2)	612,250	397,642	336,969	279,424	228,132

(1) This line item caption includes "change in contingent consideration". In 2013, there was a $5.4 million gain on the revaluation of contingent consideration while in the other periods presented the revaluation of contingent consideration did not have a significant effect on the consolidated statements of income.

(2) For fiscal 2016 and prior years, the amounts do not include the effects of the adoption of Accounting Standard Update No. 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment* ("ASU 2016-09").

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(3) For fiscal 2015 and prior years, our working capital does not include the effects of the adoption of Accounting Standard Update No. 2015-17, *Balance Sheet Classification of Deferred Taxes* ("ASU 2015-07"), which required all deferred tax assets and liabilities and any related valuation allowance to be classified as non-current on our Consolidated Balance Sheets as the new standard was adopted prospectively starting fiscal 2016.

(4) On November 28, 2016, the Company completed the Asset Purchase Agreement ("APA") with ADP to acquire ADP's COBRA, and direct bill businesses (together defined as the "ADP CHSA/COBRA Business") for approximately $235.0 million in cash. During the years ended December 31, 2017 and 2016, the impact on total revenue was approximately $90.0 million and $9.0 million, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Statements that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "seek," "should," "target," "will," "would" and similar expressions or variations intended to identify forward-looking statements. Such statements include, but are not limited to, statements concerning market opportunity, our future financial and operating results, investment strategy, sales and marketing strategy, management's plans, beliefs and objectives for future operations, technology and development, economic and industry trends or trend analysis, expectations about seasonality, opportunity for portfolio purchases, use of non-GAAP financial measures, operating expenses, anticipated income tax rates, capital expenditures, cash flows and liquidity. These statements are based on the beliefs and assumptions of our management based on information currently available to us. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included under Part I, Item 1A above. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such events.

Overview

Our Business

We are a leader in administering CDBs which empower employees to save money on taxes while also providing corporate tax advantages for employers. We are solely dedicated to administering CDBs, including pre-tax spending accounts such as HSAs, health and dependent care FSAs, HRAs, as well as commuter benefit services, including transit and parking programs, wellness programs, COBRA and other employee benefits in the United States.

In September 2015, we entered into our second partner arrangement with Ceridian to transition their COBRA and direct bill portfolio to WageWorks. This relationship also allows Ceridian to resell the Company's COBRA and direct bill services to their new and existing clients, in addition to the full suite of healthcare and commuter products they have been selling. Pursuant to the arrangement, transition of the portfolio was completed by the second quarter of 2016.

In March, 2016, we were selected by the OPM to administer its FSAFEDS. This relationship provides eligible federal employees access to our advanced technology platform and premium service capabilities.

On November 28, 2016, we completed the transaction with ADP, a leading global provider of Human Capital Management solutions, to acquire the "the ADP CHSA/COBRA Business" for approximately $235.0 million in cash.

Restatement

Management's Discussion and Analysis of Financial Condition and Results of Operations have been updated to reflect the effects of the restatement described in Note 2, Restatement to our Consolidated Financial Statements, of this Annual Report on Form 10-K.

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Critical Accounting Policies and Significant Management Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. In many instances, we could have reasonably used different accounting estimates, and in other instances, changes in the accounting estimates are reasonably likely to occur from period-to-period. Accordingly, actual results could differ significantly from the estimates made by our management. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application, while in other cases, management's judgment is required in selecting among available alternative accounting standards that allow different accounting treatment for similar transactions. We believe that there are several accounting policies that are critical to understanding our business and prospects for future performance, as these policies affect the reported amounts of revenues and other significant areas that involve management's judgment and estimates. These significant policies and our procedures related to these policies are described in detail below. In addition, please refer to Note 1. Summary of Business and Significant Accounting Policies, in the Notes to Consolidated Financial Statements of this Annual Report Form 10-K for further discussion of our accounting policies.

Revenue Recognition

We report revenue based on the following product lines: Healthcare, Commuter, COBRA and Other revenue. Healthcare and Commuter include revenues generated from benefit service fees based on employee participant levels and interchange and other commission revenues. Interchange and other commission revenues are subject to revenue share arrangements and are based on a percentage of total healthcare and commuter dollars transacted using cards distributed by the us pursuant to written purchase agreements with certain vendors and banks. COBRA revenue is generated from the administration of continuation of coverage services for participants who are no longer eligible for their employer's health benefits, such as medical, dental, vision and for the continued administration of employee participants' HRAs, and certain healthcare FSAs. Other revenue includes services related to enrollment and eligibility, non-healthcare, and employee account administration (i.e., tuition and health club reimbursements) and project-related professional services.

We recognize revenue when collectability is reasonably assured, service has been performed, persuasive evidence of an arrangement exists, and there is a fixed or determinable fee.

Benefit service fees are recognized on a monthly basis as services are rendered and earned under service arrangements where fees and commissions are fixed or determinable and collectability is reasonably assured. Benefit service fees are based on a fee for service model (e.g., monthly fee per participant) in which revenue is recognized on a monthly basis as services are rendered under price quotations or service agreements having stipulated terms and conditions, which do not require management to make any significant judgments or assumptions regarding any potential uncertainties. Fees received for initial setup of clients and renewal fees are deferred and recognized on a monthly basis as services are rendered over the agreed benefit period. Contracts with initial setup fees generally have an initial term of one year. The agreed benefit period means the length of the benefit plan year, which is one year. The initial setup fees and annual renewal fees are not considered separable from the ongoing services provided for which benefit service fees are earned.

Vendor and bank interchange revenues are attributed to revenue sharing arrangements we enter into with certain banks and card associations, whereby we share a portion of the transaction fees earned by these financial institutions on debit cards we issue to employee participants based on a percentage of total dollars transacted as reported on third-party reports.

Other commission revenue entails our purchasing passes on behalf of employee participants from various transit agencies and due to the significant volume of purchases, we receive commissions on these passes which we record on a net basis. Commission revenue is recognized on a monthly basis as transactions are placed under written purchase agreements having stipulated terms and conditions, which do not require management to make any significant judgments or assumptions regarding any potential uncertainties.

Professional service fees are related to services provided to our employer clients to accommodate their reporting or administrative requirements. These projects are discrete contracts and are not entered into contemporaneously with any other services we provide. The professional services revenues are recognized upon completion of services or projects in accordance

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with agreed upon terms and conditions, which do not require management to make any significant judgments or assumptions regarding any potential uncertainties and where fees are fixed or determinable and collectability is reasonably assured.

Stock-based Compensation

Stock-based compensation expense is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes or Monte Carlo option pricing model or the market value of our stock on the grant date and is recognized as an expense over the requisite service period, which is generally the vesting period. The determination of the fair value of stock-based awards on the date of grant using an option pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the estimated volatility over the expected term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates, estimated forfeitures and expected dividends.

RSUs and Performance-contingent Stock Units ("PSUs") are measured based on the fair market values of the underlying stock on the dates of grant. The vesting of PSUs awarded is conditioned upon the attainment of performance objectives over a specified period and upon continued employment through the applicable vesting date. At the end of the performance period, shares of stock subject to PSUs vest based upon both the level of achievement of performance objectives within the performance period and continued employment through the applicable vesting date.

Stock-based compensation expense is calculated based on awards ultimately expected to vest and is reduced for estimated forfeitures at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The estimated annual forfeiture rates for stock options, RSUs, and PSUs are based on historical forfeiture experience.

The estimated fair value of stock options and RSUs are expensed on a straight-line basis over the vesting term of the grant and the estimated fair value of PSUs are expensed using an accelerated method over the term of the award once management has determined that it is probable that the performance objective will be achieved. Compensation expense is recorded over the requisite service period based on management's best estimate as to whether it is probable that the shares awarded are expected to vest. Management assesses the probability of the performance milestones being met on a continuous basis.

We estimate expected volatility based on the historical volatility of comparable companies from a representative peer-group as well as our own historical volatility. We estimate expected term based on historical experience, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior such as exercises and forfeitures. We based the risk-free interest rate on zero-coupon yields implied from U.S. Treasury issues with remaining terms similar to the expected term on the options. We do not anticipate paying any cash dividends in the foreseeable future, and therefore, used an expected dividend yield of zero in the option pricing model. We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The estimated attainment of performance-based awards and related expense is based on the expectations of revenue and earnings before interest, tax and depreciation and amortization ("EBITDA") target achievement over a specified three year performance period. If we use different assumptions for estimating stock-based compensation expense in future periods, or if actual forfeitures differ materially from our estimated forfeitures, future stock-based compensation expense may differ significantly from what we have recorded in the current period and could materially affect our income from operations, net income and net income per share.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Cash and cash equivalents, consist of cash on deposit with banks and money market funds, stated at cost, as well as commercial paper with an original maturity of less than 90 days as further described under *Marketable Securities* below. To the extent the Company's contracts do not provide for any restrictions on the Company's use of cash that it receives from clients, the cash is recorded as cash and cash equivalents.

The majority of the Company's cash represents funding and pre-funding balances received from customers for which the Company has a corresponding current obligation. In all cases where we have collected cash from a customer but not fulfilled services (the payment of participant healthcare claims or commuter benefits), the Company recognizes a related liability to its customers, classified as customer obligations in the accompanying consolidated balance sheets.

Restricted cash represents cash used to collateralize standby letters of credit.

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Marketable Securities

The Company determines the classification of its investments in marketable securities at the time of purchase and accounts for them as available-for-sale. Marketable securities of highly liquid investments with stated maturities of three months or less when purchased are classified as cash equivalents and those with stated maturities of between three months and one year as short-term investments. Marketable securities with maturities beyond twelve months are also included in short-term investments within current assets as the Company intends for its investments to support current operations and other strategic initiatives. These securities are reported at fair value, which includes the accrued interest of interest-bearing securities. Unrealized gains and losses, net of taxes, are included in accumulated other comprehensive loss as a component of stockholders' equity, except for unrealized losses determined to be other-than-temporary which will be recorded within other income (expense). Realized gains and losses on the sale of marketable securities are recorded in other income (expense).

Accounts Receivable

Accounts receivable represent both amounts receivable from customers in relation to fees for the Company's services and unpaid amounts for benefit services provided by third-party vendors, such as transit agencies and healthcare providers for which the Company records a receivable for funding and a corresponding customer obligations liability until the Company disburses the balances to the vendors. The Company provides for an allowance for doubtful accounts by specifically identifying accounts with a risk of collectability and providing an estimate of the loss exposure. The Company reviews its allowance for doubtful accounts on a quarterly basis. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Impairment of Long-lived Assets

The Company reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. An impairment of long-lived assets exists when the carrying amount of a long-lived asset group, exceeds its fair value. Impairment losses are recorded when the carrying amount of the impaired asset group is not recoverable. Recoverability is determined by comparing the carrying amount of the asset or asset group to the undiscounted cash flows which are expected to be generated from its use. If the carrying amount of the asset group exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset or asset group exceeds its fair value.

Acquisitions, Goodwill and Definite lived Intangible Assets

The cost of an acquisition is allocated to the tangible assets and definite lived intangible assets acquired and liabilities assumed based on their fair value at the date of acquisition. Goodwill represents the excess cost over the fair value of net assets acquired in the acquisition and is not amortized, but rather is tested for impairment.

Definite lived intangible assets, consisting of client/broker contracts and relationships, trade names, technology, noncompete agreements and favorable lease arrangements, are stated at cost less accumulated amortization. All definite lived intangible assets are amortized on a straight-line basis over their estimated remaining economic lives, generally ranging from one to ten years. Amortization expense related to these intangible assets is included in amortization expense on the consolidated statements of income.

The Company performs a goodwill impairment test annually on December 31st and more frequently if events and circumstances indicate that the asset might be impaired. The following are examples of triggering that could indicate that the fair value of a reporting unit has fallen below the unit's carrying amount:

- A significant adverse change in legal factors or in the business climate
- An adverse action or assessment by a regulator
- Unanticipated competition
- A loss of key personnel
- A more-likely than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of

An impairment loss is recognized to the extent that the carrying amount exceeds the reporting unit's fair value. When reviewing goodwill for impairment, the Company assesses whether goodwill should be allocated to operating levels lower than the Company's single operating segment for which discrete financial information is available and reviewed for decision-making purposes. These lower levels are referred to as reporting units. The Company's chief operating decision maker, the Chief

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Executive Officer, does not allocate resources or assess performance at the individual healthcare, commuter, COBRA or other revenue stream level, but rather at the operating segment level. Discrete financial information is therefore not maintained at the revenue stream level. The Company's one reporting unit was determined to be the Company's one operating segment.

The goodwill impairment analysis is a two-step process: first, the reporting unit's estimated fair value is compared to its carrying value, including goodwill. If the Company determines that the estimated fair value of the reporting unit is less than its carrying value, the Company moves to the second step to determine the implied fair value of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the reporting unit in a manner similar to a purchase price allocation.

Whenever events or circumstances change, entities have the option to first make a qualitative evaluation about the likelihood of goodwill impairment. If impairment is deemed more likely than not, management would perform the two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. In assessing the qualitative factors, the Company assesses relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry and market considerations, overall financial performance, Company specific events and share price trends and making the assessment on whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

Customer Obligations Liability

Many of our customer agreements include provisions whereby our customer remit funds to us which represent prefunds of employer / client and employee participant contributions related to FSA, HRA and commuter programs. The agreements do not represent restricted cash and accordingly the amounts received are included in cash and cash equivalents on our consolidated balance sheets with a corresponding liability recorded as customer obligations. Our customers generally provide us with prefunds for their FSA and HRA programs based on a percentage of projected spending by the employee participants for the plan year and other factors. In the case of our commuter program, at the beginning of each month we receive prefunds based on the employee participants' monthly elections. These prefunds are typically replenished throughout the year by our FSA, HRA and commuter clients as customers are provided benefits under these programs.

The Company offsets on a customer by customer basis unpaid amounts for benefit services and customer obligation balances for financial reporting presentation. Additionally, the Company offsets outstanding trade and non-trade receivables, including any debit or credit memos, against any prefund balances after plan year close or upon termination of services both based on the completion of a full reconciliation with the customer.

Business Combination

We record acquisitions using the acquisition method of accounting. All of the assets acquired and liabilities assumed, are recognized at their fair value as of the acquisition date. The excess of the purchase price over the estimated fair values of the net tangible and net intangible assets acquired is recorded as goodwill. The application of the acquisition method of accounting for business combinations requires management to make significant judgments, estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed in order to allocate purchase price consideration. Our estimates are based on historical experience, information obtained from the management of the acquired companies and, assistance from independent third-party appraisal firms. Our significant assumptions and estimates include, but are not limited to, the cash flows for customer relationships, developed technology, the estimated cost of capital, and the cost savings expected to be derived from acquiring an asset. These estimates are inherently uncertain and unpredictable. In addition, unanticipated events and circumstances may occur which may affect the accuracy or validity of such estimates. See Note 4, Acquisitions and Channel Partner Arrangements in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

Recent Accounting Pronouncements

See Note 1, Summary of Business and Significant Accounting Policies in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for the impact of certain recent accounting pronouncements on our consolidated financial statements.

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Results of Operations

References to Note 2 in the tables below refer to Note 2, Restatement to our Consolidated Financial Statements, of this Annual Report on Form 10-K.

Revenues

	Year Ended December 31,						Change from prior year	
	2017	% of Revenue	2016 As Restated Note 2	% of Revenue	2015	% of Revenue	2017	2016 As Restated Note 2
Revenues:			(in thousands)					
Healthcare	$ 274,815	58%	$ 195,108	55%	$ 176,573	53%	$ 79,707	$ 18,535
COBRA	111,607	23%	73,765	21%	51,299	15%	37,842	22,466
Commuter	72,874	15%	70,215	20%	63,895	19%	2,659	6,320
Other	16,799	4%	16,473	4%	42,549	13%	326	(26,076)
Total revenues	$ 476,095	100%	$ 355,561	100%	$ 334,316	100%	$ 120,534	$ 21,245

Healthcare Revenue

We derive our healthcare revenue primarily from the service fees paid by our employer clients for the administration services we provide in connection with their employee participants' FSAs, HRAs and HSAs. We also earn interchange revenue paid by financial institutions related to transaction fees on debit cards used by employee participants in connection with all of our healthcare programs and through our wholesale card program, and revenue from self-service plan kits called Premium Only Plan kits.

The $79.7 million, or 41% increase in healthcare revenue from 2016 to 2017 was driven by an increase in FSA and HSA revenue due to the addition of new clients, including FSAFEDS, and growth in employee participation in the programs. The increase in healthcare revenue was also driven by the ADP CHSA Business acquired in November 2016 which includes interchange services. We expect our healthcare revenue growth will continue from our existing client base and client additions but not consistent with the growth rate from 2016 to 2017 given the significance of the revenue attributable from the acquisition of the ADP CHSA Business. The acquired ADP business contributed revenue of approximately $55.8 million of additional revenue during the year ended December 31, 2017.

The $18.5 million, or 10% increase in healthcare revenue from 2015 to 2016 was primarily driven by an increase in FSA, HSA, and HRA revenue due to the addition of clients, including FSAFEDS, and growth in new employee participation in the programs. The increase in healthcare revenue was further driven by the acquisition of the CHSA business from ADP in November of 2016 and the related interchange fee revenue.

COBRA Revenue

COBRA revenue is derived from administration services we provide to employer clients for continuation of coverage for participants who are no longer eligible for the employer's health benefits, such as medical, dental and vision, and for the continued administration of the employee participants' HRAs and certain healthcare FSAs.

The $37.8 million, or 51% increase in COBRA revenue from 2016 to 2017 was driven primarily by the ADP COBRA Business acquired in November 2016. Additionally, COBRA revenue increased as a result of revenue generated from our Ceridian business with customers joining throughout the first half of 2016. We expect to experience growth in COBRA revenue as a result of revenues generated from ADP COBRA Business as well as the addition of clients, and growth in employee participation in the COBRA program but not consistent with the growth rate from 2016 to 2017 given the significance of the revenue attributable from the acquisition of the ADP COBRA Business. The acquired ADP business contributed revenue of approximately $33.4 million of additional revenue during the year ended December 31, 2017.

The $22.5 million, or 44% increase in COBRA revenue from 2015 to 2016 was primarily driven by the transition of Ceridian's COBRA portfolio to the Company and the acquisition of the COBRA and direct bill businesses from ADP in November 2016. The remainder of the COBRA revenue growth was primarily driven by increased participation by employer clients in our COBRA administration services.

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Commuter Revenue

We derive our commuter revenue from monthly service fees paid by our employer clients, interchange revenue paid by financial institutions related to transaction fees on debit cards used by employee participants in connection with our commuter solutions and commissions from the sale of transit passes used in our commuter solutions which we purchase from various transit agencies on behalf of employee participants.

The $2.7 million, or 4% increase in commuter revenue from 2016 to 2017 was primarily due to the addition of clients, growth in the number of employee participants and an increase in interchange fee revenue.

The $6.3 million, or 10% increase in commuter revenue from 2015 to 2016 was primarily due to addition of new clients and growth in the number of employee participants resulting from the maximum pre-tax monthly benefit for transit and vanpooling increasing from $130 in 2015 to $255 in 2016. Commuter revenue was further increased by an increase in interchange fee revenue and vendor commission revenue from growth in our commuter programs.

Other Revenue

Other revenue includes enrollment and eligibility services, employee account administration (i.e., tuition and health club reimbursements) and project-related professional fees.

The $0.3 million, or 2% increase in other revenue from 2016 to 2017 is not significant.

The $26.1 million, or 61% decrease in other revenue from 2015 to 2016 was primarily driven by the termination of the relationship with a significant customer in the health insurance exchange business. We provided this customer with administrative services including enrollment, billing, customer service and payment processing services. In September 2015, we mutually agreed to terminate the relationship with the customer. This revenue decrease was partially offset by other increases in administration of direct bill services to employee participants.

Cost of Revenues

	Year Ended December 31,			Change from prior year	
	2017	2016 As Restated Note 2	2015	2017	2016 As Restated Note 2
		(in thousands)			
Cost of revenues (excluding amortization of internal use software)	$ 173,661	$ 129,046	$ 117,170	$ 44,615	$ 11,876
Percent of revenue	36%	36%	35%		

Cost of revenues consist of direct expenses for claims processing, product support and customer service personnel, outsourced and temporary labor, check/ACH payment processing services, debit card processing services, shipping and handling, passes and employee participant communications.

The $44.6 million, or 35% increase in cost of revenues from 2016 to 2017 was primarily due to increases in outsourced services and compensation costs for headcount to support the ADP CHSA/COBRA Business acquired in November 2016. We also incurred additional compensation costs to administer FSAFEDS.

The $11.9 million or 10% increase in cost of revenues from 2015 to 2016 was primarily due to an increase of $11.2 million in compensation related and benefit costs to administer FSAFEDS and to service new clients transitioned under the channel partner arrangement with Ceridian. The increase was further driven by a $2.4 million increase in stock-based compensation expense as a result of new grants of RSUs, performance-based RSUs, and stock options. The increases were partially offset by a decrease in printing and postage related to customer support, as a result of termination of the relationship with a significant customer in the health insurance exchange business.

As we continue to scale our operations, we expect our cost of revenues to increase in dollar amount to support increased employer client and employee participant levels. Cost of revenues will continue to be affected by our portfolio purchases, acquisitions and channel partner arrangements. Prior to migrating to our proprietary technology platforms, these new portfolios often operate with higher service delivery costs that result in increased cost of revenues until we are able to complete the

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migration process, which typically occurs over the 12 to 24 month period following closing of the portfolio purchase or acquisition.

Technology and Development

	Year Ended December 31,			Change from prior year	
	2017	2016 As Restated Note 2	2015	2017	2016 As Restated Note 2
		(in thousands)			
Technology and development	$ 56,362	$ 44,719	$ 43,041	$ 11,643	$ 1,678
Percent of revenue	12%	13%	13%		

Technology and development expenses consist of personnel and related expenses, outsourced programming services, on-demand technology infrastructure, and expenses associated with equipment and software development.

The $11.6 million, or 26% increase in technology and development expenses from 2016 to 2017 was primarily due to an increase in compensation costs to support the ADP CHSA/COBRA Business and to administer FSAFEDS. We also incurred additional compensation costs to service clients acquired from Ceridian. Additionally, our outsourced service costs also increased to support the ADP CHSA Business acquired in November 2016.

The $1.7 million, or 4% increase in technology and development expenses from 2015 to 2016 was primarily due to an increase in compensation and outsourced service costs to transition FSA clients, and services and hardware related expense to administer FSAFEDS and to support clients transitioned under the channel partner agreement with Ceridian. The change was further driven by an increase in stock-based compensation expense as a result of new grants of service-based RSUs and stock options. These increases were offset by a decrease in temporary help, consulting and outsourced services expenses as a result of the termination of a significant customer relationship in the health insurance exchange business in the third quarter of 2015.

We intend to continue enhancing the functionality of our software platform and increase investment in research and development as part of our continuous effort to improve our employer client and employee participant experience and to maintain and enhance our control and compliance environment. The timing of development and enhancement projects, including the nature of expenditures as well as the phase of the project that could require capitalization or expense treatment, will significantly affect our technology and development expense both in dollar amount and as a percentage of revenues.

Sales and Marketing

	Year Ended December 31,			Change from prior year	
	2017	2016 As Restated Note 2	2015	2017	2016 As Restated Note 2
		(in thousands)			
Sales and marketing	$ 64,111	$ 57,083	$ 50,540	$ 7,028	$ 6,543
Percent of revenue	13%	16%	15%		

Sales and marketing expenses consist primarily of compensation and related benefit costs for our sales, client services and marketing staff, including sales commissions for our direct sales force and external agents and brokers, as well as communication, promotional, public relations and other marketing expenses.

The $7.0 million or 12% increase in sales and marketing expense from 2016 to 2017 was primarily due to an increase in compensation and related benefit costs to support client relationships, attributed primarily to increased costs after the ADP acquisition.

The $6.5 million or 13% increase in sales and marketing expense from 2015 to 2016 was primarily due to an increase in compensation and related benefit costs to develop client relationships.

We continue to invest in sales, client services and marketing by hiring additional personnel and continuing to build our broker and channel relationships. We also promote our brand through a variety of marketing and public relations activities. As a result, we expect our sales and marketing expenses to increase in dollar amounts in future periods.

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General and Administrative

	Year Ended December 31,			Change from prior year	
	2017	2016 As Restated Note 2	2015	2017	2016 As Restated Note 2
		(in thousands)			
General and administrative	$ 72,150	$ 60,324	$ 54,093	$ 11,826	$ 6,231
Percent of revenue	15%	17%	16%		

General and administrative expenses include personnel and related expenses and professional fees incurred by our executive, finance, legal, human resources and facilities departments.

The $11.8 million, or 20% increase in general and administrative expenses from 2016 to 2017 was primarily due to an increase in headcount and related benefit costs including stock-based compensation expense. As a result of our growth, we increased headcount, incurred additional client costs and increased various outsourced administrative services. Additionally, our facility costs increased as we expanded our operations.

The $6.2 million, or 12% increase in general and administrative expenses from 2015 to 2016 was primarily due to an increase in stock-based compensation expense for performance-based RSUs based on updated forecasts of revenue growth, given the addition of the newly acquired ADP CHSA/COBRA Business, channel partners, FSAFEDS, and significant customer wins, and new grants of time-based RSUs and stock options. The expense was further increased by increased headcount and outsourced services, and professional fees to support the increase in customer base and the preparation of a new Enterprise Resource Planning system implementation.

As we continue to grow, we expect our general and administrative expenses to increase in absolute dollars as we expand general and administrative headcount to support our continued growth. In addition, we expect the expenses to continue to increase in the future as a result of increase in professional fees in connection with our restatement activities.

Amortization, Impairment and Change in Contingent Consideration

	Year Ended December 31,			Change from prior year	
	2017	2016 As Restated Note 2	2015	2017	2016 As Restated Note 2
		(in thousands)			
Amortization, impairment and change in contingent consideration	$ 37,890	$ 37,175	$ 27,618	$ 715	$ 9,557
Percent of revenue	8%	10%	8%		

Our amortization consists of two components: amortization of internal use software and amortization of acquired intangible assets. We capitalize our software development costs related to the development and enhancement of our business solution. When the technology is available for its intended use, the capitalized costs are amortized over the technology's estimated useful life, which is generally four years. Acquisition-related intangible assets are also amortized over their estimated useful lives.

The $0.7 million or 2% increase in amortization from 2016 to 2017 was driven primarily by the amortization of intangible assets acquired in November 2016 in connection with the ADP CHSA/COBRA Business combination, partially offset by a decrease in amortization expense related to two one-time impairment events that occurred in 2016. In 2016, we terminated a significant customer relationship in our health insurance exchange business resulting in a $3.8 million acceleration of amortization expense. Additionally, in 2016, we recorded a $3.7 million impairment charge for KP Connector, as mentioned above.

The $9.6 million or 35% increase in amortization from 2015 to 2016 was driven primarily by a $3.8 million acceleration of amortization of intangible assets resulting from the termination of part of a significant customer relationship in the health insurance exchange business. Additionally, in 2016, we recorded a $3.7 million impairment charge for KP Connector. These changes were further driven by an increase in amortization from additions to acquired intangible assets from the partner arrangement with Ceridian and acquired ADP CHSA/COBRA Business, offset by a decrease in expense for fully amortized intangibles.

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Employee Termination and Other Charges

	Year Ended December 31,			Change from prior year	
	2017	2016 As Restated Note 2	2015	2017	2016 As Restated Note 2
	(in thousands)				
Employee termination and other charges	$ 1,489	$ 1,147	$ 1,913	$ 342	$ (766)

The $0.3 million or 30% increase from 2016 to 2017 is not significant.

The $0.8 million or 40% decrease from 2015 to 2016 is primarily attributable to severance related costs incurred in 2015 when we executed an organizational efficiency plan which reduced our headcount. These costs were offset by an increase in transaction costs related to the acquisition of the ADP CHSA/COBRA Business.

Other Income (Expense)

	Year Ended December 31,			Change from prior year	
	2017	2016 As Restated Note 2	2015	2017	2016 As Restated Note 2
	(in thousands)				
Interest income	$ 1,147	$ 406	$ 153	$ 741	$ 253
Interest expense	(7,293)	(2,717)	(1,925)	(4,576)	(792)
Other income (expense)	(316)	1,075	(182)	(1,391)	1,257

The $4.6 million or 168% increase in interest expense was due to a significant increase in our debt at the end of 2016 that remained outstanding throughout 2017. In November 2016, we borrowed approximately $169.9 million to acquire the ADP CHSA/COBRA Business. This debt remained outstanding in 2017 resulting in an increase in interest expense.

The $0.8 million or 41% increase in interest expense was due to the first amendment to the Amended and Restated Credit Agreement entered into in August 2016 resulting in a higher credit limit with a subsequent borrowing under the revolving credit facility related to acquisition of ADP CHSA/COBRA Business. The change in other income (expense) from 2015 to 2016 was due primarily to the insurance settlement proceeds related to an insurance claim in 2015.

Income Taxes

We are subject to income taxes in the United States. Significant judgments are required in evaluating our uncertain tax positions and determining our provision for income taxes.

We use the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to an amount whose realization is more likely than not.

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. As a result, we recognize tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the belief that our tax return positions are supportable, we believe that certain positions may not be more likely than not of being sustained upon review by tax authorities. As of December 31, 2017, our unrecognized tax benefits approximated $5.1 million and we have no uncertain tax positions that would be reduced as a result of a lapse of the applicable statute of limitations. We believe that our accruals for tax liabilities are adequate for all open audit years based on our assessment of many factors, including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. We do not anticipate any adjustments would result in a material change to our financial position. To the extent that the final tax outcome

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of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made. We recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Management periodically evaluates if it is more likely than not that some or all of the deferred tax assets will be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. In order to support a conclusion that a valuation allowance is not needed, positive evidence of sufficient quantity and quality (objective compared to subjective) is necessary to overcome negative evidence.

In the future, if there is a significant negative change in our operating results or the other factors that were considered in making this determination, we could be required to record a valuation allowance against our deferred tax assets. Any subsequent increases in the valuation allowance will be recognized as an increase in deferred tax expense. Any decreases in the valuation allowance will be recorded as a reduction of the income tax provision.

	Year Ended December 31,			Change from prior year	
	2017	2016 As Restated Note 2	2015	2017	2016 As Restated Note 2
		(in thousands)			
Income before income taxes	$ 63,970	$ 24,831	$ 37,987		
Income taxes provision	(9,583)	(8,929)	(15,037)	$ (654)	$ 6,108
Effective tax rate	14.98%	35.96%	39.58%		

The Company's 2016 restated tax provision was reduced by $3 million for the tax-effects of pre-tax restatement adjustments (see Note 2 for additional discussion). The restated deferred tax asset balance was reduced by $0.6 million and the restated additional paid in capital was reduced by $3.6 million due to additional net operating losses related to stock based compensation.

On December 22, 2017, the U.S. government enacted the Tax Act. The Tax Act introduces tax reform that reduces the current corporate federal income tax rate from 35% to 21%, among other changes. The rate reduction is effective January 1, 2018. We have determined that the Tax Act requires a revaluation of our net deferred tax asset upon its enactment during the quarter ended December 31, 2017 and recorded a charge to income tax expense of $0.3 million.

The $0.7 million or 7% increase in the provision for income taxes from 2016 to 2017 was primarily due to the recognition of excess tax benefits on stock-based compensation pursuant to the adoption of ASU 2016-09 offset by the increase in provisional income tax expense related to the revaluation of net deferred tax assets as a result of the Tax Act and increase in income before taxes.

The $6.1 million or 41% decrease in the provision for income taxes from 2015 to 2016 was primarily due to a decrease in income before income taxes in 2016 as compared with 2015.

Liquidity and Capital Resources

At December 31, 2017, our principal sources of liquidity were cash and cash equivalents totaling $779.3 million and short-term investments totaling $195.5 million comprised primarily of funding by clients of amounts to be paid on behalf of employee participants as well as other cash flows from operating activities. For the year ended December 31, 2017, our cash flow from operating activities provided $217.8 million.

We believe that our existing cash and cash equivalents, short-term investments, available credit from our revolving credit facility and expected cash flow from operations will be sufficient to meet our working capital, debt, capital expenditures and stock repurchase needs, as well as anticipated cash requirements for potential future portfolio purchases, over at least the next 12 months. We have historically been able to fulfill our obligations as incurred and expect to continue to fulfill our obligations in the future. Our expectation is based on our current and anticipated client retention rates and our continuing funding model in which the vast majority of our enterprise clients provide us with prefunds as more fully described below under "—*Prefunds*." To the extent these current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, including any potential portfolio purchases, we may need to raise additional funds through public or private equity or debt financing. We cannot provide assurance that we will be able to raise additional funds on favorable terms, if at all.

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Prefunds

Under our contracts with the vast majority of our employer clients, we receive prefunds that have been and are expected to continue to be a significant source of cash flows from operating activities. Our client contracts do not contain restrictions on our use of client prefunds and, as a result, each prefund is reflected in cash and cash equivalents on our consolidated balance sheets with an equivalent customer obligation recorded as a liability as the prefund is received. Changes in these prefunds and the corresponding customer obligations are reflected in our cash flows from operating activities. The timing of when employer clients make their prefunds as well as the timing of when we make payments on behalf of employee participants can significantly affect our cash flows.

The operation of these prefunds for our employer clients throughout the year typically is as follows: at the beginning of a plan year, these employer clients provide us with prefunds for their FSA and HRA programs based on a percentage of projected spending by the employee participants for the plan year and other factors. In the case of our commuter program, at the beginning of each month we receive prefunds based on the employee participants' monthly elections. These prefunds are typically replenished on a weekly basis by our FSA and HRA employer clients and on a monthly basis by our commuter employer clients, in each case, after we have advanced the funds necessary to process employee participants' FSA and HRA claims as they are submitted to us and to pay vendors relating to our commuter programs. As a result, our cash balances can vary significantly depending upon the timing of invoicing, the date payment is received from our employer clients of reimbursement for payments we have made on behalf of employee participants. This prefunding activity covers our estimate of approximately one week of spending on behalf of the employer client's employee participants. We do not require a prefund to administer any of our HSA programs because employee participants in these programs only have access to funds they have previously contributed.

Revolving Credit Facility (Credit Agreement)

On August 1, 2016, we entered into a First Amended and Restated Credit Agreement (the "Amended Credit Agreement") with MUFG Union Bank, N.A., as administrative agent ("Agent") to increase the revolving credit facility credit limit from $150.0 million to $250.0 million. The Amended Credit Agreement did not change our $15.0 million subfacility limit or our option to increase our commitments up to $100.0 million. The credit facility's maturity date, June 5, 2020, and interest rate, London Interbank Offered Rate ("LIBOR") plus a margin ranging from 1.25% to 1.75%, also remained unchanged. Subsequent to entering the Amended Credit Agreement, we borrowed additional funds in the amount of $169.9 million from the revolving credit facility in connection with the acquisition of the ADP CHSA/COBRA Business. In connection with the Amended Credit Agreement, we incurred fees of approximately $0.2 million, which are being amortized over the term of the amendment.

On April 4, 2017, we entered into a Second Amended and Restated Credit Agreement (the "Second Amended Credit Agreement") with the Agent. The Second Amended Credit Agreement amended and restated our existing Amended Credit Agreement, and increased our borrowing capacity under the revolving credit facility to $400.0 million, with a $15.0 million letter of credit subfacility. The Second Amended Credit Agreement contains an increase option permitting us, subject to certain conditions and requirements, to arrange with existing lenders and/or new lenders to provide up to an aggregate of $100.0 million in additional commitments. Loan proceeds may be used for general corporate purposes, including acquisitions permitted under the Second Amended Credit Agreement. We may prepay loans under the Second Amended Credit Agreement in whole or in part at any time without premium or penalty. In connection with this Second Amended Credit Agreement, we incurred fees of approximately $1.9 million, which are being amortized over the term of the Second Amended Credit Agreement. The fees incurred are presented as a direct deduction from long-term debt in the consolidated balance sheets.

The loans bear interest, at our option, at either (i) LIBOR determined in accordance with the Second Amended Credit Agreement, plus a margin ranging from 1.25% to 2.25%, or (ii) a base rate determined in accordance with the Second Amended Credit Agreement, plus a margin ranging from 0.25% to 1.25%, in either case with such margin determined based on our consolidated leverage ratio for the preceding fourth fiscal quarter period. Interest is due and payable in arrears quarterly for base rate loans and at the end of an interest period for LIBOR rate loans. Principal, together with all accrued and unpaid interest, is due and payable on April 4, 2022. Our obligations under the Second Amended Credit Agreement are secured by substantially all of our assets, and our existing and future material subsidiaries are also required to guarantee our obligations under the Second Amended Credit Agreement. We elected option (i) and, as of December 31, 2017, the interest rate applicable to the revolving credit facility was 2.93%. As of December 31, 2017, we had $247.0 million outstanding under the revolving credit facility and $150.2 million unused revolving credit facility still available to borrow under the Second Amended Credit Agreement. We are currently in compliance with all financial and non-financial covenants under the credit facility after considering the reporting extension agreement described below.

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Reporting Extension Agreements

On April 5, 2018, our Board concluded the previously issued financial statements for (i) the quarterly periods ended September 30, June 30 and March 31, 2017, (ii) the annual period ended December 31, 2016 and (iii) the quarterly periods ended September 30 and June 30, 2016 should be restated and should no longer be relied upon. Consequently, we did not meet our obligation to provide our financial statements to the Agent by the contractual delivery date. In March 2018, we entered into a Reporting Extension Agreement (the "Extension Agreement"), by and among the Company, the lenders party thereto and MUFG Union Bank, N.A., as administrative agent to extend the time period for delivery to Agent and the lenders our delinquent financial statements to June 30, 2018. In June 2018, we entered into a Second Reporting Extension Agreement and paid the Agent $0.8 million to extend the delivery date of our delinquent financial statements to March 16, 2019. In March 2019, the Company entered into a Third Reporting Extension Agreement and paid the Agent $0.1 million to extend the delivery date of any remaining delinquent financial statements to May 10, 2019.

Public Stock Offering

On June 20, 2017, we closed a public stock offering and sold 1,954,852 shares of our common stock at $69.25 per share, for proceeds of approximately $130.8 million, net of underwriting discounts and commissions and other offering costs. Certain selling stockholders sold 545,148 shares of common stock in the offering for which we did not receive any proceeds. Selling stockholders received proceeds net of their proportionate share of the total underwriting discounts and commissions. We also granted the underwriters a 30-day overallotment option to purchase up to an additional 375,000 shares of our common stock at $69.25 per share prior to the underwriting discount. The overallotment option expired unexercised.

Share Repurchase Program

On August 6, 2015, our Board authorized a $100.0 million stock repurchase program for 3 years which commenced on November 5, 2015 and expires on November 4, 2018. Repurchases made under this program may be made in the open market as we deem appropriate and market conditions allow. In 2017, we repurchased 134,900 shares of our common stock for a total cost of $7.9 million, or an average price of $58.82 per share. In 2016, we repurchased 226,170 shares of our common stock for a total cost of $9.4 million, or an average price of $41.43 per share. As of December 31, 2017, we had $77.7 million available for future purchases under the stock repurchase program.

Cash Flows

The following table presents information regarding our cash flows:

	Year Ended December 31,		
	2017	2016 As Restated Note 2	2015
	(in thousands)		
Net cash provided by operating activities	$ 217,809	$ 268,942	$ 115,209
Net cash used in investing activities	(237,203)	(283,404)	(37,968)
Net cash provided by financing activities	126,130	186,153	10,376
Net increase in cash and cash equivalents	$ 106,736	$ 171,691	$ 87,617

Cash Flows from Operating Activities

Net cash provided by operating activities decreased in 2017 as compared to 2016 by $51.1 million. Cash provided by operating activities in 2017 is comprised of net income of $54.4 million, adjusted upward for non-cash items related to depreciation, amortization, impairment, and change in contingent consideration of $49.7 million, stock-based compensation expense of $25.6 million, deferred taxes of $9.3 million, and other non-cash items of $0.4 million in aggregate, and changes in operating assets and liabilities providing a net increase of $78.3 million.

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Net cash provided by operating activities increased in 2016 as compared to 2015 by $153.7 million. Cash provided by operating activities in 2016 was composed of net income of $15.9 million, adjusted upward for non-cash items related to depreciation, amortization, impairment, and contingent consideration of $46.0 million, stock-based compensation of $27.2 million, provision for doubtful accounts of $0.9 million, and other non-cash upward adjustments of $0.3 million in aggregate, offset by downward adjustments for non-cash items related to deferred taxes and excess tax benefits related to stock-based compensation of $20.7 million, and changes in operating assets and liabilities providing a net increase of $199.3 million.

Cash Flows from Investing Activities

Net cash used in investing activities decreased by $46.2 million from 2016 to 2017. Cash used in investing activities in 2017 was composed of net purchases of investments of $195.8 million, capital expenditures of $36.8 million, and purchases of intangible assets of $4.7 million.

Net cash used in investing activities increased by $245.4 million from 2015 to 2016. Cash used in investing activities in 2016 was composed of cash consideration for the ADP CHSA/COBRA business, net of cash received, of $234.0 million, capital expenditures of $28.3 million, and purchases of intangible assets of $21.1 million.

Cash Flows from Financing Activities

Net cash provided by financing activities decreased by $60.0 million from 2016 to 2017 as we received $130.8 million in proceeds from our public stock offering in 2017 as compared to 2016 when we received $169.7 million in net proceeds from our debt issuance. Additionally, in 2017, we reclassified $14.8 million in excess tax benefits from financing activity to operating activity pursuant to the retroactive application of ASU 2016-09. We also paid $4.4 million for a debt principal repayment including debt issuance costs incurred in connection with our Second Amended Credit Agreement in 2017.

Net cash provided by financing activities increased by $175.8 million from 2015 to 2016 primarily due to an increase in proceeds from long-term debt of $169.7 million, net of debt issuance costs, from our revolving credit facility to finance the acquisition of ADP CHSA/COBRA Business in 2016. It was further increased by proceeds from exercise of stock options, an increase in the excess tax benefit related to stock-based compensation arrangements, offset by a decrease in payments related to contingent consideration and share repurchase activities in 2016.

Contractual Obligations

The following table describes our contractual obligations as of December 31, 2017:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in thousands)		
Long-term debt obligations (1)	$ 247,000	$ —	$ —	$ 247,000	$ —
Interest on long-term debt obligations (2)	31,260	7,242	14,483	9,535	—
Operating lease obligations (3)	52,577	9,139	19,242	16,225	7,971
Other contractual obligations (4)	19,366	19,191	175	—	—
Total	$ 350,203	$ 35,572	$ 33,900	$ 272,760	$ 7,971

(1) As of December 31, 2017, maximum total borrowings under the revolving credit facility is $400.0 million with a base interest rate determined in accordance with the Second Amended Credit Agreement terms: LIBOR plus a spread of 1.25% to 2.25% per annum. The debt maturity date is April 4, 2022. As of December 31, 2017, our outstanding principal of $247.0 million is presented net of debt issuance costs on our consolidated balance sheets. The debt issuance costs are not included in the table above.

(2) Estimated interest payments assume the interest rate applicable as of December 31, 2017 of 2.93% per annum on a $247.0 million outstanding principal amount.

(3) We lease facilities under non-cancelable operating leases expiring at various dates through 2028.

(4) Other contractual obligations include vendor obligations including those related to our data centers.

Future minimum lease payments under capital lease obligations are not included in the table above. As of December 31, 2017, there were $0.6 million of future capital lease obligation payments. The Company has no future minimum lease payments under capital leases obligations extending beyond 2020.

Off-Balance Sheet Arrangements

Other than outstanding letters of credit issued under our revolving credit facility, we do not have any off-balance sheet arrangements. The majority of the standby letters of credit mature in one year. However, in the ordinary course of business, we will continue to renew or modify the terms of the letters of credit to support business requirements. The letters of credit are contingent liabilities, supported by our revolving credit facility, and are not reflected on our consolidated balance sheets.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may affect our financial position due to adverse changes in financial market prices and rates. We are exposed to market risks related to changes in interest rates.

As of December 31, 2017, we had cash and cash equivalents of $779.3 million and short-term investments totaling $195.5 million. These amounts consist of cash on deposit with banks, money market funds, commercial paper and U.S. government and corporate securities. The cash and cash equivalents and short-term investments are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these investments, we do not believe that changes in interest rates would have a material impact on our financial position and results of operations. However, declines in interest rates and cash balances will reduce future investment income.

The primary objective of our investment activities is to preserve principal while maximizing yields without significantly increasing risk. This objective is accomplished by making diversified investments, consisting only of investment grade securities. The decrease in interest income from the effect of a hypothetical decrease in short-term interest rates of 10% would not have a material impact on our net income and cash flows.

Our exposure to market risk also relates to the increase or decrease in the amount of interest expense we must pay on our outstanding debt instruments. As of December 31, 2017, we had outstanding principal of $247.0 million under our credit facility. Each loan under the credit facility bears interest at a base rate determined in accordance with the credit agreement, LIBOR rate plus a spread of 1.25% to 2.25%. The increase in interest expense from the effect of a hypothetical change in interest rates of 1% would not have a material impact on our net income and cash flows.

Item 8. Financial Statements and Supplementary Data

WageWorks, Inc. and Subsidiaries
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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
WageWorks, Inc.
San Mateo, California

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of WageWorks, Inc. (the "Company") and subsidiaries as of December 31, 2017, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017, and the results of their operations and their cash flows for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 18, 2019 expressed an adverse opinion thereon.

Change in Accounting Principle

As discussed in Notes 1 and 12 to the consolidated financial statements, the Company has changed its accounting method for recording excess tax benefits from employee share-based payments in fiscal year 2017 due to the adoption of ASU 2016-09, Improvements to Employee Share-Based Payment Accounting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2018.

San Jose, California

March 18, 2019

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
WageWorks, Inc.
San Mateo, California

Opinion on Internal Control over Financial Reporting

We have audited WageWorks, Inc. (the "Company's") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheet of the Company and subsidiaries as of December 31, 2017, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements") and our report dated March 18, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Several material weaknesses regarding management's failure to design and maintain controls have been identified and described in management's assessment. The material weaknesses related to 1) the control environment, due to material weaknesses related to a) an inconsistent and sometimes inappropriate tone at the top was present under the then existing senior management, b) an insufficient complement of qualified resources with an appropriate level of knowledge, experience and training important to the Company's financial reporting requirements, c) inadequate mechanisms and oversight to ensure accountability for the performance of controls; 2) risk assessment, as the Company did not have an adequate assessment of changes in risks by management that could significantly impact internal control over financial reporting and did not effectively design controls in response to the risks of material misstatement; 3) control activities and information and communication, specifically between the accounting department and other operating departments necessary to support the proper functioning of internal controls; and 4) monitoring controls, as the Company did not maintain an internal audit function sufficient to monitor control activities. The control environment material weaknesses contributed to additional material weaknesses in the control activities of the Company as the Company did not design and maintain effective controls over a) accounting close and financial reporting; b) contract to cash process, c) risk assessment and management of change, as well as the review, approval, and documentation related to the application of generally accepted accounting principles, d) review of new, unusual or significant transactions and contracts, and e) manual reconciliations of high-volume standard transactions. The risk assessment material weakness contributed to an additional material weakness as the Company did not design effective controls over certain business processes, including controls over the

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preparation, analysis, and review of closing adjustments required to assess the appropriateness of certain account balances at period end.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2017 consolidated financial statements, and this report does not affect our report dated March 18, 2019 on those consolidated financial statements.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ BDO USA, LLP

San Jose, California

March 18, 2019

Report of Independent Registered Public Accounting Firm

To The Board of Directors and Stockholders
WageWorks, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of WageWorks, Inc. (the "Company") and subsidiaries as of December 31, 2016, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2016, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2016, and the results of their operations and their cash flows for the year ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

Restatement

As discussed in Note 2, the Company has restated its 2016 consolidated financial statements to correct for misstatements.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. We were not engaged to perform an audit of the Company's internal control over financial reporting. As part of our audit, we were required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Macias, Gini & O'Connell, LLP

We have served as the Company's auditor since 2018.

March 18, 2019

Newport Beach, California

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
WageWorks, Inc.:

We have audited the accompanying consolidated statements of income, comprehensive income, stockholders' equity, and cash flows of WageWorks, Inc. and subsidiaries for the year ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and the cash flows of WageWorks, Inc. and subsidiaries for the year ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP
San Francisco, California
February 25, 2016

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WAGEWORKS, INC.
Consolidated Balance Sheets
(In thousands, except per share amounts)

	December 31, 2017	December 31, 2016 As Restated Note (2)
Assets		
Current assets:		
Cash and cash equivalents	$ 779,345	$ 672,609
Restricted cash	332	332
Short-term investments	195,534	—
Accounts receivable, net	107,547	93,413
Prepaid expenses and other current assets	29,271	20,258
Total current assets	1,112,029	786,612
Property and equipment, net	68,742	54,435
Goodwill	297,409	297,409
Acquired intangible assets, net	155,369	176,489
Deferred tax assets, net	10,143	15,690
Other assets	8,291	5,146
Total assets	**$ 1,651,983**	**$ 1,335,781**
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 89,977	$ 72,677
Customer obligations	695,368	608,380
Other current liabilities	628	729
Total current liabilities	785,973	681,786
Long-term debt, net of financing costs	244,915	248,848
Other non-current liabilities	8,845	7,505
Total liabilities	1,039,733	938,139
Commitments and contingencies (Note 15)		
Stockholders' Equity:		
Common stock, $0.001 par value (authorized 1,000,000 shares; 40,251 shares issued and 39,771 shares outstanding at December 31, 2017; 37,247 shares issued and 36,902 shares outstanding at December 31, 2016)	41	37
Additional paid-in capital	562,131	397,307
Treasury stock at cost (480 shares at December 31, 2017 and 345 shares at December 31, 2016)	(22,309)	(14,374)
Accumulated other comprehensive loss	(354)	—
Retained earnings	72,741	14,672
Total stockholders' equity	612,250	397,642
Total liabilities and stockholders' equity	**$ 1,651,983**	**$ 1,335,781**

See accompanying Notes to the Consolidated Financial Statements.

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WAGEWORKS, INC.
Consolidated Statements of Income
(In thousands, except per share amounts)

	Year Ended December 31,		
	2017	**2016 As Restated Note 2**	**2015**
Revenues:			
Healthcare	$ 274,815	$ 195,108	$ 176,573
COBRA	111,607	73,765	51,299
Commuter	72,874	70,215	63,895
Other	16,799	16,473	42,549
Total revenues	476,095	355,561	334,316
Operating expenses:			
Cost of revenues (excluding amortization of internal use software)	173,661	129,046	117,170
Technology and development	56,362	44,719	43,041
Sales and marketing	64,111	57,083	50,540
General and administrative	72,150	60,324	54,093
Amortization, impairment and change in contingent consideration	37,890	37,175	27,618
Employee termination and other charges	1,489	1,147	1,913
Total operating expenses	405,663	329,494	294,375
Income from operations	70,432	26,067	39,941
Other income (expense):			
Interest income	1,147	406	153
Interest expense	(7,293)	(2,717)	(1,925)
Other income (expense), net	(316)	1,075	(182)
Income before income taxes	63,970	24,831	37,987
Income tax provision	(9,583)	(8,929)	(15,037)
Net income	**$ 54,387**	**$ 15,902**	**$ 22,950**
Net income per share:			
Basic	$ 1.41	$ 0.44	$ 0.64
Diluted	$ 1.38	$ 0.43	$ 0.63
Shares used in computing net income per share:			
Basic	38,447	36,404	35,784
Diluted	39,415	37,210	36,595

See accompanying Notes to the Consolidated Financial Statements.

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WAGEWORKS, INC.
Consolidated Statements of Comprehensive Income
(In thousands)

	Year Ended December 31,		
	2017	2016 As Restated Note 2	2015
Net income	$ 54,387	$ 15,902	$ 22,950
Other comprehensive loss, net of tax			
Net unrealized loss on investments	(354)	—	—
Other comprehensive loss, net of tax	(354)	—	—
Total comprehensive income	**$ 54,033**	**$ 15,902**	**$ 22,950**

See accompanying Notes to the Consolidated Financial Statements.

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WAGEWORKS, INC.
Consolidated Statements of Stockholders' Equity
(In thousands)

	Common stock		Additional paid-in capital	Treasury stock at cost	Accumulated other comprehensive loss	Retained earnings (accumulated deficit)	Total stockholders' equity
	Shares	Amount					
Balance at December 31, 2014	35,479	$ 36	$ 303,568	$ —	$ —	$ (24,180)	$ 279,424
Exercise of stock options	465	—	6,598	—	—	—	6,598
Issuance of common stock under Employee Stock Purchase Plan	54	—	2,145	—	—	—	2,145
Issuance of restricted stock units, net of shares withheld for employee taxes	57	—	(949)	—	—	—	(949)
Tax benefit from the exercise of stock options	—	—	11,198	—	—	—	11,198
Treasury stock acquired	(119)	—	—	(5,003)	—	—	(5,003)
Stock-based compensation	—	—	20,606	—	—	—	20,606
Net income	—	—	—	—	—	22,950	22,950
Balance at December 31, 2015	35,936	$ 36	$ 343,166	$ (5,003)	$ —	$ (1,230)	$ 336,969
Exercise of stock options	926	1	16,069	—	—	—	16,070
Issuance of common stock under Employee Stock Purchase Plan	53	—	2,194	—	—	—	2,194
Issuance of restricted stock units, net of shares withheld for employee taxes	213	—	(6,108)	—	—	—	(6,108)
Tax benefit from the exercise of stock options	—	—	14,806	—	—	—	14,806
Treasury stock acquired	(226)	—	—	(9,371)	—	—	(9,371)
Stock-based compensation (As Restated)	—	—	27,180	—	—	—	27,180
Net income (As Restated)	—	—	—	—	—	15,902	15,902
Balance at December 31, 2016 (As Restated) Note 2	36,902	$ 37	$ 397,307	$ (14,374)	$ —	$ 14,672	$ 397,642
Exercise of stock options	810	2	14,267	—	—	—	14,269
Public stock offering, net of issuance costs of $4.6 million	1,955	2	130,787	—	—	—	130,789
Issuance of common stock under Employee Stock Purchase Plan	48	—	2,681	—	—	—	2,681
Issuance of restricted stock units, net of shares withheld for employee taxes	191	—	(9,019)	—	—	—	(9,019)
Treasury stock acquired	(135)		—	(7,935)	—	—	(7,935)
Stock-based compensation	—	—	25,649	—	—	—	25,649
Capitalized stock-based compensation	—	—	459	—	—	—	459
Other comprehensive loss, net of tax	—	—	—	—	(354)	—	(354)
Tax cumulative-effect adjustment - adoption ASU 2016-09 Note 1	—	—	—	—	—	3,682	3,682
Net income	—	—	—	—	—	54,387	54,387
Balance at December 31, 2017	39,771	$ 41	$ 562,131	$ (22,309)	$ (354)	$ 72,741	$ 612,250

See accompanying Notes to the Consolidated Financial Statements.

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WAGEWORKS, INC.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2017	2016 As Restated Note 2	2015
Cash flows from operating activities:			
Net income	$ 54,387	$ 15,902	$ 22,950
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	11,384	8,696	6,671
Amortization, impairment and change in contingent consideration	37,889	37,175	27,618
Amortization of debt issuance costs	418	159	—
Stock-based compensation expense	25,649	27,180	20,606
Loss on disposal of fixed assets	123	273	1,096
Provision for doubtful accounts	558	947	396
Deferred taxes	9,336	(5,853)	13,066
Other	(237)	—	—
Excess tax benefit related to stock-based compensation arrangements	—	(14,806)	(11,198)
Changes in operating assets and liabilities:			
Accounts receivable	(14,692)	(22,088)	(18,214)
Prepaid expenses and other current assets	(9,514)	7,901	961
Other assets	(3,145)	(699)	2,084
Accounts payable and accrued expenses	17,387	9,488	6,011
Customer obligations	86,988	207,559	38,370
Other liabilities	1,278	(2,892)	4,792
Net cash provided by operating activities	217,809	268,942	115,209
Cash flows from investing activities:			
Purchases of property and equipment	(36,787)	(28,319)	(28,141)
Purchases of short-term investments	(208,656)	—	—
Proceeds from sales of short-term investments	5,398	—	—
Proceeds from maturities of short-term investments	7,500	—	—
Cash consideration for business acquisitions, net of cash acquired	—	(233,965)	(9,445)
Purchases of intangible assets	(4,658)	(21,120)	(382)
Net cash used in investing activities	(237,203)	(283,404)	(37,968)
Cash flows from financing activities:			
Proceeds from long-term debt	—	169,900	—
Proceeds from public stock offering	135,387	—	—
Payment of underwriting discounts, commissions and other costs associate with the public offering	(4,598)	—	—
Proceeds from exercise of common stock options	14,267	16,070	6,598
Proceeds from issuance of common stock under Employee Stock Purchase Plan	2,681	2,194	2,145
Payments of debt issuance costs	(1,851)	(207)	(366)
Payments of debt principal	(2,500)	—	—
Payment of contingent consideration	—	(750)	(3,247)
Payment for treasury stock acquired	(7,935)	(9,371)	(5,003)
Payment of capital lease obligations	(302)	(381)	
Taxes paid related to net share settlement of stock-based compensation arrangements	(9,019)	(6,108)	(949)
Excess tax benefit related to stock-based compensation arrangements	—	14,806	11,198
Net cash provided by financing activities	126,130	186,153	10,376
Net increase in cash and cash equivalents	106,736	171,691	87,617
Cash and cash equivalents at beginning of the year	672,609	500,918	413,301
Cash and cash equivalents at end of the year	**$ 779,345**	**$ 672,609**	**$ 500,918**
Supplemental cash flow disclosure:			
Cash paid during the year for:			
Interest	$ 6,462	$ 1,825	$ 2,542
Taxes	$ 2,958	$ 5,534	$ 455
Noncash financing and investing activities:			

Property and equipment, accrued but not paid	$ 2,325	$ 2,412	$ 800
Property and equipment purchased under capital lease obligations	$ 263	$ 835	$ —
Capitalized stock-based compensation	$ 458	$ —	$ —

See accompanying Notes to the Consolidated Financial Statements.

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WAGEWORKS, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Business and Significant Accounting Policies

Business

WageWorks, Inc., (together with its subsidiaries, "WageWorks" or the "Company") was incorporated in the state of Delaware in 2000. The Company is a leader in administering Consumer-Directed Benefits ("CDBs"), which empower employees to save money on taxes while also providing corporate tax advantages for employers.

The Company operates as a single reportable segment on an entity level basis, and considers itself to operate under one operating and reporting segment with healthcare, transit and other employer sponsored programs representing a group of similar products lines. The Company believes that it engages in a single business activity and operates in a single economic environment.

Principles of Consolidation

The consolidated financial statements include the accounts of WageWorks, Inc., and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

In preparing the Consolidated Financial Statements and related disclosure in conformity with United States ("U.S.") generally accepted accounting principles ("GAAP"), including all adjustments as a result of the Company's restatement, and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), the Company must make estimates and judgments that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Estimates are used for, but not limited to allocation of purchase consideration to acquired assets and liabilities from business combinations, allowances for doubtful accounts, useful lives for depreciation and amortization, loss contingencies, income taxes, the assumptions used for stock-based compensation including attainment of performance-based awards, the assumptions used for software and web site development cost classification, and recoverability and impairments of goodwill and long-lived assets. Actual results may be materially different from those estimates. In making its estimates, the Company considers the current economic and legislative environment.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Cash and cash equivalents consist of cash on deposit with banks and money market funds, stated at cost, as well as commercial paper with an original maturity of less than 90 days as further described under Marketable Securities below. To the extent the Company's contracts do not provide for any restrictions on the Company's use of cash that it receives from clients, the cash is recorded as cash and cash equivalents.

The majority of the Company's cash and cash equivalents represent funding and pre-funding balances received from customers for which the Company has a corresponding current obligation. In all cases where we have collected cash from a customer but not fulfilled services (the payment of participant healthcare claims and commuter benefits), the Company recognizes a related liability to its customers, classified as customer obligations in the accompanying consolidated balance sheets.

Restricted cash represents cash used to collateralize standby letters of credit which were issued to the benefit of a third party to secure a contract with the Company.

Marketable Securities

The Company determines the classification of its investments in marketable securities at the time of purchase and accounts for them as available-for-sale. Marketable securities of highly liquid investments with stated maturities of three months or less when purchased are classified as cash equivalents and those with stated maturities of between three months and one year as short-term investments. Marketable securities with maturities beyond twelve months are also included in short-term investments within current assets as the Company intends for its investments to support current operations and other strategic initiatives. These securities are reported at fair value, which includes the accrued interest of interest-bearing securities. Unrealized gains and losses,

net of taxes, are included in accumulated other comprehensive loss as a component of stockholders' equity, except for unrealized losses determined to be other-than-temporary which will be recorded within other income (expense). Realized gains and losses on the sale of marketable securities are recorded in other income (expense).

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and we consider counterparty credit risk in our assessment of fair value. Carrying amounts of financial instruments, including cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximate their fair values as of the balance sheet dates because of their short maturities. The carrying value of the Company’s debt under the credit facility is estimated to approximate fair value as the interest rate approximates the market rate for debt securities with similar terms and risk characteristics. The determination of the fair value of the Company’s marketable securities is further explained in Note 5 - Investments and Fair Value Measurements.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The Company measures outstanding contingent consideration elements each reporting period at fair value and recognizes changes in fair value in earnings each period as an operating expense on the consolidated statements of income, until the contingency is resolved. Losses on revaluation of contingent consideration result from accretion charges due to the passage of time and fair value adjustments due to changes in forecasted revenue levels.

Prior to December 31, 2014, the Company acquired Benefit Concepts, Inc. (“BCI”) and Crosby Benefit Systems, Inc. (“CBS”). In connection with these acquisitions, the Company recorded a contingent consideration liability to recognize its estimate of the obligation to make future payments to the former owners. On the acquisition date, the contingent consideration was recorded at fair value then revalued quarterly based on changes in the expected future payment amount. Fair value was determined based on significant unobservable inputs, so the contingent consideration liability was categorized as Level 3. In 2015, the Company paid $1.2 million to settle the contingent consideration due to the former owners of CBS. In 2015 and 2016, the Company paid $2.1 million and $0.8 million, respectively, to settle the contingent consideration due the former owners of BCI. In 2016 and 2015, changes in the contingent consideration fair value resulted in a negligible expense for the Company. See Note 4 Acquisitions and Channel Partner Arrangements.

Accounts Receivable

Accounts receivable represent both amounts receivable from customers in relation to fees for the Company’s services and unpaid amounts for benefit services provided by third-party vendors, such as transit agencies and healthcare providers for which the Company records a receivable for funding and a corresponding customer obligations liability until the Company disburses the balances to the vendors. The Company provides for an allowance for doubtful accounts by specifically identifying accounts with a risk of collectability and providing an estimate of the loss exposure. The Company reviews its allowance for doubtful accounts on a quarterly basis. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Write-offs for 2017, 2016 and 2015 were not significant.

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The Company offsets on a customer by customer basis unpaid amounts for benefit services and customer obligation balances for financial reporting presentation. Additionally, the Company offsets outstanding trade and non-trade receivables, including any debit or credit memos, against any prefund balances after plan year close or upon termination of services both based on the completion of a full reconciliation with the customer.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation on computer and equipment and furniture and fixtures is calculated on a straight-line basis over the estimated useful lives of those assets, ranging from three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful life or the lease term. When events or circumstances suggest an asset's life is different than initially estimated, management reassesses the useful life of the asset and recognizes future depreciation prospectively over the revised life.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation / amortization are removed from their respective accounts, and any gain or loss on such sale or disposal is reflected in operating expenses.

Maintenance and repairs are expensed as incurred. Expenditures that substantially increase an asset's useful life are capitalized.

Software and Web Site Development Costs

Costs incurred to develop software for internal use are capitalized and amortized over the technology's estimated useful life, generally four years. When events or circumstances suggest an asset's life is different than initially estimated, management reassesses the useful life of the asset and recognizes future amortization prospectively over the revised life. Costs incurred related to the planning and post implementation phases of development are expensed as incurred. Costs associated with the platform content or the repair or maintenance, including transfer of data between existing platforms are expensed as incurred.

Impairment of Long-lived Assets

The Company reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. An impairment of long-lived assets exists when the carrying amount of a long-lived asset group, exceeds its fair value. Such impairment arises in circumstances when such assets are assessed and determined to have no continuing or future benefit. Impairment losses are recorded when the carrying amount of the impaired asset group is not recoverable. Recoverability is determined by comparing the carrying amount of the asset or asset group to the undiscounted cash flows which are expected to be generated from its use. If the carrying amount of the asset group exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset or asset group exceeds its fair value. The Company did not record impairment losses related to long-lived assets in the years ended December 31, 2017 and 2015.

In 2016, the Company re-assessed the fair value of KP Connector which is an internal use software developed by the Company based on the specifications outlined in a client agreement. In the second quarter of 2016, the client notified the Company that it no longer required the services provided by the Company. Accordingly, the Company determined that KP Connector's carrying value was considered unrecoverable as of June 30, 2016, and recorded a $3.7 million impairment charge to amortization, impairment and change in contingent consideration expense in the consolidated statements of income and a corresponding reduction of property and equipment, net, in the consolidated balance sheets. The Company also reversed previously recorded amortization expenses in each of the third and fourth quarters of 2016. In addition, the Company accelerated amortization of intangible assets for client contracts and broker relationships of $3.8 million, triggered in the second quarter of 2016, related to the termination of a significant customer relationship in the health insurance exchange business.

Acquisitions, Goodwill and Definite lived Intangible Assets

The cost of an acquisition is allocated to the tangible assets and definite lived intangible assets acquired and liabilities assumed based on their fair value at the date of acquisition. Goodwill represents the excess cost over the fair value of net assets acquired in the acquisition and is not amortized, but rather is tested for impairment.

Definite lived intangible assets, consisting of client/broker contracts and relationships, trade names, technology, noncompete agreements and favorable lease arrangements, are stated at cost less accumulated amortization. All definite lived intangible assets are amortized on a straight-line basis over their estimated remaining economic lives, ranging generally from one to eight years. Amortization expense related to these intangible assets is included in amortization, impairment and change in contingent consideration expense on the consolidated statements of income.

The Company performs a goodwill impairment test annually on December 31st and more frequently if events and circumstances indicate that the asset might be impaired. The following are examples of triggering events that could indicate that the fair value of a reporting unit has fallen below the unit's carrying amount:

- A significant adverse change in legal factors or in the business climate
- An adverse action or assessment by a regulator
- Unanticipated competition
- A loss of key personnel
- A more likely than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of

An impairment loss is recognized to the extent that the carrying amount exceeds the reporting unit's fair value. When reviewing goodwill for impairment, the Company assesses whether goodwill should be allocated to operating levels lower than the Company's single operating segment for which discrete financial information is available and reviewed for decision-making purposes. These lower levels are referred to as reporting units. The Company's chief operating decision maker, the Chief Executive Officer, does not allocate resources or assess performance at the individual healthcare, commuter, COBRA or other revenue stream level, but rather at the operating segment level. Discrete financial information is therefore not maintained at the revenue stream level. The Company's one reporting unit was determined to be the Company's one operating segment.

Whenever events or circumstances change, entities have the option to first make a qualitative evaluation about the likelihood of goodwill impairment. In assessing the qualitative factors, the Company assesses relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry and market considerations, overall financial performance, Company specific events and share price trends and making the assessment on whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

The goodwill impairment analysis is a two-step process: first, the reporting unit's estimated fair value is compared to its carrying value, including goodwill. If the Company determines that the estimated fair value of the reporting unit is less than its carrying value, the Company moves to the second step to determine the implied fair value of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the reporting unit.

If impairment is deemed more likely than not, management would perform the two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. At December 31, 2017, 2016 and 2015 the Company completed its annual goodwill impairment assessments and management concluded that goodwill is not impaired.

Income Taxes

The Company reports income taxes using an asset and liability approach. Deferred tax assets and liabilities arise from the differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements, as well as from net operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the tax rates expected to be in effect when the taxes will actually be paid or refunds received, as provided under current enacted tax law. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance reduces the deferred tax assets to the amount that is more likely than not to be realized.

The Company records a valuation allowance to reduce the deferred tax assets to the amount that the Company believes is more likely than not to be realized based on its judgment of all available positive and negative evidence. The weight given to

the potential effect of negative and positive evidence is commensurate with the extent to which the strength of the evidence can be objectively verified. This assessment, which is completed on a taxing jurisdiction basis, takes into account a number of types of evidence, including the following:

- The nature and history of current or cumulative financial reporting income or losses;
- Sources of future taxable income;
- The anticipated reversal or expiration dates of the deferred tax assets; and
- Tax planning strategies.

The Company takes a two-step approach to recognizing and measuring the financial statement benefit of uncertain tax positions. The first step is to evaluate the tax position for recognition by determining whether the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement of the audit. The Company classifies interest and penalties on unrecognized tax benefits as income tax expense or benefit.

Customer Obligations Liability

Many of our customer agreements include provisions whereby our customer remit funds to us which represent prefunds of employer / client and employee participant contributions related to FSA, HRA and commuter programs. The agreements do not represent restricted cash and accordingly the amounts received are included in cash and cash equivalents on our consolidated balance sheets with a corresponding liability recorded as customer obligations. Our customers generally provide us with prefunds for their FSA and HRA programs based on a percentage of projected spending by the employee participants for the plan year and other factors. In the case of our commuter program, at the beginning of each month we receive prefunds based on the employee participants' monthly elections. These prefunds are typically replenished throughout the year by our FSA, HRA and commuter clients as benefits are provided under these programs.

The Company offsets on a customer by customer basis non-trade accounts receivable and customer obligation balances for financial reporting presentation. Additionally, the Company offsets outstanding trade and non-trade receivables, including any debit or credit memos, against any prefund balances after plan year close or upon termination of services both based on the completion of a full reconciliation with the customer.

Revenue Recognition

The Company reports revenue based on the following product lines: Healthcare, Commuter, COBRA and Other revenue. Healthcare and Commuter include revenues generated from benefit service fees based on employee / participant levels and interchange and other commission revenues. Interchange and other commission revenues are subject to revenue share arrangements and are based on a percentage of total healthcare and commuter dollars transacted using cards distributed by the Company pursuant to written purchase agreements with certain vendors and banks. COBRA revenue is generated from the administration of continuation of coverage services for participants who are no longer eligible for their employer's health benefits, such as medical, dental, vision and for the continued administration of employee participants' HRAs, and certain healthcare Flexible Spending Accounts ("FSAs"). Other revenue includes services related to enrollment and eligibility, non-healthcare, and employee account administration (i.e., tuition and health club reimbursements) and project-related professional services.

The Company recognizes revenue when collectability is reasonably assured, service has been performed, persuasive evidence of an arrangement exists, and there is a fixed or determinable fee.

Benefit service fees are recognized on a monthly basis as services are rendered and earned under service arrangements where fees and commissions are fixed or determinable and collectability is reasonably assured. Benefit service fees are based on a fee for service model (e.g., monthly fee per participant) in which revenue is recognized on a monthly basis as services are rendered under price quotations or service agreements having stipulated terms and conditions, which do not require management to make any significant judgments or assumptions regarding any potential uncertainties. Fees received for initial setup of clients and renewal fees are deferred and recognized on a monthly basis as services are rendered over the agreed

benefit period. Contracts with initial setup fees generally have an initial term of one year. The agreed benefit period means the length of the benefit plan year, which is one year. The initial setup fees and annual renewal fees are not considered separable from the ongoing services provided for which benefit service fees are earned.

Vendor and bank interchange revenues are attributed to revenue sharing arrangements the Company enters into with certain banks and card associations, whereby the Company shares a portion of the transaction fees earned by these financial institutions on debit cards the Company issues to its employee participants based on a percentage of total dollars transacted as reported on third-party reports.

Other commission revenue entails the Company purchasing passes on behalf of its employee participants from various transit agencies and due to the significant volume of purchases, the Company receives commissions on these passes which the Company records on a net basis. Commission revenue is recognized on a monthly basis as transactions are placed under written purchase agreements having stipulated terms and conditions, which do not require management to make any significant judgments or assumptions regarding any potential uncertainties.

Professional service fees are related to services provided to the Company's employer clients to accommodate their reporting or administrative requirements. These projects are discrete contracts and are not entered into contemporaneously with any other services the Company provides. The professional services revenues are recognized upon completion of services or projects in accordance with agreed upon terms and conditions, which do not require management to make any significant judgments or assumptions regarding any potential uncertainties and where fees are fixed or determinable and collectability is reasonably assured. Cost of revenue is presented on an aggregate basis because the Company provides for services at the client level and not by product.

Stock-based Compensation

Stock-based compensation expense is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes or Monte Carlo option pricing model or the market value of the Company's stock on the grant date and is recognized as an expense over the requisite service period, which is generally the vesting period. The determination of the fair value of stock-based awards on the date of grant using an option pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the estimated volatility over the expected term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates, estimated forfeitures, and expected dividends.

Restricted Stock Units ("RSUs"), Market-based performance RSUs, and Performance-based Stock Units ("PSUs") are measured based on the fair market values of the underlying stock on the dates of grant. The vesting of PSUs awarded is conditioned upon the attainment of performance objectives over a specified period and upon continued employment through the applicable vesting date. At the end of the performance period, shares of stock subject to PSUs vest based upon both the level of achievement of performance objectives within the performance period and continued employment through the applicable vesting date.

Stock-based compensation expense is calculated based on awards ultimately expected to vest and is reduced for estimated forfeitures at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The estimated annual forfeiture rates for stock options, RSUs, and PSUs are based on historical forfeiture experience.

The estimated fair value of stock options and RSUs are expensed on a straight-line basis over the vesting term of the grant and the estimated fair value of PSUs are expensed using an accelerated method over the term of the award once management has determined that it is probable that the performance objective will be achieved. Compensation expense is recorded over the requisite service period based on management's best estimate as to whether it is probable that the shares awarded are expected to vest. Management assesses the probability of the performance milestones being met on a continuous basis.

We estimate expected volatility based on the historical volatility of comparable companies from a representative peer-group as well as our own historical volatility. We estimate expected term based on historical experience, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior such as exercises and forfeitures. We based the risk-free interest rate on zero-coupon yields implied from U.S. Treasury issues with remaining terms similar to the expected term on the options. We do not anticipate paying any cash dividends in the foreseeable

future, and therefore, used an expected dividend yield of zero in the option pricing model. We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The estimated attainment of performance-based awards and related expense is based on the expectations of revenue and earnings before interest, tax and depreciation and amortization ("EBITDA") target achievement over a specified three year performance period. If we use different assumptions for estimating stock-based compensation expense in future periods, or if actual forfeitures differ materially from our estimated forfeitures, future stock-based compensation expense may differ significantly from what we have recorded in the current period and could materially affect our income from operations, net income and net income per share.

Other Comprehensive Loss

Other comprehensive loss includes certain changes in equity that are excluded from net income. As of December 31, 2017, accumulated other comprehensive loss includes a $0.4 million unrealized loss, net of $0.1 million of income taxes, related to unrealized gains/losses on marketable securities.

Recent Accounting Pronouncements

Recently Adopted Accounting Guidance

In January 2017, the FASB issued Accounting Standard Update ("ASU") ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The new accounting guidance clarifies the definition of a business and provides additional guidance to assist entities with evaluating whether transactions should be accounted for as asset acquisitions (or asset disposals) or business combinations (or disposals of a business). Under this new guidance, an entity first determines whether substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this criterion is met, the transaction should be accounted for as an asset acquisition as opposed to a business combination. This distinction is important because the accounting for an asset acquisition significantly differs from the accounting for a business combination. This new guidance eliminates the requirement to evaluate whether a market participant could replace missing elements (e.g. inputs or processes), narrows the definition of outputs and requires that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2017, with early adoption permitted. During the third quarter of 2017, the Company elected to early adopt this standard in connection with the Tango HSA client acquisition as described in Note 8. Goodwill and Intangible Assets.

In March 2016, the FASB Issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The new guidance requires excess tax benefits and tax deficiencies to be recorded in the income statement when an award vests or are settled. In addition, cash flows related to excess tax benefits will no longer be separately classified as financing activity but should be classified as operating activities. The standard also increases the amount of shares an employer can withhold for tax purposes without triggering liability accounting, clarifies that all cash payments made on employee's behalf for withheld shares should be presented as a financing activity in the statements of cash flows, and provides an entity-wide accounting policy election to account for forfeitures as they occur.

The Company adopted this standard during the first quarter of 2017. As required by the standard, excess tax benefits recognized on stock-based compensation expense were reflected in our consolidated statements of income as a component of the provision for income taxes rather than additional paid-in capital on a prospective basis. The cumulative effect of this accounting change resulted in an increase of $3.7 million to deferred tax assets and an increase to the opening retained earnings of $3.7 million. For the year ended December 31, 2017, the Company recorded excess tax benefits in the amount of $15.8 million within our provision for income taxes in the consolidated statements of income.

For presentation requirements, the Company elected to prospectively apply the change in the presentation of excess tax benefits wherein excess tax benefits recognized on stock-based compensation expense were classified in operating activities on the condensed consolidated statements of cash flows. Prior period classification of cash flows related to excess tax benefits were not adjusted.

The Company elected to retrospectively apply the ASU 2016-09 presentation requirements for cash flows related to employee taxes paid for withheld shares to be presented as financing activities. Consequently, on the consolidated statements of cash flows for the years ended December 31, 2016 and 2015, the Company reclassified $6.1 million and $0.9 million, respectively, to increase net cash provided by operating activities and decrease net cash provided by financing activities.

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Further, the Company did not elect an accounting change to record forfeitures as they occur. The Company continues to estimate forfeitures at each period.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers* (Topic 606)." The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The FASB subsequently issued a one year deferral of the effective date for the new revenue reporting standard for entities reporting under U.S. GAAP (ASU 2015-14, "*Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*"). In accordance with the deferral, the guidance is effective for annual reporting periods beginning after December 15, 2017. Subsequently, the FASB issued ASU 2016-08, "*Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations*"; ASU 2016-10, "*Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*"; ASU 2016-12, "*Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*"; and ASU No. 2017-13, "*Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842).*"

The Company will adopt the standard on January 1, 2018 and will apply the modified retrospective method of adoption to those contracts which were not completed as of that date. Upon adoption, the Company will recognize the cumulative effect of adopting this guidance as an adjustment to its opening balance of retained earnings. Prior periods will not be retrospectively adjusted. The Company does not expect a significant change in its control environment due to the adoption of the new standard, however, it will continue to assess until date of adoption.

The Company does not expect a material financial impact to revenue from the adoption of the new standard in 2018. The Company anticipates the primary impact of adopting the new standard will result in the increase in assets from the deferral of incremental commission related to the cost of obtaining subscription contracts. Under Topic 605, the Company expensed all direct and incremental commission costs to obtain a contract. Under the new standard, the Company will defer all incremental commission costs to obtain the contract. These costs are amortized to sales and marketing expense on a consistent basis that reflects the transfer of services to the customer over an estimated period of benefit that has been determined to be six years. The Company expects the impact of adopting ASC 606 to result in an approximate increase in total assets of $9.3 million and an increase in retained earnings of $6.9 million (net of tax effect) as of January 1, 2018. For tax purposes, this change in accounting policy will change the timing of the book deduction, which will result in a book/tax difference. Since tax is deducting the commission expense before books, this will result in a taxable temporary difference and deferred tax liability. The Company expects the tax impact to increase deferred tax liability in the amount of $2.4 million with a decreasing offset to retained earnings upon adoption.

In February 2016, the FASB Issued ASC 842, *Leases*, ("Topic 842"). The Company currently expects that its operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon our adoption of Topic 842, which will increase the total assets and total liabilities that we report relative to such amounts prior to adoption. Refer to Note 15 for further information on our operating lease commitments. The Company plans to adopt Topic 842 using the alternative modified retrospective approach with the cumulative effect of adoption recognized to retained earnings on January 1, 2019. The Company does not believe the new standard will have a material impact on our consolidated statements of income, nor will it have a notable impact on our liquidity. The standard will also have no impact on our debt-covenant compliance under our current agreements. The Company expects the adoption of the standard to have a material impact on the balance sheet as a result of recording a right-of-use asset and lease liability associated with a number of lease arrangements.

In March 2016, the FASB issued Accounting Standard Update No. 2016-04, *Recognition of Breakage for Certain Prepaid Stored-Value Products* ("ASU 2016-04"). The new guidance creates an exception under ASC 405-20, Liabilities-Extinguishments of Liabilities, to derecognize financial liabilities related to certain prepaid stored-value products using a revenue-like breakage model. The new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2017, with early adoption permitted. This guidance can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company does not expect the adoption of this ASU to have a significant impact on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, *Statement of Cash flows: Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). The update provides specific guidance on a number of cash flow classification issues including contingent consideration payments made after a business combination, proceeds from settlement

of insurance claims, proceeds from settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, and separately identifiable cash flows and application of the predominance principle. The update to the standard is effective for fiscal years and interim periods within those years beginning after December 15, 2017, with early adoption permitted. The Company does not expect the adoption of this ASU to have a significant impact on its consolidated financial statements and related disclosures.

In May 2017, the FASB issued Accounting Standards Update No. 2017-09, *Compensation-Stock Compensation: Scope of Modification Accounting* ("ASU 2017-09"). The update amends the scope of modification accounting for shared-based payment arrangements to specify that modification accounting would not be applicable if the fair value, vesting conditions and classification of the shared-based awards are the same immediately before and after the modification. This update is effective prospectively for fiscal years and interim periods within those years beginning after December 15, 2017. Early adoption is permitted. The Company does not expect the adoption of this ASU to have a significant impact on its consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU No. 2016-01, "*Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*." This guidance principally affects accounting standards for equity investments, financial liabilities where the fair value option has been elected, and the presentation and disclosure requirements for financial instruments. Upon the effective date of the new guidance, all equity investments in unconsolidated entities, other than those accounted for using the equity method of accounting, will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification and therefore, no changes in fair value will be reported in other comprehensive income (loss) for equity securities with readily determinable fair values. The new guidance on the classification and measurement will be effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years and early adoption is permitted. The Company does not expect the adoption of this ASU to have a significant impact on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,*" which amends the FASB's guidance on the impairment of financial instruments. The ASU adds to GAAP an impairment model (known as the "current expected credit loss model") that is based on expected losses rather than incurred losses. ASU 2016-13 is effective for annual reporting periods ending after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company does not expect the adoption of this ASU to have a significant impact on its consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 addresses diversity in practice from entities classifying and presenting transfers between cash and restricted cash as operating, investing or financing activities or as a combination of those activities in the statement of cash flows. The ASU requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the Statement of Cash Flows. As a result, transfers between such categories are no longer be presented in the Statement of Cash Flows. The Company will adopt this standard on January 1, 2018 using the retrospective method. The Company does not expect the adoption of this ASU to have a significant impact on its consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, "*Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*" The amendments eliminate Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. The amendments also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The new standard is expected to be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the timing of adoption; however, it does not believe this ASU will have a material impact on the Company's consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *"Income Statement - Reporting Comprehensive Income (Topic 220) - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income"*. This standard allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act and requires certain disclosures about stranded tax effects and will be effective for the Company

beginning January 1, 2019 and should be applied either in the period of adoption or retrospectively. Early adoption is permitted. The Company does not expect the adoption of this ASU to have a significant impact on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, *"Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement."* The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all companies that are required to include fair value measurement disclosures. In general, the amendments in this standard are effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the timing of adoption; however, it does not believe this ASU will have a material impact on the Company's consolidated financial statements.

In November 2018, the FASB issued ASU 2018-19, *"Codification Improvements to Topic 326, Financial Instruments-Credit Losses."* ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of the credit losses standard, but rather, should be accounted for in accordance with the leases standard. In general, the amendments in this standard are effective for public business entities that meet the definition of a SEC filer for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently evaluating the timing of adoption; however, it does not believe this ASU will have a material impact on the Company's consolidated financial statements.

Note 2. Restatement of Consolidated Financial Statements

Restatement Background

Subsequent to the issuance of the Company's unaudited condensed consolidated financial statements as of September 30, 2017, and as previously disclosed on April 5, 2018, the Board concluded that the Company’s financial statements for (i) the quarterly and year-to-date periods ended June 30 and September 30, 2016, (ii) the year ended December 31, 2016 and (iii) the quarterly and year-to-date periods ended March 31, June 30 and September 30, 2017 (collectively, the “Non-Reliance Periods”) should be restated and should no longer be relied upon. Further, the Company’s disclosures related to such financial statements and related communications issued by or on behalf of the Company with respect to the Non-Reliance Periods, including management’s assessment of internal control over financial reporting as of December 31, 2016, should also no longer be relied upon. The determination was made upon the recommendation of the Audit Committee as a result of the investigation described below and after consultation with the Company’s then current independent auditors and management team. The investigation included a review of certain issues, including revenue recognition, related to the accounting for a government contract during fiscal 2016 and associated issues with whether there was an open flow of information and appropriate tone at the top for an effective control environment, the timing and presentation of revenue recognition under certain contracts and arrangements, and the impairment assessment for KP Connector, our internal use software, among other matters.

During the course of this investigation and the audit of the financial statements, accounting and financial reporting errors were identified. The matters primarily resulted in corrections in accounting under U.S. GAAP related to revenue recognition for a government contract, the timing and presentation of revenue recognition under certain contracts and arrangements, the impairment assessment for KP Connector and adjustment of the customer obligations liability balance. Accordingly, the Company is restating its consolidated financial statements as of and for the year ended December 31, 2016, the three and six months ended June 30, 2016 and 2017, the three and nine months ended September 30, 2016 and 2017 and the three months ended March 31, 2017 to correct these errors, the most significant of which are described below as it relates to the year ended December 31, 2016.

Revenue Recognition Adjustments

United States Government Office of Personnel Management ("OPM")

In March 2016, the Company entered into an agreement to provide Flexible Spending Accounts (“FSA”) services to the OPM through 2020. Upon commencement of the agreement, the Company performed certain professional services that it believed were within the scope of the agreement and accordingly recognized $3.6 million in revenue in the twelve months ended December 31, 2016. In April 2018, the Company determined that it should not have recognized revenue related to the OPM professional services, and the related receivable should be reversed. As a result, the Company has made adjustments to reduce revenue by $3.6 million for the twelve months ended December 31, 2016.

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Revenue Recognition Timing and Presentation

Starting in Q2 2016, the Company inconsistently applied its policy to net expenses against healthcare revenue which led to an accounting error than impacted healthcare revenue and cost of revenue.

	For the Year-Ended December 31, 2016			
	Revenue Restatement Adjustments (In thousands)			
	OPM	Invoice Adjustments	Revenue Recognition Timing and Presentation	Total
Healthcare	$ (3,609)	$ (1,163)	$ (3,017)	$ (7,789)
Commuter	—	108	(56)	52
COBRA	—	(1,094)	(387)	(1,481)
Other	—	66	—	66
Total	$ (3,609)	$ (2,083)	$ (3,460)	$ (9,152)

Internally Developed Software Impairment

In 2016, the Company re-assessed the fair value of KP Connector which is an internal use software developed by the Company based on the specifications outlined in a client agreement. In the second quarter of 2016, the client notified the Company that it no longer required the services provided by the Company. Accordingly, the Company determined that KP Connector's carrying value was considered unrecoverable as of June 30, 2016, and recorded a $3.7 million impairment charge to amortization, impairment and change in contingent consideration expense in the consolidated statements of income and a corresponding reduction of property and equipment, net, in the consolidated balance sheets. The Company also reversed previously recorded amortization expenses in each of the third and fourth quarters of 2016.

Stock-Based Compensation Adjustments

The Company adjusted stock-based compensation expense related to performance-based restricted stock units. These shares vest based on the satisfaction of specific performance criteria. At each vesting date, the holder of the award is issued shares of the Company's common stock. Compensation expense from these awards is equal to the fair market value of the Company's common stock on the date of grant and is recognized over the remaining service period based on the probable outcome of achievement of the financial metrics. The metrics included items that have changed as a result of the restatement, and therefore the Company has re-measured the stock-based compensation expense for performance-based restricted stock units as of the year ended December 31, 2016. The following tables summarize the impact of the restatement on performance-based restricted stock units and on the Company's total stock-based compensation expense:

	Year Ended December 31, 2016		
	As Previously Reported	Adjustments	As Restated
Stock-based compensation expense related to restricted stock units (in millions)	$ 19.9	$ (3.1)	$ 16.8

	At December 31, 2016		
	As Previously Reported	Adjustments	As Restated
Total unrecognized stock-based compensation expense associated with restricted stock units (in millions)	$ 29.3	$ (9.9)	$ 19.4

Total restatement adjustments for stock-based compensation expense (in thousands):

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WAGEWORKS, INC.

Notes to Consolidated Financial Statements

	Year Ended December 31, 2016		
	As Previously Reported	Adjustments	As Restated
Cost of revenue	$ 6,214	$ (1)	$ 6,213
Technology and development	2,536	(88)	2448
Sales and marketing	3,127	(123)	3,004
General and administrative	18,391	(2,876)	15,515
Total	$ 30,268	$ (3,088)	$ 27,180

The Company recorded additional adjustments to the consolidated financial statements for the year ended December 31, 2016, primarily related to the following transactions:

- to correct for billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period.
- to account for the reserve of potentially uncollectible customer obligations for pass-through employee participant reimbursements in the proper period
- to correct timing differences between the obligation payments from employer clients and the receipt of cash in the Company's bank accounts, which resulted in a reclassification from *Cash and cash equivalents* to *Customer Obligations*
- to record interest and penalties for unreported employee participant and employer clients unclaimed property
- to record capital lease obligations originally recognized incorrectly as operating leases
- to record the reclassification of *Customer Obligations* from *Accounts Receivable* based on the correction of the timing of employer client billings and payments; and
- to record the reduction in certain operating expense due to over-accrual

Please see the tables below for further details regarding the adjustments. In conjunction with the restatement, the Company determined that it would be appropriate, within this Annual Report on Form 10-K, to reflect these adjustments in the twelve months ended December 31, 2016.

The tax impact in connection with the restatement adjustments were recorded for the year ended December 31, 2016 and December 31, 2017.

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WAGEWORKS, INC.

Notes to Consolidated Financial Statements

The following table presents the Company's consolidated income statement as previously reported, restatement adjustments and the consolidated statement of income statement as restated for the year ended December 31, 2016
(in thousands, except per share amounts):

Consolidated Statement of Income

	Year Ended December 31, 2016		
	As Previously Reported	Adjustments	As Restated
Revenues:			
Healthcare	$ 202,897	$ (7,789) (a)	$ 195,108
Commuter	70,163	52 (b)	70,215
COBRA	75,246	(1,481) (b)	73,765
Other	16,407	66 (b)	16,473
Total revenues	364,713	(9,152)	355,561
Operating expenses:			
Cost of revenues (excluding amortization of internal use software)	130,224	(1,178) (c)	129,046
Technology and development	45,271	(552) (d)	44,719
Sales and marketing	57,496	(413) (e)	57,083
General and administrative	63,732	(3,408) (f)	60,324
Amortization, impairment and change in contingent consideration	34,097	3,078 (g)	37,175
Employee termination and other charges	1,147	—	1,147
Total operating expenses	331,967	(2,473)	329,494
Income from operations	32,746	(6,679)	26,067
Other income (expense):			
Interest income	406	—	406
Interest expense	(2,192)	(525) (h)	(2,717)
Other income (expense)	1,221	(146) (i)	1,075
Income before income taxes	32,181	(7,350)	24,831
Income tax provision	$ (11,976)	3,047 (j)	(8,929)
Net income	**$ 20,205**	**$ (4,303)**	**$ 15,902**
Net income per share:			
Basic	$ 0.56	$ (0.12)	$ 0.44
Diluted	$ 0.54	$ (0.11)	$ 0.43
Shares used in computing net income per share:			
Basic	36,404	36,404	36,404
Diluted	37,210	37,210	37,210

(a) Revenue adjustments for the year ended December 31, 2016 of $7.8 million consists primarily of (i) $3.6 million from the reversal of the OPM revenue as discussed above, and (ii) $2.1 million reversal of revenue as a result of the correction of billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period, and (iii) $2.1 million reversal of revenue due to the netting of healthcare revenue against certain cost of revenue expenses.

(b) Revenue adjustment for the year ended December 31, 2016 related to the correction of billing errors and the recognition of invoices and credit memos in the correct reporting periods.

(c) Adjustment primarily consists of (i) $2.1 million reversal of cost of revenue due to netting of healthcare revenue against certain cost of revenue expenses, and (ii) offset by $0.9 million related to the reserve of potentially uncollectible customer obligations for pass through employee participant reimbursement.

(d) Reduction related primarily to the over-accrual of platform technology related expenses.

(e) Reduction related primarily to the over-accrual of commission expenses.

(f) Adjustment related primarily to (i) a $2.9 million reduction in stock based compensation expense as a result reduced target attainment percentages expected for performance-based restricted stock units (see above for details) (ii) the reversal of $0.5 million related to the re-valuation of the allowance for bad debt and (iii) a $0.2 million expense reduction related to the re-valuation and write-off of customer obligations.

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WAGEWORKS, INC.

Notes to Consolidated Financial Statements

(g) Adjustment consisted of $3.7 million in connection with the Company's Internally Developed Software ("IDS") impairment charge, partially offset by the reversal of previously recorded amortization expense during 2016 of $0.6 million.
(h) Adjustment related to accrued interest expense on unreported employee participant and employer clients unclaimed property.
(i) Adjustment related to accrued penalties on unreported employee participant and employer clients unclaimed property.
(j) Reduction in tax expense relates to the tax effect of the restatement adjustments noted above.

The following table presents the Company's consolidated balance sheet as previously reported, restatement adjustments and the consolidated balance sheet as restated as of December 31, 2016 (in thousands):

Consolidated Balance Sheet

	December 31, 2016		
	As Previously Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 678,300	(5,691) (a)	$ 672,609
Restricted cash	332	—	332
Accounts receivable, net	92,888	525 (b)	93,413
Prepaid expenses and other current assets	19,422	836 (c)	20,258
Total current assets	790,942	(4,330)	786,612
Property and equipment, net	56,902	(2,467) (d)	54,435
Goodwill	297,409	—	297,409
Acquired intangible assets, net	176,489	—	176,489
Deferred tax assets	16,309	(619) (e)	15,690
Other assets	5,300	(154) (f)	5,146
Total assets	**$ 1,343,351**	**$ (7,570)**	**$ 1,335,781**
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued expenses	$ 72,966	$ (289) (g)	$ 72,677
Customer obligations	603,842	4,538 (h)	608,380
Other current liabilities	467	262 (i)	729
Total current liabilities	677,275	4,511	681,786
Long-term debt	248,848	—	248,848
Other non-current liabilities	9,131	(1,626) (j)	7,505
Total liabilities	935,254	2,885	938,139
Stockholders' Equity:			
Common stock	37	—	37
Additional paid-in capital	403,459	(6,152) (k)	397,307
Treasury stock at cost	(14,374)	—	(14,374)
Retained earnings	18,975	(4,303)	14,672
Total stockholders' equity	408,097	(10,455)	397,642
Total liabilities and stockholders' equity	**$ 1,343,351**	**$ (7,570)**	**$ 1,335,781**

(a) Adjustment primarily to reduce cash and cash equivalents was to correct for the proper recognition of employee participant credit card disbursements of $7.0 million, offset by timing differences associated with differences between the obligation payments from employer clients and the receipt of cash in the Company's bank accounts of $1.3 million. The adjustment resulted in a net reclassification from customer obligations to cash and cash equivalents.
(b) Adjustment relates to (i) a $6.3 million reduction in accounts receivable from the restatement of the OPM revenue as discussed above, of which $3.6 million relates to the reduction of revenue and $2.7 million relates to the reduction of short-term and long-term deferred revenue, and (ii) a $3.0 million decrease due to accruals to correct the recording of invoices, credit memos and billing adjustments in the proper period, offset by a $9.9 million increase from the

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reclassification of customer obligations to accounts receivable based on the correction of the timing of customer billing and payments.

(c) Adjustment to record a correction of $0.6 million for income tax receivable because of the restatement and $0.2 million of other receivables for the anticipated collection of commission over-payments.

(d) Adjustment relates to the impairment charge for IDS of $3.7 million, as discussed above, and depreciation expense of $0.2 million for equipment purchased under capital lease obligations, offset by $0.8 million of capital lease obligations originally recognized incorrectly as operating leases and $0.6 million for the reversal of amortization expense associated with IDS previously recorded during the year ended December 31, 2016.

(e) Adjustment of $0.6 million relates to the tax effect of the restatement adjustments noted in (a) through (k).

(f) Adjustment to write-off uncollectible deposit.

(g) Adjustment relates to a $0.7 million reduction in short-term deferred revenue as result of the OPM restatement discussed above and a $0.8 million reduction due to the over accrual of operating expenses, partially offset by a $0.7 million accruals related to interest and penalties for unreported employee participant and employer clients unclaimed property, a $0.2 million accrual for a customer cash refund related to billing errors, and a $0.3 million increase in the corporate bonus accrual.

(h) Adjustment relates to a $9.9 million increase for the reclassification of customer obligations from accounts receivable based on the correction of the timing of employer client billings and payments, a $0.9 million increase in customer obligations, partially offset by a $7.0 million decrease to correct for the proper recognition of employee participant credit card disbursements, a decrease of $0.6 million to record a reserve for potentially uncollectible customer obligations for pass through employee participant reimbursements and an increase of $1.3 million increase due to the timing differences between the obligation payments from employer clients and the receipt of cash in the Company's bank accounts, which resulted in a reclassification from customer obligations to cash and cash equivalents.

(i) Adjustment to record the current portion of capital lease obligations originally recognized incorrectly as operating leases.

(j) Adjustment relates to the reduction of long-term deferred revenue of $2.0 million in connection with the Company's OPM restatement as noted above, partially offset by an increase of $0.4 million related to the long-term portion of capital lease obligations originally reported incorrectly as operating leases.

(k) Adjustment of $6.2 million relates to a $3.1 million reduction in stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units and a $3.1 million tax provision modification related to the restatement.

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WAGEWORKS, INC.

Notes to Consolidated Financial Statements

The following table presents the Company's consolidated statement of cash flows for the year ended previously reported, restatement adjustments and the consolidated statement of cash flows as restated as of the year ended December 31, 2016 (in thousands):

Consolidated Statement of Cash Flows

	Year Ended December 31, 2016		
	As Previously Reported	Adjustments	As Restated
Cash flows from operating activities:			
Net income	$ 20,205	$ (4,303)	$ 15,902
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	8,473	223	8,696
Amortization, impairment and change in contingent consideration	34,000	3,175	37,175
Amortization of debt issuance costs	—	159	159
Stock-based compensation expense	30,268	(3,088)	27,180
Loss on disposal of fixed assets	273	—	273
Provision for doubtful accounts	1,527	(580)	947
Deferred taxes	(6,472)	619	(5,853)
Excess tax benefit related to stock-based compensation arrangements	(17,871)	3,065	(14,806)
Changes in operating assets and liabilities:			
Accounts receivable	(22,144)	56	(22,088)
Prepaid expenses and other current assets	11,802	(3,901)	7,901
Other assets	(853)	154	(699)
Accounts payable and accrued expenses	3,669	5,819	9,488
Customer obligations	203,021	4,538	207,559
Other liabilities	(916)	(1,976)	(2,892)
Net cash provided by operating activities	264,982	3,960	268,942
Cash flows from investing activities:			
Purchases of property and equipment	(28,319)	—	(28,319)
Cash consideration for business acquisitions, net of cash acquired	(233,965)	—	(233,965)
Cash paid for acquisition of intangible assets	(21,120)	—	(21,120)
Net cash used in investing activities	(283,404)	—	(283,404)
Cash flows from financing activities:			
Proceeds from long-term debt	169,693	207	169,900
Proceeds from exercise of common stock options	16,070	—	16,070
Proceeds from issuance of common stock under Employee Stock Purchase Plan	2,194	—	2,194
Payment of debt issuance costs	—	(207)	(207)
Payment of contingent consideration	(653)	(97)	(750)
Payment for treasury stock acquired	(9,371)	—	(9,371)
Payment of capital lease obligations	—	(381)	(381)
Taxes paid related to net share settlement of stock-based compensation arrangements	—	(6,108)	(6,108)
Excess tax benefit related to stock-based compensation arrangements	17,871	(3,065)	14,806
Net cash provided by financing activities	195,804	(9,651)	186,153
Net increase in cash and cash equivalents	177,382	(5,691)	171,691
Cash and cash equivalents at beginning of the year	500,918	—	500,918
Cash and cash equivalents at end of the year	**$ 678,300**	**$ (5,691)**	**$ 672,609**

The above adjustments reflect the adoption of ASU 2016-09 in 2017 and the retroactive application of presenting employer taxes paid and withholding shares as a financing activity.

Note 3. Net Income per Share

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The following table sets forth the computation of basic and diluted net income per share (in thousands except per share):

	Year Ended December 31,		
	2017	2016 As Restated Note 2	2015
Numerator for basic net income per share:			
Net income	$ 54,387	$ 15,902	$ 22,950
Denominator for basic net income per share:			
Weighted-average common shares outstanding	38,447	36,404	35,784
Basic net income per share	$ 1.41	$ 0.44	$ 0.64
Numerator for diluted net income per share:			
Net income	$ 54,387	$ 15,902	$ 22,950
Denominator for diluted net income per share:			
Weighted-average common shares outstanding	38,447	36,404	35,784
Dilutive stock options, restricted stock and performance restricted stock units and employee stock purchase plan shares	968	806	811
Diluted weighted-average common shares outstanding	39,415	37,210	36,595
Diluted net income per share	$ 1.38	$ 0.43	$ 0.63

Stock options and restricted stock units to purchase common stock are not included in the computation of diluted earnings per share if their effect would be anti-dilutive. There were 0.8 million anti-dilutive shares for 2017, and 0.9 million anti-dilutive shares for both 2016 and 2015.

Note 4. Acquisitions and Channel Partner Arrangements

Acquisition of the ADP CHSA/COBRA Business

On November 28, 2016, the Company completed the Asset Purchase Agreement ("APA") with ADP, a leading global provider of Human Capital Management solutions, to acquire ADP's CHSA, COBRA, and direct bill businesses (together the "ADP CHSA/COBRA Business") for approximately $235.0 million in cash. In connection with the APA, the Company borrowed $169.9 million against its then $250.0 million revolving credit facility which had a maturity date of June 5, 2020. See Note 10. Long-term Debt for updated credit facility terms.

Purchase Price Consideration and Allocation for the ADP CHSA/COBRA Business

In accordance with Accounting Standards Codification Topic 805, Business Combinations ("ASC 805"), the acquisition was accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total purchase consideration, assets acquired and the liabilities assumed are measured at fair value as of the date of acquisition when control is obtained. The fair value of the consideration transferred, the assets acquired and liabilities assumed was determined by the Company and in doing so estimated the fair value of the identifiable intangible assets acquired. The following table summarizes the fair value of total consideration transferred for the acquisition, the total fair value of net identifiable assets acquired and the goodwill recorded (in thousands):

Goodwill represents the excess of the purchase consideration over the fair value of the underlying net assets acquired and liabilities assumed (amounts in thousands):

Cash consideration	$ 235,000
Less: Fair value of net identifiable assets acquired	(94,700)
Goodwill	$ 140,300

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The fair value of the identifiable assets acquired and liabilities assumed in the acquisition is based on management's best estimates and valuation assumptions. The following table summarizes the estimated fair value of assets acquired and liabilities assumed as of November 28, 2016:

	Weighted Average Useful Life	Amount
	(in years)	(in thousands)
Cash		$ 1,035
Accounts payable and accrued expenses		(1,035)
Intangible assets subject to amortization:		
Customer relationships	10	93,900
Existing technology - CHSA	3	500
Existing technology - COBRA	3	300
Total fair value of net identifiable assets acquired		$ 94,700

The unaudited pro forma condensed combined statement of income of the Company and the ADP CHSA/COBRA Business for the years ended December 31, 2016 and 2015 are presented below as if the acquisition had closed on January 1, 2015. The pro forma information was prepared based on the historical financial statements and related notes of the ADP CHSA/COBRA Business and the Company, as adjusted for the pro forma impact of applying the acquisition method of accounting in accordance with U.S. GAAP. The unaudited pro forma condensed combined statements of income were prepared using the acquisition method of accounting with the Company treated as the acquiring entity.

The following unaudited pro forma condensed combined financial statements have been presented for informational purposes only. The pro forma data does not purport to represent what the combined Company's results of operations actually would have been had the acquisition been completed as of the dates indicated, nor is it indicative of future operating results of the combined Company.

	Year Ended December 31,	
	2016 As Restated Note 2	2015
	(In thousands, except per share data) (Unaudited)	
Total revenue	$ 469,119	$ 466,278
Net income	$ 28,543	$ 39,610
Net income per share:		
Basic	$ 0.78	$ 1.11
Diluted	$ 0.77	$ 1.08

Ceridian Channel Partner Arrangement

In July 2013, the Company entered into a channel partner arrangement with Ceridian, a global product and services company. Pursuant to the arrangement, Ceridian's CDB account administration business for FSA and HRA was fully transitioned to the Company as of January 2015 with a final purchase price of $13.5 million. The Company accounted for this client acquisition as an asset purchase. In conjunction with the transition, the Company also entered into a separate reseller arrangement with Ceridian.

In September 2015, the Company entered into another agreement with Ceridian to transition its COBRA and direct bill portfolio to the Company. In April 2016, the Company completed the transition of this portfolio. The total cash consideration paid in 2016 and 2015 was $21.1 million and $0.4 million, respectively, and was recorded as acquired intangible assets. This

relationship also allows Ceridian as a channel partner to resell the Company's COBRA and direct bill services to their new and existing clients in addition to their full suite of healthcare and commuter products.

CONEXIS Acquisition

On August 1, 2014, the Company entered into an Asset Purchase Agreement with CONEXIS Benefits Administrators, LP ("CONEXIS"), a Texas limited partnership and Word & Brown Insurance Administrator, Inc., a California corporation, pursuant to which the Company acquired substantially all of the assets of CONEXIS. CONEXIS is a leader in employee benefits administration and serves approximately 16,000 organizations of all sizes. This acquisition added a new base of CDBs customers and participant relationships. The purchase price was $118.0 million, and the holdback obligation of $10.0 million was settled for $9.4 million in the third quarter of 2015 after the working capital adjustments. The CONEXIS acquisition was accounted for as a business combination using the acquisition method of accounting. Under the acquisition method of accounting, the total purchase consideration, assets acquired and the liabilities assumed are measured at fair value as of the date of acquisition when control was obtained. The results of operations for CONEXIS have been included in the Company's financial results since the acquisition date.

Tango Acquisition

On September 2017, the Company and Tango entered into an Asset Purchase and Transition Agreement to acquire and transfer certain assets held by Tango related to benefits administration services for Health Savings Accounts for $4.1 million. The Company accounted for the Tango transaction as an asset purchase because it did not qualify as a business combination. The agreement contains a holdback obligation of $2.1 million which was paid in December 2017 upon completion of the transition of the intangible asset portfolio. Total cash consideration paid was recorded as acquired intangible assets and will be amortized over seven years.

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Note 5. Investments and Fair Value Measurements

The following table summarizes the Company's investments in marketable securities and fair value measurements by investment category reported as cash equivalents and short-term investments (in thousands):

	December 31, 2017					
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Level 1	Level 2
Cash equivalents:						
Money market funds	$ 58,953	$ —	$ —	$ 58,953	$ 58,953	$ —
Commercial paper	21,930	—	(3)	21,927	—	21,927
Total cash equivalents	80,883	—	(3)	80,880	58,953	21,927
Short-term investments:						
Corporate debt securities	$ 105,144	$ 3	$ (273)	$ 104,874	$ —	$ 104,874
Municipal bonds	6,974	2	(8)	6,968		6,968
Commercial paper	30,798	1	(9)	30,790	—	30,790
Asset-backed securities	15,310	—	(76)	15,234	—	15,234
U.S. treasury securities	17,472	—	(41)	17,431	17,431	—
U.S. government agency securities	11,540	—	(30)	11,510	—	11,510
Non-U.S. government and agency securities	7,499	—	(27)	7,472	—	7,472
Certificates of deposit	1,255	—	—	1,255	—	1,255
Total short-term investments	$ 195,992	$ 6	$ (464)	$ 195,534	$ 17,431	$ 178,103
Total cash equivalents and short-term investments	$ 276,875	$ 6	$ (467)	$ 276,414	$ 76,384	$ 200,030

As of December 31, 2017, the Company had no investments that were in an unrealized loss position for a period of twelve months or greater and have determined that the gross unrealized losses on investments are temporary in nature.

Realized gains and losses on marketable securities are included in other income (expense) on the Company's consolidated statements of income. Gross realized gains and losses on marketable securities for the year ended December 31, 2017 were not significant.

The Company had no investments in marketable securities prior to 2017.

The Company uses inputs such as actual trade data, benchmark yields, quoted market prices from dealers or brokers, and other similar sources to determine the fair value of its investments. Accordingly, the Company classifies money market funds and U.S. treasury securities as Level 1 investments and other securities as Level 2. There were no transfers between Level 1 and Level 2 fair value categories during the periods presented.

The following table summarizes the estimated amortized cost and fair value of the Company's marketable securities by the contractual maturity date (in thousands):

	December 31, 2017	
	Amortized Cost	Fair Value
Due less than one year	$ 157,651	$ 157,573
Due in one to five years	119,224	118,841
Total	$ 276,875	$ 276,414

Note 6. Accounts Receivable

Accounts receivable at December 31, 2017 and 2016 was comprised of the following (in thousands):

	December 31, 2017	December 31, 2016 As Restated Note 2
Trade receivables	$ 58,067	$ 54,887
Unpaid amounts for benefit services	52,054	40,542
	110,121	95,429
Less allowance for doubtful accounts	(2,574)	(2,016)
Accounts receivable, net	$ 107,547	$ 93,413

The allowance for doubtful accounts roll forward is comprised of the following (in thousands):

Allowance for Doubtful Accounts:	Balance at Beginning of Fiscal Year	Charged to Operations	Recoveries (Deductions)	Balance at End of Fiscal Year
Year ended December 31, 2017	$ 2,016	$ 558	$ —	$ 2,574
Year ended December 31, 2016 (As Restated Note 2)	$ 1,071	$ 947	$ (2)	$ 2,016
Year ended December 31, 2015	$ 767	$ 475	$ (171)	$ 1,071

Note 7. Property and Equipment

Property and equipment at December 31, 2017 and 2016 was comprised of the following (in thousands):

	December 31, 2017	December 31, 2016 As Restated Note 2
Computers and equipment	$ 22,702	$ 17,254
Software and capitalized software development costs	120,278	102,998
Furniture and fixtures	7,754	6,784
Leasehold improvements	25,097	19,477
	175,831	146,513
Less accumulated depreciation and amortization	(107,089)	(92,078)
Property and equipment, net	$ 68,742	$ 54,435

During the years ended December 31, 2017, 2016 and 2015, the Company capitalized software development costs of $20.5 million, $14.8 million, and $15.7 million, respectively. Amortization expense related to capitalized software development costs was $12.1 million, $15.2 million and $11.8 million for 2017, 2016 and 2015, respectively. These costs are included in amortization, impairment and contingent consideration expense in the accompanying consolidated statements of income. At December 31, 2017, the unamortized capitalized software development costs included in property and equipment in the accompanying consolidated balance sheets was $35.0 million.

Total depreciation expense plus amortization of software and internally developed software for the years ended December 31, 2017, 2016 and 2015 was $23.5 million, $23.9 million, and $18.5 million, respectively.

As a result of the Company's restatement, the Company recorded assets under capital lease obligations which were originally recognized incorrectly as operating leases. As of December 31, 2017 and 2016, property and equipment acquired under capital lease obligations was $1.7 million and classified as computers and equipment. Accumulated depreciation for assets acquired under capital lease obligations was $1.1 million and $0.8 million as of December 31, 2017 and 2016.

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In 2016, the Company re-assessed the fair value of KP Connector which is an internal use software developed by the Company based on the specifications outlined in a client agreement. In the second quarter of 2016, the client notified the Company that it no longer required the services provided by the Company. Accordingly, the Company determined that KP Connector's carrying value was considered unrecoverable as of June 30, 2016, and recorded a $3.7 million impairment charge to amortization, impairment and change in contingent consideration expense in the consolidated statements of income and a corresponding reduction of property and equipment, net, in the consolidated balance sheets. The Company also reversed previously recorded amortization expenses for the year ended December 31, 2016 by $0.6 million.

Note 8. Goodwill and Intangible Assets

There was no change in the carrying amount of goodwill during the twelve months ended December 31, 2017. The change in the carrying amount of goodwill for the year ended December 31, 2016 is as follows (in thousands):

Balance at December 31, 2015	$	157,109
Additions: ADP CHSA/COBRA Business acquisition (Note 4)		140,300
Balance at December 31, 2016 and 2017	$	297,409

Acquired intangible assets at December 31, 2017 and 2016 were comprised of the following (in thousands):

	December 31, 2017			December 31, 2016		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Amortizable intangible assets:						
Client/broker contracts & relations	$ 237,221	$ (84,581)	$ 152,640	$ 232,560	$ (60,569)	$ 171,991
Trade names	3,880	(3,492)	388	3,880	(3,078)	802
Technology	14,646	(13,047)	1,599	14,646	(11,867)	2,779
Noncompete agreements	2,232	(2,013)	219	2,232	(1,941)	291
Favorable lease arrangements	1,134	(611)	523	1,136	(510)	626
Total	$ 259,113	$ (103,744)	$ 155,369	$ 254,454	$ (77,965)	$ 176,489

In September 2017, the Company acquired certain intangible assets from Tango related to Tango's HSA product (see Note 4). This transaction was accounted for as an asset purchase.

Amortization expense of intangible assets totaled $25.8 million, $21.9 million and $15.7 million in 2017, 2016 and 2015, respectively.

The Company accelerated amortization on intangible assets for client contracts and broker relationships of $3.8 million, triggered in the second quarter of 2016, related to the termination of a significant customer relationship in the health insurance exchange business.

Acquired intangible assets are amortized on a straight-line basis generally over one to ten years.

As of December 31, 2017, the expected future amortization expense for acquired intangible assets is as follows (in thousands)

2018	$	25,626
2019		24,703
2020		22,719
2021		19,915
2022		17,479
Thereafter		44,927
Total	$	155,369

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Note 9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2017 and 2016 were comprised of the following (in thousands):

	December 31, 2017	December 31, 2016 As Restated Note 2
Accounts payable and accrued liabilities	$ 23,788	$ 21,830
Payable to benefit providers and transit agencies	32,469	24,528
Accrued compensation and related benefits	25,921	20,223
Other accrued expenses	5,275	3,752
Deferred revenue	2,524	2,344
Accounts payable and accrued expenses	$ 89,977	$ 72,677

Note 10. Long-term Debt

On August 1, 2016, the Company entered into a First Amended and Restated Credit Agreement (the "Amended Credit Agreement") with MUFG Union Bank, N.A., as administrative agent (the “Agent”) to increase the revolving credit facility credit limit from $150.0 million to $250.0 million. The Amended Credit Agreement did not change the Company's $15.0 million subfacility limit or its option to increase its commitments up to $100.0 million. The credit facility's maturity date, June 5, 2020, and interest rate, London Interbank Offered Rate ("LIBOR") plus a margin ranging from 1.25% to 1.75%, also remained unchanged. Subsequent to entering into the Amended Credit Agreement, the Company borrowed additional funds in the amount of $169.9 million from the revolving credit facility in connection with the acquisition of the ADP CHSA/COBRA Business. In connection with the Amended Credit Agreement, the Company incurred fees of approximately $0.2 million, which are being amortized over the term of the Amended Credit Agreement.

On April 4, 2017, the Company entered into a Second Amended and Restated Credit Agreement (the “Second Amended Credit Agreement”) with (the “Agent”). The Second Amended Credit Agreement amends and restates the Company’s existing Amended Credit Agreement, and increases the Company's borrowing capacity under the revolving credit facility to $400.0 million, with a $15.0 million letter of credit subfacility. The Second Amended Credit Agreement contains an increase option permitting the Company, subject to certain conditions and requirements, to arrange with existing lenders and/or new lenders to provide up to an aggregate of $100.0 million in additional commitments. Loan proceeds may be used for general corporate purposes, including acquisitions as permitted under the Second Amended Credit Agreement. The Company may prepay loans under the Second Amended Credit Agreement in whole or in part at any time without premium or penalty. In connection with this Second Amended Credit Agreement, the Company incurred fees of approximately $1.9 million, which are being amortized over the term of the Second Amended Credit Agreement. The fees incurred are presented as a direct deduction from long-term debt in the consolidated balance sheets.

The loans bear interest, at the Company’s option, at either (i) a LIBOR determined in accordance with the Second Amended Credit Agreement, plus a margin ranging from 1.25% to 2.25%, or (ii) a base rate determined in accordance with the Second Amended Credit Agreement, plus a margin ranging from 0.25% to 1.25%, in either case with such margin determined based on the Company’s consolidated leverage ratio for the preceding four fiscal quarter period. Interest is due and payable in arrears quarterly for base rate loans and at the end of an interest period for LIBOR rate loans. Principal, together with all accrued and unpaid interest, is due and payable on April 4, 2022. The Company elected option (i) and, as of December 31, 2017, the interest rate applicable to the revolving credit facility was 2.93% per annum.

Amounts borrowed and outstanding letters of credit were as follows (in thousands):

	December 31, 2017	December 31, 2016
Revolving credit facility used	$ 249,830	$ 250,000
Less: Outstanding letters of credit	(2,830)	(500)
Outstanding revolving credit facility	247,000	249,500
Unamortized loan origination fees	(2,085)	(652)
Long-term debt	$ 244,915	$ 248,848

The Company's obligations under the Second Amended Credit Agreement are secured by substantially all of the Company's assets. All of the Company's existing and future material subsidiaries are required to guarantee its obligations under the Second Amended Credit Agreement. The guarantees by future material subsidiaries are and will be secured by substantially all of the assets of such subsidiaries.

The Second Amended Credit Agreement contains financial and non-financial covenants including debt ratio and interest coverage ratio requirements. The Company is currently in compliance with all the covenants under the credit facility.

During the year ended December 31, 2017, the Company reduced the long-term debt principal with a $2.5 million payment. Additionally in 2017, the Company increased its outstanding letter of credit balance by $2.3 million as a result of growth in its business operations. As of December 31, 2017, the Company had $247.0 million outstanding under the revolving credit facility and $150.2 million unused revolving credit facility still available to borrow under the Second Amended Credit Agreement. The Company pays fees on the unused revolving credit balance.

The credit facility contains customary events of default including, among others, payment defaults, covenant defaults, inaccuracy of representations and warranties, cross-defaults to other material indebtedness, judgment defaults, a change of control default and bankruptcy, and insolvency defaults. Under certain circumstances, a default interest rate will apply on all obligations during the existence of an event of default under the loan agreement at a per annum rate of interest equal to 2.00% above the applicable interest rate. Upon an event of default, the lenders may terminate the commitments, declare the outstanding obligations payable by the Company to be immediately due and payable, and exercise other rights and remedies provided for under the credit facility.

On April 5, 2018, the Company's Board of Directors concluded the previously issued financial statements for (i) the quarterly periods ended September 30, June 30 and March 31, 2017, (ii) the annual period ended December 31, 2016 and (iii) the quarterly periods ended September 30 and June 30, 2016 should be restated and should no longer be relied upon. Consequently, the Company did not meet its obligation to provide its restated and delinquent financial statements to the Agent by the contractual delivery date. In March 2018, the Company entered into a Reporting Extension Agreement (the "Extension Agreement"), by and among the Company, the lenders party thereto and MUFG Union Bank, N.A., as administrative agent to extend the time period for delivery to Agent and the lenders our delinquent financial statements to June 30, 2018. In June 2018, the Company entered into a Second Reporting Extension Agreement and paid the Agent $0.8 million to extend the delivery date of our delinquent financial statements to March 16, 2019. In March 2019, the Company entered into a Third Reporting Extension Agreement and paid the Agent $0.1 million to extend the delivery date of any remaining delinquent financial statements to May 10, 2019.

Note 11. Common Stock

Public Stock Offering

On June 20, 2017, the Company closed a public stock offering and sold 1,954,852 shares of its common stock at $69.25 per share, for proceeds of approximately $130.8 million, net of underwriting discounts and commissions and other offering costs. Additionally, certain selling stockholders sold 545,148 shares of common stock in the offering for which the Company did not receive any proceeds. Selling stockholders received proceeds net of their proportionate share of the total underwriting discounts and commissions. The Company also granted the underwriters a 30-day overallotment option to purchase up to an additional 375,000 shares of its common stock at $69.25 per share prior to the underwriting discount. The overallotment option expired unexercised.

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Share Repurchase Program

On August 6, 2015, the Company's Board authorized a $100.0 million stock repurchase program for 3 years which commenced on November 5, 2015 and expires on November 4, 2018 Repurchases made under this program may be made in the open market as the Company deems appropriate and market conditions allow. In 2017, the Company repurchased 134,900 shares of its common stock for a total cost of $7.9 million, or an average price of $58.82 per share. In 2016, the Company repurchased 226,170 shares of its common stock for a total cost of $9.4 million, or an average price of $41.43 per share. As of December 31, 2017, the Company had $77.7 million available for future purchases under the stock repurchase program.

Note 12. Employee Benefit Plans

Stock-based compensation is classified in the consolidated statements of income in the same expense line items as cash compensation. Amounts recorded as expense in the consolidated statements of income are as follows (in thousands):

	Year Ended December 31,		
	2017	2016 As Restated Note 2	2015
Cost of revenue	$ 7,686	$ 6,213	$ 3,836
Technology and development	2,391	2,448	1,190
Sales and marketing	2,936	3,004	2,724
General and administrative	12,636	15,515	12,856
Total	$ 25,649	$ 27,180	$ 20,606

In 2017, the Company capitalized $0.5 million in stock-based compensation cost in connection with its capitalization of software development costs. An insignificant portion of the 2017 capitalized stock-based compensation was amortized during the year.

(a) Employee Stock Option Plan

On May 26, 2010, the Company adopted the 2010 Equity Incentive Plan ("2010 Plan"). Under the 2010 Plan, the Company can grant share-based awards to all employees, including executive officers, outside consultants and non-employee directors. As of December 31, 2017, the 2010 Plan has a total of 3.4 million common stock shares available for issuance.

The Company's 2000 Stock Option/Stock Issuance Plan adopted in June 2000, as amended and restated, ("2000 Plan"), provides for the issuance of options and other stock-based awards. As of December 31, 2017, the 2000 Plan has a total of 71,000 options outstanding. Any forfeitures or shares remaining under the plan are canceled and not available for reissuance. No further grants will be made under the 2000 Plan.

Options under the 2000 Plan and the 2010 Plan (together "the Plans") expire 10 years after the date of grant and generally vest over 4 years with 25% of the options vesting after one year and the balance vesting monthly over the remaining period. The Company issues new shares upon the exercise of stock options.

As of December 31, 2017, there was $19.1 million of total unrecognized stock-based compensation expense associated with stock options, adjusted for estimated forfeitures, related to non-vested stock-based awards which will be recognized over a weighted average period of approximately 2 years. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

The following table summarizes the weighted-average fair value of stock options granted:

	Year Ended December 31,		
	2017	2016	2015
Stock options granted (in thousands)	632	825	501
Weighted-average fair value at date of grant	$ 26.22	$ 18.38	$ 18.89

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Stock option activity for the two years ended December 31, 2017 is as follows (shares in thousands):

	Shares	Weighted-average exercise price	Remaining contractual term (years)	Aggregate intrinsic value (dollars in thousands)
Outstanding at December 31, 2015	3,037	$ 25.18	6.41	$ 65,229
Granted	825	48.36		
Exercised	(926)	17.36		
Forfeited	(92)	47.01		
Outstanding as of December 31, 2016	2,844	$ 33.74	7.00	$ 110,256
Granted	632	71.86		
Exercised	(810)	17.61		
Forfeited	(188)	53.35		
Outstanding as of December 31, 2017	2,478	$ 47.24	7.22	$ 42,324
Vested and expected to vest at December 31, 2017	2,375	$ 46.71	7.16	$ 41,581
Exercisable at December 31, 2017	1,291	$ 35.91	6.00	$ 33,685

The total intrinsic value of options exercised during the years ended December 31, 2017, 2016 and 2015, was $41.6 million, $37.0 million and $17.1 million, respectively. Cash received from option exercises was $14.3 million, $16.1 million and $6.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. The Company elected to follow the tax law method of determining realization of excess tax benefits for stock-based compensation. In 2017, the Company adopted ASU 2016-09 and recorded excess tax benefits in the amount of $15.8 million within its provision for income taxes in the consolidated statements of income. During the years ended December 31, 2016 and 2015, excess tax benefits related to stock-based compensation of approximately $14.8 million and $11.2 million, respectively, were recorded directly to stockholders' equity. In 2017, the Company adopted ASU 2016-09 which requires excess tax benefits and tax deficiencies to be recorded in the income statement when an award vests or are settled. See Note 1 Summary of Business and Significant Accounting Policies.

Stock-based compensation expense related to stock options was $11.8 million and $9.8 million in 2017 and 2016.

Valuation Assumptions

The Company calculated the fair value of each option award on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Year Ended December 31,		
	2017	2016	2015
Expected volatility	39.79%	42.63%	43.48%
Risk-free interest rate	1.86%	1.17%	1.56%
Expected term (in years)	4.74	4.87	4.74
Dividend yield	—%	—%	—%

Stock-based compensation expense is measured at the grant date based on the fair value of the award. The determination of the fair value of stock-based awards on the date of grant using an option pricing model is affected by the Company’s stock price as well as assumptions regarding a number of complex and subjective variables. Expected volatility is determined using weighted-average volatility of peer publicly traded companies as well as the Company’s own historical volatility. The Company has increased weighting of its own historical data and intends to continue in future periods as that history grows over time. The risk-free interest rate is determined by using published zero coupon rates on treasury notes for each grant date given the expected term on the options. The dividend yield of zero is based on the fact that the Company expects to invest cash in operations and has not paid cash dividends on its common stock. The Company estimates the expected term based on historical experience, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior such as exercises and forfeitures.

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Stock-based compensation expense is recognized in the consolidated statements of income based on awards ultimately expected to vest, and is reduced for estimated pre-vest forfeitures. Forfeitures are estimated at the time of grant and are revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The estimate for pre-vest forfeitures is based on weighted average historical forfeiture rates.

(b) Restricted Stock Units

The Company grants restricted stock units ("RSU") to certain employees, officers, and directors under the 2010 Plan. RSUs vest upon either performance-based, market-based or service-based criteria.

Performance-based RSUs vest based on the satisfaction of specific performance criteria. At each vesting date, the holder of the award is issued shares of the Company's common stock. Compensation expense from these awards is equal to the fair market value of the Company's common stock on the date of grant and is recognized over the remaining service period based on the probable outcome of achievement of the financial metrics used in the specific grant's performance criteria. Management's estimate of the number of shares expected to vest is based on the anticipated achievement of the specified performance criteria.

Market-based performance RSUs are granted such that they vest upon the achievement of certain per share price targets of the Company's common stock during a specified performance period. The fair market values of market-based performance RSUs are determined using the Monte Carlo simulation method. The Monte Carlo simulation method is subject to variability as several factors utilized must be estimated including the future daily stock price of the Company's common stock over the specified performance period, the Company's stock price volatility and risk-free interest rate. The amount of compensation expense is equal to the per share fair value calculated under the Monte Carlo simulation multiplied by the number of market-based performance RSUs granted, recognized over the specified performance period.

Generally, service-based RSUs vest over a four year period in equal annual installments commencing upon the first anniversary date of the grant date.

In the first quarter of 2017, 2016, and 2015, the Company granted a total of 343,000, 263,000, and 140,000, respectively, of performance-based RSUs to certain executive officers. Performance-based RSUs are typically granted such that they vest upon the achievement of certain revenue growth rates and other financial metrics during a specified three year performance period. Participants have the ability to receive a percentage of the targeted number of shares originally granted which is up to a maximum of 200%, for 2017 and 2016, and 150%, for 2015.

In the first quarter of 2017, the market-based performance RSUs vested at 50% of the target attainment because the Company's common stock achieved a certain per share price, reported on the New York Stock Exchange ("NYSE"), for 20 consecutive trading days during the 36 month performance period ended April 7, 2017.

On April 5, 2018, the Company's Board of Directors concluded that the previously issued financial statements for (i) the quarterly periods ended September 30, June 30 and March 31, 2017, (ii) the annual period ended December 31, 2016 and (iii) the quarterly periods ended September 30 and June 30, 2016 should be restated and should no longer be relied upon. As a result, the previously issued financial statements for the aforementioned reporting periods are considered not issued. The Company updates the stock-based compensation expense based on the number of performance-based RSUs it expects to vest as of each period end. During the Non-Reliance Period, the expected achievement for performance-based RSUs granted in 2017 and 2016 was reassessed based on the restated financial statement resulting in their expected achievement percentage being reduced from 130% to 81% for 2016 grants and 56% for 2017 grants.

Stock-based compensation expense related to RSUs was $13.6 million, $16.8 million and $13.0 million in 2017, 2016 and 2015, respectively, and is presented in the consolidated statements of stockholders' equity. Total unrecorded stock-based compensation expense at December 31, 2017 associated with RSUs was $21.7 million, which is expected to be recognized over a weighted-average period of approximately 2 years years.

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The following table summarizes information about RSUs issued to officers, directors, and employees under the 2010 Plan:

				Weighted-average grant date fair value		
	Service-based RSUs	Performance-based RSUs	Market-based RSUs	Service-based RSUs	Performance-based RSUs	Market-based RSUs
	(shares in thousands)					
Unvested at December 31, 2015	193	404	166	$ 41.89	$ 44.36	$ 49.38
Granted (1)	171	351	—	54.88	38.88	—
Vested (2)	(84)	(264)	—	39.62	24.68	—
Forfeitures	(23)	—	—	50.76	—	—
Unvested at December 31, 2016	257	491	166	$ 50.49	$ 51.03	$ 49.38
Granted (3)	193	379	—	67.50	71.02	—
Vested (4)	(110)	(124)	(83)	46.38	57.10	49.38
Forfeitures	(36)	(21)	(83)	60.53	58.57	49.38
Unvested at December 31, 2017	304	725	—	$ 61.61	$ 60.21	$ —

(1) Includes additional shares issued as specified financial metrics for the performance-based restricted stock units, granted to certain executives in 2013, during the performance period of January 1, 2013 through December 31, 2015 were met, resulting in actual shares vesting at 150% of the target number of shares originally granted. The weighted average grant date fair value of these additional shares was $24.68.

(2) Includes 264,000 shares vested from performance-based restricted stock units granted to certain executives in 2013 representing 150% of the target number of shares originally granted.

(3) Performance-based RSUs include additional shares granted as specified financial metrics for the performance-based RSUs, granted to certain executives in 2014, during the performance period of January 1, 2014 through December 31, 2016 were met, resulting in actual shares vesting at 141% of the target number of shares originally granted. The weighted average grant date fair value of these additional shares was $57.10. In addition, there are additional shares granted as specified financial metrics for the performance-based RSUs, which were granted to certain executives in February 2017.

(4) Performance-based RSUs include approximately 123,750 shares vested from performance-based RSUs granted to certain executives in 2014 representing 141% of the target number of shares originally granted. Market-based performance RSUs totaling 83,000 shares were granted to certain executives. These shares represent 50% of the targeted number of shares originally granted in 2014.

(c) Employee Stock Purchase Plan

In May 2012, the Company established the 2012 Employee Stock Purchase Plan ("ESPP") which is intended to qualify under Section 423 of the IRC. The Company issued 48,443 common stock shares for which it received $2.7 million from employee contributions during 2017. At December 31, 2017, a total of 1,855,265 shares of the Company's common stock are available for sale under the ESPP. In addition, the ESPP provides for annual increases in the number of shares available for issuance under the ESPP on the first day of each fiscal year, equal to the least of:

- 500,000 shares of common stock;
- 1% of the outstanding shares of the Company's common stock as of the last day of its immediately preceding fiscal year; or
- such other amount as may be determined by the board of directors.

Under the ESPP, employees are eligible to purchase common stock through payroll deductions of up to 25% of their eligible compensation, subject to any plan limitations. The ESPP has four consecutive offering periods of approximately three months in length during the year and the purchase price of the shares is 85% of the lower of the fair value of the Company's common stock on the first trading day of the offering period or on the last day of the offering period. Stock-based compensation expense related to the ESPP was $0.6 million in each of 2017 and 2016.

(e) 401(k) Plan

The Company participates in the WageWorks 401(k) Plan ("401(k) Plan"), a tax-deferred savings plan covering all of its employees working more than 1,000 hours per year. Employees become participants in the 401(k) Plan on the first day of any month following the first day of employment. Eligible employees may contribute up to 85% of their compensation to the 401(k) Plan, limited to the maximum allowed under the IRC. The Company, at its discretion, may match up to 40% of the first 6%

of employees' contributions and may make additional contributions to the 401(k) Plan. The Company contributed approximately $2.5 million, $1.8 million, and $1.3 million in 2017, 2016, and 2015, respectively.

Note 13. Organizational Efficiency Plan

Starting in 2015, the Company initiated a plan to integrate ancillary operations and consolidated certain positions resulting in employee headcount reduction and facility closures. As a result, the Company incurred employee termination and other charges consisting of severance and other employee termination costs, facility closure costs and other operational costs. During the years ended December 31, 2017, 2016 and 2015, the Company incurred employee termination and other charges totaling $1.5 million, $1.1 million, and $1.9 million, respectively. The Company continually evaluates ways to improve business processes to ensure that its operations align with its strategy and vision for the future.

Changes in the Company's accrued liabilities for workforce reduction costs are as follows (dollars in thousands):

	Amount
Beginning balance as of December 31, 2014	$ —
Employee termination and other charges	1,913
Releases	(1,730)
Beginning balance as of December 31, 2015	$ 183
Employee termination and other charges	1,147
Releases	(1,330)
Ending balance as of December 31, 2016	$ —
Employee termination and other charges	1,489
Releases	(1,489)
Ending balance as of December 31, 2017	$ —

Note 14. Income Taxes

The Company reports income taxes using an asset and liability approach, under which deferred income taxes are provided based upon enacted tax laws and rates applicable to periods in which the taxes become payable. The Company is subject to income taxes in the U.S. federal and various state jurisdictions. Presently, there are no income tax examinations on-going in the jurisdictions where the Company operates.

The components of the provision for income taxes are as follows (in thousands):

	Year Ended December 31,		
	2017	2016 As Restated Note 2	2015
Current:			
Federal	$ (159)	$ (13,290)	$ (9,873)
State	(925)	(1,501)	(3,296)
	(1,084)	(14,791)	(13,169)
Deferred:			
Federal	(8,389)	5,175	(2,902)
State	(110)	687	1,034
	(8,499)	5,862	(1,868)
Total provision for income taxes	$ (9,583)	$ (8,929)	$ (15,037)

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Reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
	2017	2016 As Restated Note 2	2015
Tax provision at U.S. statutory rate	35 %	35 %	35 %
State income taxes, net of federal benefit	2	2	5
Permanent items - other	1	2	1
Research and development credits	(1)	(3)	(1)
Stock-based compensation	(22)	1	—
Other	(1)	(1)	—
Change in tax rate	1	—	—
Provision for tax	15 %	36 %	40 %

Deferred tax assets (liabilities) consist of the following (in thousands):

	December 31, 2017	December 31, 2016 As Restated Note 2
Deferred tax assets:		
Net operating loss carryforwards	$ 1,716	$ 1,439
Stock-based compensation	11,778	17,899
Research and development and other credits	6,961	5,528
Reserves	5,417	7,846
Intangible assets	947	1,672
Gross deferred tax assets	26,819	34,384
Deferred tax liabilities:		
Property and equipment	(3,874)	(4,781)
Goodwill	(12,802)	(13,913)
Gross deferred tax liabilities	(16,676)	(18,694)
Net deferred tax assets	$ 10,143	$ 15,690

The income tax provision for the year ended December 31, 2017, includes a tax benefit of $15.8 million primarily due to the current year excess tax benefits on stock-based compensation pursuant to the adoption of ASU 2016-09.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("the Tax Act"). The Tax Act introduces tax reform that reduces the current corporate federal income tax rate from 35% to 21%, among other changes. The rate reduction is effective January 1, 2018. The Company has determined that the Tax Act requires a revaluation of its net deferred tax asset upon its enactment during the current quarter. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. As changes in tax laws or rates are enacted, like the Tax Act, deferred tax assets and liabilities are adjusted through income tax expense. As a result of the reduction in the federal corporate income tax rate, the Company has recorded a non-cash charge to income tax expense of $0.3 million related to the revaluation of its net deferred tax assets.

The Company's accounting for deferred taxes involves the evaluation of a number of factors concerning the realizability of the Company's deferred tax assets. Assessing the realizability of deferred tax assets is dependent upon several factors, including the likelihood and amount, if any, of future taxable income in relevant jurisdictions during the periods in which those temporary differences become deductible. The Company's management forecasts taxable income by considering all available positive and negative evidence including its history of operating income or losses and its financial plans and estimates which are used to manage the business. The Company has concluded there was sufficient positive evidence at the end of 2017, 2016 and 2015 to continue to support the position that the Company does not need to maintain a valuation allowance on deferred tax

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assets. These assumptions require significant judgment about future taxable income. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are reduced.

At December 31, 2017, unrecognized tax benefits were approximately $5.1 million, which would impact income tax expense if recognized. The Company does not anticipate that any adjustments would result in a material change to its financial position within the next twelve months. For the years ended December 31, 2017, 2016 and 2015, the Company did not recognize any interest or penalties related to unrecognized tax benefits.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31,		
	2017	2016 As Restated Note 2	2015
Balance, beginning of year	$ 4,765	$ 4,429	$ 4,109
Increase in tax positions for prior years	—	201	134
Increase in tax positions for current year	313	271	319
Other decreases	—	(136)	(133)
Balance, end of year	$ 5,078	$ 4,765	$ 4,429

The Company files income tax returns in the U.S. federal jurisdiction and various states jurisdictions. As a result of the Company's net operating loss carryforwards, the 2002 through 2017 tax years are open and may be subject to potential examination in one or more jurisdictions.

At December 31, 2017, the Company has federal and state operating loss carryforwards of approximately $2.6 million and $17.0 million available to offset future regular and alternative minimum taxable income. The Company's state net operating loss carryforward is on a post-apportionment basis. The Company's state net operating loss carryforwards expire in the years 2018 through 2033.

In addition, the Company had federal and California and other state research and development credit carryforwards of approximately $7.8 million and $3.8 million, respectively. The federal research credit carryforwards expire beginning in the years 2030 through 2037, if not fully utilized. The California state research credit carries forward indefinitely and other states begin to expire in years 2036 through 2037. In addition, the Company has $0.1 million of state investment tax credits that will begin to expire in years 2018 through 2019, if not fully utilized.

The Company's ability to utilize the net operating losses and tax credit carryforwards are subject to limitations in the event of an ownership change as defined in Section 382 of the Internal Revenue Code ("IRC") of 1986, as amended, and similar state tax law. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders increases by more than 50 percentage points over such stockholders' lowest percentage ownership during the testing period (generally three years). The Company has considered Section 382 of the IRC and concluded that any ownership change would not diminish the Company's utilization of its net operating loss or its research and development credits during the carryover periods.

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Note 15. Commitments and Contingencies

(a) Operating Leases

The Company leases office space and equipment under non-cancelable operating leases with various expiration dates through 2028. Future minimum lease payments under non-cancelable operating leases, excluding the contractual sublease income of $10.1 million which is expected to be received through February 2023, are as follows (in thousands):

	As of December 31, 2017
2018	$ 9,139
2019	9,522
2020	9,721
2021	9,689
2022	6,536
Thereafter	7,970
Total future minimum lease payments	$ 52,577

Rent expense was $7.6 million, $7.1 million, and $7.6 million for 2017, 2016 and 2015, respectively. Sublease income was $1.7 million and $0.7 million, for 2017 and 2016, respectively. No sublease income was recognized in 2015. As of December 31, 2017, the Company has $0.6 million in future minimum lease payments under capital leases.

(b) Legal Matters

The Company is pursuing affirmative claims against the OPM to obtain payment for services provided by the Company between March 1, 2016 and August 31, 2016 pursuant to our contract with OPM for the Government's Federal Flexible Account Program ("FSAFEDS"). The Company initially issued its invoice for these services in February 2017. On December 22, 2017, the Company received the Contracting Officer's "final decision" refusing payment of the invoiced amount and otherwise denying the Company's Certified Claim. As a result of this decision, and a related Certified Claim that OPM subsequently denied, on February 8, 2018, we filed an appeal to the Civilian Board of Contract Appeals ("CBCA") against OPM for services provided by the Company between March 1, 2016 and August 31, 2016. On August 3, 2018, we filed an appeal to the CBCA of OPM's June 21, 2018 denial of a Request for Equitable Adjustment for extra work associated with a contract modification imposing new security and other requirements not part of the original scope of FSAFED's contract work. The aggregate amount of our claims is approximately $9.1 million. The cases have been consolidated and discovery is ongoing.

There have been multiple discovery motions, as well as motion to dismiss the claim we filed on August 3, 2018 which has been fully briefed and is awaiting a decision by the CBCA. The cases had been set for a hearing on the merits on April 24, 2019. However, because of the recent partial Government shutdown, the trial date has been postponed and has been tentatively scheduled for mid-June 2019. In connection with the Company's claims against OPM, OPM has also claimed that an erroneous statement in a certificate signed by a former executive officer constituted a violation of the False Claims Act, and has moved to dismiss part of our claim against OPM as a result. As with all legal proceedings, no assurance can be provided as to the outcome of these matters or if we will be successful in recovering the full claimed amount.

On March 9, 2018, a putative class action - captioned Government Employees' Retirement System of the Virgin Islands v. WageWorks, Inc., et al., No. 4:18-cv-01523-JSW - was filed in the United States District Court for the Northern District of California (the "Securities Class Action") against the Company, our former Chief Executive Officer, and our former Chief Financial Officer. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on behalf of persons and entities that acquired WageWorks securities between May 6, 2016 and March 1, 2018, and alleges, among other things, that the defendants issued false and misleading financial statements. The plaintiffs seek unspecified damages, fees, interest, and costs. The Company believes that the claims are without merit. On August 7, 2018, the Court entered an order granting the motion of the Public Pension Group, consisting of Public Employees' Retirement System of Mississippi, the Government Employees' Retirement System of the Virgin Islands, and the New Mexico Public Employees Retirement Association of New Mexico, to be lead plaintiff. Under the schedule stipulated by the parties, and approved by the Court, lead plaintiff will file its consolidated amended complaint no later than forty-five (45) days following issuance of the Company's Restatement.

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On June 22, 2018 and September 6, 2018, two derivative lawsuits were filed against certain of our officers and directors and the Company (as nominal defendant) in the Superior Court of the State of California, County of San Mateo. Pursuant to the parties' stipulation, which was approved by the Superior Court, the actions were consolidated. On July 23, 2018, a similar derivative lawsuit was filed against certain of our officers and directors and the Company (as nominal defendant) in the United States District Court for the Northern District of California (together, the "Derivative Suits"). The Derivative Suits purport to allege claims related to breaches of fiduciary duties, waste of corporate assets, and unjust enrichment. In addition, the complaint in District Court includes a claim for abuse of control, and the complaint in Superior Court includes a claim to require the Company to hold an annual shareholder meeting. The allegations in the Derivative Suits relate to substantially the same facts as those underlying the Securities Class Action described above. The plaintiffs seek unspecified damages and fees and costs. In addition, the complaint in the Superior Court seek for us to provide past operational reports and financial statements, to publish timely and accurate operational reports and financial statements going forward, to hold an annual shareholder meeting, and to take steps to improve its corporate governance and internal procedures.

Under the schedule stipulated by the parties, and approved by the Superior Court, the plaintiff in the Superior Court action will file its Consolidated Complaint within 45 days from the date we issue our Restatement. As stipulated by the parties, and approved by the District Court, the District Court action is stayed. The parties in the District Court action are to notify the District Court within 15 days of (1) the dismissal of the Securities Class Action, (2) the denial of defendants' motion(s) to dismiss, or (3) a party giving notice that they no longer consent to the voluntary stay.

From time to time, the Company may become involved in legal proceedings, claims and litigation arising in the ordinary course of business.

The Company voluntarily contacted the San Francisco office of the SEC Division of Enforcement regarding the restatement and independent investigation. The Company is providing information and documents to the SEC and will continue to cooperate with the SEC's investigation into these matters. The U.S. Attorney's Office for the Northern District of California also opened an investigation. The Company has provided documents and information to the U.S. Attorney's Office and will continue to cooperate with any inquiries by the U.S. Attorney's Office regarding the matter.

The Company records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information, the Company does not believe that any additional liabilities relating to other unresolved matters are probable or that the amount of any resulting loss is estimable. However, litigation is subject to inherent uncertainties and the Company's view of these matters may change in the future. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on the Company's financial position, results of operations or cash flows for the period in which the unfavorable outcome occurs, and potentially in future periods.

Note 16. Related Party

The National Flex Trust ("the Trust"), established by one of the previously acquired entities of the Company, is to provide reimbursement of qualified expenses to plan participants under certain employer plans that have contracted with the Company to provide the plan services using a custodial account ("the Trust Account"). The client is responsible for maintaining the employer plan for their participants, including the establishment of eligibility and paying all eligible claim amounts owed to their participants. The Company is an independent contractor engaged to perform administration services.

The Company has a long-term receivable due from the Trust totaling $1.0 million which the Trust holds with its banks, as a security deposit for the settlement of participant claims. The Company has recorded this receivable within other assets on its consolidated balance sheets.

Note 17. Selected Quarterly Financial Data (unaudited)

2016 Quarterly Data - Unaudited Consolidated Statements of Income

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WAGEWORKS, INC.

Notes to Consolidated Financial Statements

	As Restated			
	Three months ended March 31, 2016	Three months ended June 30, 2016	Three months ended September 30, 2016	Three months ended December 31, 2016
	(in thousands, except per share amounts)			
Revenues:				
Healthcare	$ 50,370	$ 45,615	$ 45,163	$ 53,959
Commuter	17,376	17,466	17,570	17,803
COBRA	15,406	17,207	18,302	22,850
Other	3,850	4,375	4,215	4,033
Total revenues	87,002	84,663	85,250	98,645
Operating expenses:				
Cost of revenues (excluding amortization of internal use software)	31,260	28,429	29,750	39,606
Technology and development, sales and marketing, general and administrative, and employee termination and other charges	38,366	40,753	40,744	43,410
Amortization, impairment and change contingent consideration	7,445	15,364	6,647	7,719
Total operating expenses	77,071	84,546	77,141	90,735
Income from operations	9,931	117	8,109	7,910
Other, net	(323)	(851)	(387)	325
Income before income taxes	9,608	(734)	7,722	8,235
Income tax (provision) benefit	(3,812)	614	(2,492)	(3,239)
Net income / (loss)	**$ 5,796**	**$ (120)**	**$ 5,230**	**$ 4,996**
Net income per share:				
Basic	$ 0.16	$ —	$ 0.14	$ 0.14
Diluted	$ 0.16	$ —	$ 0.14	$ 0.13
Shares used in computing net income per share:				
Basic	35,916	36,361	36,605	36,404
Diluted	36,529	36,361	37,454	37,210

As indicated above, the Company has restated its quarterly financial data for the second, third and fourth quarter of 2016. Concurrent with the filling of this 10-K, the Company has filed amended 10-Qs for the second and third quarter 2016.

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WAGEWORKS, INC.

Notes to Consolidated Financial Statements

The following table presents the Company's unaudited consolidated statement of income as previously reported, restatement adjustments and the unaudited consolidated statement of income as restated for the three months ended December 31, 2016 (in thousands):

	Three Months Ended December 31, 2016		
	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share amounts)		
Revenues:			
Healthcare	$ 55,979	$ (2,020) (a)	$ 53,959
Commuter	17,824	(21) (b)	17,803
COBRA	23,291	(441) (b)	22,850
Other	3,968	65 (b)	4,033
Total revenues	101,062	(2,417)	98,645
Operating expenses:			
Cost of revenues (excluding amortization of internal use software)	39,987	(381) (c)	39,606
Technology and development, sales and marketing, general and administrative, and employee termination and other charges	44,323	(913) (d)	43,410
Amortization and change in contingent consideration	8,013	(294) (e)	7,719
Total operating expenses	92,323	(1,588)	90,735
Income from operations	8,739	(829)	7,910
Other, net	390	(65) (f)	325
Income before income taxes	9,129	(894)	8,235
Income tax provision	(3,467)	228 (g)	(3,239)
Net income	**$ 5,662**	**$ (666)**	**$ 4,996**
Net income per share:			
Basic	$ 0.15	$ (0.01)	$ 0.14
Diluted	$ 0.15	$ (0.02)	$ 0.13
Shares used in computing net income per share:			
Basic	36,404		36,404
Diluted	37,210		37,210

(a) Adjustments during the three months ended December 31, 2016 consists primarily of (i) a $1.0 million reversal of revenue as a result of the correction of billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period, (ii) $0.8 million reversal of revenue due to the netting of healthcare revenue against certain cost of revenue expenses, and (iii) $0.2 million reversal of OPM revenue as discussed above,.

(b) Revenue adjustment for the year ended December 31, 2016 related to the correction of billing errors and the recognition of invoices and credit memos in the correct reporting periods.

(c) Adjustment primarily consists of $0.8 million reversal of cost of revenue due to netting of healthcare revenue against certain cost of revenue expenses, partially offset by (i) $0.3 million reserve for potentially uncollectible customer obligations for pass through employee participant reimbursement (ii) a $0.2 million reversal as a result of an uncollectible contractor prepayment.

(d) Reduction related primarily to a $0.8 million reduction in stock based compensation expense as a result reduced target attainment percentages expected for performance-based restricted stock units (see above for details)

(e) Adjustment in the three months ended December 31, 2016 consisted of the reversal of previously recorded amortization expense in the fourth quarter of 2016 of $0.3 million.

(f) Adjustment related to accrued interest expense on unreported employee participant and employer clients unclaimed property.

(g) Reduction in tax expense relates to the tax effect of the restatement adjustments noted above.

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2017 Quarterly Data

In lieu of filing quarterly reports on Form 10-Q for 2017, quarterly financial data for 2017 (as restated) is included in this Annual Report in the tables that follow. Amounts are computed independently each quarter, therefore, the sum of the quarterly amounts may not equal the total amount for the respective year due to rounding.

2017 Quarterly Data - Unaudited Consolidated Balance Sheets

	As restated		
	March 31, 2017	June 30, 2017	September 30, 2017
	(in thousands, except per share amounts)		
Assets			
Current assets:			
Cash and cash equivalents	$ 610,427	$ 776,133	$ 799,579
Restricted cash	332	332	332
Short-term investments	—	—	94,087
Accounts receivable, net	154,985	149,823	159,489
Prepaid expenses and other current assets	15,403	32,330	19,627
Total current assets	781,147	958,618	1,073,114
Property and equipment, net	55,011	61,682	68,417
Goodwill	297,409	297,409	297,409
Acquired intangible assets, net	167,725	163,597	161,281
Deferred tax assets	18,779	18,779	18,803
Other assets	4,788	4,627	6,855
Total assets	**$ 1,324,859**	**$ 1,504,712**	**$ 1,625,879**
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued expenses	$ 96,132	$ 101,052	$ 91,590
Customer obligations	551,005	565,914	687,462
Other current liabilities	440	493	512
Total current liabilities	647,577	667,459	779,564
Long-term debt, net of financing costs	246,395	244,621	244,791
Other non-current liabilities	9,458	10,098	9,444
Total liabilities	903,430	922,178	1,033,799
Stockholders' Equity:			
Common stock, par value $0.001 per share	38	40	41
Additional paid-in capital	401,354	542,179	550,631
Treasury stock at cost	(14,374)	(14,374)	(22,309)
Accumulated other comprehensive income	—	—	(35)
Retained earnings	34,411	54,689	63,752
Total stockholders' equity	421,429	582,534	592,080
Total liabilities and stockholders' equity	**$ 1,324,859**	**$ 1,504,712**	**$ 1,625,879**

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WAGEWORKS, INC.

Notes to Consolidated Financial Statements

2017 Quarterly Data - Unaudited Consolidated Statements of income

	As Restated						
	Three months ended March 31, 2017	Three months ended June 30, 2017	Six months ended June 30, 2017	Three months ended September 30, 2017	Nine months ended September 30, 2017	Three months ended December 31, 2017	Twelve months ended December 31, 2017
	(in thousands, except per share amounts)						
Revenues:							
Healthcare	$ 74,674	$ 68,202	$ 142,876	$ 65,893	$ 208,769	$ 66,046	$ 274,815
Commuter	18,543	17,836	36,379	17,987	54,366	18,508	72,874
COBRA	28,550	27,018	55,568	26,897	82,465	$ 29,142	111,607
Other	4,270	4,076	8,346	4,069	12,415	4,384	16,799
Total revenues	126,037	117,132	243,169	114,846	358,015	118,080	476,095
Operating expenses:							
Cost of revenues (excluding amortization of internal use software)	48,088	43,319	91,407	39,031	130,438	43,223	173,661
Technology and development, sales and marketing, general and administrative, and employee termination and other charges	45,581	48,619	94,200	50,365	144,565	49,547	194,112
Amortization, impairment and change contingent consideration	9,237	9,393	18,630	9,402	28,032	9,858	37,890
Total operating expenses	102,906	101,331	204,237	98,798	303,035	102,628	405,663
Income from operations	23,131	15,801	38,932	16,048	54,980	15,452	70,432
Other expenses, net	(1,590)	(1,680)	(3,270)	(1,749)	(5,019)	(1,443)	(6,462)
Income before income taxes	21,541	14,121	35,662	14,299	49,961	14,009	63,970
Income tax (provision) benefit	(5,484)	6,157	673	(5,236)	(4,563)	(5,020)	(9,583)
Net income	**$ 16,057**	**$ 20,278**	**$ 36,335**	**$ 9,063**	**$ 45,398**	**$ 8,989**	**$ 54,387**
Net income per share:							
Basic	$ 0.43	$ 0.54	$ 0.98	$ 0.23	$ 1.19	$ 0.23	$ 1.41
Diluted	$ 0.42	$ 0.53	$ 0.94	$ 0.23	$ 1.16	$ 0.23	$ 1.38
Shares used in computing net income per share:							
Basic	37,025	37,419	37,209	39,641	38,028	38,447	38,447
Diluted	38,441	38,613	38,514	40,264	39,106	39,415	39,415

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WAGEWORKS, INC.

Notes to Consolidated Financial Statements

2017 Quarterly Data - Unaudited Consolidated Statements of cash flows

	As restated		
	Three months ended March 31, 2017	Six months ended June 30, 2017	Nine months ended September 30, 2017
	(in thousands except per share amounts)		
Cash flows from operating activities:			
Net income	$ 16,057	$ 36,335	$ 45,398
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	2,568	5,221	8,172
Amortization and change in contingent consideration	9,236	18,630	28,031
Amortization of debt issuance costs	47	125	294
Stock-based compensation expense	3,780	10,812	17,988
Loss on disposal of fixed assets	72	91	98
Provision for doubtful accounts	346	(141)	90
Deferred taxes	593	593	592
Other	—	—	(99)
Changes in operating assets and liabilities:			
Accounts receivable	(61,918)	(56,269)	(66,166)
Prepaid expenses and other current assets	4,854	(12,073)	130
Other assets	3,017	809	(1,709)
Accounts payable and accrued expenses	23,194	27,792	15,533
Customer obligations	(57,375)	(42,466)	79,082
Other liabilities	1,738	2,242	1,683
Net cash (used in) provided by operating activities	(53,791)	(8,299)	129,117
Cash flows from investing activities:			
Purchases of property and equipment	(5,576)	(17,534)	(28,489)
Purchases of short-term investments	—	—	(99,445)
Proceeds from sales of short-term investments	—	—	5,398
Purchases of intangible assets	(397)	(397)	(2,107)
Net cash used in investing activities	(5,973)	(17,931)	(124,643)
Cash flows from financing activities:			
Proceeds from public stock offering, net of underwriting discounts, commissions and other costs	—	131,177	130,832
Proceeds from exercise of common stock options	4,071	10,002	10,834
Proceeds from issuance of common stock under Employee Stock Purchase Plan	769	1,511	2,172
Payments of debt issuance costs	—	(1,852)	(1,851)
Payments of debt principal	(2,500)	(2,500)	(2,500)
Payments for treasury stock acquired	—	—	(7,935)
Payments of capital lease	(74)	(147)	(224)
Taxes paid related to net share settlement of stock-based compensation arrangements	(4,684)	(8,437)	(8,832)
Net cash (used in) provided by financing activities	(2,418)	129,754	122,496
Net (decrease) increase in cash and cash equivalents	(62,182)	103,524	126,970
Cash and cash equivalents at beginning of period	672,609	672,609	672,609
Cash and cash equivalents at end of period	**$ 610,427**	**$ 776,133**	**$ 799,579**

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Q1 2017 Operating Highlights

Highlights of our business and financial performance in Q1 2017 and key factors influencing our results include

- Our revenue increase was primarily driven by the revenue associated with the acquisition of ADP's CHSA and COBRA businesses, which includes related interchange fee revenue, and revenue generated from administering FSAFEDS
- Our expense increase was primarily due to an increase in expenses to support the growth from the acquisition of ADP's CHSA and COBRA businesses, the clients transitioned under the channel partner agreement with Ceridian and to administer FSAFEDS

The following table presents the Company's unaudited consolidated balance sheet as previously reported, restatement adjustments and the unaudited consolidated balance sheet as restated as March 31, 2017 (in thousands):

	March 31, 2017			
	As Previously Reported	Adjustments		As Restated
	(in thousands, except per share amounts)			
Assets				
Current assets:				
Cash and cash equivalents	$ 609,416	$ 1,011	(a)	$ 610,427
Restricted cash	332	—		332
Accounts receivable, net	135,459	19,526	(b)	154,985
Prepaid expenses and other current assets	16,721	(1,318)	(c)	15,403
Total current assets	761,928	19,219		781,147
Property and equipment, net	57,258	(2,247)	(d)	55,011
Goodwill	297,409	—		297,409
Acquired intangible assets, net	167,725	—		167,725
Deferred tax assets	16,539	2,240	(e)	18,779
Other assets	4,942	(154)	(f)	4,788
Total assets	**$ 1,305,801**	**$ 19,058**		**$ 1,324,859**
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable and accrued expenses	$ 95,593	$ 539	(g)	$ 96,132
Customer obligations	525,040	25,965	(h)	551,005
Other current liabilities	196	244	(i)	440
Total current liabilities	620,829	26,748		647,577
Long-term debt, net of financing costs	246,395	—		246,395
Other non-current liabilities	10,916	(1,458)	(j)	9,458
Total liabilities	878,140	25,290		903,430
Stockholders' Equity:				
Common stock, par value $0.001 per share (authorized 1,000,000 shares; 37,477 shares issued and 37,132 shares outstanding at March 31, 2017 and 37,247 shares issued and 36,902 shares outstanding at December 31, 2016)	38	—		38
Additional paid-in capital	411,696	(10,342)	(k)	401,354
Treasury stock at cost (345 shares at March 31, 2017 and December 31, 2016)	(14,374)	—		(14,374)
Retained earnings	30,301	4,110		34,411
Total stockholders' equity	427,661	(6,232)		421,429
Total liabilities and stockholders' equity	**$ 1,305,801**	**$ 19,058**		**$ 1,324,859**

(a) Adjustment of $1.0 million relates to an increase to cash and cash equivalents to correct timing differences associated with obligation payments from employer clients and the receipt of cash in the Company's bank accounts. The offset resulted in a net reclassification to cash and cash equivalents from accounts receivable of $3.3 million, offset by a net reclassification to customer obligations from cash and cash equivalents of $2.3 million.

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(b) Adjustment relates to (i) a $26.7 million increase from the reclassification of accounts receivable to customer obligations based on the correction of the timing of customer billing and payments (ii) partially offset by a $5.1 million reduction in accounts receivable from the restatement of OPM revenue, as discussed above, of which $6.3 million relates to the reduction of revenue and $1.2 million relates to the reduction of short-term and long-term deferred revenue, and (iii) a $2.1 million revenue adjustments primarily due to accruals to correct the recording of invoices, credit memos and billing adjustments in the proper period,.
(c) Adjustment of $1.3 million relates to change in income tax receivable as result of the impact of the restatement on restated taxable income.
(d) Adjustment of $2.2 million relates to (i) a $3.7 million impairment charge for IDS, as discussed above, offset by the reversal of amortization expense of $0.9 million associated with IDS previously recorded during the year ended December 31, 2016 and the three months ended March 31, 2017 and (ii) $0.6 million for assets under capital lease obligations originally recognized incorrectly as operating leases, offset by the $0.1 million of depreciation expense on equipment purchased under capital lease obligations.
(e) Adjustment relates to $2.2 million increase in deferred tax asset as result of the impact of the restatement adjustments noted in (a) through (k).
(f) Adjustment for the write-off uncollectible deposit.
(g) Adjustment primarily relates to a $0.7 million interest and penalties accrual for unreported employee participant and employer clients unclaimed property, $0.6 million related to customer cash refund related to billing errors offset partially by $0.8 million reduction in accounts payable from the restatement of OPM revenue as discussed and unrelated to billing errors.
(h) Adjustment relates to (i) a $26.7 million increase for the reclassification of customer obligations from accounts receivable based on the correction of the timing of employer client billings and payments, (ii) a $1.1 million increase related to OPM reclassification, and (iii) $1.7 million related to the re-valuation and write-off of customer obligations, partially offset by a $3.6 million reduction due to the timing differences between the obligation payments from employer clients and the receipt of cash in the Company's bank accounts which resulted in a reclassification from customer obligations to cash and cash equivalents.
(i) Adjustment relates primarily to $0.2 million increase to record the current portion of capital lease obligations originally recognized incorrectly as operating lease obligations.
(j) Adjustment to record $0.3 million increase related to the non-current portion of capital lease obligations originally recognized incorrectly as operating lease obligations, offset by $1.8 million decrease related to OPM deferred revenue.
(k) Adjustment of $10.3 million relates to a $3.3 million reduction in stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units and a $7.1 million tax provision adjustment related to the restatement.

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WAGEWORKS, INC.

Notes to Consolidated Financial Statements

The following table presents the Company's unaudited consolidated statement of income as previously reported, restatement adjustments and the unaudited consolidated statement of income as restated for the three months ended March 31, 2017 (in thousands):

	Three Months Ended March 31, 2017			
	As Previously Reported	Adjustments		As Restated
	(In thousands, except per share amounts)			
Revenues:				
Healthcare	$ 73,996	$ 678		$ 74,674
Commuter	18,352	191		18,543
COBRA	28,297	253		28,550
Other	4,362	(92)		4,270
Total revenues	125,007	1,030	(l)	126,037
Operating expenses:				
Cost of revenues (excluding amortization of internal use software)	47,204	884	(m)	48,088
Technology and development	15,339	(68)	(n)	15,271
Sales and marketing	16,061	18	(o)	16,079
General and administrative	20,565	(7,065)	(p)	13,500
Amortization and change in contingent consideration	9,533	(296)	(q)	9,237
Employee termination and other charges	731	—		731
Total operating expenses	109,433	(6,527)		102,906
Income from operations	15,574	7,557		23,131
Other income (expense):				
Interest income	67	—		67
Interest expense	(1,365)	(71)	(r)	(1,436)
Other income (expense)	(216)	(5)	(s)	(221)
Income before income taxes	14,060	7,481		21,541
Income tax provision	(2,962)	(2,522)	(t)	(5,484)
Net income	**$ 11,098**	**$ 4,959**		**$ 16,057**
Net income per share:				
Basic	$ 0.30	$ 0.13		$ 0.43
Diluted	$ 0.29	$ 0.13		$ 0.42
Shares used in computing net income per share:				
Basic	37,025			37,025
Diluted	38,441			38,441

(l) Revenue adjustment of $1.0 million for the three months ended March 31, 2017 was primarily due to (i) an increase of revenue as a result of the correction of billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period, and (ii) partially offset by adjustments for OPM revenue.

(m) Adjustment of $0.9 million primarily related to (i) a $0.6 million expense increase as a result of the adjustment of platform technology related expenses; (ii) a $0.2 million expense increase related to recognition of expenses in the proper reporting period; and (iii) a $0.1 million increase in the reserve of potentially uncollectible customer obligations for pass through employee participant reimbursement.

(n) Adjustment relates primarily to a reduction related to the over-accrual of platform technology related expenses.

(o) Adjustment primarily relates to changes in accruals for sales commissions and corporate bonus expenses.

(p) Adjustment of $7.1 million relating to (i) a $2.8 million reduction in bad debt expense related the re-valuation of the allowance for doubtful accounts; (ii) a $4.2 million reduction in stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units (see above for details); and (iii) a $0.1 million expense reduction related recognition of expenses in the proper reporting period.

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WAGEWORKS, INC.

Notes to Consolidated Financial Statements

(q) Adjustment primarily relates to the reversal of amortization expense previously recorded in connection with the Internally Developed Software related to KP Connector that was impaired by the Company in 2016.
(r) Adjustment primarily relates to interest expense on unreported employee participant and employer clients unclaimed property.
(s) Adjustment to accrued penalties on unreported employee participant and employer clients unclaimed property.
(t) Adjustment of $2.5 million relates to an increase in the quarterly tax provision as a result of the impact of the restatement adjustments in (l) through (s).

The following table presents the Company's unaudited consolidated statement of cash flows as previously reported, restatement adjustments and the unaudited consolidated statement of cash flows as restated as of the three months ended March 31, 2017 (in thousands):

Footnote references below refer to footnotes (a) through (t) in the Balance Sheet and Statement of Income tables as at and for the three months ended March 31, 2017 above.

	Three Months Ended March 31, 2017			
	As Previously Reported	Adjustments		As Restated
	(In thousands, except per share amounts)			
Cash flows from operating activities:				
Net income	$ 11,098	$ 4,959	(l) to (t)	$ 16,057
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation	2,491	77	(d)	2,568
Amortization and change in contingent consideration	9,533	(297)	(q)	9,236
Amortization of debt issuance costs	—	47	(r)	47
Stock-based compensation expense	7,969	(4,189)	(p)	3,780
Loss on disposal of fixed assets	72	—		72
Provision for doubtful accounts	2,395	(2,049)	(p)	346
Deferred taxes	—	593	(e)	593
Changes in operating assets and liabilities:		—		
Accounts receivable	(44,966)	(16,952)	(b)	(61,918)
Prepaid expenses and other current assets	5,360	(506)	(c)	4,854
Other assets	358	2,659	(f)	3,017
Accounts payable and accrued expenses	22,366	828	(g)	23,194
Customer obligations	(78,802)	21,427	(h)	(57,375)
Other liabilities	1,559	179	(i)	1,738
Net cash provided by operating activities	(60,567)	6,776		(53,791)
Cash flows from investing activities:				
Purchases of property and equipment	(5,576)	—		(5,576)
Purchases of intangible assets	(397)	—		(397)
Net cash used in investing activities	(5,973)	—		(5,973)
Cash flows from financing activities:				
Proceeds from exercise of common stock options	4,071	—		4,071
Proceeds from issuance of common stock under Employee Stock Purchase Plan	769	—		769
Payments of debt principal	(2,500)	—		(2,500)
Payments of capital lease	—	(74)	(d)	(74)
Taxes paid related to net share settlement of stock-based compensation arrangements	(4,684)	—		(4,684)
Net cash used in financing activities	(2,344)	(74)		(2,418)
Net increase in cash and cash equivalents	(68,884)	6,702		(62,182)
Cash and cash equivalents at beginning of period	678,300	(5,691)		672,609
Cash and cash equivalents at end of period	**$ 609,416**	**$ 1,011**		**$ 610,427**

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WAGEWORKS, INC.

Notes to Consolidated Financial Statements

Q2 2017 Operating Highlights

Highlights of our business and financial performance in Q2 2017 and key factors influencing our results include

- Our revenue increase was primarily driven by the revenue associated with the acquisition of ADP's CHSA and COBRA businesses, which includes related interchange fee revenue, and revenue generated from administering FSAFEDS
- Our expense increase was primarily due to an increase in expenses to support the growth from the acquisition of ADP's CHSA and COBRA businesses, the clients transitioned under the channel partner agreement with Ceridian and to administer FSAFEDS

The following table presents the Company's unaudited consolidated balance sheet as previously reported, restatement adjustments and the unaudited consolidated balance sheet as restated as June 30, 2017 (in thousands):

	June 30, 2017			
	As Previously Reported	Adjustments		As Restated
	(In thousands, except per share amounts)			
Assets				
Current assets:				
Cash and cash equivalents	$ 774,766	$ 1,367	(a)	$ 776,133
Restricted cash	332	—		332
Accounts receivable, net	119,102	30,721	(b)	149,823
Prepaid expenses and other current assets	34,338	(2,008)	(c)	32,330
Total current assets	928,538	30,080		958,618
Property and equipment, net	63,446	(1,764)	(d)	61,682
Goodwill	297,409	—		297,409
Acquired intangible assets, net	163,597	—		163,597
Deferred tax assets	16,539	2,240	(e)	18,779
Other assets	4,781	(154)	(f)	4,627
Total assets	**$ 1,474,310**	**$ 30,402**		**$ 1,504,712**
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable and accrued expenses	$ 101,669	$ (617)	(g)	$ 101,052
Customer obligations	528,114	37,800	(h)	565,914
Other current liabilities	198	295	(i)	493
Total current liabilities	629,981	37,478		667,459
Long-term debt	244,621	—		244,621
Other non-current liabilities	10,093	5		10,098
Total liabilities	884,695	37,483		922,178
Stockholders' Equity:				
Common stock, $0.001 par value (authorized 1,000,000 shares; 40,039 shares issued and 39,694 shares outstanding at June 30, 2017 and 37,247 issued and 36,902 shares outstanding at December 31, 2016)	40	—		40
Additional paid-in capital	554,543	(12,364)	(j)	542,179
Treasury stock at cost (345 shares at June 30, 2017 and at December 31, 2016)	(14,374)	—		(14,374)
Retained earnings	49,406	5,283		54,689
Total stockholders' equity	589,615	(7,081)		582,534
Total liabilities and stockholders' equity	**$ 1,474,310**	**$ 30,402**		**$ 1,504,712**

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(a) Adjustment of $1.4 million relates to an increase to cash and cash equivalents to correct timing differences associated with obligation payments from employer clients and the receipt of cash in the Company's bank accounts. The offset resulted in a net reclassification to cash and cash equivalents from customer obligations of $4.6 million and a reduction to accounts receivable of $6.0 million, respectively.
(b) Adjustment relates to (i) a $40.8 million increase from the reclassification of accounts receivable to customer obligations based on the correction of the timing of customer billing and payments, (ii) a $5.0 million decrease primarily due to accruals to correct the recording of invoices, credit memos and billing adjustments in the proper period and a $5.1 million reduction in accounts receivable from the restatement of OPM revenue as discussed above.
(c) Adjustment of $2.0 million relates to change in income tax receivable as result of restated taxable income.
(d) Adjustment of $1.8 million relates to (i) the impairment charge for IDS of $3.7 million, as discussed above, offset by the reversal of accumulated depreciation of $1.2 million associated with IDS previously recorded during the year ended December 31, 2016 and (ii) $0.8 million for equipment originally recognized incorrectly as operating leases purchased under capital lease obligations, offset by recognizing $0.1 million of capital lease depreciation..
(e) Adjustment relates to $2.2 million increase in deferred tax asset due to restated taxable income.
(f) Adjustment to write-off uncollectible deposit
(g) Adjustment of $0.6 million relates to (i) a $0.6 million reduction as result of the OPM restatement, as discussed above, a $0.8 million decrease due to billing corrections or adjustments to report in proper period; (ii) partially offset by $0.8 million accruals related to interest and penalties for unreported employee participant and employer clients unclaimed property.
(h) Adjustment of $37.8 million relate to (i) a $40.8 million increase for the reclassification of customer obligations from accounts receivable based on the correction of the timing of employer client billings and payments, (ii) a $1.3 million increase due to the timing differences between the obligation payments from employer clients and the receipt of cash in the Company's bank accounts, which resulted in a reclassification from customer obligations to cash and cash equivalents (iii) a $4.3 million decrease related to the re-valuation and write-off of customer obligations.
(i) Adjustment to record the current portion of capital lease obligations originally recognized incorrectly as operating leases.
(j) Adjustment of $12.4 million relates to a $9.3 million reduction in stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units and a $3.1 million tax provision adjustment related to the restatement.

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Notes to Consolidated Financial Statements

The following table presents the Company's unaudited consolidated income statement as previously reported, restatement adjustments and the unaudited consolidated statement of income statement as restated for the three and six months ended June 30, 2017 (in thousands, except per share amounts):

	Three Months Ended June 30, 2017				Six Months Ended June 30, 2017			
	As Previously Reported	Adjustments		As Restated	As Previously Reported	Adjustments		As Restated
	(In thousands, except per share amounts)							
Revenues:								
Healthcare	$ 69,988	$ (1,786)	(k)	$ 68,202	$ 143,984	$ (1,108)	(k)	$ 142,876
Commuter	18,058	(222)	(m)	17,836	36,410	(31)	(m)	36,379
COBRA	27,744	(726)	(l)	27,018	56,041	(473)	(l)	55,568
Other	4,084	(8)	(m)	4,076	8,446	(100)	(m)	8,346
Total revenues	119,874	(2,742)		117,132	244,881	(1,712)		243,169
Operating expenses:								
Cost of revenues (excluding amortization of internal use software)	43,401	(82)	(n)	43,319	90,605	802	(n)	91,407
Technology and development	14,564	(49)	(o)	14,515	29,903	(117)	(o)	29,786
Sales and marketing	14,782	(54)	(p)	14,728	30,843	(36)	(p)	30,807
General and administrative	22,625	(4,166)	(q)	18,459	43,190	(11,231)	(q)	31,959
Amortization and change in contingent consideration	9,689	(296)	(r)	9,393	19,222	(592)	(r)	18,630
Employee termination and other charges	917	—		917	1,648	—		1,648
Total operating expenses	105,978	(4,647)		101,331	215,411	(11,174)		204,237
Income from operations	13,896	1,905		15,801	29,470	9,462		38,932
Other income (expense):								
Interest income	95	—		95	162	—		162
Interest expense	(1,695)	(71)	(s)	(1,766)	(3,060)	(142)	(s)	(3,202)
Other income (expense)	(5)	(4)		(9)	(221)	(9)		(230)
Income before income taxes	12,291	1,830		14,121	26,351	9,311		35,662
Income tax benefit	6,813	(656)	(t)	6,157	3,851	(3,178)	(t)	673
Net income	**$ 19,104**	**$ 1,174**		**$ 20,278**	**$ 30,202**	**$ 6,133**		**$ 36,335**
Net income per share:								
Basic	$ 0.51	$ 0.03		$ 0.54	$ 0.81	$ 0.17		$ 0.98
Diluted	$ 0.49	0.04		$ 0.53	$ 0.78	$ 0.16		$ 0.94
Shares used in computing net income per share:								
Basic	37,419			37,419	37,209			37,209
Diluted	38,613			38,613	38,514			38,514

(k) Revenue adjustment of $1.8 million for the three months ended June 30, 2017 was primarily due to (i) a $1.2 million reversal of ADP revenue, (ii) a $0.4 million reduction of revenue as a result of the correction of billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period, and (iii) a $0.2 million adjustment related to OPM revenue. Revenue adjustment of $1.1 million for the six months ended June 30, 2017 was primarily due to (i) a $0.6 million reversal of ADP revenue, (ii) a $0.3 million adjustment related to OPM revenue, and (iii) a change of revenue as a result of the correction of billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period.

(l) Revenue adjustment of $0.7 million for the three months ended June 30, 2017 was primarily due to (i) a $0.4 million reversal of ADP revenue and (ii) a $0.3 million reduction of revenue as a result of the correction of billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period. Revenue adjustment of $0.5 million for the six months ended June 30, 2017 was a result of (i) a $0.3 million correction of billing errors and the

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recognition of invoices and related invoice adjustments in the proper reporting period and (ii) $0.2 million reversal of ADP revenue.

(m) Revenue adjustments primarily as a result of the correction of billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period.

(n) Adjustment for the three months ended June 30, 2017 primarily related to adjustments related to the reserve of potentially uncollectible customer obligations for pass through employee participant reimbursement. Adjustment of $0.8 million for the six months ended June 30, 2017 primarily related to (i) an adjustment of $0.6 million as a result of under-accrual of platform technology related expenses and (ii) an adjustment of $0.2 million related to the reserve of potentially uncollectible customer obligations for pass through employee participant reimbursement.

(o) Adjustment for the three and six months ended June 30, 2017 was primarily related to stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units (see above for details).

(p) Adjustment for the three and six months ended June 30, 2017 were primarily related to reduction in stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units (see above for details).

(q) Adjustment of $4.2 million for the three months ended June 30, 2017 was principally related to (i) the reversal of $2.3 million for re-valuation of the allowance for bad debt and (ii) a $1.5 million reduction in stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units (see above for details). Adjustment of $11.2 million for the six months ended June 30, 2017 primarily related to (i) a $5.8 million reduction in stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units (see above for details); (ii) the reversal of $5.0 million for the re-valuation of the allowance for bad debt; and (iii) a $0.1 million expense reduction related recognition of expenses in the proper reporting period.

(r) Adjustments of $0.3 million and $0.6 million for the three and six months ended June 30, 2017, respectively, relate to the reduction in amortization expense previously recorded in connection with the IDS related to KP Connector that was impaired by the Company in 2016.

(s) Adjustment for the three and six months ended June 30, 2017 was due to accrued interest expense on unreported employee participant and employer clients unclaimed property.

(t) Adjustments of $0.7 million and $3.2 million for the three and six months ended June 30, 2017, respectively, are as a result of the impact of the restatement adjustments in (k) through (s).

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Notes to Consolidated Financial Statements

The following table presents the Company's unaudited consolidated statement of cash flows as previously reported, restatement adjustments and the unaudited consolidated statement of cash flows as restated as of the six months ended June 30, 2017 (in thousands):

Footnote references below refer to footnotes (a) through (t) in the Balance Sheet and Statement of Income tables as at and for the three and six months ended June 30, 2017 above.

	Six Months Ended June 30, 2017			
	As Previously Reported	Adjustments		As Restated
	(In thousands, except per share amounts)			
Cash flows from operating activities:				
Net income	$ 30,202	$ 6,133	(k) - (t)	$ 36,335
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation	5,069	152	(d)	5,221
Amortization and change in contingent consideration	19,222	(592)	(r)	18,630
Amortization of debt issuance costs	171	(46)	(s)	125
Stock-based compensation expense	17,024	(6,212)	(q)	10,812
Loss on disposal of fixed assets	91	—		91
Provision for doubtful accounts	4,891	(5,032)	(q)	(141)
Deferred taxes	—	593	(e)	593
Changes in operating assets and liabilities:		—		
Accounts receivable	(31,105)	(25,164)	(b)	(56,269)
Prepaid expenses and other current assets	(14,626)	2,553	(c)	(12,073)
Other assets	520	289	(f)	809
Accounts payable and accrued expenses	28,120	(328)	(g)	27,792
Customer obligations	(75,728)	33,262	(h)	(42,466)
Other liabilities	691	1,551	(i)	2,242
Net cash used in operating activities	(15,458)	7,159		(8,299)
Cash flows from investing activities:				
Purchases of property and equipment	(17,534)	—		(17,534)
Purchases of intangible assets	(397)	—		(397)
Net cash used in investing activities	(17,931)	—		(17,931)
Cash flows from financing activities:				
Proceeds from public stock offering, net of underwriting discounts, commissions and other costs	131,177	—		131,177
Proceeds from exercise of common stock options	10,002	—		10,002
Proceeds from issuance of common stock under Employee Stock Purchase Plan	1,511	—		1,511
Payments of debt issuance costs	(1,898)	46	(q)	(1,852)
Payments of debt principal	(2,500)	—		(2,500)
Payments of capital lease obligation	—	(147)	(d)	(147)
Taxes paid related to net share settlement of stock-based compensation arrangements	(8,437)	—		(8,437)
Net cash provided by financing activities	129,855	(101)		129,754
Net increase in cash and cash equivalents	96,466	7,058		103,524
Cash and cash equivalents at beginning of period	678,300	(5,691)		672,609
Cash and cash equivalents at end of period	**$ 774,766**	**$ 1,367**		**$ 776,133**

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WAGEWORKS, INC.

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Q3 2017 Operating Highlights

Highlights of our business and financial performance in Q3 2017 and key factors influencing our results include

- Our revenue increase was primarily driven by the revenue associated with the acquisition of ADP's CHSA and COBRA businesses, which includes related interchange fee revenue, and revenue generated from administering FSAFEDS
- Our expense increase was primarily due to an increase in expenses to support the growth from the acquisition of ADP's CHSA and COBRA businesses, the clients transitioned under the channel partner agreement with Ceridian and to administer FSAFEDS
- The company repurchased 134,900 shares of its common stock at an average purchase price of $58.52 per share

The following table presents the Company's unaudited consolidated balance sheet as previously reported, restatement adjustments and the unaudited consolidated balance sheet as restated as September 30, 2017 (in thousands):

	September 30, 2017			
	As Previously Reported	Adjustments		As Restated
	(In thousands, except per share amounts)			
Assets				
Current assets:				
Cash and cash equivalents	$ 798,266	$ 1,313	(a)	$ 799,579
Restricted cash	332	—		332
Short-term investments	94,087	—		94,087
Accounts receivable, net	183,237	(23,748)	(b)	159,489
Prepaid expenses and other current assets	21,410	(1,783)	(c)	19,627
Total current assets	1,097,332	(24,218)		1,073,114
Property and equipment, net	69,963	(1,546)	(d)	68,417
Goodwill	297,409	—		297,409
Acquired intangible assets, net	161,281	—		161,281
Deferred tax assets	16,562	2,241	(e)	18,803
Other assets	7,009	(154)	(f)	6,855
Total assets	**$ 1,649,556**	**$ (23,677)**		**$ 1,625,879**
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable and accrued expenses	$ 90,961	$ 629	(g)	$ 91,590
Customer obligations	702,432	(14,970)	(h)	687,462
Other current liabilities	223	289	(i)	512
Total current liabilities	793,616	(14,052)		779,564
Long-term debt	244,791	—		244,791
Other non-current liabilities	10,468	(1,024)	(j)	9,444
Total liabilities	1,048,875	(15,076)		1,033,799
Stockholders' Equity:				
Common stock, par value $0.001 per share (authorized 1,000,000 shares; 40,095 shares issued and 39,616 shares outstanding at September 30, 2017 and 37,247 shares issued and 36,902 shares outstanding at December 31, 2016)	41	—		41
Additional paid-in capital	563,893	(13,262)	(k)	550,631
Treasury stock at cost (480 shares at September 30, 2017 and 345 shares at December 31, 2016)	(22,309)	—		(22,309)
Accumulated other comprehensive loss	(35)	—		(35)
Retained earnings	59,091	4,661		63,752
Total stockholders' equity	600,681	(8,601)		592,080
Total liabilities and stockholders' equity	**$ 1,649,556**	**$ (23,677)**		**$ 1,625,879**

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(a) Adjustment of $1.3 million relates to an increase to cash and cash equivalents to correct timing differences associated with obligation payments from employer clients and the receipt of cash in the Company's bank accounts, resulting in a reclassification of $0.6 million from cash and cash equivalents to customer obligations and from accounts receivable to cash and cash equivalents of $2.0 million.
(b) Adjustment relates to (i) a $15.6 million reduction from the reclassification of accounts receivable to customer obligations based on the correction of the timing of customer billing and payments; (ii) a $3.0 million reduction in accounts receivable due to accruals to correct the recording of invoices, credit memos and billing adjustments in the proper period; and (iii) a $5.1 million reduction in accounts receivable from the restatement of OPM revenue (as discussed above), of which $4.1 million relates to the reduction of revenue and $1.0 million relates to the reduction of short-term and long-term deferred revenue.
(c) Adjustment of $1.8 million relates to change in income tax receivable as result of restated taxable income.
(d) Adjustment of $1.5 million relates to (i) the impairment charge for IDS of $3.7 million, as discussed above, offset by the reversal of accumulated depreciation of $1.5 million associated with IDS previously recorded during the year ended December 31, 2016 and (ii) $0.8 million for equipment originally recognized incorrectly as operating leases purchased under capital lease obligations, offset by recognizing $0.2 million of capital lease depreciation.
(e) Adjustment relates to $2.2 million increase in deferred tax asset due to restated taxable income.
(f) Adjustment to write-off uncollectible deposit
(g) Adjustment primarily relates to $0.8 million accrual related to interest and penalties for unreported employee participant and employer clients unclaimed property, offset by a $0.2 million reduction related to customer related billing errors.
(h) Adjustment primarily relates to (i) a $15.6 million reduction for the reclassification of customer obligations from Accounts Receivable based on the correction of the timing of employer client billings and payments, partially offset by a $0.6 million increase due to the timing differences between the obligation payments from employer clients and the receipt of cash in the Company's bank accounts, which resulted in a reclassification from customer obligations to cash and cash equivalents.
(i) Adjustment to record the current portion of capital lease obligations originally recognized incorrectly as operating leases.
(j) Adjustment of $1.0 million relates to the reduction of long-term deferred revenue of $1.4 million in connection with the Company's OPM restatement as noted above, partially offset by an increase of $0.3 million related to the long-term portion of capital lease obligations originally reported incorrectly as operating leases.
(k) Adjustment of $13.3 million relates to a $10.2 million reduction in stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units and a $3.1 million tax provision modification related to the restatement.

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The following table presents the Company's unaudited consolidated income statement as previously reported, restatement adjustments and the unaudited consolidated statement of income statement as restated for the three and nine months ended September 30, 2017 (in thousands, except per share amounts):

	Three Months Ended September 30, 2017				Nine Months Ended September 30, 2017			
	As Previously Reported	Adjustments		As Restated	As Previously Reported	Adjustments		As Restated
	(In thousands, except per share amounts)							
Revenues:								
Healthcare	$ 66,203	$ (310)	(l)	$ 65,893	$ 210,187	$ (1,418)	(l)	$ 208,769
Commuter	17,966	21	(n)	17,987	54,376	(10)	(n)	54,366
COBRA	27,540	(643)	(m)	26,897	83,581	(1,116)	(m)	82,465
Other	4,037	32	(n)	4,069	12,483	(68)	(n)	12,415
Total revenues	115,746	(900)		114,846	360,627	(2,612)		358,015
Operating expenses:								
Cost of revenues (excluding amortization of internal use software)	38,805	226	(o)	39,031	129,410	1,028	(o)	130,438
Technology and development	13,949	(17)	(p)	13,932	43,852	(134)	(p)	43,718
Sales and marketing	16,401	(16)	(q)	16,385	47,244	(52)	(q)	47,192
General and administrative	20,220	(24)	(r)	20,196	63,410	(11,255)	(r)	52,155
Amortization and change in contingent consideration	9,698	(296)	(s)	9,402	28,920	(888)	(s)	28,032
Employee termination and other charges	(148)	—		(148)	1,500	—		1,500
Total operating expenses	98,925	(127)		98,798	314,336	(11,301)		303,035
Income from operations	16,821	(773)		16,048	46,291	8,689		54,980
Other income (expense):								
Interest income	340	—		340	502	—		502
Interest expense	(1,987)	(72)	(t)	(2,059)	(5,047)	(214)	(t)	(5,261)
Other income (expense)	(25)	(5)		(30)	(246)	(14)		(260)
Income before income taxes	15,149	(850)		14,299	41,500	8,461		49,961
Income tax provision	(5,464)	228	(u)	(5,236)	(1,613)	(2,950)	(u)	(4,563)
Net income	**$ 9,685**	**$ (622)**		**$ 9,063**	**$ 39,887**	**$ 5,511**		**$ 45,398**
Net income per share:								
Basic	$ 0.24			$ 0.23	$ 1.05			$ 1.19
Diluted	$ 0.24			$ 0.23	$ 1.02			$ 1.16
Shares used in computing net income per share:								
Basic	39,641			39,641	38,028			38,028
Diluted	40,264			40,264	39,106			39,106

(l) Revenue adjustment of $0.3 million for the three months ended September 30, 2017 was primarily due reduction of revenue as a result of the correction of billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period. Revenue adjustment of $1.4 million for the nine months ended September 30, 2017 was primarily due to (i) a $0.6 million reversal of ADP revenue, (ii) a $0.5 million adjustment of revenue related to OPM, and (iii) a $0.3 million increase of revenue as a result of the correction of billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period.

(m) Revenue adjustment of $0.6 million for the three months ended September 30, 2017 was primarily due to (i) a $0.5 million reversal of ADP revenue and (ii) a $0.1 million reduction of revenue as a result of the correction of billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period. Revenue adjustment of $1.1 million for the nine months ended September 30, 2017 was a result of (i) a $0.7 million reversal of

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Notes to Consolidated Financial Statements

ADP revenue and (ii) a $0.4 million correction of billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period.

(n) Revenue adjustments primarily as a result of the correction of billing errors and the recognition of invoices and related invoice adjustments in the proper reporting period.

(o) Adjustment of $0.2 million for the three months ended September 30, 2017 related to an adjustment to the reserve of potentially uncollectible customer obligations for pass through employee participant reimbursement. Adjustment of $1.0 million for the nine months ended September 30, 2017 primarily related to (i) adjustment of $0.6 million as a result of under-accrual of platform technology related expenses and (ii) adjustment of $0.4 million related to the reserve of potentially uncollectible customer obligations for pass through employee participant reimbursement.

(p) Adjustment for the three and nine months ended September 30, 2017 was primarily related to stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units (see above for details).

(q) Adjustment for the three and nine months ended September 30, 2017 was primarily related to reduction in stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units (see above for details).

(r) Adjustment for the three months ended September 30, 2017 was principally related to (i) reduction in stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units (see above for details) partially offset by additional reserve of potentially uncollectible customer account related to the re-valuation of the allowance for bad debt. Adjustment of $11.3 million for the nine months ended September 30, 2017 primarily related to (i) a $6.6 million reduction in stock-based compensation expense as a result of reduced target attainment percentages expected for performance-based restricted stock units as discussed above, (ii) a $4.2 million reduction for the re-valuation of the allowance for bad debt, and (iii) a reduction of $0.1 million of expenses recorded in the proper period.

(s) Adjustments for the three and nine months ended September 30, 2017 relate to the reduction in amortization expense previously recorded in connection with the IDS related to KP Connector that was impaired by the Company in 2016.

(t) Adjustments for the three and nine months ended September 30, 2017 are due to accrued interest expense on unreported employee participant and employer clients unclaimed property.

(u) Adjustments for the three and nine months ended September 30, 2017 are as a result of the impact of the restatement adjustments in (l) through (t).

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Notes to Consolidated Financial Statements

The following table presents the Company's unaudited consolidated statement of cash flows as previously reported, restatement adjustments and the unaudited consolidated statement of cash flows as restated as of the nine months ended September 30, 2017 (in thousands):

Footnote references below refer to footnotes (a) through (t) in the Balance Sheet and Statement of Income tables as at and for the three and nine months ended September 30, 2017 above.

	Nine Months Ended September 30, 2017			
	As Previously Reported	Adjustments		As Restated
	(In thousands, except per share amounts)			
Cash flows from operating activities:				
Net income	$ 39,887	$ 5,511	(l) - (u)	$ 45,398
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	7,941	231	(d)	8,172
Amortization and change in contingent consideration	28,920	(889)	(s)	28,031
Amortization of debt issuance costs	294	—		294
Stock-based compensation expense	25,096	(7,108)	(r)	17,988
Loss on disposal of fixed assets	98	—		98
Provision for doubtful accounts	4,299	(4,209)	(r)	90
Deferred taxes	—	592	(e)	592
Other	(99)	—		(99)
Changes in operating assets and liabilities:				
Accounts receivable	(94,648)	28,482	(b)	(66,166)
Prepaid expenses and other current assets	(2,488)	2,618	(c)	130
Other assets	(1,709)	—		(1,709)
Accounts payable and accrued expenses	14,615	918	(g)	15,533
Customer obligations	98,590	(19,508)	(h)	79,082
Other liabilities	1,093	590	(i)	1,683
Net cash provided by operating activities	121,889	7,228		129,117
Cash flows from investing activities:				
Purchases of property and equipment	(28,489)	—		(28,489)
Purchases of short-term investments	(99,445)	—		(99,445)
Proceeds from sales of short-term investments	5,398	—		5,398
Purchases of intangible assets	(2,107)	—		(2,107)
Net cash used in investing activities	(124,643)	—		(124,643)
Cash flows from financing activities:				
Proceeds from public stock offering, net of underwriting discounts, commissions and other costs	130,832	—		130,832
Proceeds from exercise of common stock options	10,834	—		10,834
Proceeds from issuance of common stock under Employee Stock Purchase Plan	2,172	—		2,172
Payments of loan origination fee	(1,851)	—		(1,851)
Payments of debt principal	(2,500)	—		(2,500)
Payments for treasury stock acquired	(7,935)	—		(7,935)
Payment of capital lease obligations	—	(224)	(d)	(224)
Taxes paid related to net share settlement of stock-based compensation arrangements	(8,832)	—		(8,832)
Net cash provided by financing activities	122,720	(224)		122,496
Net increase in cash and cash equivalents	119,966	7,004		126,970
Cash and cash equivalents at beginning of period	678,300	(5,691)		672,609
Cash and cash equivalents at end of period	**$ 798,266**	**$ 1,313**		**$ 799,579**

Note 18. Subsequent Events

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At the beginning of the second quarter of 2018, and in conjunction with the Company's announcement of its intention to restate its financial statements for (i) the quarterly and year-to-date periods ended June 30 and September 30, 2016, (ii) the year ended December 31, 2016 and (iii) the quarterly and year-to-date periods ended March 31, June 30 and September 30, 2017, the Company announced certain changes to its management team, effective April 5, 2018, including:

- Mr. Joseph L. Jackson resigning from his position as Chief Executive Officer, and being appointed Executive Chairman of the Company.
- Mr. Edgar O. Montes being appointed President and Chief Executive Officer, and being appointed to serve as a member of the Board.
- Mr. Colm M. Callan resigning from his position as Chief Financial Officer, and continuing his employment with the Company to effect a seamless transition to the incoming interim chief financial officer, followed by the termination of his employment on July 4, 2018.
- Ms. Kimberly L. Wilford resigning from her position as Senior Vice President, General Counsel and Corporate Secretary of the Company, and continuing her employment with the Company to effect a seamless transition, followed by the termination of her employment on July 4, 2018.

The transition arrangements are described in the Form 8-K filed with the U.S. Securities and Exchange Commission on April 5, 2018.

Mr. Jackson resigned from his position as Executive Chairman of the Company effective September 6, 2018. Mr. Jackson executed a release of claims with the Company as part of his resignation providing him with certain compensation and benefits, as described in the Form 8-K filed with the U.S. Securities and Exchange Commission on September 12, 2018.

On October 15, 2018, Mr. Ismail Dawood was appointed Chief Financial Officer of the Company after previously serving as the Interim Chief Financial Officer and principal financial officer since April 9, 2018, and on January 14, 2019, Mr. John G. Saia joined the Company as Senior Vice President, General Counsel and Corporate Secretary.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

As reported in the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on November 6, 2018 and described elsewhere in this Annual Report on Form 10-K, the Company terminated its engagement of KPMG LLP as the Company's independent registered public accounting firm on October 31, 2018. The Company's decision to change its independent registered public accounting firm was driven by a desire to accelerate the audit process.

Item 9A. Controls and Procedures

Audit Committee Investigation

As reported in the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on May 10, 2018 and described elsewhere in this Annual Report on Form 10-K, the Audit Committee of the Company's Board of Directors (the "Audit Committee") completed and made findings with respect to the investigation that was previously disclosed on April 5, 2018.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2017. The term "disclosure controls and procedures" means our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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Based on the foregoing evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2017, due to the existence of unremediated material weaknesses in the Company's internal control over financial reporting as described below, the Company's disclosure controls and procedures were not effective.

Notwithstanding the existence of the material weaknesses described below, management believes that the consolidated financial statements and related financial information included in this Annual Report on Form 10-K fairly present, in all material respects, our financial position, results of operations and cash flows as of and for the periods presented, in conformity with the generally accepted accounting principles in the United States of America ("GAAP"). Management's belief is based on a number of factors, including, but not limited to:

a. the completion of the Audit Committee's investigation and the substantial resources expended (including the use of external consultants and experts) to respond to the findings and the resulting restatement of certain of our previously issued financial statements; the Audit Committee engaged independent professionals to assist its investigation throughout the process and, the Audit Committee has concluded its investigation;
b. our internal review that identified certain accounting errors and control deficiencies, leading to the restatement of certain of our previously issued financial statements for the quarterly periods ended June 30, 2016, September 30, 2016, financial year ended December 31,2016, and the quarterly periods ended March 31, 2017, June 30, 2017 and September 30, 2017;
c. based on the efforts in (a) and (b) above, we have updated, and in some cases corrected, our accounting policies and have applied these to our previously issued financial results and to our fiscal year 2016 and 2017 financial results; and
d. certain remediation actions we have undertaken to address the identified material weaknesses, as discussed below.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and overseen by our Board of Directors (the "Board"), management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

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

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Based on the results of that evaluation, which included information identified during the Audit Committee investigation and the work undertaken by management and the Company's advisors, management has concluded that our internal control over financial reporting as of December 31, 2017 was not effective due to the existence of the following material weaknesses in internal control over financial reporting described below.

Control Environment, Risk Assessment, Control Activities and Monitoring

Based on the investigations conducted under the direction of the Audit Committee of the Board, it was concluded that there was an inadequate open flow, transparency, communication and dissemination of relevant and pertinent information from former senior management concerning a complex transaction with the federal government that contributed to an ineffective control environment driven by the tone at the top. Management's failure to timely communicate all pertinent information resulted in an environment which led to an error in the financial statements during the years ended December 31, 2017 and December 31, 2016 and the related interim periods within those years.

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In addition, we did not maintain effective internal control over financial reporting related to the following areas: control environment, risk assessment, control activities and monitoring:

- We did not have processes and controls to ensure there were adequate mechanisms and oversight to ensure accountability for the performance of internal control over financial reporting responsibilities and to ensure corrective actions were appropriately prioritized and implemented in a timely manner.
- We did not effectively execute a strategy to attract, develop and retain a sufficient complement of qualified resources with an appropriate level of knowledge, experience, and training in certain areas important to financial reporting.
- There was not an adequate assessment of changes in risks by management that could significantly impact internal control over financial reporting or an adequate determination and prioritization of how those risks should be managed.
- We did not have adequate management oversight of accounting and financial reporting activities in implementing certain accounting practices to conform to the Company's policies and GAAP.
- We did not have adequate management oversight around completeness and accuracy of data material to financial reporting.
- There was a lack of robust, established and documented accounting policies and insufficiently detailed Company procedures to put these policies into effective action.
- We were not focused on a commitment to competency as it relates to creating priorities, allocating adequate resources and establishing cross functional procedures around managing complex contracts and non-routine transactions as well as managing change and attracting, developing and retaining qualified resources.

These deficiencies in our internal control over financial reporting contributed to the following identified material weaknesses:

A. Accounting Close and Financial Reporting

We had inadequate or ineffective tone at the top and process level and monitoring controls in the area of accounting close and financial reporting specifically, but not exclusively, around the review of account reconciliations, account, account estimates and related cut-off, and monitoring of the accounting close cycle and some areas of related sub-processes such as equity. We also did not have effective business processes and controls to conduct an effective review of manual data feeds into journal entries for divisions with were not integrated with the main Enterprise Resource Planning system.

We did not have robust, established and documented accounting policies that were implemented effectively, which led to adjustments in areas such as, but not exclusive to Impairment of Internally Developed Software ("IDS") and Unclaimed Liability. As a result of these adjustments the accounts related to amortization of IDS, Fixed Assets and operating expenses as they relate to interest and penalties were impacted.

We also did not have a robust process around managing change and corresponding assessment and implementation of accounting policies. This resulted in a reevaluation of the Accounts Receivable and Customer Obligation Offset Policy of the organization for the financial year 2017. Furthermore, it also resulted in the delayed assessment and design of controls for the timely implementation of controls around ASC 606 for Revenue Recognition which is effective January 2018. These gaps resulted in several adjustments in the financial statement as of the end of the period covered by this report.

B. Contract to Cash Process

We did not have effective controls around our contract-to-cash life cycle. The root cause of these gaps were due to inadequate or ineffective process level controls around billing set-up during customer implementation, managing change to existing customer billing terms and conditions, timely termination of customers, implementing complex and/or non-standard billing arrangements which require manual intervention or manual controls for billing to customers, processing timely adjustments, lack of robust, established and documented policies to assess collectability and reserve for revenue, bad debts and accounts receivable, and availability of customer contracts.
These gaps resulted in several adjustments in Revenue, Accounts Receivable, and Accounts Receivable Reserves in the financial statement as of the end of the period covered by this report.

C. Risk Assessment and Management of Change

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We did not maintain an effective risk assessment and monitoring process to manage the expansion of our existing business. Hence, there were inadequate and ineffective business and financial reporting control activities associated with change and growth in the business. Amongst other areas, the assessment of the control environment and the design of manual controls around financial system implementations, such as NetSuite, was not performed adequately in 2017.

As a result, the Company did not properly estimate and record certain transactions which resulted in errors in the consolidated financial statements as of the end of the periods covered by this report

D. Review of New, Unusual or Significant Transactions and Contracts

We did not have adequate risk assessment controls to continuously formally assess the financial reporting risks associated with executing new, significant or unusual transactions, contracts or business initiatives. As a result, the Company did not adequately identify and analyze changes in the business and hence implement effective process level controls and monitoring controls that were responsive to these changes and aligned with financial reporting objectives. This failure to identify and analyze changes occurred in connection with the integration of acquisitions and the monitoring and recording of certain revenues associated with a complex government contract. As a result, the Company did not properly account for certain transactions including Revenue and Customer Obligation Accounts, which resulted in errors in the financial statement as of the end of the period covered by this report.

E. Manual Reconciliations of High-Volume Standard Transactions

We did not have effective business processes and controls as well as resources with adequate training and support to conduct an effective review of manual reconciliations including the complex data feeds into the reconciliations of high-volume standard transactions. This resulted in several errors mainly to balance sheet classifications around Accounts Receivable, Customer Obligations and other related accounts as of the end of the period covered by this report.

In addition to the material weaknesses noted above, management identified several significant deficiencies and deficiencies. These deficiencies relate to several areas that are partially rooted in the weaknesses in the internal control environment documented above.

Our independent registered public accounting firm, BDO USA, LLP, which audited the consolidated financial statements for the year ended December 31, 2017 included in this Annual Report on Form 10-K, has expressed an adverse report on the operating effectiveness of the Company's internal control over financial reporting as of December 31, 2017. BDO USA, LLP's report appears under Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Remediation Plan and Status for Reported Material Weaknesses

We have been working and are currently working to remediate the material weaknesses described above, including assessing the need for additional remediation steps and implementing additional measures to remediate the underlying causes that gave rise to the material weaknesses. The Company is committed to a strong internal control environment and to ensure that a proper, consistent tone is communicated throughout the organization, including the expectation that previously existing deficiencies will be remediated through implementation of processes and controls to ensure strict compliance with GAAP and the 2013 COSO framework.

To address the material weaknesses in *our internal control over financial reporting, in addition to the specific remediations noted under each sub-section,* the Company has and is in the process of taking the following measures:

- The Company has undergone a leadership transition, and we have a new Chief Executive Officer, Chief Financial Officer and General Counsel. Clear lines of responsibilities have been drawn in new roles to ensure effective controls.
- We are establishing regular working group meetings, with appropriate oversight by the Audit Committee and leadership of the Company, to strengthen accountability for performance of internal control over financial reporting responsibilities and prioritization of corrective actions.
- We will be enhancing our compensation practices to further incorporate risk and operational goals.
- We will be assessing and enhancing adequacy and quality of resources in areas impacting financial reporting including, but not limited to conducting additional training programs for our employees to enhance their skill sets which will complement their work.

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- We are augmenting accounting staff with additional technical expertise in GAAP to assist with enhanced financial reporting procedures, controls and remediation efforts.

To address the material weakness in the *Accounting Close and Financial Reporting* area (Material Weakness A., noted above), the Company has taken the following measures:

- We are establishing senior level oversight and executive reporting around the accounting close and financial reporting process with an enhanced focus on improving process level controls to strengthen the existing control environment around formalizing and documenting accounting policies as well as implementing a robust accounting close process with enhanced review of financial statements.
- In addition to enhancing processes and controls over adoption of new accounting standards, we will also be enhancing GAAP expertise within the accounting department.

To address the material weakness in the *Contract to Cash Process* (Material Weakness B., noted above), the Company has taken the following measures:

- We are establishing senior level oversight and executive reporting around the contract to cash process with an enhanced focus on improving process level controls to strengthen the existing control environment around the contract to cash process and revenue recognition. This includes but is not limited to enhancing the process for record retention of contracts and agreements, assessment of collectability from customers, analysis of complex contracts as well as automation of select billing processes.

To address the material weakness in the *Risk Assessment and Change Management Process* (Material Weakness C., noted above), the Company has taken the following measures:

- We are developing a plan to implement a periodic risk assessment process, review of control procedures and documentation around impact of changes on accounting processes.
- We are developing a plan to enhance documentation and review around accounting estimates, and interpretations with formal approval of the detailed review.
- We are developing a plan to proactively design manual controls around implementation of new systems impacting financial reporting.
- We have reallocated Company resources to improve the oversight over operational changes across the business and business trends.

To address the material weakness in the *Review of New, Unusual or Significant Transactions and Contracts* (Material Weakness D., noted above), the Company is in process of strengthening its processes and controls as follows:

- We are designing and implementing enhanced internal controls surrounding identification, analysis and governance and monitoring of new, significant or unusual contracts or transactions to ensure that these contracts or transactions are recorded in accordance with Company's policies and GAAP. This will entail enhanced documentation of analysis, as well as review and cross functional approval of company policies and interpretations.

To address the material weakness in the *Manual Reconciliations of High-Volume Standard Transactions* (Material Weakness E, noted above), the Company has taken the following measures:

- We are providing leadership oversight to ensure prioritization of funding and resources for the remediation efforts.
- We are strengthening the review controls and supporting documentation related to reconciliations of high-volume standard transactions. With an enhanced focus on supporting documentation review, we are implementing a comprehensive review methodology over data, inputs and reports used for the reconciliations.

The material weaknesses will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Additional remediation measures may be required, which may require additional implementation time. We will continue to assess the effectiveness of our remediation efforts in connection with our evaluations of internal control over financial reporting.

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

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making its assessment of internal control over financial reporting, management used the criteria set forth by COSO on *Internal Control - Integrated Framework (2013)*. Based on this assessment, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective as of December 31, 2017.

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Changes in Internal Control over Financial Reporting

Except for the material weaknesses described above, no other change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the quarter ended December 31, 2017, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers

The following table sets forth the name, age and position of each of our executive officers as of December 31, 2017.

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Name	Age	Position
Joseph L. Jackson	57	Chairman of the Board and Chief Executive Officer
Edgar O. Montes	57	President and Chief Operating Officer
Colm M. Callan	48	Chief Financial Officer
Kimberly L. Wilford	49	Senior Vice President, General Counsel, and Corporate Secretary

Colm M. Callan has served as our Chief Financial Officer since September 2014. Prior to joining us, Mr. Callan served as Chief Financial Officer of the Product and Technology division of PayPal, an eBay Inc. company, comprised of more than 4,000 people and $1 billion of annual spend, from 2012 to 2014. Prior to joining PayPal, Mr. Callan was a Senior Director of Corporate Development at eBay Inc., where he led multifunctional teams in the execution of global strategic acquisitions, joint ventures, divestitures, and investments since 2008. Mr. Callan also brings to the Company almost a decade of technology investment banking experience from his roles at Credit Suisse, Morgan Stanley, and Merrill Lynch. Mr. Callan holds an M.B.A. and a B.A.S. from Stanford University.

Kimberly L. Wilford has served as our Senior Vice President, General Counsel and Corporate Secretary since March 2008. Prior to joining us, Ms. Wilford served as Senior Corporate Counsel for Aricent Inc., a leading communications software company, from May 2007 to March 2008, where she advised Aricent on legal matters, and prior to that as Associate General Counsel for KLA-Tencor Corporation, a provider of yield management and process control solutions for semiconductor manufacturing and related industries, from April 2000 to May 2007, where she advised KLA-Tencor on legal matters. Ms. Wilford holds a J.D. from the University of the Pacific, McGeorge School of Law and a B.A. in Political Science from the University of California, Santa Barbara.

Please see "Directors" below for the biography of Messrs. Jackson and Montes.

Directors

The following table sets forth the name, age and class of each of our directors as of December 31, 2017.

Name	Age	Position	Class	Term Expiration Year
Joseph L. Jackson	57	Executive Chairman	Class III	2018
Thomas A. Bevilacqua (2)(3)	61	Director	Class III	2018
Bruce G. Bodaken (1)	66	Director	Class III	2018
Mariann Byerwalter (1)	57	Director	Class II	2020
Jerome D. Gramaglia (2)(3)	62	Director	Class I	2019
John W. Larson (2)(3)	83	Lead Independent Director	Class II	2020
Robert L. Metzger (1)	50	Director	Class I	2019
Edgar O. Montes	57	Director	Class I	2019

(1) Member of our audit committee (the "Audit Committee")
(2) Member of our compensation committee (the "Compensation Committee")
(3) Member of the nominating and corporate governance committee (the "Nominating Committee")

Directors

Joseph L. Jackson has served as Executive Chairman since April 2018 and has served as Chairman of our Board from December 2016 to April 2018. He has also served as our Chief Executive Officer and as a member of our Board between February 2007 and April 2018. Prior to joining us, Mr. Jackson served in various roles at First Data Corporation, a provider of payment processing services, from January 1983 until March 2006, most recently as President of Commercial Services for its Western Union subsidiary. Mr. Jackson holds a B.S. in Business Administration from the University of Nebraska. We believe that Mr. Jackson possesses specific attributes that qualify him to serve as a member of our Board, including his past business experience, which brings operational expertise to our Board.

Thomas A. Bevilacqua has served as a member of our Board since November 2009, as a member of our Compensation Committee since February 2010 and as a member of our Nominating Committee since February 2011. Mr. Bevilacqua has served

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as a Managing Director with Vantage Point Capital Partners, a venture capital firm, since November 2007, where he focuses on investments in the Internet and information technology market. Prior to joining Vantage Point, Mr. Bevilacqua served as Executive Vice President of E*TRADE Financial from 1997 to 2002, where he served in a variety of operational roles and established E*TRADE's acquisition and investment strategies. While at E*TRADE, Mr. Bevilacqua founded ArrowPath Venture Partners, an early stage venture capital fund that was later spun out from E*TRADE, and served as the Managing Partner of that firm from 1999 to November 2007. Mr. Bevilacqua was previously a partner at two leading Silicon Valley law firms, Brobeck, Phleger & Harrison LLP and Orrick, Herrington & Sutcliffe LLP. Mr. Bevilacqua received a J.D. from the University of California, Hastings College of the Law and a B.S. in Business Administration from the University of California at Berkeley. We believe that Mr. Bevilacqua possesses specific attributes that qualify him to serve as a member of our Board and to serve as a member of our Compensation Committee and Nominating Committee, including his knowledge of technology investments and Internet services, his financial literacy and his general business and legal experience.

Bruce G. Bodaken has served as a member of our Board since September 2005, as Chairman of our Audit Committee from May 2009 to November 2014 and as a member of our Audit Committee since February 2006. Mr. Bodaken served as Chairman and Chief Executive Officer of Blue Shield of California from 2000 to 2012, where he was responsible for strategy and management of California's third largest insurer, with $10 billion in revenue. Prior to that, Mr. Bodaken served as Blue Shield of California's President and COO from 1996 to 2000. He has been on the board of directors of Rite Aid Corporation since May 2013 and iRhythm Technologies since July 2017. Mr. Bodaken is a member of the faculty at University of California, Berkeley, in the Division of Health Policy Management. Mr. Bodaken holds a M.A. from the University of Colorado and a B.A. from Colorado State University. We believe that Mr. Bodaken possesses specific attributes that qualify him to serve as a member of our Board and to serve as a member of our Audit Committee, including his extensive business experience as an executive in the health insurance industry.

Mariann Byerwalter has served as a member of our Board since May 2010, as Chairperson of our Audit Committee from November 2014 to February 2017, and as a member of our Audit Committee since May 2010. Ms. Byerwalter has been on the Board of Directors of SRI International since October 2001 and has served as Chairman of the Board of Directors of SRI International since January 2015. Ms. Byerwalter served as the Interim President and Chief Executive Officer of Stanford Health Care (formerly, Stanford Hospital and Clinics) from January 2016 to July 2016. Prior to this, Ms. Byerwalter served as Chairman of the Board of Directors of Stanford Health Care from 2006 to 2013. She currently serves on the Board of Directors of Pacific Life Insurance Company, Franklin Resources, Inc., Redwood Trust, Inc., the Burlington Capital Group, Stanford Health Care and Stanford Children's Health. Ms. Byerwalter is a Trustee Emerita of the Stanford University Board of Trustees, having served three terms as a Trustee between 1992 and 2012. Ms. Byerwalter was Chief Financial Officer and Vice President for Business Affairs of Stanford University from February 1996 through February 2001. Prior to this she was a partner and co-founder of America First Financial Corporation, which raised funds to purchase and turn-around failed savings and loans from the government. Before this she was Vice President for Strategic Planning and Corporate Development at BankAmerica Corporation, managing acquisitions and divestitures for BankAmerica. Ms. Byerwalter received an M.B.A. from Harvard Business School and a B.A. in Economics and Political Science/Public Policy from Stanford University. We believe Ms. Byerwalter possesses specific attributes that qualify her to serve as a member of our Board and to serve as Chairperson of our Audit Committee, including her experience as a company executive and her financial and accounting expertise with public companies.

Jerome D. Gramaglia has served as a member of our Board since November 2002, as a member of our Compensation Committee since October 2003, as Chairman of our Compensation Committee since July 2005 and as a member of our Nominating Committee since August 2014. Mr. Gramaglia is a private investor/advisor to consumer-oriented technology start-ups. From March 2011 to July 2011, Mr. Gramaglia served as interim Chief Executive Officer and President of Acxiom Corporation, a leading provider of marketing data, services and technology now known as LiveRamp Holdings, Inc. ("LiveRamp"). Mr. Gramaglia previously served as Partner for ArrowPath Venture Partners and as President and Chief Operating Officer for E*TRADE Group, Inc., a leading provider of electronic financial services. Mr. Gramaglia has also served on the boards of directors of Coldwater Creek, a national retailer of women's apparel, from June 2004 to September 2013 and LiveRamp since August 2009, where he currently serves as Non-Executive Chairman of the Board. Mr. Gramaglia received a B.A. in Economics from Denison University. We believe Mr. Gramaglia possesses specific attributes that qualify him to serve as a member of our Board and to serve as Chairman of our Compensation Committee, including his experience in various executive roles of a public company, his service on the Board of other public companies and his marketing, financial, technology and management expertise.

John W. Larson has served as a member of our Board since June 2000, as Chairman of our Board from July 2006 to December 2016, as Lead Independent Director since December 2016, as Chairman of our Nominating Committee since February 2006 and as a member of our Compensation Committee since April 2017. Mr. Larson retired as a partner at the law firm of Morgan, Lewis & Bockius LLP in December 2009, which he joined in February 2003. Mr. Larson served as partner at the law firm of Brobeck, Phleger & Harrison LLP from 1969 until retiring in January 2003, except for the period from July 1971 to September 1973 when he was in government service as Assistant Secretary of the United States Department of the Interior and Counselor to George P. Shultz, Chairman of the Cost of Living Council. From 1988 until March 1996, Mr. Larson served as the Chief Executive Officer

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for Brobeck. Mr. Larson served on the Board of Directors of Sangamo Biosciences, Inc., a biotechnology company focusing on zinc finger DNA-binding proteins, from January 1996 to June 2016. Mr. Larson also serves on the Board of Needham Funds and the Buck Institute for Research on Aging. Mr. Larson received an L.L.B. from Stanford Law School and a B.A., with distinction, in Economics from Stanford University. We believe Mr. Larson possesses specific attributes that qualify him to serve as a member of our Board and to serve as Chairman of our Nominating Committee, including his extensive legal career and business background and his experience on the Boards of numerous public and private companies.

Robert L. Metzger has served as a member of our Board since February 2016, as a member of our Audit Committee since February 2016 and as Chairman of our Audit Committee since February 2017. Mr. Metzger served as a Partner at William Blair & Company from 2005-2015 after joining the firm in 1999. He served as the Head of the Technology and Financial Services Investment Banking Groups from 2011-2015 and 2007-2015, respectively. During his career of over 15 years at William Blair, he completed in excess of 100 transactions and also acted as Chairman of William Blair & Company's audit committee from 2013-2015. Prior to joining William Blair & Company, he worked from 1990-1994 at Price Waterhouse in Audit and Audit Advisory Services, in the Financial Institutions Group at A.T Kearney, Inc. from 1995-1997 and in the Investment Banking Division of ABN AMRO Incorporated from 1997-1999. Currently, Mr. Metzger is a faculty member at the University of Illinois where he is the Director of the Investment Banking Academy and College of Business Honors Programs. Mr. Metzger has served on the Board of Directors and as the chair of the audit committee of Millennium Trust since March, 2016. Mr. Metzger has also served on the Board of Directors and as the audit committee chair of USA Technologies since May, 2016. He also has served on the Board of Directors and as the Special Committee Chair of JetPay Corporation since November 2017. Mr. Metzger holds an MBA with concentrations in finance and strategy from J.L. Kellogg Graduate School of Management, Northwestern University and a B.S. in Accountancy from the University of Illinois at Urbana-Champaign. We believe Mr. Metzger possesses specific attributes that qualify him to serve as a member of our Board, including his significant experience as an investment banker and his financial and accounting expertise.

Edgar O. Montes has served as our President since December 2016 and as Chief Executive Officer and a member of our Board since April 2018. Prior to his appointment as Chief Executive Officer, Mr. Montes served as our Chief Operating Officer from December 2012 to April 2018. He also held the position of Senior Vice President, Service Delivery Operations from March 2007 to December 2012, and Vice President, Operations from November 2006 until March 2007. Prior to joining us, Mr. Montes served in various positions with American Express, most recently as Vice President - Customer Service, where he was responsible for overseeing customer service, from December 1982 until November 2006. Mr. Montes holds an M.B.A., a B.S. in Accounting and a B.S. in Real Estate from Arizona State University. We believe that Mr. Montes possesses specific attributes that qualify him to serve as a member of our Board, including his past business experience and his perspective as our Chief Executive Officer, which brings operational expertise to our Board.

There are no family relationships among any of the directors or executive officers.

Board Meetings and Committees

The Board held six (6) meetings during fiscal 2017. The Audit Committee held five (5) meetings, the Compensation Committee held four (4) meetings and the Nominating Committee held three (3) meetings during fiscal 2017. During 2017, only one director, Mr. Bodaken, attended fewer than 75% of the aggregate of all meetings of the Board.

Our Board has established an Audit Committee, a Compensation Committee and a Nominating Committee, each of which has the composition and responsibilities described below. The Audit Committee, Compensation Committee and Nominating Committee all operate under charters approved by our Board, which charters are available on our website at http://www.WageWorks.com - "About" - "Investor Relations" - "Corporate Governance Documents."

The non-employee members of the Board also meet in executive session without management present on a regular basis. Mr. Larson, the former Non-Executive Chairman of our Board and current Lead Independent Director, serves as presiding director of these executive sessions.

Audit Committee

Our Audit Committee is comprised of Ms. Byerwalter and Messrs. Bodaken and Metzger, each of whom is a non-employee member of our Board. Mr. Metzger is Chairman of our Audit Committee as of February 2017. Ms. Byerwalter served as the Chairperson our Audit Committee prior to February 2017. Mr. Metzger is our Audit Committee financial expert, as that term is defined under the SEC rules implementing Section 407 of the Sarbanes-Oxley Act of 2002, and possesses financial sophistication as defined in the rules of the NYSE. Our Audit Committee is responsible for, among other things:

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- reviewing and approving the selection of our independent registered public accounting firm, and approving the audit and non-audit services to be performed by our independent registered public accounting firm;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;
- reviewing the adequacy and effectiveness of our internal control policies and procedures;
- discussing the scope and results of the audit with the independent auditors and reviewing with management and the independent auditors our interim and year-end operating results; and
- preparing the Audit Committee report that the SEC requires in our annual Proxy Statement.

The Audit Committee held five (5) meetings during the last fiscal year.

Compensation Committee

Our Compensation Committee is comprised of Messrs. Bevilacqua, Gramaglia and Larson. Mr. Gramaglia is Chairman of our Compensation Committee. The Compensation Committee is responsible for, among other things:

- overseeing our compensation policies, plans and benefit programs;
- reviewing and approving for our Chief Executive Officer and executive officers: the annual base salary, the annual incentive bonus, including the specific goals and amount, equity compensation, employment agreements, severance arrangements and change in control arrangements, and any other benefits, compensations or arrangements;
- preparing the Compensation Committee report that the SEC requires to be included in our annual Proxy Statement; and
- administering our equity compensation plans.

The Compensation Committee held four (4) meetings during the last fiscal year.

Nominating and Corporate Governance Committee

Our Nominating Committee is comprised of Messrs. Bevilacqua, Gramaglia and Larson. Mr. Larson is Chairman of our Nominating Committee. The Nominating Committee is responsible for, among other things:

- assisting our Board in identifying prospective director nominees and recommending nominees for each Annual Meeting of Stockholders to the Board;
- evaluating director compensation, consulting with outside consultants and/or with our human resources department when appropriate, and making recommendations to our Board regarding director compensation;
- reviewing developments in corporate governance practices and developing and recommending governance principles applicable to our Board;
- reviewing the succession planning for our executive officers;
- overseeing the evaluation of our Board and management; and
- recommending members for each board committee to our Board.

The Nominating Committee held three (3) meetings during the last fiscal year.

Board Role in Risk Oversight

Our Board, as a whole and through its committees, has responsibility for the oversight of risk management. Our senior management is responsible for assessing and managing our risks on a day-to-day basis. Our Audit Committee will discuss with management our policies with respect to risk assessment and risk management and our significant financial risk exposures and the actions management has taken to limit, monitor or control such exposures. Our Compensation Committee will oversee risk related to compensation policies. Both our Audit and Compensation Committees will report to the full Board with respect to these matters, among others.

As part of its oversight of our compensation programs, our Compensation Committee has considered our executive officer and non-executive employee compensation programs as they relate to our risk management and based upon this assessment, we believe that any risks arising from such policies and practices are not reasonably likely to have a material adverse effect on us. Our employees' base salaries are fixed in amount and do not depend on performance. Our cash incentive program takes into account multiple metrics, thus diversifying the risk associated with any single performance metric, and we believe it does not incentivize our employees to focus exclusively on short-term outcomes. Our equity awards are limited by the terms of our equity plans to a fixed maximum specified in the plan, and are subject to vesting to align the long-term

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interests of our employees with those of our stockholders. We do not believe that these equity-based incentives encourage unnecessary or excessive risk taking because their ultimate value is tied to our stock price.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that our executive officers and directors, and persons who own more than 10% of our common stock, file reports of ownership and changes of ownership with the SEC. Such directors, executive officers and 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this Annual Report on Form 10-K anyone who filed a required report late during the most recent fiscal year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during our fiscal ended December 31, 2017, all Section 16(a) filing requirements were satisfied on a timely basis.

Compensation Committee Interlocks and Insider Participation

The current members of our Compensation Committee are Messrs. Bevilacqua, Gramaglia and Larson. No interlocking relationship exists between our Board or Compensation Committee and the Board or Compensation Committee of any other entity, nor has any interlocking relationship existed in the past.

Board Leadership Structure

The Company's Corporate Governance Policy provides that the Board shall fill the Chairman of the Board and Chief Executive Officer positions based upon the Board's view of what is in the best interests of the Company. The Chief Executive Officer and Chairman may, but need not be, the same person. In the event that the Chairman is an executive officer of the Company, the Board will also appoint a Lead Independent Director.

The Board has determined that having one individual serve in the role of Chairman of the Board and Chief Executive Officer and appointing a separate individual to serve as Lead Independent Director is in the best interest of the Company's stockholders at this time, and that these roles provide the right foundation to pursue strategic and operational objectives while maintaining effective oversight and objective evaluation of corporate performance. Mr. Jackson serves as our Executive Chairman of the Board. Mr. Larson serves as our Lead Independent Director. The Executive Chairman of the Board and the Lead Independent Director jointly provide overall leadership to the Board. Mr. Edgar Montes, our President and Chief Executive Officer, is responsible for setting the strategic direction for the Company as well as the day to day leadership and performance of the Company. The Lead Independent Director also works with the Executive Chairman of the Board and the Chief Executive Officer to prepare Board meeting agendas.

This leadership structure allows the Chairman of the Board and Chief Executive Officer to focus on his operational responsibilities, while keeping a measure of independence between the oversight function of our Board and those operating decisions. The Board believes that this leadership structure provides an appropriate allocation of roles and responsibilities at this time.

Policy for Director Recommendations

It is the policy of the Nominating Committee to consider recommendations for candidates to the Board from stockholders holding at least one percent (1%) of the fully diluted capitalization of the Company continuously for at least 12 months prior to the date of the submission of the recommendation.

A stockholder that wants to recommend a candidate for election to the Board should send the recommendation by letter to WageWorks, Inc., 1100 Park Place, Fourth Floor, San Mateo, California 94403, Attention: General Counsel. The recommendation must include the candidate's name, home and business contact information, detailed biographical data, relevant qualifications, a signed letter from the candidate confirming willingness to serve, information regarding any relationships between the candidate and the Company and evidence of the recommending stockholder's ownership of Company stock. Such recommendations must also include a statement from the recommending stockholder in support of the candidate, particularly within the context of the criteria for Board membership, addressing issues of character, integrity, judgment, diversity of experience, diversity of perspective, independence, area of expertise, corporate experience, length of service, potential conflicts of interest, other commitments and the like and personal references.

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The committee will use the following procedures to identify and evaluate any individual recommended or offered for nomination to the Board:

- The committee will consider candidates recommended by stockholders in the same manner as candidates recommended to the committee from other sources;
- In its evaluation of director candidates, including the members of the Board eligible for re-election, the committee will consider the following:
- The current size and composition of the Board and the needs of the Board and the respective committees of the Board;
- Without assigning any particular weighting or priority to any of these factors, such factors as character, integrity, judgment, diversity of experience, diversity of perspective, independence, area of expertise, corporate experience, length of service, potential conflicts of interest, other commitments and the like; and
- Other factors that the committee may consider appropriate;
- The committee requires the following minimum qualifications, which are the desired qualifications and characteristics for Board membership, to be satisfied by any nominee for a position on the Board:
- The highest personal and professional ethics and integrity;
- Proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;
- Skills that are complementary to those of the existing Board;
- The ability to assist and support management and make significant contributions to the Company's success; and
- An understanding of the fiduciary responsibilities that are required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities;
- If the committee determines that an additional or replacement director is required, the committee may take such measures that it considers appropriate in connection with its evaluation of a director candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the committee, the Board or management; and
- The committee may propose to the Board a candidate recommended or offered for nomination by a stockholder as a nominee for election to the Board.

Policies and Procedures for Communications to Non-Employee or Independent Directors

In cases where stockholders wish to communicate directly with our non-employee directors, messages can be sent to our General Counsel, at generalcounsel@wageworks.com, or to WageWorks, Inc., 1100 Park Place, Fourth Floor, San Mateo, California 94403, Attention: General Counsel. Our General Counsel or Legal Department shall review all incoming stockholder communications (except for mass mailings, product complaints or inquiries, job inquiries, business solicitations and patently offensive or otherwise inappropriate material) and, if appropriate, route such communications to the appropriate member(s) of the Board or, if none is specified, to the Lead Independent Director. Our General Counsel may decide in the exercise of her judgment whether a response to any stockholder communication is necessary and shall provide a report to the Nominating Committee on a quarterly basis of any stockholder communications received for which the General Counsel or Legal Department has determined no response is necessary.

These procedures do not apply to communications to non-employee directors from officers or directors of the Company who are stockholders or to stockholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act.

Attendance at Annual Meeting of Stockholders

Although we do not have a formal policy regarding attendance by members of the Board at our Annual Meeting of Stockholders, we encourage, but do not require, directors to attend. Five (5) of our directors attended our 2017 Annual Meeting of Stockholders.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers, and directors, including our Chairman of the Board and Chief Executive Officer, Chief Financial Officer and other principal executive and senior financial officers. The Code of Business Conduct and Ethics is available on its website at http://www.WageWorks.com - "About" - "Investor Relations" - "Corporate Governance Documents." The Company will post on our website any amendments or waivers to the Code of Business Conduct and Ethics that are required to be disclosed by the rules of the SEC or the NYSE.

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Corporate Governance Policy

The Board has adopted Corporate Governance Principles that addresses the role and composition of, and policies applicable to, the Board. The Nominating Committee will periodically review the policy and report any recommendations to the Board. The Corporate Governance Principles are available on the Company's website at http://www.WageWorks.com - "About" - "Investor Relations" - "Corporate Governance Documents."

Whistleblower Policy

The Audit Committee has established a telephone and internet whistleblower hotline available to employees of the Company for the anonymous submission of suspected violations, including accounting, internal controls, or auditing matters, harassment, fraud and policy violations.

Related Person Transaction Policy

The Company has adopted a Related Party Transaction Policy. See "Certain Relationships and Related Transactions - Related Party Transaction Policy."

Insider Trading Policy and Rule 10b5-1 Trading Plans

The Company has an Insider Trading Policy that prohibits, among other things, short sales, hedging of stock ownership positions, and transactions involving derivative securities relating to the Company's Common Stock.

As of the date of this Annual Report, none of our executive officers and none of our directors, except for Ms. Byerwalter were parties to 10b5-1 trading plans. In accordance with our policy, our officers and directors may also choose to enter into 10b5-1 trading plans in the future. The Company does not undertake any obligation to report Rule 10b5-1 trading plans that may be adopted by any of its officers and directors in the future, or to report any modifications or terminations of any publicly announced plan, except to the extent required by law.

Item 11. Executive Compensation

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information about the Company's executive compensation philosophy, the principles that govern the executive compensation program, the material elements of the 2017 executive compensation program for the Company's Named Executive Officers ("NEOs"), and how and why the independent Compensation Committee and the independent members of the Board determined the specific compensation elements that comprised the 2017 executive compensation program.

Compensation Overview

Compensation decisions primarily are made by the independent Compensation Committee. As the Company has continued to grow, the Compensation Committee has been mindful of our need to retain our NEOs and motivate them to meet or exceed short-term goals and long-term strategic objectives, while, at the same time, create sustainable long-term value for our stockholders. Accordingly, we designed an executive compensation program for 2017 that tied a substantial portion of the NEOs' compensation directly to achievement of rigorous performance objectives over sustained time periods. We believed this approach appropriately encourages the NEOs to continue delivering exceptional results because it places a significant percentage of their total compensation at-risk and correspondingly rewards them when they achieve performance objectives and deliver stockholder value.

The 2017 executive compensation program consisted of the following key compensation elements that we leveraged in varying degrees to create a performance-driven compensation structure:

- base salary;
- annual incentive compensation in the form of a cash bonus; and
- long-term incentive compensation in the form of performance-based Restricted Stock Units, or RSUs, and time-based stock options.

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The resulting compensation opportunity consisted primarily of performance-based annual cash incentive compensation and long-term equity incentive compensation in the form of performance-based and time-based equity awards.

The Compensation Committee believes that this program, designed with a significant emphasis on performance-based pay, is the appropriate compensation structure for the Company at this critical juncture in its development to help us retain key leaders and incentivizes them to grow shareholder value.

Each element of our compensation program is discussed in greater detail below.

Named Executive Officers

The Company's NEOs for 2017 were:

Joseph L. Jackson, our former Chairman of the Board and Chief Executive Officer and former Executive Chairman of the Company

Edgar O. Montes, our current President and Chief Executive Officer, or CEO, and former President and Chief Operating Officer;

Colm M. Callan, our former Chief Financial Officer, or CFO; and

Kimberly L. Wilford, our former Senior Vice President, General Counsel, and Corporate Secretary.

At the beginning of the second quarter of 2018, and in conjunction with the Company's announcement of its intention to restate its financial statements for (i) the quarterly and year-to-date periods ended June 30 and September 30, 2016, (ii) the year ended December 31, 2016 and (iii) the quarterly and year-to-date periods ended March 31, June 30 and September 30, 2017, the Company announced certain changes to its management team, effective April 5, 2018, including:

- Mr. Jackson resigning from his position as Chief Executive Officer, and being appointed Executive Chairman of the Company.
- Mr. Montes being appointed President and Chief Executive Officer, and being appointed to serve as a member of the Board.
- Mr. Callan resigning from his position as Chief Financial Officer, and continuing his employment with the Company to effect a seamless transition to the incoming interim chief financial officer, followed by the termination of his employment on July 4, 2018.
- Ms. Wilford resigning from her position as Senior Vice President, General Counsel and Corporate Secretary of the Company, and continuing her employment with the Company to effect a seamless transition, followed by the termination of her employment on July 4, 2018.

The restatement and the transition arrangements are described in greater detail in the Form 8-K filed with the U.S. Securities and Exchange Commission on April 5, 2018. Each of the NEOs executed an agreement with the Company as part of his or her transition, as described in the "Transition Agreements" section below.

Mr. Jackson resigned from his position as Executive Chairman of the Company effective September 6, 2018. Mr. Jackson executed a release of claims with the Company as part of his resignation providing him with certain compensation and benefits, as described in the Form 8-K filed with the U.S. Securities and Exchange Commission on September 12, 2018 and described in the "Transition Agreements" section below.

2017 Financial and Operational Highlights

The Company achieved several strong financial and operational results in 2017:

A $120.5 million increase in total revenue year-over-year (from $355.6 million in 2016 to $476.1 million in 2017);

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GAAP net income of $54.4 million or $1.38 (39,415 shares) per diluted share, as compared to GAAP net income in 2016 of $15.9 million or $0.43 (37,210 shares) per diluted share;

A 47% increase in non-GAAP Adjusted EBITDA year-over-year (from $101.3 million in 2016 to $146.6 million in 2017);

Maintained very high customer and participant satisfaction and retention scores;

Maintained a greater than 93% annual renewal rate for enterprise clients (based on annual revenue);

Acquisition of Automatic Data Processing, Inc.'s Consumer Health Spending Account, COBRA and direct bill businesses;

Transition of Ceridian Corporation's COBRA portfolio to the Company; and

Selection by the United States Office of Personnel Management to administer its FSAFEDS

2017 NEO Compensation Highlights

Consistent with our philosophy to tie compensation directly to performance and growth, the Compensation Committee took the following actions in 2017:

Base Salary - Only adjust the annual base salary of certain NEOs to reflect competitive market conditions or new increased responsibilities in connection with new titles;

Annual Performance-Based Incentive Compensation - As in previous years, designed the annual 2017 Executive Bonus Plan to focus exclusively on Company performance objectives, with a strong emphasis on both EBITDA and organic revenue growth, as the criteria for payment of cash bonuses to the NEOs; and

Long-Term Equity Awards - As part of our annual compensation review, granted a mix of time-based stock options that vest over four years based on continued service and performance-based RSU awards that are earned upon achievement of pre-established revenue growth and profitability performance metrics over a three-year performance period.

Post-Employment Compensation - Conducted a review of the executive severance and change in control arrangements, and made market competitive adjustments to the protections for the executives in order to motivate them and provide additional assurances to them.

Executive Compensation-Related Policies and Practices

We maintain the following executive compensation policies and practices:

Independent Compensation Committee. The Compensation Committee is made up of all independent directors and has established effective means for communicating with stockholders regarding their executive compensation ideas and concerns;

Independent Compensation Committee Advisor. The Compensation Committee engaged its own compensation consultant to assist with its 2017 compensation reviews;

Annual Executive Compensation Review. The Compensation Committee conducts an annual review and approval of our compensation strategy, including a review of the Company's compensation market reference group used for comparative purposes and a review of our compensation-related risk profile to ensure that the Company's compensation-related risks are not reasonably likely to have a material adverse effect on the Company;

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Compensation At-Risk. The executive compensation program is designed so a significant portion of compensation is "at risk" based on corporate performance, and predominantly equity-based to align the interests of the NEOs and stockholders;

Performance-Based Incentives. We use performance-based short-term and long-term incentives;

Multi-Year Vesting Requirements. The equity awards granted to the NEOs vest or are earned over multi-year periods, consistent with current market practice and our retention objectives;

No Special Retirement Plans. We do not currently offer, nor do we have plans to provide, pension arrangements, retirement plans, or nonqualified deferred compensation plans or arrangements to the NEOs that are not offered to all similarly situated employees;

Limited Perquisites. We provide minimal perquisites and other personal benefits to the NEOs;

No "Golden Parachute" Tax Reimbursements. We do not provide any tax reimbursement payments (including "gross-ups") on any tax liability that the NEOs might owe as a result of the application of Sections 280G or 4999 of the IRC;

Compensation Recovery Policy. We maintain a compensation recovery ("clawback") policy that provides that, if we must prepare an accounting restatement, we may recover from the NEOs any cash incentive compensation erroneously paid or awarded under the plan over what would have been paid under the accounting restatement;

Hedging and Pledging Prohibited. The Company's Insider Trading Policy prohibits employees from hedging any Company securities and from pledging any Company securities as collateral for a loan; and

Stock Ownership Guidelines. We maintain stock ownership guidelines for the NEOs that encourage each to beneficially own a specified number of shares of the Company's Common Stock.

Compensation Philosophy and Objectives

For the Company to succeed it must continually build on its expertise, expand the breadth and quality of its solutions, enhance its technology platforms, and manage its operations efficiently and effectively. The executive compensation program supports these objectives by ensuring that the Company can:

attract and retain talented executives, who possess the proven experience, knowledge, skills, and leadership criteria critical to the Company's success;

motivate these executives to achieve the Company's business objectives and uphold its core values;

reward executives who can directly influence overall performance by linking a greater portion of their target total direct compensation opportunity to short-term and long-term incentives than most other employees;

promote teamwork within the executive team, while also recognizing the unique role each executive plays in the Company's success; and

ensure alignment of the interests of executives and stockholders to promote the short-term and long-term growth of the business, and increase shareholder value.

Based on this philosophy, we designed the executive compensation program to encourage the achievement of strong overall financial results, particularly revenue growth, free cash flow and profitability, and outstanding customer service.

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Compensation-Setting Process

Role of the Compensation Committee

The Compensation Committee designs and oversees the Company's executive compensation program in accordance with our policies and practices and within in the framework of our executive compensation philosophy and objectives. The Compensation Committee has the final decision-making authority for the compensation of the NEOs, but we report these decisions to the independent members of Board as a corporate governance practice. Each member of the Compensation Committee member qualifies as (i) an "independent director" under the listing standards of the NYSE and (ii) a "non-employee director" under Exchange Act Rule 16b-3.

At the beginning of each year, the Compensation Committee reviews the executive compensation program, including any incentive compensation plans and arrangements to determine whether they are appropriately aligned with the Company's business strategy and achieving desired objectives. The Compensation Committee also reviews market trends and changes in competitive compensation practices, as further described below. Based on our review and assessment, the Compensation Committee, from time to time, recommends changes in the Company's executive compensation program to the Board.

The factors considered by the Compensation Committee in determining the 2017 compensation for the NEOs included:

- the recommendations of Mr. Jackson (except regarding his own compensation) as described below;
- the Company's corporate growth and other elements of financial performance;
- the relevant competitive market data (as described below);
- the experience, competencies, and responsibilities of each NEO;
- the expected future contribution of each NEO; and
- internal pay equity based on the impact on the business and performance.

Historically, the Compensation Committee has discussed the chief executive officer's performance and his target compensation opportunities with the independent members of the Board to ensure these compensation opportunities are aligned with overall corporate objectives.

The Compensation Committee does not weight these factors in any predetermined manner, nor does it apply any formulas in developing its compensation recommendations. The members of the Compensation Committee consider all of this information in light of their individual experience and knowledge of the Company, the competitive market and each NEO.

Although the Compensation Committee does not "benchmark" the compensation of the NEOs, we reference the 50th and 75th percentiles of the competitive data derived from the compensation market reference group for each of element of total target cash compensation (base salary plus annual incentive compensation), long-term incentive compensation, and target total direct compensation (total target cash plus long-term incentive compensation). The Compensation Committee exercises its judgment in determining the compensation of each NEO and may set the level of an individual compensation element or target total direct compensation outside this percentile range when we determine that it is necessary or appropriate to reflect individual and/or Company performance, role scope, and internal equity.

The Compensation Committee's authority, duties, and responsibilities are described in our charter, which is reviewed annually and revised and updated as warranted. The charter is available on the Company's corporate website at http://ir.wageworks.com.

Role of Management

The chief executive officer works closely with the Compensation Committee in determining the compensation of the other NEOs. At the beginning of each year, the chief executive officer reviews the performance of the other NEOs for the previous year, and then shares these evaluations with, and makes recommendations to, the Compensation Committee for each element of compensation. These recommendations concern the base salary, annual incentive compensation, and long-term incentive compensation for each NEO (other than himself) based on the Company's results and the individual NEO's contribution to these results. The Compensation Committee then reviews these recommendations and considers the other

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factors described above and make decisions as to each individual compensation element for the NEOs. The chief executive officer also assists us with the identification of performance objectives for the annual Executive Bonus Plan.

The NEOs typically attend Compensation Committee meetings, except for executive sessions (unless specifically requested by the Compensation Committee to be present). No NEO attends an executive session at which his or her compensation is considered.

Role of Compensation Consultant

Under its charter, the Compensation Committee is authorized to engage one or more external compensation consultants or other advisors to assist in the discharge of its responsibilities.

In 2017, the Compensation Committee engaged Compensia, Inc., a national compensation consulting firm, to assist it in reviewing and analyzing the compensation of the NEOs. The Compensation Committee worked with Compensia to assess the compensation of the NEOs against the compensation of similarly-situated executives at the companies in the Company's compensation market reference group.

Compensia reported directly to the Compensation Committee. The Compensation Committee assessed the independence of Compensia taking into account, among other things, the enhanced independence standards and factors set forth in Exchange Act Rule 10C-1 and the applicable listing standards of the NYSE, and concluded that that there is no conflict of interest with respect to the work that Compensia performed for the Compensation Committee.

Competitive Positioning

To assess the competitiveness of the executive compensation program, and individual compensation levels and related policies and practices, the Compensation Committee reviews and analyzes market data drawn from a group of market reference companies and select compensation surveys. The compensation market reference group is derived from an evaluation of companies across multiple relevant industry sectors based on financial and other relevant criteria, including, but not limited to, revenue, market capitalization, and growth rate.

At the beginning of 2017, the Compensation Committee directed Compensia to review and propose updates to the then-existing compensation market reference group. Compensia evaluated the compensation market reference group and, based on changes to the size of certain companies, proposed the following compensation market reference group for 2017, which was subsequently approved by the Compensation Committee:

ACI Worldwide	Financial Engines	Paycom Software
athenahealth	Guidewire Software	The Ultimate Software Group
Bottomline Technologies	Health Equity	TriNet Technologies
Cornerstone OnDemand	MarketAxess Holdings	Tyler Technologies
Envestnet	Medidata Solutions	WEX
Fair Isaac	NIC	

This compensation market reference group was comprised of publicly-traded information technology services, internet software and services, professional services, software, and financial technology companies, which generally had revenues between approximately $100 million and $1 billion, had experienced strong year-over-year growth in revenues and profitable operating margins, and had a market capitalization between approximately $1 billion and $7 billion.

The Compensation Committee also directed Compensia to conduct a competitive market analysis of the executive compensation levels and practices of the companies in the compensation market reference group. This data was considered by the Compensation Committee in its deliberations on executive compensation in 2017.

We do not believe that it is appropriate to make compensation decisions, whether regarding base salaries or annual or long-term incentive compensation, upon any type of "benchmarking" to a market reference or other representative group of companies. The Compensation Committee believes that information regarding the compensation practices at other companies is useful in helping us assess the competitiveness of our compensation policies and practices in the marketplace and the reasonableness and appropriateness of individual executive compensation elements and of the overall executive compensation packages. This information is only one of several factors that we consider, however, in making our decisions with respect to the compensation of the NEOs.

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Impact of 2017 Stockholder Advisory Vote on 2017 Executive Compensation

In April 2017, we conducted a "say-on-pay" vote, at our Annual Meeting of Stockholders. Our stockholders approved on an advisory basis the compensation of the NEOs, with more than 99% of the votes cast in favor of our executive compensation program.

The Compensation Committee evaluated our executive compensation policies and practices throughout 2017 and determined we should maintain the compensation philosophy and objectives from prior years and retain our general approach to executive compensation. As a result, the Compensation Committee decided to maintain an emphasis on incentive compensation that rewards our NEOs when they deliver value for our stockholders and, except as noted above, made no significant changes to our executive compensation program.

Compensation Elements

The executive compensation program consisted of three principal elements: (1) base salary, (2) annual performance-based incentive compensation in the form of cash bonuses, and (3) long-term incentive compensation in the form of performance-based and time-based equity awards. We provided these primary forms of compensation, in addition to others, for the following reasons:

Compensation Element	Reason for Providing Element
Base Salary	To compensate the NEOs for their day-to-day efforts based on demonstrated experience, competencies and performance
Annual Incentive Compensation	To motivate and reward achievement of annual strategic goals and to better align the NEOs interests with stockholders' interest by promoting strong, annual financial and business results
Long-Term Incentive Compensation	To align the NEOs interests with the long-term interests of stockholders and to achieve our retention objectives through multi-year vesting requirements and through performance-based vesting requirements linked to the Company's long-term strategic goals
Retirement, Welfare and Health Benefits	To provide for the safety and wellness of the NEOs through a competitive benefits package
Post-Employment Compensation	To allow the NEOs to focus on their job duties and the Company's performance

We used these compensation elements to make up the executive compensation program because they were consistent with other programs in the Company's competitive market and allowed the Company to effectively compete for highly-qualified talent. Each element supports achievement of one or more of our compensation objectives, and, collectively, they have been and, we believed, would continue to be effective means for motivating the NEOs. We viewed the three principal compensation elements as related, but distinct, components of the total compensation program. We did not believe that total compensation should be derived from a single element, or that significant compensation from one element should negate or reduce compensation from other elements.

Base Salary

A competitive base salary is a necessary component of the executive compensation program so we can attract and retain a stable team of executive officers. Base salaries for the NEOs are intended to be competitive with those received by other individuals in similar positions at the companies with which we compete for talent, and equitable across the NEO team.

We established the initial base salaries of the NEOs through arm's-length negotiation when we hired each individual, considering his or her position, qualifications, experience, prior salary level, and the base salaries of the other NEOs. Thereafter, the Compensation Committee reviews and considers adjustments to the base salaries of the NEOs annually, following our review of each executive officer's performance for the most recently-completed fiscal year.

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In February 2017, we reviewed the base salaries of the NEOs in conjunction with a competitive market analysis performed by Compensia, the recommendations of Mr. Jackson (except regarding his own base salary) and the other factors described above. Consistent with our objective to increase the market competiveness of total target cash compensation opportunities, the Compensation Committee increased the base salary of each NEO (other than Mr. Jackson) to a level that, when considered with his or her target annual incentive compensation opportunity, provided the appropriate retention and motivational incentives and was competitive with the Company's compensation peer group, and, in the case of Mr. Montes, in recognition of his anticipated increased responsibilities in his position as President.

The base salaries of the NEOs for 2017 were:

Named Executive Officer	2017 Base Salary ($)	2016 Base Salary ($)	Percentage Change
Joseph L. Jackson	750,000	700,000	7%
Edgar O. Montes	500,000	412,000	21%
Colm M. Callan	390,000	350,000	11%
Kimberly L. Wilford	380,000	340,000	12%

The base salaries paid to the NEOs during 2017 are also set forth in the "Summary Compensation Table," which appears later on in this report.

Annual Incentive Compensation (Cash Bonuses)

We use annual incentive compensation in the form of cash bonuses to motivate the NEOs to achieve specified objectives. The Compensation Committee establishes annual cash bonus opportunities under a formal bonus plan in accordance with the stockholder-approved Executive Bonus Plan. The Compensation Committee sets the performance objectives at levels that we believe are capable of achievement with meaningful effort and the target bonus opportunity for each NEO is expressed as a percentage of his or her annual base salary. The Executive Bonus Plan is designed to pay above-target bonuses when the Company exceeds its annual objectives and below-target bonuses when the Company does not achieve these objectives or when the Compensation Committee exercises its discretion to reduce bonuses based on such factors as it deems appropriate, as applicable. If the Company fails to achieve the threshold levels of performance under the plan, no bonuses will be paid to the NEOs.

In February 2017, the Compensation Committee adopted cash bonus performance measures for 2017, as described in detail below:

Target Bonus Opportunities

In adopting the performance measures for 2017, the Compensation Committee reviewed the target bonus opportunities of each NEO, taking into consideration a competitive market analysis performed by Compensia and the recommendations of Mr. Jackson (except with respect to his own target bonus opportunity), as well as the other factors described above. We set each NEO's target bonus opportunity at a level that, when considered with his or her base salary, provided the appropriate motivational and retention incentives and was market competitive. We did not increase the target bonus percentage of any NEO in 2017, except for Mr. Montes to recognize the expected increased responsibilities in his role as President.

The target bonus opportunities of the NEOs for 2017 were:

Named Executive Officer	2017 Target Bonus Opportunity (as a percentage of base salary)	2017 Target Bonus Opportunity ($)
Joseph L. Jackson	100%	750,000
Edgar O. Montes	100%	500,000
Colm M. Callan	75%	293,000
Kimberly L. Wilford	70%	266,000

Performance Measures

The Compensation Committee selected three performance-based objectives for the 2017 Executive Bonus Plan:

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(1) a threshold performance measure based on the Company's "Net Income" (as discussed below);

(2) a corporate financial measure based on the Company's "Actual Adjusted EBITDA" (as discussed below); and

(3) an overall Company performance measure based on the Company's "Actual Adjusted Organic Revenue Growth" (as discussed below).

We determined these performance measures were appropriate because they incentivized the NEOs to work as a team to achieve the financial, business, and strategic objectives reflected in our 2017 operating plan and were linked to the interests of the stockholders.

The Compensation Committee reserved the authority under the 2017 Executive Bonus Plan to make adjustments to the corporate financial measure or the overall Company performance measure before bonuses were paid. The Compensation Committee also reserved the discretion to reduce plan bonuses based on such factors as it determined were relevant. We believed it was important to maintain this flexibility to incent achievement of business goals and objectives that may evolve after the beginning of the year. For the 2017 Executive Bonus Plan:

"Net Income" meant the Company's net income as reported in its financial statements for the performance period;

"Actual Adjusted 2017 EBITDA" meant earnings before interest, tax, depreciation, and amortization, or EBITDA, for the performance period as reported in the Company's financial statements, adjusted by:

adding back the compensation costs for the performance period for share-based payments that must otherwise be amortized for financial reporting under ASC Topic 718 Compensation - Stock Compensation;

excluding the financial results of any businesses the Company acquired during the performance period (unless such business also was included in the budgeted Adjusted EBITDA target for 2017 as approved by the Board; and

including the effect of bonuses paid to the NEOs for the year, including bonuses paid under the Executive Bonus Plan.

"Actual Adjusted Organic Revenue Growth" was to be calculated by dividing the Company's Actual Adjusted Organic Revenue in January 2018 by Actual Adjusted Organic Revenue in January 2017 minus one, multiplied by 100; and

"Actual Adjusted Organic Revenue" meant total revenue, less "run-out" and "grace period" fees, less any revenue from any portfolio purchases during the year, and any client credits, which had to be reviewed by the Compensation Committee for possible adjustment within the calculation.

Annual Incentive Formula

The three performance objectives worked together in a stacking fashion, whereby each objective must be met in successive order for an NEO to become eligible to receive payment under the corporate financial and overall Company performance objectives. Specifically, if the threshold performance goal was achieved, then the determination of each NEO's bonus was to be based on the Company's actual performance as measured against each of the other two performance measures, which were to be equally weighted as 50% of the total target bonus opportunity. If, however, the minimum Actual Adjusted 2017 EBITDA amount was not met, then an NEO would not be eligible to receive payment under the Actual Adjusted Organic Revenue Growth objective.

Actual Adjusted 2017 EBITDA. The following table sets forth the threshold, target, and maximum levels of the Actual Adjusted 2017 EBITDA performance objective, as well as the multiplier that would be applied to the portion of the eligible bonus upon achievement of this performance objective, which constituted 50% of the target bonus opportunity:

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Actual Adjusted 2017 EBITDA Metric	Multiplier
Less than $139 million	0%
$139 million	45%
$141 million	50%
$143 million or greater	75%

In the event of Actual Adjusted 2017 EBITDA between $139 million and $143 million, the multiplier was to be calculated between each designated segment on a linear basis.

Actual Adjusted Organic Revenue Growth. If Actual Adjusted 2017 EBITDA equaled or exceeded $139 million, then each NEO would also be eligible to receive the portion of his or her eligible bonus based upon the Company's actual performance as measured against the Actual Adjusted Organic Revenue Growth objective.

The following table sets forth the threshold, target, and maximum levels of the Actual Adjusted Organic Revenue Growth performance objective, as well as the multiplier that would be applied to the portion of the eligible bonus upon achievement of this performance objective, which constituted 50% of the target bonus opportunity:

Adjusted Organic Revenue Growth Metric	Multiplier
Less than 6%	0%
6%	45%
7%	50%
8% or greater	75%

In the event of Actual Adjusted Organic Revenue Growth between 6% and 8%, the multiplier was to be calculated between each designated segment on a linear basis.

2017 Annual Incentive Award Decisions

In March 2019, we assessed performance against the three performance objectives under the 2017 Executive Bonus Plan. We determined that, for 2017, the Company met the threshold Net Income metric, the Company achieved Actual Adjusted 2017 EBITDA that resulted in a multiplier of 150% for this metric, and the Company achieved Actual Adjusted Organic Revenue Growth that resulted in a multiplier of 95% for this metric. Applying the formula in the 2017 Executive Bonus Plan, our achievement percentage under the plan was 122.7%, the maximum level. Only Mr. Montes remained employed through the date bonuses under the plan were assessed and therefore was the only NEO eligible. However, no amount has yet been paid to Mr. Montes as a result of the Company's restatement of historical financial results. For more information, please see the above Explanatory Note and Note 2, "Restatement," to the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K. Mr. Montes'2017 preliminary bonus amount under the 2017 Executive Bonus Plan is set forth in the "Non-Equity Incentive Compensation" column of the "Summary Compensation Table," which appears later on in this report.

Messrs. Jackson and Callan and Ms. Wilford forfeited their right to receive any payment under the 2017 Executive Bonus Plan in connection with their transition and terminations of employment. Under the terms of his transition agreement, Mr. Jackson is eligible to receive a discretionary cash bonus of $700,000 as described in footnote 2 to the "Summary Compensation Table." See "Transition Agreement" discussion below for additional information.

Long-Term Incentive Compensation

The Compensation Committee uses a "portfolio" approach in designing the long-term incentive compensation opportunities for the NEOs to both align their interests with the interests of the Company's stockholders and to enable them to participate in the creation of sustainable long-term value for those stockholders. In addition, to the extent long-term incentives are awarded to the NEOs, these awards serve our retention objectives, as they must be earned over an extended period based on continued service with the Company.

Grant of Performance-Based RSUs and Stock Options

In February 2017, the Compensation Committee reviewed the long-term incentive opportunities and the total target direct compensation levels of the NEOs to assess the market competitiveness and retention strength of each individual's outstanding

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and unvested equity awards. Based on this review, the Compensation Committee granted performance-based RSU awards and time-based stock options to our NEOs, as described in further detail below. The Compensation Committee believed that granting our NEOs a mix of performance-based and time-based equity awards allowed us to remain competitive with the market in which we compete for talent, and also balance our objectives of providing significant retention incentives as well as incentives for driving long-term growth in our business.

The equity awards granted to Mr. Jackson were approved by the independent members of the Board. In making these awards, we also considered a competitive market analysis performed by Compensia, the recommendations of our Chief Executive Officer (except regarding his own equity awards) and the other factors described above.

Each NEO's 2017 performance-based RSU award may be settled for shares of the Company's Common Stock only if the Company meets or exceeds pre-established target levels for revenue growth and profitability for the three-year performance period from 2017 through 2019. The Compensation Committee believed that performance-based RSU awards offered an economically efficient way to place the NEOs in the same position as a stockholder because the amount that he or she ultimately receives from the award depends on his or her ability to (i) contribute to the successful execution of long-term financial objectives and (ii) achieve those objectives in a manner that is reflected in the actual value of the shares of the Company's Common Stock that are earned under the award. The measures used in granting the equity awards are appropriately different from the measures used in the 2017 Executive Bonus Plan. In addition to a longer performance period, the revenue measure includes both organic revenue growth as well as revenue growth achieved from acquisitions and uses EBITDA margins as the threshold. The Compensation Committee believes the use of such measures was an appropriate way to reinforce the emphasis on growing the business while maintaining profitability - an outcome that we believe is critical to enhancing the Company's stock price and creating sustainable long-term stockholder value.

Each NEO's stock option grant vests over four years, with 25% of the shares vesting on the first anniversary of the effective date, and the remaining shares vesting monthly thereafter.

In determining the size and mix of the performance-based RSUs and the time-based stock options, the Compensation Committee or, in the case of Mr. Jackson, the independent Board members exercised its discretion to set the amount and mix of the equity awards at levels we believed were market competitive, but also provided a retention incentive to each NEO over the long-term.

The equity awards granted to the NEOs were:

Named Executive Officers	Time-Based Stock Options (number of shares)	Performance-Based RSU Award (target number of shares)
Joseph L. Jackson	100,000	100,000
Edgar O. Montes	100,000	75,000
Colm M. Callan	75,000	60,000
Kimberly L. Wilford	75,000	60,000

The performance-based RSU awards will be settled for shares of the Company's Common Stock, if any, earned at the end of a three-year performance period from 2017 through 2019 based on actual achievement compared to the pre-established target levels for adjusted EBITDA margin and compound revenue growth for the performance period. For any shares of the award to be earned, the Company must achieve an adjusted EBITDA margin equal to or greater than 22% for the performance period and the Company's compound revenue growth must be at least 10% for the performance period. Assuming that the threshold performance level for adjusted EBITDA margin is met, the various payouts for each level of compound revenue growth for the performance period will be:

Compound Revenue Growth Metric	Percentage of Target Shares Earned
Less than 10%	0%
At least 10% but less than 15%	50% - 100%
At least 15% but less than 20%	100% - 200%
20% or greater	200%

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Between the threshold, target, and maximum payout levels, the number of shares of our common stock earned will be based on a linear interpolation (with fractional shares rounded up to the nearest whole share).

For an NEO to earn any shares of the Company's Common Stock subject to his or her performance-based RSU award, he or she must maintain continued status as a service provider to the Company through the determination date (date subsequent to December 31, 2019, on which the Compensation Committee of the Board determines achievement against the applicable performance goal(s) for the performance period).

The performance-based RSU awards and time-based stock options also provide for special vesting provisions in the event of an involuntary termination of employment and/or a change in control of the Company, as discussed in "Post-Employment Compensation" below.

The equity awards granted to the NEOs are also set forth in the "Summary Compensation Table" and the "Grants of Plan-Based Awards Table," which appear later on in this report.

Mr. Jackson, Mr. Callan and Ms. Wilford forfeited 100% of their awards upon their termination of employment as described in the "Transition Agreements" section below.

Achievement of 2015 Performance-Based RSUs

The performance-based RSUs granted to our NEOs in 2015 (the "2015 RSUs") vest based on the Company's achievements against the pre-established metrics during the performance period. For any of the 2015 RSUs to vest, the Company had to achieve an average annual EBITDA margin equal to or greater than 22% for the performance period. If the Company achieved its average annual EBITDA margin metric, then the number of 2015 RSUs that actually would vest is based on the achievements in compound revenue growth during the performance period as indicated below:

Compound Revenue Growth Metric	**Percentage of Target Shares Earned**
Less than 10%	0%
At least 10% but less than 15%	50% - 100%
At least 15% but less than 20%	100% - 150%
20% or greater	150%

The performance period ran from January 1, 2015 through December 31, 2017. No final determination as to these awards have yet been made by the Company, as delivery was postponed until completion of the Company's restatement of historical financial results. For more information, please see the above Explanatory Note and Note 2, "Restatement," to the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K. As described in the "Transition Agreement" section below, Messrs. Jackson and Callan and Ms. Wilford are eligible to receive their 2015 RSUs based on the achievement of the performance objectives once determined by the Company.

2014 One-Time RSUs

In April 2017, the Compensation Committee determined that 50% of the performance-based RSUs granted to Messrs. Jackson, Montes, and Wilford in 2014 (the "2014 One-Time RSUs") would vest based on the Company's stock price achievement during the performance period. In making this determination, the Compensation Committee reviewed the Company's achievements during the performance period against its pre-established stock price targets. For any of the 2014 One-Time RSUs to vest, the highest closing price of a share of the Company's common stock as reported on the NYSE for any twenty (20) consecutive trading days during the three-year performance period as determined by us following the completion of the performance period during the second fiscal quarter of 2017 (the "Per Share Price") must be at least $75.00. If the Company achieved this goal, then, unless otherwise determined by the Compensation Committee, the number of vested shares of the Company's Common Stock subject to these 2014 One-Time RSUs was determined as follows:

Per Share Price	**Vesting Percentage**
$75.00 to less than $90.00 per share	50%
$90.00 to less than $100.00 per share	100%
$100.00 per share or more	200%

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The performance period ran from April 8, 2014 through April 7, 2017. The Compensation Committee determined that for the performance period the highest stock price performance was $75.00 per share resulting in vesting of 50% of the target shares subject to the 2014 One-Time RSUs.

Retirement, Welfare and Health Benefits

The Company maintains a tax-qualified Section 401(k) retirement plan for all employees who satisfy certain eligibility requirements, including requirements relating to length of service. Under the Company's Section 401(k) plan, employees may elect to defer a portion of their eligible compensation, subject to annual IRC limits. Employees can make contributions to the plan on a before-tax basis, after-tax Roth basis, or a combination of both of up to 85% of their eligible compensation, subject to the maximum amount prescribed by the Internal Revenue Service.

Under the Section 401(k) plan, the Company provides discretionary matching contributions equal to 40% of the first 6% of an employee's contributions, up to a maximum of 2.4% of the employee's eligible compensation. The Company intends for the Section 401(k) plan to qualify under Sections 401(a) and 501(a) of the IRC so before-tax contributions by employees to the plan, and income earned on before-tax contributions and after-tax Roth contributions, are not taxable to employees until withdrawn from the plan. After-tax Roth contributions to the Section 401(k) plan are distributed tax free under certain circumstances.

The NEOs are eligible to participate in the same group insurance and employee benefit plans as other full-time employees of the Company. The Company provides employee benefits to all eligible employees, including the NEOs, which we believe are reasonable and consistent with our overall objective to better enable the Company to attract and retain employees. These benefits include medical, dental and vision benefits, medical and dependent care flexible spending accounts, short-term and long-term disability insurance, accidental death and dismemberment insurance, basic life insurance coverage, and business travel accident insurance.

The Company designs its employee benefit plans to be affordable and competitive in relation to the market, and compliant with applicable laws and practices. The Company adjusts its employee benefit plans as needed based upon regular monitoring of applicable laws and practices and the competitive market.

Perquisites and Other Personal Benefits

Currently, we do not view perquisites or other personal benefits as a significant component of the executive compensation program. Accordingly, we do not provide perquisites to the NEOs, except in situations where we believe it is appropriate to assist an individual in the performance of his or her duties, to make him or her more efficient and effective, and for recruitment and retention purposes. During 2017, none of the NEOs received perquisites or other personal benefits that were, in the aggregate, $10,000 or more for each NEO.

In the future, we may provide perquisites or other personal benefits in limited circumstances, such as where we believe it is appropriate to assist an individual NEO in the performance of his or her duties, to make him or her more efficient and effective, and for recruitment, motivation, or retention purposes. All future practices with respect to perquisites or other personal benefits will be approved and subject to periodic review by the Compensation Committee.

Employment Agreement

The Company has entered into a written employment agreement with Mr. Jackson, which was subsequently amended and restated in November 2010, April 2017 and April 2018. This agreement was approved on our behalf by the Board. This agreement provides for "at will" employment and, as amended and restated, sets forth his compensation arrangements, including his annual base salary and a target annual bonus opportunity. In addition, the agreement provides for certain payments and benefits in the event of an involuntary termination of employment, including an involuntary termination of employment in connection with a change in control of the Company.

For a more detailed description of Mr. Jackson's employment agreement and a more detailed description of the terms and conditions of his post-employment compensation arrangements as contained in his employment agreement, see "Employment Agreements and Executive Severance Benefit Agreements," which appears later on in this report.

Post-Employment Compensation

Mr. Jackson's employment agreement and, in the case of the other NEOs, individual executive severance benefit agreements, all as amended in 2017, provide for certain payments and benefits in the event of a qualifying termination of employment, including a termination of employment in connection with a change in control of the Company. We believe that

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these agreements will enable the NEOs to maintain their focus and dedication to their responsibilities to help maximize shareholder value by minimizing distractions due to the possibility of an involuntary termination of employment or a termination of employment in connection with a potential change in control of the Company. We also believe that these arrangements further our interest in encouraging retention among our NEOs.

In addition, certain of the equity awards granted to the NEOs provide for the following:

Stock Options Awards to NEOs and Time-Based RSU Awards to Mr. Callan

The stock options for shares of the Company's Common Stock, as well as the time-based RSU award to Mr. Callan, provide that the unvested shares of the Company's Common Stock subject to such options will vest in full (i) in the event of a termination of employment by reason of death or disability or (ii) in the event of an involuntary termination of employment on or within 24 months following a change in control of the Company (a "double-trigger" arrangement).

Performance-Based RSU Awards

The performance-based RSU awards that may be settled for shares of the Company's Common Stock provide that:

- in the event of a termination of employment by reason of death or disability, the unvested target number of shares subject to such award will vest in full; and
- in the event of a change in control of the Company and subject to continued service through such date:
  - the number of shares subject to the award that would have vested on the date of the change in control had the award been subject to a three-year monthly time-based vesting schedule as of the date of grant will immediately vest;
  - the remaining shares subject to the award, if any, will vest in equal monthly installments through the three-year anniversary of the date of grant subject to continued service with us through each applicable vesting date; and
  - notwithstanding the foregoing, if on or within 24 months following the change in control, the employment of an NEO is involuntarily terminated or terminates by reason of death or disability, then the unvested target number of shares subject to the award will vest in full.

Other Compensation Policies

Stock Ownership Guidelines

In 2014, we adopted stock ownership guidelines for the NEOs to help ensure there is a strong alignment between their interests and the interests of the Company's stockholders. Under these guidelines, each NEO is expected to own and hold shares of the Company's Common Stock valued at a multiple of his or her annual base salary:

Executive Officer Subject to Ownership Policy	Minimum Required Level of Stock Ownership
Chief Executive Officer	Three times current annual base salary
Other NEOs	One times current annual base salary

Each NEO is in compliance with the ownership guidelines.

For the stock ownership guidelines, the value of the Company's Common Stock is based on the 100-day trailing average of the market price of the Company's Common Stock as of the last trading day of each fiscal year. Shares of the Company's Common Stock that count towards satisfying the stock ownership guideline include all beneficially owned shares, shares subject to vested and unexercised stock options and unvested RSU awards to be settled in shares of the Company's Common Stock.

Hedging and Pledging Policies

The Company has established an Insider Trading Policy which, among other things, prohibits short sales, engaging in transactions in publicly-traded options (such as puts and calls) and other derivative securities relating to the Company's

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Common Stock. This prohibition extends to any hedging or similar transaction designed to decrease the risks associated with holding the Company's securities. In addition, the NEOs are prohibited from pledging any of the Company's securities as collateral for a loan and from holding any of the Company's securities in a margin account.

Equity Award Grant Policy

We grant equity awards to Company employees, including the NEOs under the Company's 2010 Equity Incentive Plan, as amended and restated. Generally, for purposes of this plan, the grant date of all equity awards is the date on which the Compensation Committee approves the award. We may set the grant date of an equity award, however, after the date of approval.

The Compensation Committee has not delegated authority to grant equity awards under the 2010 Equity Incentive Plan. We do not intend to establish any program, plan, or practice of timing the grant of equity awards in coordination with the release of material non-public information likely to result in any increase or decrease in the value of the Company's Common Stock.

Compensation Recovery ("Clawback") Policy

If the Company's financial statements must be restated due to material noncompliance with any financial reporting requirement or as required under any applicable securities law, any cash award paid to an NEO where the Compensation Committee has determined that the financial restatement has occurred will be deemed not to have been properly earned and we may recover from the NEO the amount by which the award exceeded the amount earned had our statements been accurate and initially filed as restated, as determined by the Compensation Committee.

Tax and Accounting Considerations

Deductibility of Executive Compensation

IRC Section 162(m), or Section 162(m), limits the amount that the Company may deduct for compensation paid to the Chief Executive Officer and to certain other current and former highly compensated officers that qualify as "covered employees" within the meaning of Section 162(m) to $1,000,000 per person, unless certain exemption requirements are met. However, compensation that qualifies as "performance-based" under Section 162(m) that is paid in 2017 or payable pursuant to a "written binding contract" entered into prior to November 2, 2017 and not subsequently modified may be excluded from the $1,000,000 limit. In 2013, our stockholders approved our 2010 Equity Incentive Plan and Executive Bonus Plan to, among other things, permit (but not require) the Compensation Committee to award compensation that is "performance-based" and thus fully tax-deductible by us. Prior to 2018, the Compensation Committee awarded certain compensation that is "performance-based" and thus intended to be fully tax-deductible by us. While the Compensation Committee considers the deductibility of compensation as a factor in making compensation decisions, the Compensation Committee retains the flexibility to provide compensation that is consistent with our goals, including maintaining an approach to executive compensation that strongly links pay to performance. We may pay compensation or grant equity awards to our executive officers that have their deductibility limited by Section 162(m) if we believe that such compensation is appropriate. The Compensation Committee is continuing to assess the impact of Section 162(m) of the Code, as amended, on our executive compensation programs and practices.

Taxation of "Parachute" Payments and Deferred Compensation

We do not provide any executive officer, including any NEO, with a "gross-up" or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G, 4999, or 409A of the IRC during 2016 and we have not agreed and are not otherwise obligated to provide any NEOs with such a "gross-up." Sections 280G and 4999 of the IRC provide that executive officers and directors who hold significant equity interests and certain other service providers may be subject to an excise tax if they receive payments or benefits in connection with a change in control that exceeds certain prescribed limits, and that we, or a successor, may forfeit a deduction on the amounts subject to this additional tax. Section 409A of the IRC also imposes additional significant taxes on the individual in the event that an executive officer, director or other service provider receives "deferred compensation" that does not meet the requirements of Section 409A of the IRC.

Accounting Treatment

The Company follows Financial Accounting Standards Board Accounting Standards Codification Topic 718, Stock Compensation "ASC Topic 718", for its stock-based awards. ASC Topic 718 requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including stock options and RSU awards, based on the grant date "fair value" of these awards.

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The following table presents information concerning the total compensation of the NEOs, for services rendered to the Company in all capacities during the fiscal years ended December 31, 2017, 2016 and 2015.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($) (1)	Stock Awards ($)	Option Awards ($) (2)	Non-equity Incentive Plan Compensation ($) (3)	All Other Compensation ($)	Total ($)
Joseph L. Jackson Former Chairman of the Board and Former Chief Executive Officer	2017	742,308	700,000	7,230,000(4)	2,663,560	—	14,780(5)	11,350,648
	2016	689,680	—	3,272,250(6)	1,661,670	875,000	13,509(7)	6,512,109
	2015	691,667	—	3,666,000(8)	—	936,250	11,835(9)	5,305,752
Edgar O. Montes President and Chief Executive Officer	2017	486,462	—	5,422,500(10)	2,663,560	615,000	13,530(11)	9,201,052
	2016	403,926	—	2,181,500(12)	1,246,253	386,250	11,279(13)	4,229,208
	2015	390,000	—	2,444,000(14)	—	401,250	10,435(15)	3,245,685
Colm M. Callan Former Chief Financial Officer	2017	383,877	—	4,338,000(16)	1,997,670	—	6,480(17)	6,726,027
	2016	343,337	—	2,181,500(18)	1,246,253	262,650	6,360(19)	4,040,100
	2015	338,333	—	1,222,000(20)	—	272,850	4,770(21)	1,837,953
Kimberly L. Wilford Former Senior Vice President General Counsel and Corporate Secretary	2017	373,831	—	4,338,000(16)	1,997,670	—	6,480(17)	6,715,981
	2016	333,239	—	1,745,200(22)	830,835	254,925	5,674(23)	3,169,873
	2015	328,333	—	1,222,000(20)	—	264,825	4,770(21)	1,819,928

(1) Amount represents bonus for 2017 performance pursuant to the amended and restated employment agreement with Mr. Jackson dated April 5, 2018. See “Transition Agreement” discussion below for additional details.

(2) Amounts represent the aggregate fair market value of options granted in the fiscal years ended December 31, 2017, 2016 and 2015 to the NEOs calculated in accordance with ASC Topic 718 without regard to estimated forfeitures. See Note 12 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for a discussion of assumptions made in determining the grant date fair value and compensation expense of our stock options.

(3) Amounts represent the total performance-based bonuses earned for services rendered in 2017, 2016 and 2015 under our Executive Bonus Plan. As noted above, delivery of Mr. Montes’ 2017 performance-based bonus has been delayed pending completion of the Company’s restatement of historical results. Messrs. Jackson and Callan and Ms. Wilford did not receive performance-based bonuses for 2017 under the Executive Bonus Plan.

(4) Amount represents the aggregate fair market value of performance RSUs granted in the fiscal year ended December 31, 2017 and calculated in accordance with ASC Topic 718 assuming that the target performance objectives are met. Performance RSUs will vest based on achievement of performance objectives during the performance period from January 1, 2017 through December 31, 2019. If performance targets are met or exceeded, amounts vested can be increased up to 200% of the initial targeted RSU award, which would result in a grant date aggregate fair market value of $14,460,000. In connection with his termination of employment and execution of release of claims, Mr. Jackson will be eligible to receive a pro-rata portion of the achieved award, and the remaining amount is forfeited. See “Transition Agreement” for further details.

(5) Amount represents (i) $6,480 in 401(k) matching contribution and (ii) $8,300 in expenses associated with the use of advisors for financial and tax preparation and planning.

(6) Amount represents the aggregate fair market value of performance RSUs granted in the fiscal year ended December 31, 2016 and calculated in accordance with ASC Topic 718 assuming that the target performance objectives are met. Performance RSUs will vest based on achievement of performance objectives during the performance period from January 1, 2016 through December 31, 2018. If performance targets are met or exceeded, amounts vested can be increased up to 200% of the initial targeted RSU award, which would result in a grant date aggregate fair market value of $6,544,500. In connection with his termination of employment and execution of release of claims, Mr. Jackson will be eligible to receive a pro-rata portion of the achieved award, and the remaining amount is forfeited. See “Transition Agreement” for further details.

(7) Amount represents (i) $5,674 in 401(k) matching contribution and (ii) $7,835 in expenses associated with the use of advisors for financial and tax preparation and planning.

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(8) Amount represents the aggregate fair market value of performance RSUs granted in the fiscal year ended December 31, 2015 and calculated in accordance with ASC Topic 718 assuming that the target performance objectives are met. Performance RSUs will vest based on achievement of performance objectives during the performance period from January 1, 2015 through December 31, 2017. If performance targets are met or exceeded, amounts vested can be increased up to 150% of the initial targeted RSU award, which would result in a grant date aggregate fair market value of $5,499,000.

(9) Amount represents (i) $4,770 in 401(k) matching contribution and (ii) $7,065 in expenses associated with the use of advisors for financial and tax preparation and planning.

(10) Amount represents the aggregate fair market value of performance RSUs granted in the fiscal year ended December 31, 2017 and calculated in accordance with ASC Topic 718 assuming that the target performance objectives are met. Performance RSUs will vest based on achievement of performance objectives during the performance period from January 1, 2017 through December 31, 2019. If performance targets are met or exceeded, amounts vested can be increased up to 200% of the initial targeted RSU award, which would result in a grant date aggregate fair market value of $10,845,000.

(11) Amount represents (i) $6,480 in 401(k) matching contribution and (ii) $7,050 in expenses associated with the use of advisors for financial and tax preparation and planning.

(12) Amount represents the aggregate fair market value of performance RSUs granted in the fiscal year ended December 31, 2016 and calculated in accordance with ASC Topic 718 assuming that the target performance objectives are met. Performance RSUs will vest based on achievement of performance objectives during the performance period from January 1, 2016 through December 31, 2018. If performance targets are met or exceeded, amounts vested can be increased up to 200% of the initial targeted RSU award, which would result in a grant date aggregate fair market value of $4,363,000.

(13) Amount represents (i) $5,674 in 401(k) matching contribution; (ii) $105 in gift card tax gross up and (iii) $5,500 in expenses associated with the use of advisors for financial and tax preparation and planning.

(14) Amount represents the aggregate fair market value of performance RSUs granted in the fiscal year ended December 31, 2015 and calculated in accordance with ASC Topic 718 assuming that the target performance objectives are met. Performance RSUs will vest based on achievement of performance objectives during the performance period from January 1, 2015 through December 31, 2017. If performance targets are met or exceeded, amounts vested can be increased up to 150% of the initial targeted RSU award, which would result in a grant date aggregate fair market value of $3,666,000.

(15) Amount represents (i) $4,770 in 401(k) matching contribution and (ii) $5,665 in expenses associated with the use of advisors for financial and tax preparation and planning.

(16) Amount represents the aggregate fair market value of performance RSUs granted in the fiscal year ended December 31, 2017 and calculated in accordance with ASC Topic 718 assuming that the target performance objectives are met. Performance RSUs will vest based on achievement of performance objectives during the performance period from January 1, 2019 through December 31, 2019. If performance targets are met or exceeded, then the amounts vested can be increased up to 200% of initial targeted RSU award, which would result in a grant date aggregate fair market value of $8,676,000. This award was forfeited in in its entirety in connection with his transition and termination of employment.

(17) Amount represents $6,480 in 401(k) matching contribution.

(18) Amount represents the aggregate fair market value of price-vested RSUs granted in the fiscal year ended December 31, 2016 and calculated in accordance with ASC Topic 718. Performance RSUs will vest based on achievement of performance objectives during the performance period from January 1, 2016 through December 31, 2018. If performance targets are met or exceeded, then the amounts vested can be increased up to 200% of initial targeted RSU award, which would result in a grant date aggregate fair market value of $4,363,000. This award was forfeited in in its entirety in connection with his transition and termination of employment.

(19) Amount represents $6,360 in 401(k) matching contribution.

(20) Amount represents the aggregate fair market value of performance RSUs granted in the fiscal year ended December 31, 2015 and calculated in accordance with ASC Topic 718 assuming that the target performance objectives are met. Performance RSUs will vest based on achievement of performance objectives during the performance period from January 1, 2015 through December 31, 2017. If performance targets are met or exceeded, amounts vested can be increased up to 150% of the initial targeted RSU award, which would result in a grant date aggregate fair market value of $1,833,000.

(21) Amount represents $4,770 in 401(k) matching contribution.

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(22) Amount represents the aggregate fair market value of performance RSUs granted in the fiscal year ended December 31, 2016 and calculated in accordance with ASC Topic 718 assuming that the target performance objectives are met. Performance RSUs will vest based on achievement of performance objectives during the performance period from January 1, 2016 through December 31, 2018. If performance targets are met or exceeded, amounts vested can be increased up to 200% of the initial targeted RSU award, which would result in a grant date aggregate fair market value of $3,490,400. This award was forfeited in in its entirety in connection with her transition and termination of employment.

(23) Amount represents $5,674 in 401(k) matching contribution.

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Plan-Based Awards for Fiscal 2017

Name	Grant Date	Date of Board Action	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Threshold (#)	Target (#)	Maximum (#)	All Other Option Awards: Number of Securities Underlying Options (3)	Exercise or Base Price of Option Awards ($/Sh)	Closing Market Price on Grant Date	Grant Date Fair Value/ Incremental Fair Value of Stock and Option Awards ($) (3)
Joseph L. Jackson	2/17/2017	2/17/2017							100,000	$72.30		$2,663,560
	2/17/2017	2/17/2017					100,000	200,000			$72.30	$7,230,000
Edgar O. Montes	2/17/2017	2/17/2017							100,000	$72.30		$2,663,560
	2/17/2017	2/17/2017					75,000	150,000			$72.30	$5,422,500
Colm M. Callan	2/17/2017	2/17/2017							75,000	$72.30		$1,997,670
	2/17/2017	2/17/2017					60,000	120,000			$72.30	$4,338,000
Kimberly L. Wilford	2/17/2017	2/17/2017							75,000	$72.30		$1,997,670
	2/17/2017	2/17/2017					60,000	120,000			$72.30	$4,338,000

(1) Represents awards granted under our 2017 Executive Bonus Plan that were earned based on performance in 2017. These columns show the awards that were possible at the threshold, target and maximum levels of performance. The column titled "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table shows the actual awards earned in 2017 by our NEOs under our 2017 Executive Bonus Plan.

(2) Represents awards of performance RSUs granted under our 2010 Equity Incentive Plan that will vest on a determination date in 2020 based on the Company's achievements against its (A) average annual EBITDA margin target for the performance period and (B) compound revenue growth target for the performance period. The columns show the awards that are possible at threshold, target and maximum levels of performance. If performance targets are met or exceeded, amounts vested can be increased up to 200% of the initial targeted RSU award. The performance period runs from January 1, 2017 through December 31, 2019. The vesting of RSUs is contingent on the recipient's continued status as our service provider through the applicable vesting date. In connection with his termination of employment and execution of release of claims, Mr. Jackson will be eligible to receive a pro-rata portion of the achieved award, and the remaining amount is forfeited. Mr. Callan and Ms. Wilford forfeited this award in connection with their transition and termination of employment.

(3) Amounts in this column represent the grant date fair value of stock options and performance RSUs; awards are calculated in accordance with ASC Topic 718. For options awards, that number is calculated by multiplying the Black-Scholes fair value by the number of options granted. For performance RSUs, that number is calculated by multiplying the fair market value of our common stock on the date of grant by the number of target grants.

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Outstanding Equity Awards at December 31, 2017

Name	Grant Date	Option Awards: Number of Securities Underlying Unexercised Options: (#) Exercisable	Number of Securities Underlying Unexercised Options: (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Stock Awards: Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Joseph L. Jackson	3/6/2013[1]	125,000(2)	—	—	$23.76	3/6/2023		
	2/24/2014[1]	59,926	2,574	—	$57.10	2/24/2024		
	2/11/2016[1]	45,833	54,167	—	$43.63	2/11/2026		
	2/17/2017(1)	—	100,000	—	$72.30	2/17/2027		
	2/18/2015[4]						60,000	$3,720,000
	2/11/2016[5]						75,000	$4,650,000
	2/17/2017[6]						100,000	$6,200,000
Edgar O. Montes	2/9/2012[3]	40000(2)		—	$9.59	2/9/2022		
	3/6/2013[1]	50000(2)		—	$23.76	3/6/2023		
	2/24/2014[1]	23,964	1,036	—	$57.10	2/24/2024		
	2/11/2016[1]	34,374	40,626	—	$43.63	2/11/2026		
	2/17/2017[1]		100,000	—	$72.30	2/17/2027		
	2/18/2015[4]						40,000	$2,480,000
	2/11/2016[5]						50,000	$3,100,000
	2/17/2017[6]						75,000	$4,650,000
Colm M. Callan	9/2/2014[1]	40,624	9,376	—	$40.80	9/2/2024		
	2/11/2016[1]	34,374	40,626	—	$43.63	2/11/2026		
	2/17/2017[1]		75,000	—	$72.30	2/17/2027		
	9/2/2014[7]						8,750	$542,500
	2/18/2015[4]						20,000	$1,240,000
	2/11/2016[5]						50,000	$3,100,000
	2/17/2017[6]						60,000	$3,720,000
Kimberly L. Wilford	2/24/2014[1]	23,964	1,036	—	$57.10	2/24/2024		
	2/11/2016[1]	22,916	27,084	—	$43.63	2/11/2026		
	2/17/2017[1]		75,000	—	$72.30	2/17/2027		
	2/18/2015[4]						20,000	$1,240,000
	2/11/2016[5]						40,000	$2,480,000
	2/17/2017[6]						60,000	$3,720,000

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(1) Twenty-five percent of the shares vest on the first anniversary of the vesting commencement date, and an additional 1/48th of the shares vest on each of the 36 succeeding monthly anniversaries of the vesting commencement date, subject to the respective NEO's continued status as our service provider through the applicable vesting date.

(2) This option is fully vested.

(3) The shares subject to the option vest in full on the seven-year anniversary of the grant date; provided, however, (a) 25% of each grant will vest immediately if certain financial performance goals are met, (b) 25% of each grant vested upon the successful listing of our Common Stock on the NYSE and (c) the remaining 50% of each grant will vest immediately if both (a) and (b) occur, subject to the respective NEO's continued status as our service provider through the applicable vesting date.

(4) The performance RSUs was expected to vest on a determination date in 2018 based on the Company's achievements against its (A) average annual EBITDA margin target for the performance period and (B) compound revenue growth target for the performance period. If performance targets are met or exceeded, amounts vested can be increased up to 150% of the initial targeted RSU award. The performance period runs from January 1, 2015 through December 31, 2017. The vesting of RSUs is contingent on the NEO's continued status as our service provider through the applicable vesting date. However, pursuant to the transition agreements executed in April 2018, Messrs. Jackson and Callan and Ms. Wilford are eligible to receive their 2015 RSU awards based on the achievement of the three performance objectives, once determined by the Company.

On April 5, 2018, the Board concluded that the Company's financial statements for (i) the quarterly and year-to-date periods ended June 30 and September 30, 2016, (ii) the year ended December 31, 2016 and (iii) the quarterly and year-to-date periods ended March 31, June 30 and September 30, 2017 should be restated and should no longer be relied upon. As a result, no performance RSUs will vest or be delivered to any of the NEOs until Company's restatement of historical results is completed, and the performance objectives are determined.

(5) The performance RSUs is expected to vest on a determination date in 2019 based on the Company's achievements against its (A) average annual EBITDA margin target for the performance period and (B) compound revenue growth target for the performance period. If performance targets are met or exceeded, amounts vested can be increased up to 200% of the initial targeted RSU award. The performance period runs from January 1, 2016 through December 31, 2018. The vesting of RSUs is contingent on the NEO's continued status as our service provider through the applicable vesting date.

(6) The performance RSUs is expected to vest on a determination date in 2020 based on the Company's achievements against its (A) average annual EBITDA margin target for the performance period and (B) compound revenue growth target for the performance period. If performance targets are met or exceeded, amounts vested can be increased up to 200% of the initial targeted RSU award. The performance period runs from January 1, 2017 through December 31, 2019. The vesting of RSUs is contingent on the NEO's continued status as our service provider through the applicable vesting date.

(7) RSUs will vest in four equal annual installments on each of the four anniversaries of the vesting commencement date of September 2, 2014. The vesting of this award was accelerated in connection with his termination of employment. See "Transition Agreement" summary below.

Option Exercises and Stock Vested During the Year-ended December 31, 2017

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Joseph L. Jackson	403,501	25,021,194	90,500	6,510,650
Edgar O. Montes	50,000	3,179,300	33,375	2,402,288
Colm M. Callan	—	—	8,750	517,563
Kimberly L. Wilford	50,000	1,918,670	33,375	2,402,288

Pension Benefits & Nonqualified Deferred Compensation

The Company does not provide a pension plan for its employees and no NEOs participated in a nonqualified deferred compensation plan during fiscal 2017.

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Employment Agreement and Executive Severance Benefit Agreements

In April 2017, the Compensation Committee made market competitive changes to the severance and change in control arrangements with our NEOs. In approving these changes, the Compensation Committee, considered the possible distraction that an involuntary termination and/or change in control transaction can cause to executives, and viewed these changes to be appropriate to ensure that the Company retained the NEO's continued dedication and to provide the NEO with enhanced financial protections.

On April 17, 2017, the Company entered into a third amended and restated employment agreement, or the employment agreement, with Joseph L. Jackson, the former Chairman and Chief Executive Officer and an amended and restated executive severance benefit agreements with each of the other NEOs, together with the third amended and restated employment agreement with Mr. Jackson, the 2017 severance benefit agreements. A description of the material terms of the 2017 severance benefit agreements is provided below. Each of these agreements was amended as described in greater detail in the "Transition Agreement" section below.

Under the applicable 2017 severance benefit agreement, if, during the period beginning on the date the Company executes the definitive agreement for a "change in control" (as defined therein) and ending on the date that is 24 months following the closing date of such change in control, the "change in control period," the NEO has an "involuntary termination" (as defined therein), then, provided the NEO timely executes and does not revoke a release of claims and complies with his or her obligations under his or her proprietary information and inventions assignment agreement (the "PIIA"), and complies with the non-solicitation provision in the 2017 severance benefit agreement, such NEO will receive the following benefits:

- Continued payment of his or her base salary as then in effect for 24 months for Mr. Jackson, 15 months for Mr. Montes, and 12 months for Mr. Callan and Ms. Wilford;
- Reimbursement of COBRA premiums on a tax-neutral basis for the NEO and his or her qualified dependents for 18 months for Mr. Jackson, 15 months for Mr. Montes, and 12 months for Mr. Callan and Ms. Wilford;
- A lump sum amount equal to 100% (200% for Mr. Jackson) of the annual target bonus in effect for the NEO for the year in which the NEO's involuntary termination occurs; and
- Accelerated vesting as to 100% of the NEO's unvested equity awards that are outstanding immediately prior to the NEO's involuntary termination.

Under the 2017 severance benefit agreements, if, outside of the change in control period, an NEO has an involuntary termination, then, provided such NEO timely executes and does not revoke a release of claims, complies with his or her obligations under the NEO's PIIA, and complies with the non-solicitation provision in the NEO's 2017 severance benefit agreement, such NEO will receive the following benefits:

- Continued payment of his or her base salary as then in effect for 18 months for Mr. Jackson, 15 months for Mr. Montes, or 12 months for Mr. Callan and Ms. Wilford; and
- Reimbursement of COBRA premiums on a tax-neutral basis for the NEO and his or her qualified dependents for 18 months for Mr. Jackson, 15 months for Mr. Montes, or 12 months for Mr. Callan and Ms. Wilford.
- In the case of Mr. Jackson only:
  - An additional 18 months of vesting for all stock options that are outstanding on the date of his involuntary termination that are subject solely to time-based vesting; and
  - With regard to equity awards that (i) are eligible to vest, in whole or in part, based on the achievement of one or more performance metrics and (ii) were granted more than 12 months before his involuntary termination, Mr. Jackson will be eligible to vest in each award as to (x) the portion of such award that otherwise would be eligible to vest based on actual achievement of the relevant performance metrics during the full performance period multiplied by (y) a fraction where the numerator is the total number of calendar days between the beginning of the applicable performance period and the date of the involuntary termination and the denominator is the total number of days in the performance period.

or

- In the event his involuntary termination is due to his death or "incapacity" (as defined in his Amended Severance Agreements), then 100% of the unvested portion of each of his equity awards will become immediately vested and exercisable.

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Each 2017 severance benefit agreement provides that, if, outside of the change in control period, a NEO has an involuntary termination, then, provided such NEO timely executes and does not revoke a release of claims and complies with his or her obligations under the NEO's PIIA, such NEO will receive the following benefits:

- Continued payment of his or her base salary as then in effect for one month; and
- Reimbursement of COBRA premiums on a tax-neutral basis for the NEO and his or her qualified dependents for one month.

If Mr. Jackson's employment with us terminates due to his death or "incapacity," then he will receive the severance benefits described above, subject to complying with the terms and conditions described above.

If the employment of Mr. Montes, Mr. Callan, or Ms. Wilford terminates with us due to his or her death or "incapacity" (as defined in the applicable 2017 severance benefit agreement) and such NEO holds one or more unvested equity awards immediately prior to such termination, then 100% of the unvested portion of each of his or her equity awards will become immediately vested and exercisable. In addition, he or she will receive the COBRA reimbursements and corresponding tax gross-up payments described above, subject to compliance with the terms and conditions described above.

If any of the severance and other benefits provided for in an 2017 severance benefit agreement or otherwise payable to a NEO ("280G Payments") constitute "parachute payments" within the meaning of Section 280G of the IRC and could be subject to excise tax under Section 4999 of the IRC, then the 280G Payments will be delivered in full or delivered as to such lesser extent which would result in no portion of such benefits being subject to excise tax, whichever results in the greater amount of after-tax benefits to such NEO. The 2017 severance benefit agreements do not require us to provide any tax gross-up payment to any NEO.

In addition, Mr. Jackson's 2017 severance benefit agreement provides that he will continue to serve as the Chairman and Chief Executive Officer. Mr. Jackson will continue to be paid a base salary at the annualized rate of $750,000 and, for each year he is employed by us, will be eligible to receive a cash bonus at a target amount and dollar amount determined by the Compensation Committee, but which target amount will not be less than 100% of Mr. Jackson's base salary received during such fiscal year.

The terms "involuntary termination" and "change in control" have the meanings set forth in the severance benefit agreements.

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Triggering Event	Salary ($)	Bonus ($)	Accelerated Stock Options (1) ($)	Accelerated RSUs (2) ($)	Health Care Benefits ($)	Total ($)
Joseph L. Jackson						
Termination Without Cause Not in Connection with a Change in Control	1,125,000[3]	750,000	548,552	6,817,172	30,799[4]	9,271,523
Termination Without Cause or Constructive Termination after a Change in Control	1,500,000[5]	1,500,000[5]	1,007,660[6]	14,750,000[6]	30,799[4]	18,788,459
Change in Control Only	—	—	—	4,098,944[7]	—	4,098,944
Edgar O. Montes						
Termination Without Cause Not in Connection with a Change in Control	625,000[8]	—	—	—	25,665[9]	650,665
Termination Without Cause or Constructive Termination after a Change in Control	625,000	500,000[12]	751,376[11]	10,230,000[11]	25,665[9]	12,132,041
Change in Control Only	—	—	—	5,528,416[7]	—	5,528,416
Colm M. Callan						
Termination Without Cause Not in Connection with a Change in Control	390,000	—	—	—	10,945	400,945
Termination Without Cause or Constructive Termination after a Change in Control	390,000	293,000[10]	945,071[12]	8,602,500[12]	10,945	10,241,516
Change in Control Only	—	—	—	4,098,944[7]	—	4,098,944
Kimberly L. Wilford						—
Termination Without Cause Not in Connection with a Change in Control	380,000	—	—	—	7,431	387,431
Termination Without Cause or Constructive Termination after a Change in Control	380,000	266,000[10]	502,609(13)	7,440,000[13]	7,431	8,596,040
Change in Control Only	—	—	—	3,720,062[7]	—	3,720,062

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(1) Amount reflects the difference between the closing sales price of a share of our common stock on December 31, 2017 ($62.00) and the per share exercise price for the option.

(2) Amount reflects the closing sales price of a share of our common stock on December 31, 2017 ($62.00).

(3) Upon an involuntary termination, Mr. Jackson would receive payment of his salary over a period of 18 months, provided Mr. Jackson executes a general release of claims and an agreement not to complete with us during the period of time that he receives severance benefits from us.

(4) Upon an involuntary termination, Mr. Jackson would receive reimbursement, and tax gross-up payments for such reimbursement (if applicable), for the cost of medical care coverage through our benefit plans for Mr. Jackson, his spouse and his eligible dependents for a period of 18 months, provided Mr. Jackson agrees to a general release of claims and covenant not to complete with us during the period of time that he receives severance benefits from us. The amount shown is exclusive of the tax gross-up payment.

(5) Upon an involuntary termination (i) within 24 months of a change in control or (ii) during the time between the signing and closing a definitive agreement for a change in control transaction, Mr. Jackson will be considered for a termination bonus, with the amount of such termination bonus to be determined by our Board subject to achieving corporate and individual performance goals. The amount shown is Mr. Jackson's target annual bonus for 2017.

(6) As of December 31, 2017, the following shares of common stock would accelerate if Mr. Jackson were terminated without cause or resigned for good reason in connection with a change of control within 24 months following a change in control of us: 156,741 option awards and 130,279 RSUs. This calculation includes RSUs that could vest on a change in control, as reported in the "Change in Control only column" and described under footnote 7.

(7) Amount is based on vesting in the number of target RSUs that would have vested upon a change in control on December 31, 2017 had the award of RSUs been subject to a three-year monthly time-based vesting schedule as of the grant date.

(8) Upon an involuntary termination, the NEO would receive payment of his or her salary over a period of fifteen months, provided the NEO executes a general release of claims and an agreement not to complete with us during the period of time that he or she receives severance benefits from us.

(9) Upon an involuntary termination, the NEO would receive reimbursement, and tax gross-up payments for such reimbursement (if applicable), for the cost of medical care coverage through our benefit plans for the NEO, his or her spouse and dependents for a period of fifteen months, provided the NEO executes a general release of claims and an agreement not to complete with us during the period of time that he or she receives severance benefits from us. The amount shown is exclusive of the tax gross-up payment.

(10) Upon an involuntary termination (i) within 12 months of a change in control or (ii) during the time between signing and closing a definitive agreement for a change in control transaction, the NEO will be eligible to receive a payment equal to the pro-rata portion of their annual target bonus.

(11) As of December 31, 2017, the following shares of common stock would accelerate if Mr. Montes were terminated without cause or resigned for good reason in connection with a change of control: 141,662 shares subject to option awards and 89,168 RSUs. This calculation includes RSUs that could vest on a change in control, as reported in the "Change in Control only column" and described under footnote 7.

(12) As of December 31, 2017, the following shares of common stock would accelerate if Mr. Callan were terminated without cause or resigned for good reason in connection with a change of control within 24 months following a change in control of us: 125,002 shares subject to option awards and 66,112 RSUs. This calculation includes RSUs that could vest on a change in control, as reported in the "Change in Control only column" and described under footnote 7.

(13) As of December 31, 2017, the following shares of common stock would accelerate if Ms. Wilford were terminated without cause or resigned for good reason in connection with a change of control: 103,120 shares subject to option awards and 60,001 RSUs. This calculation includes RSUs that could vest on a change in control, as reported in the "Change in Control only column" and described under footnote 7.

Transition Agreements

Joseph Jackson

On April 5, 2018, Mr. Jackson resigned from his position as Chief Executive Officer, effective as of April 5, 2018, and the Board approved the appointment of Mr. Jackson as Executive Chairman of the Company, also effective April 5, 2018. Effective as of the date of Mr. Jackson's appointment as Executive Chairman, Mr. Jackson's annual base salary was changed to an annualized rate of $575,000, and for each year he is employed with us, he is eligible to receive a cash bonus at a target amount and dollar amount determined by the Compensation Committee. For 2018, Mr. Jackson's annual target bonus amount is $350,000. The actual bonus payable will depend on Mr. Jackson's performance and the extent to which Mr. Jackson has achieved the performance goals established for him. Mr. Jackson also will be entitled to receive a cash retention bonus of $300,000 if he remains employed with the Company as Executive Chairman in good standing on December 31, 2018. In

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addition, Mr. Jackson remains eligible to receive the same severance and change in control benefits as currently in effect and as described in the "Employment Agreement and Executive Severance Benefit Agreements" section above. No changes were made to the terms applicable to Mr. Jackson's currently-outstanding Company equity awards, and service-based vesting will continue during the employment period. The Company entered into an amended and restated employment agreement with Mr. Jackson memorializing the terms set forth herein. This agreement included a term that expires on December 31, 2018, but is renewable by mutual agreement of the parties with 30 days advanced notice. If either party fails to renew, this agreement provides that this failure to renew will be treated as an "involuntary termination" without "cause" under the amended and restated employment agreement.

On September 6, 2018, Mr. Jackson resigned as Executive Chairman. In connection with his employment resignation from the Company, the Compensation Committee determined that if Mr. Jackson signs and does not revoke a release of claims with the Company and continues to comply with his restrictive covenants, he is entitled to receive on the date of his resignation the severance and other termination benefits otherwise payable to him on December 31, 2018 on a voluntary resignation pursuant to the amended and restated employment agreement described in the paragraph above, except that the exercise period of his then-vested and outstanding stock options shall be extended until the later of (x) ninety (90) days following the termination date or (y) ninety (90) days following the Company's next filing of a registration statement on Form S-8 with the SEC (the "S-8 Filing"), in all cases, subject to earlier termination in connection with a change in control or similar event in accordance with the applicable equity plan.

Edgar Montes

In connection with Mr. Jackson's resignation from his position as Chief Executive Officer, the Board approved the appointment of Mr. Montes as President and Chief Executive Officer, effective as of April 5, 2018. Additionally, the Board appointed Mr. Montes to serve as a member of the Board, effective as of April 5, 2018.

In connection with Mr. Montes's appointment as Chief Executive Officer, Mr. Montes's annual base salary was changed to an annualized rate of $600,000 and for each year he is employed by us, he is eligible to receive a cash bonus at a target amount and dollar amount determined by the Compensation Committee, but which target amount will not be less than 100% of Mr. Montes' base salary received during such fiscal year. The actual bonus payable for each fiscal year will be subject to the terms of a written bonus plan and depend on Mr. Montes' performance and the extent to which Mr. Montes has achieved the performance goals established for him for that year, and such other considerations determined by the Compensation Committee. Mr. Montes remains eligible to receive the same severance and change in control benefits as currently in effect and as described in the "Employment Agreement and Executive Severance Benefit Agreements" section above. In addition, if, outside the period beginning on the date we execute a definitive agreement for a "change in control" (as defined in his agreement) and ending on the date that is 24 months following the closing date of such change in control, Mr. Montes has an "involuntary termination," then, as long as he complies with the conditions for receiving the other severance benefits under his agreement, he is entitled to (1) an additional 12 months of vesting for all stock options that are outstanding on the date of his involuntary termination that are subject solely to time-based vesting; and (2) with regard to equity awards that (A) are eligible to vest, in whole or in part, based on the achievement of one or more performance metrics and (B) were granted more than 12 months before his involuntary termination, Mr. Montes is eligible to vest in each award as to (i) the portion of such award that otherwise would be eligible to vest based on actual achievement of the relevant performance metrics during the full performance period multiplied by (y) a fraction where the numerator is the total number of calendar days between the beginning of the applicable performance period and the date of the involuntary termination and the denominator is the total number of days in the performance period. No other changes were made to the terms applicable to Mr. Montes' currently-outstanding Company equity awards. The Company entered into an employment agreement with Mr. Montes memorializing the terms set forth herein.

Colm Callan

On April 5, 2018, Mr. Callan resigned from his position as Chief Financial Officer, effective as of April 5, 2018, and continued his employment with the Company to effect a seamless transition to the incoming interim chief financial officer, followed by the termination of his employment on July 4, 2018. During the transition period, Mr. Callan continued to receive his base salary, vest in his Company equity awards in accordance with their terms in effect as of the transition date, and was eligible to participate in the then-available Company employee benefit programs in accordance with their terms. In addition, by remaining employed through the end of the transition period, he received a lump sum cash payment of $180,000. If Mr. Callan's employment was terminated by the Company other than for "cause," prior to the end of the transition period, he would have received the base salary amount that he otherwise would have received had he been employed with the Company through the end of the transition period, the transition bonus described in the preceding sentence, and the vesting of his Company equity awards would have been deemed to be the same as if he had been employed with the Company through the end of the transition period. On his termination date, (i) he received the severance and other benefits payable on an involuntary termination (ii) he vested in the portion of his performance RSU grant dated February 18, 2015, that otherwise became eligible

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to vest based on actual achievement of the applicable performance metrics as determined by the Compensation Committee, (iii) because the S-8 Filing has not occurred as of the termination date, the exercise period of his then-vested and outstanding stock options was extended until the later of (x) 90 days following the termination date or (y) 30 days following the S-8 Filing date, in all cases, subject to earlier termination in connection with a change in control or similar event in accordance with the applicable equity plan, and (iv) 100% of the then-unvested portion of his RSUs granted and stock options, in each case, granted on September 2, 2014, fully vested and, in the case of stock options, became immediately exercisable. The receipt of the payments and benefits described in the previous sentence was subject to Mr. Callan not being terminated by the Company for "cause," satisfying the other conditions for severance under this agreement and signing and not revoking a supplemental release of claims with the Company. The Company entered into a transition services agreement and release with Mr. Callan in connection with his transition memorializing the terms set forth herein.

Kimberly Wilford

On April 5, 2018, Ms. Wilford resigned from her position as Senior Vice President, General Counsel and Corporate Secretary of the Company, effective as of April 5, 2018, and continued her employment with the Company to effect a seamless transition, followed by the termination of her employment on July 4, 2018. During this transition period, Ms. Wilford continued to receive her base salary, vest in her Company equity awards in accordance with their terms in effect as of the transition date, and participated in the then-available Company employee benefit programs in accordance with their terms. In addition, because Ms. Wilford remained employed through the end of the transition period, she received a lump sum cash payment of $160,000. If Ms. Wilford's employment terminated by the Company other than for "cause," prior to the end of the transition period, she would have received the base salary amount that she otherwise would have received had she been employed with the Company through the end of the transition period, the transition bonus described in the preceding sentence, and the vesting of her Company equity awards would be deemed to be the same as if she had been employed with the Company through the end of the transition period. On her termination date, (i) she received the severance and other benefits payable on an involuntary termination (ii) she vested in the portion of her performance RSU grant dated February 18, 2015, that otherwise became eligible to vest based on actual achievement of the applicable performance metrics as determined by the Compensation Committee, (iii) because the Company had not yet made the S-8 Filing as of the termination date, the exercise period of her then-vested and outstanding stock options was extended until the later of (x) 90 days following the termination date or (y) 30 days following the S-8 Filing date, in all cases, subject to earlier termination in connection with a change in control or similar event in accordance with the applicable equity plan, The receipt of the payments and benefits described in the previous sentence was subject to Ms. Wilford not being terminated by the Company for "cause," satisfying the other conditions for severance under her agreement, and signing and not revoking a supplemental release of claims with the Company. The Company entered into a transition services agreement and release with Ms. Wilford in connection with her transition memorializing the terms set forth herein.

Equity Compensation Plan Information

The following table sets forth information regarding outstanding stock options and the shares of the Company's Common Stock reserved for future issuance under the Company's equity compensation plans as of December 31, 2017.

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Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (#) (a)	Weighted-average exercise price of outstanding options, warrants and rights ($) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (#) (c)
Equity compensation plans approved by security holders	3,506,386	47.24	5,729,525
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	3,506,386	47.24	5,729,525

(1) Consists of the 2000 Stock Option/Stock Issuance Plan, the 2010 Equity Incentive Plan and the 2012 Employee Stock Purchase Plan. The 2000 Stock Option/Stock Issuance Plan terminated in 2010 and as a result, no additional awards will be granted under the 2000 Stock Option/Stock Issuance Plan. However, the 2000 Stock Option/Stock Issuance Plan will continue to govern the terms and conditions of the outstanding
awards previously granted thereunder. Our 2010 Equity Incentive Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year, beginning with the 2011 fiscal year, equal to the least of (i) 1,500,000 shares of our Common Stock, (ii) four percent (4%) of the outstanding shares of our Common Stock on the last day of the immediately preceding fiscal year, or (iii) such lesser amount as our Board may determine. Our 2012 Employee Stock Purchase Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year equal to the least of (i) 500,000 shares of our Common Stock, (ii) one percent (1%) of the outstanding shares of our Common Stock on the first day of the fiscal year, or (iii) such lesser amount as our Board or a designated committee acting as administrator of the plan may determine.

(2) The amount reported includes 1,855,265 shares available for purchase under the 2012 Employee Stock Purchase Plan at the end of fiscal 2017.

Chief Executive Officer Pay Ratio Disclosure

Under SEC rules, we are required to provide information regarding the relationship between the total annual compensation of Mr. Jackson, our Chief Executive Officer for 2017, and the total annual compensation of our median employee (other than Mr. Jackson). For our last completed fiscal year, which ended December 31, 2017:

- The median of the total annual compensation of all employees (other than Mr. Jackson) of ours (including our consolidated subsidiaries) was $56,977.
- Mr. Jackson's total annual compensation, as reported in the Summary Compensation Table included in this report, was $11,350,648.
- Based on the above, for fiscal 2017, the ratio of Mr. Jackson's total annual compensation to the median of the total annual compensation of all employees was 199 to 1.

This pay ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K under the Securities Act of 1933, as amended and based upon our reasonable judgment and assumptions. The SEC rules do not specify a single methodology for identification of the median employee or calculation of the pay ratio, and other companies may use assumptions and methodologies that are different from those used by us in calculating their pay ratio. Accordingly, the pay ratio disclosed by other companies may not be comparable to our pay ratio as disclosed above.

The methodology we used to calculate the pay ratio is described below:

- We determined the median of the total annual compensation of our employees as of December 31, 2017 at which time we (including our consolidated subsidiaries) had approximately 2,098 full-time, part-time and temporary employees, all of whom are U.S. employees.

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- We then compared the sum of (i) the total annual cash compensation earned by each of these employees for fiscal 2017 as reflected in our payroll records to determine the median employee, annualizing the compensation of approximately full-time employees who started their employment with us in fiscal 2017 but did not work for us or our consolidated subsidiaries for the entire year.
- Once we identified our median employee, we estimated the median employee's total annual compensation in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, yielding the median total annual compensation disclosed above. With respect to Mr. Jackson's total annual compensation, we used the amount reported in the "Total" column of our fiscal 2017 Summary Compensation Table included in this report.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the section titled "Executive Compensation" with management. Based on such review and discussion, the Compensation Committee has recommended to the board of directors that the section titled "Executive Compensation" be included in this Annual Report on Form 10-K.

Respectfully submitted by the members of the Compensation Committee of the board of directors:

Jerome D, Gramaglia (Chair)
Thomas A. Bevilacqua

Compensation of Directors

The following table provides information concerning the compensation paid by the Company to each non-employee directors for fiscal 2017. The Chief Executive Officer did not receive additional compensation for his service as a director and, consequently, is not included in the table. The compensation received by the Chief Executive Officer as an employee is presented in the "Summary Compensation Table," which appears above in this report.

Name	Fees Earned or Paid in cash ($)	Stock Awards ($) [1]	Option Awards ($) [1]	Total ($)
Thomas A. Bevilacqua [2]	45,750	185,000	—	230,750
Bruce G. Bodaken [3]	43,875	185,000	—	228,875
Mariann Byerwalter [4]	46,875	185,000	—	231,875
Jerome D. Gramaglia [5]	57,375	185,000	—	242,375
John W. Larson [6]	50,000	185,000	—	235,000
Robert Metzger [7]	57,500	185,000	—	242,500
Edward C. Nafus [8]	22,875	—	—	22,875

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(1) The amounts shown reflect the aggregate grant date fair value of stock awards and option awards granted, determined in accordance with ASC Topic 718. See Note 12 of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 regarding assumptions underlying valuation of equity awards. These amounts do not correspond to the actual value that may be recognized by the directors.
(2) As of December 31, 2017, Mr. Bevilacqua held options to purchase 15,500 shares of common stock and 2,500 unvested RSUs.
(3) As of December 31, 2017, Mr. Bodaken held no options to purchase shares of common stock and 2,500 unvested RSUs.
(4) As of December 31, 2017, Ms. Byerwalter held no options to purchase shares of common stock and 2,500 unvested RSUs.
(5) As of December 31, 2017, Mr. Gramaglia held options to purchase 23,000 shares of common stock and 2,500 unvested RSUs.
(6) As of December 31, 2017, Mr. Larson held no options to purchase shares of common stock and 2,500 unvested RSUs.
(7) As of December 31, 2017, Mr. Metzger held 15,000 options to purchase shares of common stock and 9,167 unvested RSUs.
(8) Mr. Nafus stepped down from the Board effective as of the 2017 Annual Meeting. As of December 31, 2017, Mr. Nafus held options to purchase 17,800 shares of common stock and no unvested RSUs.

Standard Compensation Arrangements for Non-Employee Directors

***Cash Compensation Effective through March 31, 2017*:**

Pursuant to the Company's non-employee director compensation program, the Non-Executive Chairman of the Board received an annual retainer of $50,000 and each of the remaining non-employee directors received an annual retainer of $25,000, payable quarterly. If a non-employee director served for only a portion of a year, such non-employee director's retainer was pro-rated for that portion of the year. The Chairman of the Audit Committee received an additional annual retainer of $10,000, the Chairman of the Compensation Committee received an additional annual retainer of $6,500 and the Nominating Committee received an additional annual retainer of $4,000. The Non-Executive Chairman of the Board was not paid an additional committee chair retainer if he or she also served as a committee chair.

Non-employee directors were also paid $1,000 for every meeting of the Board or committee attended in person, and $500 for every meeting of the Board or committee attended telephonically.

Cash Compensation Beginning April 1, 2017

The foregoing non-employee director compensation program was amended in February 2017 and the following compensation structure became effective as of April 1, 2017:

Pursuant to the Company's non-employee director compensation program, the Non-Executive Chairman of the Board receives an annual retainer of $70,000 and each of the remaining non-employee directors receives an annual retainer of $40,000, payable quarterly. If a non-employee director serves for only a portion of a year, such non-employee director's retainer is pro-rated for that portion of the year. The Chairman of the Audit Committee receives an additional annual retainer of $20,000, the Chairman of the Compensation Committee receives an additional annual retainer of $15,000 and the Chairman of the Nominating Committee receives an additional annual retainer of $10,000. The Non-Executive Chairman of the Board will not be paid an additional committee chair retainer if he or she also serves as a committee chair. Committee members receive the following additional annual retainer: $7,500 (Audit Committee), $5,000 (Compensation Committee) and $3,000 (Nominating Committee).

Equity Compensation

Pursuant to the non-employee director compensation program, as amended in February 2014, each non-employee director is automatically granted equity, which may be in the form of a stock option to purchase a specified number of shares of the Company's common stock, a specified number of RSUs or some other grant, as determined in the discretion of the Board on the date such person first becomes a non-employee director, under the equity incentive plan in place at that time. Additionally,

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annually, each non-employee director is automatically granted RSUs equal in value to $185,000 under the equity incentive plan in place at that time. The grant of these annual retainers will be made as of the annual meetings of the stockholders.

Pursuant to the amended non-employee director compensation program, and subject to the adjustment provisions of the Company's equity incentive plans, any initial grants shall vest according to the schedule determined in the discretion of the Board.

The exercise price of all stock options granted pursuant to the non-employee director program is equal to the fair market value of the Company's common stock on the date of grant. The term of all stock options will be 10 years.

Each vested stock option granted under the non-employee director compensation program is exercisable by the grantee for three years following separation from the Board.

In the event of a "change in control," as defined in the appropriate equity incentive plan, with respect to awards granted under the non-employee director compensation program, the participant non-employee director will fully vest in and have the right to exercise awards as to all shares underlying such awards.

Equity Retention Guidelines for Non-Employee Directors

In 2014, we adopted equity retention guidelines for non-employee directors to promote an alignment between their interests and the interests of our stockholders. Under this policy, each non-employee director is encouraged, over time, to retain equity in the Company in the value of $300,000. To facilitate this policy, each director who receives an RSU award is required to retain 50% of the value of the RSU award at the date of vesting. This 50% retention requirement terminates once the director has at least $300,000 of equity in the Company on the date the RSU award vests.

For these equity retention guidelines, the value of the Company's common stock is based on the 100-day trailing average of the market price of the Company's common stock as of the last trading day of each fiscal year. Equity holdings that count towards satisfying this policy include all shares of Company common stock, the net value of stock options and vested RSUs retained, directly or beneficially, by the director and by his or her family (spouse and dependent children).

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information, as of the December 31, 2017, as to shares of Common Stock beneficially owned by: (i) each person who is known by the Company to own beneficially more than 5% of our Common Stock, (ii) all of our directors and executive officers and (iii) all of our directors and executive officers as a group. The information provided in the table is based on our records, information filed with the SEC and information furnished by the respective individuals or entities, as the case may be.

Applicable percentage ownership is based on 39,771,452 shares of Common Stock outstanding as of December 31, 2017. In computing the number of shares of Common Stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding all shares of Common Stock subject to options, warrants or other convertible securities held by that person or entity that are currently exercisable or exercisable within 60 days of Record Date. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Beneficial ownership representing less than one percent is denoted with an "*."

Unless otherwise indicated below, the address of each beneficial owner listed on the table is c/o WageWorks, Inc., 1100 Park Place, Fourth Floor, San Mateo, California 94403.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information available or furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of Common Stock that they beneficially own, subject to applicable community property laws.

	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Executive Officers and Directors:		
Joseph L. Jackson [1]	359,705	*
Thomas A. Bevilacqua [2]	26,041	*
Bruce G. Bodaken	6,385	*
Mariann Byerwalter	10,541	*
Jerome D. Gramaglia [3]	36,041	*
John W. Larson	33,180	*
Robert L. Metzger [4]	17,498	*
Edward C. Nafus	26,443	*
Edgar O. Montes [5]	288,595	*
Kimberly L. Wilford [6]	153,856	*
Colm M. Callan [7]	160,624	*
All Executive Officers and Directors as a group (11 persons) [8]	1,118,909	2.81%

5% Stockholders:		
BlackRock, Inc. [9]	5,117,229	12.9%
The Vanguard Group [10]	3,649,416	9.2%
Time Square Capital Management, LLC [11]	2,891,844	7.3%
D.F. Dent & Company, Inc [12]	2,196,657	5.54%

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* Represent beneficial ownership of less than 1%

(1) Includes 294,239 shares that Mr. Jackson has the right to acquire by exercise of stock options and 60,000 shares that Mr. Jackson has the right to acquire through the vesting of restricted stock units.

(2) Includes 15,500 shares that Mr. Bevilacqua has the right to acquire by exercise of stock options.

(3) Includes 23,000 shares that Mr. Gramaglia has the right to acquire by exercise of stock options and 2,500 shares that Mr. Gramaglia has the right to acquire through the vesting of restricted stock units.

(4) Includes 10,832 shares that Mr. Metzger has the right to acquire by exercise of stock options and 3,333 shares that Mr. Metzger has the right to acquire through the vesting of restricted stock.

(5) Includes 206,660 shares that Mr. Montes has the right to acquire by exercise of stock options and 40,000 shares that Mr. Montes has the right to acquire through the vesting of restricted stock

(6) Includes 90,618 shares that Ms. Wilford has the right to acquire by exercise of stock options and 20,000 shares that Ms. Wilford has the right to acquire through the vesting of restricted stock.

(7) Includes 122,914 shares that Mr. Callan has the right to acquire by exercise of stock options and 20,000 shares that Mr. Callan has the right to acquire through the vesting of restricted stock

(8) Includes in total 780,763 shares that the listed individuals have the right to acquire by exercise of stock options and 145,833 shares that these same individuals have the right to acquire through the vesting of RSUs.

(9) Based solely on a Schedule 13GA filed with the SEC by BlackRock, Inc. on January 19, 2018. Entities affiliated with BlackRock have sole voting power with respect to 5,030,006 shares of our common stock and sole dispositive power with respect to 5,117,229 shares of our common stock. The principal business address for BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(10) Based solely on a Schedule 13GA filed with the SEC by The Vanguard Group - 23-1945930 ("Vanguard") on February 9, 2018. Vanguard, in its capacity as investment adviser, has sole voting power with respect to 76,847 shares of our common stock, shared voting power with respect to 7,800 shares of our common stock, sole dispositive power with respect to 3,567,669 shares of our common stock, and shared dispositive power with respect to 81,747 shares of our common stock. The principal business address for Vanguard is 100 Vanguard Blvd., Malvern, PA 19355.

(11) Based solely on a Schedule 13G filed with the SEC by Time Square Capital Management, LLC ("TimeSquare") on February 14, 2018. Entities affiliated with Times Square have sole voting power with respect to 2,574,994 shares of our common stock and sole dispositive power with respect to 2,891,844 shares of our common stock. The principal business address for Times Square is 7 Times Square, 42nd Floor, New York, NY 10036.

(12) Based solely on a Schedule 13G filed with the SEC by D.F. Dent & Company, Inc. ("D.F.Dent") on January 8, 2018. Entities affiliated with D.F.Dent have sole voting and dispositive power with respect to 2,196,657 shares of our common stock. The principal business address for D.F. Dent & Company, Inc. is 400 East Pratt Street, 7th Floor, Baltimore, MD 21202.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Related Party Transaction Policy

We have adopted a formal written policy that our executive officers, directors, holders of more than 5% of any class of our voting securities, and any member of the immediate family of and any entity affiliated with any of the foregoing persons, are not permitted to enter into a related party transaction with us without the prior consent of our Audit Committee, or other independent members of our Board in the case it is inappropriate for our Audit Committee to review such transaction due to a conflict of interest. Any request for us to enter into a transaction with an executive officer, director, principal stockholder, or any of their immediate family members or affiliates, in which the amount involved exceeds $120,000 must first be presented to our Audit Committee for review, consideration and approval. In approving or rejecting any such proposal, our Audit Committee is to consider the relevant facts and circumstances available and deemed relevant to the Audit Committee, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party's interest in the transaction.

Related Party Transactions

The following is a summary of transactions since the beginning of fiscal 2017 to which we were or are a party in which the amount involved exceeds $120,000 and in which any of our directors, nominees for director, executive officers, holders of

more than 5% of any class of our voting securities or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements with directors and executive officers, which are described where required under the "Executive Compensation" section of this report.

Indemnification Agreements

We have entered into an indemnification agreement with each of our directors and officers. The indemnification agreements and our amended and restated certificate of incorporation and amended and restated bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law.

Board Independence

Our common stock is listed on the NYSE. Under NYSE rules, independent directors must comprise a majority of a listed company's board of directors within a specified period of time following the completion of a listed company's initial public offering. In addition, NYSE rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and Nominating Committees be independent. Audit Committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. Under NYSE rules, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In order to be considered independent for purposes of Rule 10A-3, a member of an Audit Committee of a listed company may not, other than in his or her capacity as a member of the Audit Committee, the board of directors, or any other board committee: (1) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries.

Our Board has undertaken a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our Board has determined that none of Ms. Byerwalter and Messrs. Bevilacqua, Bodaken, Gramaglia, Larson and Metzger, representing six of our eight directors, has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under NYSE rules.

Our Board also determined that Ms. Byerwalter and Messrs. Bodaken and Metzger, who comprise our Audit Committee, Messrs. Bevilacqua, Gramaglia and Larson, who comprise our Compensation Committee, and Messrs. Bevilacqua, Gramaglia and Larson, who comprise our Nominating Committee, satisfy the independence standards for those committees established by applicable SEC rules and NYSE rules. In making this determination, our Board considered the relationships that each non-employee director has with our company and all other facts and circumstances our Board deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

Item 14. Principal Accounting Fees and Services

On October 31, 2018, the Audit Committee of the Board terminated the engagement of KPMG LLP as the Company's independent registered public accounting firm, effective immediately. KPMG LLP has not previously issued an audit report or provided an audit opinion for the fiscal year ended December 31, 2017, including the restatement of certain financial statements for periods in the fiscal year ended December 31, 2016. The Company's decision to change its independent registered public accounting firm was driven by a desire to accelerate the audit process.

On October 31, 2018, the Audit Committee approved the engagement of BDO USA, LLP as the Company's new independent registered public accounting firm, effective immediately.

BDO USA, LLP served as the Company's auditor with respect to the preparation of the Form 10-K for the year ended December 31, 2017, including the restatement of the Company's financial statements for the quarterly and year-to-date periods ended March 31, June 30 and September 30, 2017. BDO USA, LLP also served as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018. Due to prior services provided to the Company by BDO USA, LLP in relation to the fiscal year ended December 31, 2016, BDO did not serve as the Company's auditor with respect to the restatement of the Company's financial statements for the quarterly and year-to-date periods ended June 30 and

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September 30, 2016 and the year ended December 31, 2016. The Audit Committee further approved the engagement of Macias, Gini & O'Connell LLP on October 31, 2018 to serve as the Company's auditor with respect to the restatement of the Company's financial statements for these quarterly and year-to-date periods for the fiscal year ended December 31, 2016.

Representatives of BDO USA, LLP and Macias, Gini & O'Connell, LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

The following table sets forth the aggregate fees billed or expected to be billed by BDO USA, LLP and Macias, Gini & O'Connell, LLP for audit and other services rendered.

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	Fiscal Years	
	2017 ($)	**2016 ($)**
Audit Fees (1)	2,613,903	2,800,000
Audit-Related Fees	—	—
Tax Fees	—	—
Total	2,613,903	2,800,000

(1) Audit fees consist of fees incurred or expected to be incurred for professional services rendered for the audit of our annual consolidated financial statements, review of our quarterly consolidated financial statements, and services that are normally provided by BDO USA, LLP and Macias, Gini & O'Connell, LLP in connection with statutory and regulatory filings or engagements.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy for pre-approving audit and non-audit services and associated fees of the Company's independent registered public accounting firm. Under this policy, the Audit Committee must pre-approve all services and associated fees provided to the Company by its independent registered public accounting firm, with certain exceptions described in the policy.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Documents filed as part of this report are as follows:

1. Consolidated Financial Statements:

Our Consolidated Financial Statements are listed in the "Index to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report on Form 10-K.

2. Exhibits:

The documents listed in the Exhibit Index of this Annual Report on Form 10-K are incorporated by reference or are filed with this report, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

All other financial statement schedules have been omitted because they are either inapplicable or the information required is provided in the Company's consolidated financial statements and accompanying footnotes of this Annual Report on Form 10-K.

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Item 16. Form 10-K Summary

None

Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Registrant	S-1	333-173709	3.2	7/19/2011
3.2	Amended and Restated Bylaws of Registrant	8-K	001-35232	3.1	10/28/2016
4.1	Specimen common stock certificate of Registrant	S-1	333-173709	4.1	7/19/2011
4.5	Stockholder Agreement by and among VantagePoint Venture Partners IV (Q), L.P., VantagePoint Venture Partners IV, L.P., VantagePoint Venture Partners IV Principals Fund, L.P. and Registrant	S-1	333-173709	4.5	7/19/2011
10.1†	Form of Indemnification Agreement entered into between Registrant, its affiliates and its directors and officers	S-1	333-173709	10.1	7/19/2011
10.2†	Amended and Restated 2010 Equity Incentive Plan	8-K	001-35232	10.1	4/17/2013
10.3†	Forms of Stock Option Agreements under the Amended and Restated 2010 Equity Incentive Plan	S-1	333-173709	10.3	7/19/2011
10.4†	2000 Stock Option/Stock Issuance Plan	S-1	333-173709	10.4	4/25/2011
10.5†	Form of Stock Option Agreement under the 2000 Stock Option/Stock Issuance Plan	S-1	333-173709	10.5	4/25/2011
10.6†	2012 Employee Stock Purchase Plan	10-K	001-35232	10.6	2/27/2013
10.6A	Registration statement for Amended and Restated 2010 Equity Incentive Plan and 2012 Employee Stock Purchase Plan	S-8	333-204219	10.6A	5/15/2015
10.7†	Form of Subscription Agreement under 2012 Employee Stock Purchase Plan	S-1	333-173709	10.7	3/7/2012
10.8†	Third Amended and Restated Employment Agreement, dated as of April 18, 2017, between Registrant and Joseph L. Jackson	8-K	001-35232	10.1	4/21/2017
10.9†	Form of Amended and Restated Executive Severance Benefit Agreement	8-K	001-35232	10.2	4/21/2017
10.10	Commercial Credit Agreement, between Registrant and Union Bank, N.A., dated as of August 31, 2010	S-1	333-173709	10.10	4/25/2011
10.10A	First Loan Modification Agreement, by and among Registrant, Union Bank, N.A. and MHM Resources, LLC, dated as of November 16, 2011	S-1	333-173709	10.10A	3/7/2012
10.10B	Second Loan Modification Agreement, by and among Registrant, Union Bank, N.A. and MHM Resources, LLC, dated as of February 14, 2012	S-1	333-173709	10.10B	3/7/2012
10.10C	Third Loan Modification Agreement, by and among Registrant, Union Bank, N.A. and MHM Resources, LLC, dated as of September 20, 2012	8-K	001-35232	10.1	9/24/2012
10.10D	Credit Agreement, by and among Registrant, Union Bank, N.A. and MHM Resources, LLC, dated as of December 31, 2012	10-K	001-35232	10.10D	2/27/2013
10.10E	First Amendment to Credit Agreement, by and among Registrant, MUFG Union Bank, N.A. (formerly Union Bank, N.A.), MHM Resources, LLC and Benefit Concepts, Inc. of Rhode Island, dated July 21, 2014	10-K	001-35232	10.10E	2/26/2015

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10.10F	Second Amendment to Credit Agreement, by and among Registrant, MUFG Union Bank, N.A. (formerly Union Bank, N.A.), MHM Resources, LLC and Benefit Concepts, Inc. of Rhode Island, dated June 5, 2015	10-K	001-35232	10.10F	2/25/2016
10.10G	First Amendment to the Second Amendment to Credit Agreement, by and among Registrant, MUFG Union Bank, N.A. (formerly Union Bank, N.A.), MHM Resources, LLC and Benefit Concepts, Inc. of Rhode Island, dated August 1, 2016.	10-Q	001-35232	10.10G	11/9/2016
10.10H	Second Amended and Restated Credit Agreement, by and among Registrant, MUFG Union Bank, N.A. (formerly Union Bank, N.A.), Wells Fargo Bank National Association, Suntrust Bank, UMB Bank, N.A., KeyBank National Association, and Comerica Bank dated June 5, 2015	10-Q	001-35232	10.10H	8/1/2017
10.11	Sublease Agreement between Oracle USA, Inc. and Registrant, dated as of September 13, 2006	S-1	333-173709	10.11	4/25/2011
10.12	First Amendment to Sublease between Oracle USA, Inc. and Registrant, dated as of October 30, 2006	S-1	333-173709	10.12	4/25/2011
10.13	Commercial Building Lease, by and between Applied Buildings, LLC and HCAP Strategies, Inc., dated as of December 17, 2004	S-1	333-173709	10.13	4/25/2011
10.14	Assignment and Assumption of Lease, between, HCAP Strategies, Inc. and Registrant, dated as of May 16, 2005	S-1	333-173709	10.14	4/25/2011
10.15	Amendment to Commercial Building Lease, between Applied Buildings, LLC and Registrant, dated as of September 8, 2005	S-1	333-173709	10.15	4/25/2011
10.16	Lease, by and between Phoenix Investors #25, L.L.C. and Registrant, dated as of July 23, 2007	S-1	333-173709	10.16	4/25/2011
10.17	First Amendment to Lease, by and between Phoenix Investors #25, L.L.C. and Registrant, dated as of May 24, 2010	S-1	333-173709	10.17	4/25/2011
10.18	Second Amendment to Lease, by and between Phoenix Investors #25, L.L.C. and Registrant, dated as of August 31, 2010	S-1	333-173709	10.18	4/25/2011
10.25	Second Amendment to Sublease between Oracle America, Inc. and Registrant, dated as of May 1, 2011	S-1	333-173709	10.25	6/8/2011
10.26	Lease Agreement by and between Liberty Property Limited Partnership and Registrant, dated as of March 26, 2014	10-K	001-35232	10.26	2/26/2015
10.27	Lease by and between Corporate Center Phase II Limited Partnership and CONEXIS Benefits Administrators, LP, dated as of August 26, 2004	10-K	001-35232	10.27	2/26/2015
10.27A	First Amendment to Lease by and between Corporate Center Phase II Limited Partnership and CONEXIS Benefit Administrators, LP, dated as of December 1, 2004	10-K	001-35232	10.27A	2/26/2015
10.27B	Second Amendment to Lease by and between Corporate Center Phase II Limited Partnership and CONEXIS Benefit Administrators, LP, dated as of October 20, 2005	10-K	001-35232	10.27B	2/26/2015

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10.27C	Third Amendment to Office Lease Agreement by and among NNN Las Colinas Highlands, LLC, NNN Las Colinas Highlands 1, LLC, NNN Las Colinas Highlands 2, LLC, NNN Las Colinas Highlands 3, LLC, NNN Las Colinas Highlands 4, LLC, NNN Las Colinas Highlands 5, LLC, NNN Las Colinas Highlands 6, LLC, NNN Las Colinas Highlands 7, LLC, NNN Las Colinas Highlands 8, LLC, NNN Las Colinas Highlands 9, LLC, NNN Las Colinas Highlands 10, LLC, NNN Las Colinas Highlands 11, LLC, NNN Las Colinas Highlands 12, LLC, NNN Las Colinas Highlands 13, LLC, NNN Las Colinas Highlands 14, LLC, NNN Las Colinas Highlands 15, LLC, NNN Las Colinas Highlands 16, LLC, NNN Las Colinas Highlands 17, LLC, NNN Las Colinas Highlands 18, LLC, NNN Las Colinas Highlands 19, LLC, NNN Las Colinas Highlands 20, LLC, NNN Las Colinas Highlands 21, LLC, NNN Las Colinas Highlands 22, LLC, NNN Las Colinas Highlands 23, LLC, NNN Las Colinas Highlands 24, LLC, NNN Las Colinas Highlands 25, LLC, NNN Las Colinas Highlands 26, LLC, NNN Las Colinas Highlands 27, LLC, NNN Las Colinas Highlands 28, LLC, NNN Las Colinas Highlands 29, LLC, NNN Las Colinas Highlands 30, LLC, NNN Las Colinas Highlands 31, LLC, Triple Net Properties Realty, Inc. and CONEXIS Benefit Administrators, LP, dated January 14, 2009	10-K	001-35232	10.27C	2/26/2015
10.27D	Assignment and Assumption of Lease by and among CONEXIS Benefits Administrators, LP, Word & Brown Insurance Administrators, Inc. and Registrant, dated as of July 31, 2014	10-K	001-35232	10.27D	2/26/2015
10.28	Lease Agreement by and between Park Place Realty Holding Company, Inc. and Registrant, dated April 10, 2014	10-Q	001-35232	10.1	5/5/2015
10.28A	Second Amendment to lease, by and between Potawatomi Properties, L.L.C. and Registrant, dated February 9, 2015	10-Q	001-35232	10.2	5/5/2015
10.28B	Lease Agreement by and between Freeport 9 Office Center, L.P. and Registrant, dated March 25, 2015	10-Q	001-35232	10.3	5/5/2015
10.29†	Executive Bonus Plan	8-K	001-35232	10.2	4/17/2013
21.1*	List of subsidiaries of Registrant				
23.1*	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm				
23.2*	Consent of Macias, Gini & O'Connell LLP, Independent Registered Public Accounting Firm				
23.3*	Consent of KPMG LLP, Independent Registered Public Accounting Firm				
24.1*	Power of Attorney (contained in the signature page to this Annual Report)				
31.1*	Certification of the Principal Executive Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification of the Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1**	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	XBRL Instance Document				

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101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

† Indicates a management contract or compensatory plan or arrangement.
* Filed herewith.
** The certifications attached as Exhibit 32.1 that accompany this Annual Report on Form 10-K, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of WageWorks, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirement of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WAGEWORKS, INC.

Date: March 18, 2019 By: /s/ ISMAIL DAWOOD

Ismail Dawood
Chief Financial Officer
(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Edgar O. Montes and Ismail Dawood, and each or any one of them, his or her lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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SIGNATURE	TITLE	DATE
/ S / EDGAR O MONTES **Edgar O. Montes**	Chief Executive Officer, President and Director (Principal Executive Officer)	March 18, 2019
/ S / ISMAIL DAWOOD **Ismail Dawood**	Chief Financial Officer (Principal Financial Officer)	March 18, 2019
/ S / THOMAS A BEVILACQUA **Thomas A. Bevilacqua**	Director	March 18, 2019
/ S / BRUCE G BODAKEN **Bruce G. Bodaken**	Director	March 18, 2019
/ S / JEROME D GRAMAGLIA **Jerome D. Gramaglia**	Director	March 18, 2019
/ S / STUART C HARVEY **Stuart C. Harvey**	Director	March 18, 2019
/ S / ROBERT L METZGER **Robert L Metzger**	Director	March 18, 2019
/ S / GEORGE P SCANLON **George P Scanlon**	Director	March 18, 2019

Exhibit 21.1

SUBSIDIARIES OF WAGEWORKS, INC.

- WageWorks India, Inc.
- WageWorks Service LLP (India)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
WageWorks, Inc.
San Mateo, California

We hereby consent to the incorporation by reference in the Registration Statements on Form S3 (No. 333-218815) and Form S-8 (No. 333-217759, 333-211559, 333-204219, 333-194863, 333-188658 and 333-181300) of WageWorks, Inc. of our reports dated March 18, 2019, relating to the consolidated financial statements as of and for the year ended December 31, 2017, and the effectiveness of WageWorks, Inc.'s internal control over financial reporting as of December 31, 2017, which appear in this Form 10-K.

Our report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2017.

/s/ BDO USA, LLP

San Jose, California

March 18, 2019

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors
WageWorks, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-218815) on Form S-3 and the registration statements (Nos. 333-181300, 333-188658, 333-194863, 333-204219, 333-211559, and 333-217759) on Form S-8 of WageWorks, Inc. of our report dated March 18, 2019, with respect to the consolidated balance sheet of WageWorks, Inc. as of December 31, 2016 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2016, and the related notes (collectively referred to as the "Consolidated Financial Statements"), which report appears in the December 31, 2017 annual report on Form 10-K of WageWorks, Inc. Our report refers to the fact that the 2016 consolidated financial statements have been restated to correct for misstatements.

/s/ Macias, Gini & O'Connell, LLP
Newport Beach, California
March 18, 2019

Exhibit 23.3

Consent of Independent Registered Public Accounting Firm

The Board of Directors
WageWorks, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-218815) on Form S-3 and the registration statements (Nos. 333-181300, 333-188658, 333-194863, 333-204219, 333-211559, and 333-217759) on Form S-8 of WageWorks, Inc. of our report dated February 25, 2016, with respect to the consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2015, which report appears in the December 31, 2017 annual report on Form 10-K of WageWorks, Inc.

/s/ KPMG LLP

San Francisco, California
March 18, 2019

Exhibit 31.1

Certification of Principal Executive Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of Sarbanes-Oxley Act of 2002

I, Edgar O. Montes, certify that:

1. I have reviewed this Annual Report on Form 10-K of WageWorks, Inc.;

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: March 18, 2019

/s/ Edgar O. Montes

Name: Edgar O. Montes

Title: *Chief Executive Officer and President*
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of Sarbanes-Oxley Act of 2002

I, Ismail Dawood, certify that:

1. I have reviewed this Annual Report on Form 10-K of WageWorks, Inc.;

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: March 18, 2019

/s/ Ismail Dawood

Name: Ismail Dawood

Title: *Chief Financial Officer*
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), Edgar O. Montes, Chief Executive Officer and President (Principal Executive Officer) of WageWorks, Inc. (the "Company"), and Ismail Dawood, Chief Financial Officer (Principal Financial Officer) of the Company, each hereby certifies that, to the best of his knowledge:

1. Our Annual Report on Form 10-K for the year ended December 31, 2017, to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 18, 2019

/s/ Edgar O. Montes

Name: Edgar O. Montes
Title: *Chief Executive Officer and President*
(Principal Executive Officer)

/s/ Ismail Dawood

Name: Ismail Dawood
Title: *Chief Financial Officer*
(Principal Financial Officer)

EXHIBIT C

Contains Protected Information – Subject to CBCA Protective Order
Entire Document
Level I

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

PAGE OF PAGES 1 7

2. AMENDMENT/MODIFICATION NO.: M0001

3. EFFECTIVE DATE: See Block 16C

4. REQUISITION/PURCHASE REQ. NO.:

5. PROJECT NO (If applicable):

6. ISSUED BY CODE 243226

DC CENTRAL OFFICE CONTRACTING
US OFFICE OF PERSONNEL MANAGEMENT
1900 E ST NW
ROOM 1342
WASHINGTON DC 20415-7710

7. ADMINISTERED BY (If other than item 6) CODE

8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code)

WAGEWORKS INC
1100 PARK PL 4TH FL
SAN MATEO CA 94403

CODE 940061927 FACILITY CODE

(x) 9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

x 10A. MODIFICATION OF CONTRACT/ORDER NO. OPM3516C0003

10B. DATED (SEE ITEM 13) 03/01/2016

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

☐ The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers ☐ is extended. ☐ is not extended.
Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning ______ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM ONLY APPLIES TO MODIFICATION OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

CHECK ONE	
	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
X	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: Mutual Agreement of the Parties
	D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor ☐ is not. ☒ is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

The purpose of Modification Number M0001 to Contract Number OPM3516C0003 is as follows: (1) Add three Information Technology Contract Clauses to Section (c)(6) OPM-Specific Clauses; (2) Revise Section (d) D.1.3.4.2. FSAFEDS Administration, 2. Claim Payments to Participants, D. Reissued Checks; (3) Incorporate the approved and accepted Attachment 1, Small Business Subcontracting Plan in Section (d)(4) Attachments; (4) Renumber Attachment 2, Wage Determination Number 2015-5637, Revision Number 2 in Section (d)(4) Attachments; (5) Incorporate Wage Determination Number 2015-5469, Revision Number 2 in Section (d)(4) Attachments; (6) Incorporate Wage Determination Number 2015-2509, Revision Number 2 in Section (d)(4) Attachments; and (7) Incorporate Wage Determination Number 2015-2223, Revision 1 in Section (d)(4) Attachments. Accordingly, the contract is modified as follows:

Continued ...

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print): Kim Wilford, General Counsel

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print): Cheryl D. Allen

15B. CONTRACTOR/OFFEROR: Kim Wilford (Signature of person authorized to sign)

15C. DATE SIGNED: 7/20/16

16B. UNITED STATES OF AMERICA: Cheryl D. Allen (Signature of Contracting Officer)

16C. DATE SIGNED: 07/22/2016

NSN 7540-01-152-8070
Previous edition unusable

STANDARD FORM 30 (REV. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

Contains Protected Information – Subject to CBCA Protective Order
Entire Document
Level I

CONTINUATION SHEET | REFERENCE NO. OF DOCUMENT BEING CONTINUED: OPM3516C0003/M0001 |

NAME OF OFFEROR OR CONTRACTOR
WAGEWORKS INC

ITEM NO. (A)	SUPPLIES/SERVICES (B)	QUANTITY (C)	UNIT (D)	UNIT PRICE (E)	AMOUNT (F)

1. Page 16, Section (c)(6) OPM-Specific Clauses, the below three Information Technology Clauses are added to the contract as follows:

1752.224-72 Access to Contractor Information Technology (IT) Systems (Dec 2015)

During the period of performance of the contract and throughout any contract close-out period, the Contractor must provide OPM, or its designate, with immediate access to all IT systems used by the Contractor to support the performance of the contract for the purpose of inspection and forensic analysis in the event of an Information Security Incident (ISI).

(End of Clause)

1752.224-77 Information Security Incidents (ISI) (Dec 2015)

a. ISI Reporting Activities

(1) Contractors must report any and all ISI involving OPM Information to the OPM Situation Room (SITRoom) at SITROOM@OPM.GOV, voice: 202-418-0111, fax: 202-606-0624. The SITRoom is available 24 hours per day, 365 days per year.

(2) Contractors must report any and all ISI involving information technology (IT) systems and Controlled Unclassified Information (CUI) immediately upon becoming aware of the ISI but no later than 30 minutes after becoming aware of the ISI, regardless of day or time; regardless of internal investigation, evaluation, or confirmation of procedures or activities; and regardless of whether the ISI is suspected, known, or determined to involve IT systems operated in support of this contract.

(3) Contractors reporting an ISI to the SITRoom by email, phone, or fax must copy the Contracting Officer (CO) or Contracting Officer's Representative (COR) if possible; but if not, must notify the CO or COR immediately after reporting to the SITRoom.

(4) When reporting an ISI to the SITRoom by email:

Continued ...

Case 4:18-cv-01523-JSW Document 108-1 Filed 07/26/19 Page 320 of 394
Contains Protected Information – Subject to CBCA Protective Order
Entire Document
Level I

NAME OF OFFEROR OR CONTRACTOR
WAGEWORKS INC

ITEM NO. (A)	SUPPLIES/SERVICES (B)	QUANTITY (C)	UNIT (D)	UNIT PRICE (E)	AMOUNT (F)
	(a) Do not include any CUI in the subject or body of any email; (b) Use FIPS 140-2 compliant encryption methods to protect CUI to be included as an email attachment, and do not include passwords in the same email as the encrypted attachment; and (c) Provide any supplementary information or reports related to a previously reported incident directly to the OPM SITRoom with the following text in the subject line of the email: "Supplementary Information/Report related to previously reported incident#[insert number]." b. ISI Review and Response Activities (1) The Contractor must provide full access and cooperation for all activities determined by CO or COR to be required to ensure an effective review and response to protect OPM's Information and Information Systems operated in support of this contract. (2) The Contractor must promptly respond to all requests by the CO or COR for ISI and system-related information, including but not limited to disk images, log files, event information, and any other information determined by OPM to be required for a rapid but comprehensive technical and forensic review. (3) OPM, at its sole discretion, may obtain the assistance of Federal agencies and/or third party firms to aid in ISI Review and Response activities. c. ISI Determination Activities (1) The Contractor must not make any determinations related to an ISI associated with Information Systems or Information maintained by the Contractor in support of the activities authorized by this contract, including determinations related to notification of affected individuals and/or Federal agencies (except reporting criminal activity to Law Enforcement Organizations) and offering of services, such as credit monitoring. Continued ...				

Contains Protected Information – Subject to CBCA Protective Order
Entire Document
Level I

NAME OF OFFEROR OR CONTRACTOR
WAGEWORKS INC

ITEM NO. (A)	SUPPLIES/SERVICES (B)	QUANTITY (C)	UNIT (D)	UNIT PRICE (E)	AMOUNT (F)

(2) The Contractor must not conduct any internal ISI-related review or response activities that could modify or eliminate any existing technical configuration or information or forensic technical evidence existing at the time of the ISI without approval from the OPM Chief Information Officer (CIO) through the CO or COR.

(3) All determinations related to an ISI associated with Information Systems or Information maintained by the Contractor in support of the activities authorized by this contract will be made only by the OPM CIO through the CO or COR.

(4) The Contractor must report criminal activity to Law Enforcement Organizations upon becoming aware of such activity.

(End of Clause)

1752.239-76 Security Assessment and Authorization (SA&A) (Dec 2015)

a. This contract requires the Contractor to develop, deploy, and/or use information technology (IT) systems to access and/or store Government Information, including Controlled Unclassified Information (CUI).

b. All IT systems that input, store, process, and/or output Government Information must be provided an Authority to Operate (ATO) signed by the Contractor Chief Information Officer (CIO) or higher level executive prior to operation of the IT system. The Contractor must complete the SA&A process independently of OPM, including the selection and funding of an approved Federal Risk and Authorization Management Program (FEDRAMP) Third-Party Assessor Organization (3PAO) to validate the security and privacy controls in place for the systems and the overall accuracy of SA&A packages.

c. The Contractor must submit to the OPM Chief Information Officer (CIO), through the Contracting Officer (CO) or Contracting Officer's Representative (COR) the signed SA&A package, along with the security assessment report and supporting documentation such as system and
Continued ...

NAME OF OFFEROR OR CONTRACTOR
WAGEWORKS INC

ITEM NO. (A)	SUPPLIES/SERVICES (B)	QUANTITY (C)	UNIT (D)	UNIT PRICE (E)	AMOUNT (F)
	configuration scans from the 3PAO at least sixty (60) days prior to operation of the IT system for review and authorization by the OPM Authorizing Officials (AOs), through the CO or COR. Should the AOs not consider the signed package to meet OPM SA&A requirements for any reason, the AOs retain the right to not issue an ATO for the system. Should the AOs consider it possible for the Contractor to improve the compliance of the A&A package, the CO or COR may provide general or detailed information to the Contractor for possible modification to the package to improve compliance and resubmission to the CO or COR after modification. The CO or COR reserves the right to limit the number of re-submissions of a modified package before a final determination that a resubmitted package will not receive an ATO and no further resubmissions will be accepted. This may be grounds for contract termination. The OPM CIO is the final authority on the compliance of a submitted package with OPM SA&A requirements. d. The Contractor Security Assessment and Authorization (SA&A) SA&A documentation package must be developed with the use of OPM Security Assessment and Authorization (SA&A) documentation templates in accordance with the OPM Security Assessment and Authorization policy based on the most current NIST Risk Management Framework (RMF), as adapted for Contractor IT systems supporting OPM. Templates are available for all required security documentation including, but not limited to, the System Security Plan, the Security Assessment Plan, the Security Assessment Report, Contingency Plan and Incident Response Plan. The SA&A process must be followed throughout the IT system lifecycle process to ensure proper oversight by OPM. e. The IT systems must meet the security requirements for the same impact level or greater as defined by the Federal Information Process Standard (FIPS) 199 for the Information being accessed. The OPM CIO, through the CO or COR, must provide written approval of the FIPS 199 security categorization. f. The Contractor shall complete a Privacy Threshold Analysis (PTA) for all systems as a Continued ...				

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Level I

NAME OF OFFEROR OR CONTRACTOR
WAGEWORKS INC

ITEM NO. (A)	SUPPLIES/SERVICES (B)	QUANTITY (C)	UNIT (D)	UNIT PRICE (E)	AMOUNT (F)

requirement for an ATO. Based on the PTA, the OPM Chief Privacy Officer will determine whether a Privacy Impact Assessment (PIA) is required to be completed by the Contractor as part of the SA&A package.

g. The Contractor must submit an updated SA&A package, along with the 3PAO report, and supporting documentation to the CO or COR at least 90 days before the expiration of an existing ATO for security review and verification of security controls. Security reviews may include onsite visits that involve physical or logical inspection of the Contractor environment and IT systems.

h. The Contractor must ensure a plan of action and milestones (POA&M) is generated for each security finding and is remediated within a time frame commensurate with the level of risk, as follows, or as otherwise negotiated and approved in writing by the OPM CIO, through the CO or COR:

(1) High Risk = 30 days;
(2) Moderate Risk = 90 days; and
(3) Low Risk = 120 days.

(End of Clause)

2. Page 49, Section (d) D.1.3.4.2. FSAFEDS Administration, 2. Claim Payments to Participants, D. Reissued Checks is revised as follows:

D.1.3.4.2 FSAFEDS Administration

2. Claim Payments to Participants

D. Reissued Checks. The Contractor will reissue checks to participants whose uncashed checks, have become 'stale' 180 days after the issue date. The Contractor will send a letter to participants notifying them of an uncashed check. Within a 30-day time period, the participant must contact the Contractor to request that their check be re-issued. The Contractor will perform this service quarterly (for a maximum of 5 years), at a time of the year agreeable to both parties, and when requested by a participant.

Continued ...

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NAME OF OFFEROR OR CONTRACTOR
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ITEM NO. (A)	SUPPLIES/SERVICES (B)	QUANTITY (C)	UNIT (D)	UNIT PRICE (E)	AMOUNT (F)
	3. Page 79, Section (d)(4) Attachments, Attachment 1, Small Business Subcontracting Plan: The approved and accepted Small Business Subcontracting Plan is incorporated into the contract.				
	4. Page 79, Section (d)(4) Attachments, Attachment 2, Wage Determination Number 2015-5637, Revision Number 2 is renumbered as Attachment 2A.				
	5. Page 79, Section (d)(4) Attachments, Attachment 2B, Wage Determination Number 2015-5469, Revision Number 2 is incorporated into the contract.				
	6. Page 79, Section (d)(4) Attachments, Attachment 2C, Wage Determination Number 2015-2509, Revision Number 2 is incorporated into the contract.				
	7. Page 79, Section (d)(4) Attachments, Attachment 2D, Wage Determination Number 2015-2223, Revision Number 1 is incorporated into the contract.				
	Except as provided herein, all terms and conditions of Contract Number OPM3516C0003, as heretofore changed, remain unchanged and in full force and effect.				

EXHIBIT D

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-218815

Prospectus Supplement to Prospectus dated June 19, 2017

2,500,000 Shares

Common Stock

We and the selling stockholders identified in this prospectus supplement are offering 1,954,852 shares and 545,148 shares, respectively, of WageWorks, Inc. common stock in this offering. We will not receive any proceeds from the sale of the shares to be offered by the selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol "WAGE." On June 15, 2017, the last reported sale price on the New York Stock Exchange was $71.20 per share.

The underwriters have an option to purchase up to 375,000 additional shares of common stock from us for 30 days after the date of this prospectus supplement.

Investing in our common stock involves risks. See "Risk Factors" on page S-7 of this prospectus supplement.

	Per Share	Total
Public offering price	$69.2500	$173,125,000
Discounts and commissions to underwriters(1)	$ 2.0775	$ 5,193,750
Offering proceeds to us, before expenses	$67.1725	$131,312,296
Offering proceeds to selling stockholders, before expenses	$67.1725	$ 36,618,954

(1) See "Underwriting" on page S-21 of this prospectus supplement for additional information regarding underwriting compensation.

Delivery of the shares of common stock will be made on or about June 23, 2017.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

William Blair **Stifel**

JMP Securities **Needham & Company** **SunTrust Robinson Humphrey**

Prospectus Supplement dated June 19, 2017

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Prospectus

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Unless we have indicated otherwise, references in this prospectus supplement to "WageWorks," "we," "us," "our" and similar terms refer to WageWorks, Inc. and its subsidiaries.

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. Neither we, the selling stockholders nor the underwriters have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we, the selling stockholders nor the underwriters are making an offer to sell the securities in any jurisdiction where the offer or sale is not permitted or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. You should not assume that the information in this prospectus supplement, the accompanying prospectus or any document incorporated by reference is accurate or complete as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information. You should not consider any information in this prospectus supplement or the accompanying prospectus to be investment, legal or tax advice. You should consult your own counsel, accountants and other advisers for legal, tax, business, financial and related advice regarding the purchase of the common stock offered by this prospectus supplement. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission (the “SEC”) a registration statement on Form S-3 under the Securities Act with respect to the common stock offered by this prospectus supplement. This prospectus supplement, filed as part of the registration statement, does not contain all the information set forth in the registration statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the SEC. For further information about us, we refer you to the registration statement and to its exhibits and schedules.

We file annual, quarterly and current reports and other information with the SEC. You may read and copy any materials file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operations of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains periodic and current reports, proxy and information statements, and other information regarding registrants that are filed electronically with the SEC.

These documents are also available, free of charge, through the Investor Relations section of our website, which is located at www.wageworks.com. The reference to our website address does not constitute incorporation by reference of the information contained on our website.

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INFORMATION REGARDING FORWARD LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents we incorporate by reference herein and therein contain forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “will,” “would,” “could,” and similar expressions or phrases, or the negative of those expressions or phrases, identify forward-looking statements.

Although we believe that we have a reasonable basis for each forward-looking statement contained, or incorporated by reference, in this prospectus supplement and the accompanying prospectus, we caution you that these statements are based on our projections of the future that are subject to known and unknown risks and uncertainties and other factors that may cause our actual results, level of activity, performance or achievements expressed or implied by these forward-looking statements, to differ.

You should refer to the “Risk Factors” section of this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference herein and therein for a discussion of other important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference herein and therein will prove to be accurate. In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus supplement, which although we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted a thorough inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. Other unknown or unpredictable factors could also harm our results. Consequently, actual results or developments anticipated by us may not be realized or, even if substantially realized, may not have the expected consequences to, or effects on, us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. As a result of the factors described in this prospectus supplement, the accompanying prospectus or any applicable free writing prospectus and the documents we incorporate by reference in this prospectus supplement and the accompanying prospectus, we undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to the filing of such document.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. This summary sets forth the material terms of this offering, but does not contain all of the information you should consider before investing in our common stock. You should read carefully this entire prospectus supplement and the accompanying prospectus, including the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision to purchase our common stock, especially the risks of investing in our common stock discussed in the section entitled "Risk Factors" in this prospectus supplement as well as the consolidated financial statements and notes to those consolidated financial statements incorporated by reference into this prospectus supplement and the accompanying prospectus.

WageWorks, Inc.

We are a leader in administering Consumer-Directed Benefits, or CDBs, which empower employees to save money on taxes and provide corporate tax advantages for employers. We are solely dedicated to administering CDBs, including pre-tax spending accounts, such as Health Savings Accounts, or HSAs, health and dependent care Flexible Spending Accounts, or FSAs, Health Reimbursement Arrangements, or HRAs, as well as Commuter Benefit Services, including transit and parking programs, wellness programs, Consolidated Omnibus Budget Reconciliation Act, or COBRA, and other employee benefits.

We run our services primarily on three enterprise platforms that have been designed to be highly scalable based on an on-demand delivery model that employer clients and their employee participants may access through a standard web browser on any internet-enabled device, including computers, smart phones and other mobile devices, such as tablet computers. Our on-demand delivery model eliminates the need for our employer clients to install and maintain hardware and software in order to support CDB programs and enables us to rapidly implement product enhancements across our entire user base. We closely monitor utilization of all aspects of our platforms for capacity planning purposes. Our existing infrastructure has been designed with sufficient capacity to meet our current and planned future needs.

Our CDB programs assist employees and their families in saving money by using pre-tax dollars to pay for certain expenses related to their healthcare, dependent care and commuter expenses. Employers financially benefit from our programs through reduced payroll taxes. Under our HSA, FSA and commuter programs, employee participants contribute funds from their pre-tax income to pay for qualified out-of-pocket healthcare expenses not fully covered by insurance, such as co-pays, deductibles and over-the-counter medical products or for commuting costs.

We price our services based on the estimated number and types of claims, whether payment processing and client support activities will be provided within or outside of the United States, the estimated number of calls to our customer support center and any specific client requirements. In addition, we derive a portion of our revenues from interchange fees that we receive when employee participants use the prepaid debit cards we provide to them for healthcare and commuter expenses. Our clients include many of the Fortune 100 and Fortune 500, as well as many small-and-medium-sized businesses, or SMBs.

At January 31, 2017, we had approximately 6.5 million employee participants from approximately 100,000 employer clients. In 2016, employee participants used approximately 5.9 million WageWorks prepaid debit cards. Our participant counts do not include our TransitChek Basic program participants, as that fare media is shipped directly to employers which then distribute the products to their employee's based on demand. We believe that January 31 is the most appropriate point-in-time measurement date for annual plan metrics. Although plan changes and the entry and exit of employers and participants from our programs are usually decided late in

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the calendar year during open enrollment to be effective on January 1, it is not unusual for employers to still be submitting updated files of participants in early January. While updates can be delayed past January, any changes from such late updates are usually minimal. Consequently, we believe the January 31 point-in-time measurement date is the most appropriate date to use as a baseline.

We were incorporated in Delaware in 2000. Our principal executive offices are located at 1100 Park Place, 4th Floor, San Mateo, CA 94403, U.S.A., and our telephone number is 1 (650) 577-5200. Our website address is www.wageworks.com. Information contained on our website is not incorporated by reference in this prospectus supplement, and should not be considered to be part of this prospectus supplement.

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THE OFFERING

Common stock we are offering	1,954,852 shares
Common stock offered by the selling stockholders	545,148 shares
Common stock outstanding following this offering	39,540,735 shares
Common stock held by the selling stockholders following this offering	As of March 31, 2017, after giving effect to the sale of common stock by the selling stockholders described herein, the common stock held by the selling stockholders is as follows: • Joseph L. Jackson, our Chairman and Chief Executive Officer, is entitled to up to 653,866 shares (or 858,866 shares, assuming the satisfaction of performance targets); and • Edgar O. Montes, our President and Chief Operating Officer, is entitled to up to 505,257 shares (or 650,257 shares, assuming the satisfaction of performance targets), in each case, assuming the vesting of all performance based restricted stock units ("PSUs") and vesting and exercise of all options of each such selling stockholder, as described in the section entitled "Selling Stockholders" in this prospectus supplement.
Option to purchase additional shares	The underwriters have an option to purchase up to 375,000 additional shares of common stock from us at any time within 30 days from the date of the prospectus supplement.
Use of proceeds	We expect to receive net proceeds from this offering of approximately $130,762,296 (or approximately $155,951,983 if the underwriters exercise their option to purchase additional shares of common stock from us in full) after deducting the underwriting discounts and commissions and our estimated offering expenses. We anticipate that the net proceeds from the sale of shares of common stock by us will be used for general corporate purposes, including strategic acquisitions, channel partner arrangements, capital expenditures and operating costs. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders. See "Use of Proceeds."
NYSE trading symbol	"WAGE"

Unless otherwise indicated, all information in this prospectus supplement assumes no exercise by the underwriters of their option to purchase up to an additional 375,000 shares of common stock from us.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The consolidated balance sheets as of December 31, 2015 and 2016, and the consolidated statements of operations data for the years ended December 31, 2014, 2015 and 2016 are derived from our audited consolidated financial statements that are incorporated by reference in this prospectus supplement. The unaudited consolidated statement of operations data for the three months ended March 31, 2016 and 2017, as well as the unaudited consolidated balance sheet data as of March 31, 2017, are derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements were prepared on the same basis as the audited consolidated financial statements and, in our opinion, reflect all adjustments necessary for the fair presentation of the financial information set forth in those statements. The historical results presented below are not necessarily indicative of financial results to be achieved in future periods.

Summary Consolidated Financial Information
(in thousands, except per share data)

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
				(unaudited)	
Consolidated Statements of Income Data:					
Revenues	$267,832	$334,316	$364,713	$87,002	$125,007
Operating expenses	236,783	294,375	331,967	77,071	109,433
Income from operations	31,049	39,941	32,746	9,931	15,574
Other (income) expense	(864)	(1,954)	(565)	(323)	(1,514)
Income before income taxes	30,185	37,987	32,181	9,608	14,060
Income tax provision(1)	(11,943)	(15,037)	(11,976)	(3,812)	(2,962)
Net income(1)	18,242	22,950	20,205	5,796	11,098
Net income per share:					
Basic(1)	$ 0.52	$ 0.64	$ 0.56	$ 0.16	$ 0.30
Diluted(1)	$ 0.50	$ 0.63	$ 0.54	$ 0.16	$ 0.29
Weighted Average Shares:					
Basic	35,145	35,784	36,404	35,916	37,025
Diluted(1)	36,330	36,595	37,210	36,529	38,441

	At December 31,		At March 31,
	2015	2016	2017
			(unaudited)
Consolidated Balance Sheets Data:			
Cash and cash equivalents	$500,918	$ 678,300	$ 609,416
Working capital(2)	121,781	113,667	141,099
Total assets(1)	888,739	1,343,351	1,305,801
Total liabilities	551,770	935,254	878,140
Total stockholders' equity(1)	336,969	408,097	427,661

(1) For fiscal 2016 and prior years, the amounts do not include the effects of the adoption of Accounting Standard Update No. 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment,* ("ASU 2016-09"). Please refer to Note 1 in the our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017, filed with the SEC on May 4, 2017, incorporated by reference into this prospectus supplement.

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(2) For fiscal 2015 and prior years, our working capital does not include the effects of the adoption of Accounting Standard Update No. 2015-17, *Balance Sheet Classification of Deferred Taxes,* ("ASU 2015-07"), which required all deferred tax assets and liabilities and any related valuation allowance to be classified as non-current on our Consolidated Balance Sheets as the new standard was adopted prospectively starting fiscal 2016.

	Years Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
Non-GAAP Financial Data:					
Adjusted EBITDA (unaudited)	$71,728	$96,567	$107,952	$25,130	$36,082

Notes to Non-GAAP Financial Data

Definition of Adjusted EBITDA

Adjusted EBITDA is a performance measure that is not calculated in accordance with GAAP. The table immediately following this discussion provides a reconciliation of net income to Adjusted EBITDA, which is the most directly comparable GAAP measure. Adjusted EBITDA should not be considered as an alternative to net income, income from operations or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted EBITDA may not be comparable to similarly titled measures of other companies because other companies may not calculate Adjusted EBITDA or similarly titled measures in the same manner that we do. We prepare Adjusted EBITDA to eliminate the impact of items that we do not consider indicative of our core operating performance.

Our management uses Adjusted EBITDA:

- as a measure of operating performance;
- as a factor when determining management's compensation;
- for planning purposes, including the preparation of our annual operating budget;
- to allocate resources of our business; and
- to evaluate the effectiveness of our business strategies.

We believe that the use of Adjusted EBITDA provides consistency and comparability with our past financial performance and facilitates period-to-period comparisons of our operating results by management and investors. Although calculation of Adjusted EBITDA may vary from company-to-company, our detailed presentation may facilitate analysis and comparison of our operating results by management and investors with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results in their public disclosures.

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Reconciliation of Net Income to Adjusted EBITDA

The following provides a reconciliation of net income to Adjusted EBITDA:

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
				(unaudited)	
Net income	$ 18,242	$22,950	$ 20,205	$ 5,796	$11,098
Depreciation	4,386	6,671	8,473	1,778	2,491
Amortization and change in contingent consideration	20,992	27,618	34,097	7,434	9,533
Stock-based compensation expense	14,558	20,606	30,268	5,991	7,969
Interest income	(5)	(153)	(406)	(86)	(67)
Interest expense	1,612	1,925	2,192	405	1,365
Employee termination and other charges	-0-	1,913	1,147	-0-	731
Income tax provision	11,943	15,037	11,976	3,812	2,962
Adjusted EBITDA (unaudited)	$ 71,728	$96,567	$107,952	$25,130	$36,082

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RISK FACTORS

Investing in our common stock involves a high degree of risk. In addition to the other information contained in this prospectus supplement, the accompanying prospectus and in documents that we incorporate by reference, you should carefully consider the risks discussed below and in Part I, Item 1A, Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 before making a decision about investing in our securities. The risks and uncertainties discussed below and in our Annual Report on Form 10-K referenced above are not the only ones facing us. Each of the risks described in these documents could materially and adversely affect our business, financial condition, results of operations and prospects, and could result in a partial or complete loss of your investment. The risks and uncertainties are not limited to those set forth in the risk factors described in these documents. Additional risks and uncertainties not presently known to us or that we currently believe to be less significant than the risk factors incorporated by reference herein may also adversely affect our business. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

Risks Related to the Offering and Our Common Stock

Substantial sales of our common stock by our stockholders could depress the market price of our common stock regardless of our operating results.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the market price of our common stock and impair our ability to raise capital through offerings of our common stock. As of March 31, 2017, we had 37,132,382 shares of our common stock outstanding. In addition, as of March 31, 2017, there were outstanding options to purchase 3,135,052 shares of our common stock, of which 3,002,435 were vested and expected to vest as of such date (1,592,990 of which were exercisable), and 1,124,346 outstanding restricted stock units. Substantially all of our outstanding common stock is eligible for sale, subject to Rule 144 volume limitations for holders affected by such limitations, as are shares of our common stock issuable under vested and exercisable options. Rule 144 allows public resale of restricted and control securities if certain conditions are met. If our existing stockholders sell a large number of shares of our common stock or the public market perceives that existing stockholders might sell our common stock, the market price of our common stock could decline significantly. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate.

In connection with this offering, we, the selling stockholders and all of our directors and executive officers have entered into lock-up agreements pursuant to which we and they have agreed not to sell any common stock for 90 days after the date of this prospectus supplement without the written consent of the underwriters, subject to certain exceptions, such as sales pursuant to Rule 10b5-1 trading plans adopted by our directors and executive officers prior to the date of their respective lock-up agreements. However, the underwriters may release these securities from these restrictions at any time without notice. We cannot predict what effect, if any, market sales of securities held by our stockholders or the availability of these securities for future sale will have on the market price of our common stock.

Our stock price has fluctuated and may continue to do so and may even decline regardless of our financial performance.

The market price of our common stock has fluctuated and may continue to fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our financial results;
- changes in the financial projections we provide to the public or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;

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- ratings changes by any securities analysts who follow our company;
- announcements by us or our competitors of significant technical innovations, acquisitions, portfolio purchasers, channel partnerships or capital commitments;
- changes in operating performance and stock market valuations of other newly public companies generally, or those in our industry in particular;
- changes brought about by health care reform and the emergence of federal, state and private exchanges;
- price and volume fluctuations in the overall stock market, including as a result of trends in the global economy;
- any major change in our board of directors or management;
- lawsuits threatened or filed against us; and
- other events or factors, including those resulting from a data security breach, war, incidents of terrorism or responses to these events.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against such a company. If securities class action litigation is instituted against us, it could result in substantial costs and a diversion of our management's attention and resources and could materially adversely affect our operating results.

Anti-takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that could have the effect of delaying, preventing or rendering more difficult an acquisition of us if such acquisition is deemed undesirable by our board of directors. Our corporate governance documents include provisions that:

- create a classified board of directors whose members serve staggered three-year terms;
- authorize "blank check" preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- limit the ability of our stockholders to call and bring business before special meetings;
- limit the ability of stockholders to act by written consent;
- require advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;
- control the procedures for the conduct and scheduling of board of directors and stockholder meetings; and
- provide our board of directors with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings.

These provisions, alone or together, could delay or prevent unsolicited takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock.

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Any provision of our amended and restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

We do not expect to declare any dividends in the foreseeable future.

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. In addition, our existing credit facility with MUFG Union Bank, N.A. limits our ability to pay dividends, and any future financing agreements may prohibit us from paying any type of dividends. Consequently, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

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USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately $130,762,296 (or approximately $155,951,983 if the underwriters exercise their option to purchase additional shares of common stock from us in full) after deducting the underwriting discounts and commissions and our estimated offering expenses payable by us. We anticipate that the net proceeds from the sale of shares of common stock by us will be used for general corporate purposes, including strategic acquisitions, channel partner arrangements, capital expenditures and operating costs.

We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.

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SELLING STOCKHOLDERS

We are registering 545,148 shares of common stock to permit the stockholders listed in the table below, which we otherwise refer to as the selling stockholders, to resell such shares.

The following table sets forth the number of shares of common stock owned by the selling stockholders prior to this offering, the number of shares of common stock to be offered for sale by the selling stockholders in this offering, the number of shares of common stock to be owned by the selling stockholders after completion of this offering and the percentage of common stock to be owned by the selling stockholders after giving effect to the completion of this offering as of the date hereof. We have prepared the table based on information given to us by, or on behalf of, the selling stockholders on or before June 19, 2017. The beneficial ownership of our common stock by the selling stockholder set forth in the table is determined as of March 31, 2017 in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Name of Selling Stockholder	Number of Shares Beneficially Owned Prior to the Offering	Percentage of Shares Beneficially Owned Prior to the Offering	Number of Shares Being Offered	Number of Shares Beneficially Owned After the Offering	Percentage of Shares Beneficially Owned After the Offering
Joseph L. Jackson	733,568(1)	1.94%	495,148	238,420(1)(3)	*
Edgar O. Montes	234,011(2)	*	50,000	184,011(2)(4)	*

* Represents beneficial ownership of less than 1%

(1) Includes options to purchase 610,555 shares of our Common Stock exercisable, and 50,000 performance based awards due to vest within 60 days of March 31, 2017.

(2) Includes options to purchase 183,754 shares of our Common Stock exercisable, and 16,500 performance based awards due to vest within 60 days of March 31, 2017.

(3) Excludes (i) an aggregate of 180,446 unvested options held by Mr. Jackson, which vest from 2017 through 2021 and (ii) PSUs granted to Mr. Jackson under our Amended and Restated 2010 Equity Incentive Plan, with an aggregate initial targeted award of 235,000 PSUs, which vest from 2018 through 2020, and pursuant to which the award may be increased to an aggregate of 440,000 PSUs based on the satisfaction of performance targets.

(4) Excludes (i) an aggregate of 156,246 unvested options held by Mr. Montes, which vest from 2017 through 2021 and (ii) PSUs granted to Mr. Montes under our Amended and Restated 2010 Equity Incentive Plan, with an aggregate initial targeted award of 165,000 PSUs, which vest from 2018 through 2020, and pursuant to which the award may be increased to an aggregate of 310,000 PSUs based on the satisfaction of performance targets.

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DESCRIPTION OF COMMON STOCK

General

The following is a summary of the rights of our common stock and preferred stock and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws. For more detailed information, please see our amended and restated certificate of incorporation and amended and restated bylaws, copies of which have been previously filed with the SEC, and applicable provisions of Delaware law.

Our authorized capital stock consists of 1,100,000,000 shares, with a par value of $0.001 per share, of which:

- 1,000,000,000 shares are designated as common stock; and
- 100,000,000 shares are designated as preferred stock.

As of March 31, 2017, we had outstanding 37,132,382 shares of common stock, held of record by 24 stockholders. In addition, as of March 31, 2017, 3,135,052 shares of our common stock were subject to outstanding options.

Common Stock

Pursuant to our amended and restated certificate of incorporation, the holders of common stock are entitled to one vote per share on all matters submitted to a vote of stockholders. This amended and restated certificate of incorporation does not provide for cumulative voting in the election of directors. Subject to the rights, if any, of the holders of any outstanding series of preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by our board of directors out of legally available funds. However, the current policy of our board of directors is to retain earnings, if any, for operations and growth. Upon liquidation, dissolution or winding-up of our company, subject to the rights, if any of the holders of our preferred stock, the holders of common stock are entitled to share ratably in all assets that are legally available for distribution. The holders of common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of any series of preferred stock, which may be designated solely by action of our board of directors and issued in the future.

Preferred Stock

Our board of directors is authorized, subject to any limitations prescribed by law, without further vote or action by the stockholders, to issue from time-to-time shares of preferred stock in one or more series without stockholder approval. Each such series of preferred stock shall have such number of shares, designations, preferences, voting powers, qualifications, and special or relative rights or privileges as shall be determined by our board of directors, which may include, among others, dividend rights, voting rights, liquidation preferences, conversion rights and preemptive rights.

Anti-Takeover Effects of Delaware Law and Our Restated Certificate of Incorporation and Bylaws

Certain provisions of Delaware law and our amended and restated certificate of incorporation and bylaws contain provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions, which are summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids. These provisions are also designed in part to encourage anyone seeking to acquire control of us to first negotiate with our board of directors. We believe that the advantages gained by protecting our ability to negotiate with any unsolicited and potentially unfriendly acquirer outweigh the disadvantages of discouraging such proposals, including those priced above the then-current market value of our common stock, because, among other reasons, the negotiation of such proposals could improve their terms.

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Certificate of Incorporation and Bylaws. Our amended and restated certificate of incorporation and bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 100,000,000 shares of undesignated preferred stock, which may contain voting, liquidation, dividend and other rights superior to our common stock;
- limit the ability of stockholders to act by written consent;
- limit the ability of our stockholders to call and bring business before special meetings of our stockholders;
- establish an advance notice procedure for stockholder approvals to be brought before meetings of our stockholders, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, Class I, Class II and Class III, with each class serving staggered terms;
- control the procedures for the conduct and scheduling of board of directors and stockholder meetings; and
- provide our board of directors with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings.

Delaware Anti-Takeover Statute. We are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging, under certain circumstances, in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, (1) shares owned by persons who are directors and also officers, and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the date of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the "interested stockholder." Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation's outstanding voting stock. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that Section 203 may discourage business combinations or other attempts that might result in a premium over the market price for the shares of common stock held by our stockholders.

The provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

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Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC. The transfer agent's address is 6201 15th Avenue, Brooklyn, New York 11219.

Listing

Our common stock is listed on the NYSE under the symbol "WAGE."

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PRICE RANGE OF COMMON STOCK

Our common stock has been listed on the New York Stock Exchange, or the NYSE, under the symbol "WAGE" since May 2012. The following table sets forth for the periods indicated the high and low sales prices per share of our common stock as reported on the NYSE:

	High	Low
For the year ended December 31, 2015:		
First Quarter	$65.56	$52.35
Second Quarter	$54.69	$38.19
Third Quarter	$51.43	$38.21
Fourth Quarter	$50.89	$40.97
For the year ended December 31, 2016:		
First Quarter	$51.25	$38.99
Second Quarter	$60.81	$49.22
Third Quarter	$65.43	$55.75
Fourth Quarter	$75.28	$55.65
For the year ending December 31, 2017:		
First Quarter	$80.50	$67.30
Second Quarter (through June 15, 2017)	$76.55	$69.00

On June 15, 2017, the last reported sale price of our common stock on the NYSE was $71.20 per share. As of March 31, 2017, we had 24 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

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DIVIDEND POLICY

We have never declared or paid any cash dividend on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will be dependent on a number of factors, including our earnings, capital requirements and overall financial conditions. Currently, our credit facility with MUFG Union Bank, N.A. limits our ability to pay dividends.

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MATERIAL U.S. TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of the material U.S. federal income tax consequences to non-U.S. holders with respect to their ownership and disposition of shares of our common stock purchased in this offering. This discussion is for general information only, is not tax advice, and does not purport to be a complete analysis of all potential tax considerations. Accordingly, all prospective non-U.S. holders of our common stock should consult their own tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership and disposition of our common stock. This discussion is based on current provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed U.S. Treasury Regulations promulgated thereunder, current administrative rulings and judicial decisions, in effect as of the date of this prospectus, all of which are subject to change, possibly with retroactive effect, or to differing interpretation. Any change could alter the tax consequences to non-U.S. holders described in this prospectus. We assume in this discussion that a non-U.S. holder holds shares of our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a particular non-U.S. holder in light of that non-U.S. holder's individual circumstances, nor does it address any aspects of state, local or non-U.S. income taxes or any non-income taxes other than to the limited extent set forth below. This discussion also does not address the potential application of the alternative minimum tax, the Medicare contribution tax on net investment income, or any specific tax consequences that may be relevant to a non-U.S. holder in light of such holder's particular circumstances and does not address the special tax rules applicable to particular non-U.S. holders, such as:

- insurance companies;
- tax-exempt organizations;
- banks or other financial institutions;
- brokers or dealers in securities, and traders in securities that use a mark-to-market method of accounting for their securities holdings;
- partnerships or entities classified as partnerships for U.S. federal income tax purposes and other pass-through entities;
- tax-qualified retirement plans;
- persons that own or are deemed to own more than 5% of our capital stock (except to the extent specifically set forth below);
- "controlled foreign corporations" or "passive foreign investment companies";
- corporations that accumulate earnings to avoid U.S. federal income tax;
- owners that hold our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment;
- certain former citizens or long-term residents of the United States; and
- persons deemed to sell our common stock under the constructive sale provisions of the Code.

In addition, if a partnership or entity classified as a partnership for U.S. federal tax purposes holds our common stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our common stock, and partners or members in such partnerships should consult their tax advisors. There can be no assurance that the Internal Revenue Service (the "IRS") will not challenge one or more of the tax consequences described herein, and we have not obtained,

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and do not intend to obtain, an opinion of counsel or ruling from the IRS with respect to the U.S. federal income tax consequences to a non-U.S. holder of the purchase, ownership or disposition of our common stock. We urge prospective investors to consult with their own tax advisors regarding the U.S. federal, state, local and non-U.S. income and other tax considerations of purchasing, owning and disposing of shares of our common stock.

Non-U.S. Holder Defined

For purposes of this discussion, except as modified for estate tax purposes, a non-U.S. holder means a beneficial owner of our common stock, other than a partnership or other entity classified as a partnership for U.S. federal income tax purposes, that is not, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal tax purposes, created or organized in the United States or under the laws of the United States or of any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (a) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust, or (b) which has made a valid election to be treated as a U.S. person.

Distributions on Our Common Stock

We have not made any cash distributions on our common stock and we do not have any plans to make any distributions on our common stock. However, if we do make distributions on our common stock, those payments generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds both our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the non-U.S. holder's capital, and will reduce such holder's basis in our common stock, but not below zero. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in "—Gain on Sale, Exchange or Other Disposition of Our Common Stock." Dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be provided by an applicable income tax treaty between the United States and such holder's country of residence.

Dividends that are treated as effectively connected with a trade or business conducted by a non-U.S. holder within the United States (and, if an applicable income tax treaty so provides, are also attributable to a permanent establishment or a fixed base maintained within the United States by such non-U.S. holder) are generally exempt from the 30% withholding tax if the non-U.S. holder satisfies applicable certification and disclosure requirements. However, such U.S. effectively connected income, net of specified deductions and credits, is taxed at the same graduated U.S. federal income tax rates applicable to U.S. persons. Any U.S. effectively connected income received by a non-U.S. holder that is a corporation may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or such lower rate as may be provided by an applicable income tax treaty.

In order to claim the benefit of a tax treaty or to claim exemption from withholding because dividends paid on our common stock are effectively connected with the conduct of a trade or business in the United States, a non-U.S. holder must provide a properly executed IRS Form W-8BEN, IRS Form W-8BEN-E or IRS Form W-8ECI, or such successor forms as the IRS designates, prior to the payment of dividends. These forms must be periodically updated. If a non-U.S. holder holds our common stock through a financial institution or other agent acting on such holder's behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. Non-U.S. holders may be eligible to obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

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Gain on Sale, Exchange or Other Disposition of Our Common Stock

Subject to the discussion below regarding backup withholding and foreign accounts, a non-U.S. holder generally will not be subject to any U.S. federal income tax on any gain realized upon such holder's sale, exchange or other disposition of shares of our common stock unless:

- the gain is effectively connected with a U.S. trade or business (and, if an applicable income tax treaty so provides, is also attributable to a permanent establishment or a fixed base maintained within the United States by such non-U.S. holder), in which case the graduated U.S. federal income tax rates applicable to U.S. persons will apply, and, if the non-U.S. holder is a foreign corporation, the additional branch profits tax described above in "—Distributions on Our Common Stock" may also apply;
- the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more in the calendar year of the disposition and certain other conditions are met, in which case the non-U.S. holder will be subject to a 30% tax on the net gain derived from the disposition, which may be offset by certain U.S.-source capital losses of the non-U.S. holder, if any; or
- we are or have been, at any time during the five-year period preceding such disposition (or the non-U.S. holder's holding period, if shorter) a "United States real property holding corporation" (a "USRPHC").

We believe that we have not been and are not currently, and we do not anticipate becoming in the future, a USRPHC for U.S. federal income tax purposes. Because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we are or become a USRPHC, however, as long as our common stock is regularly traded on an established securities market, as to which there can be no assurance, a non-U.S. holder will only be subject to tax under these rules if such non-U.S. holder actually or constructively holds more than 5% of such regularly traded common stock at any time during the shorter of the five-year period preceding such holder's disposition of, or such holder's holding period for, our common stock.

Federal Estate Tax

Shares of our common stock beneficially owned by an individual who is not a citizen or resident of the United States (as defined for U.S. federal estate tax purposes) at the time of death will generally be included in the decedent's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS the amount of dividends paid to each non-U.S. holder, the name and address of such non-U.S. holder and the amount of tax withheld, if any. A similar report will be sent to each non-U.S. holder. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in such non-U.S. holder's country of residence.

Payments of dividends on or of proceeds from the disposition of our common stock may be subject to additional information reporting and backup withholding at a current rate of 28% unless a non-U.S. holder establishes an exemption, for example, by properly certifying its non-U.S. status on an IRS Form W-8BEN or W-8BEN-E or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or a paying agent has actual knowledge, or reason to know, that such holder is a U.S. person.

Backup withholding is not an additional tax; rather, the U.S. federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

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Foreign Accounts

The Foreign Account Tax Compliance Act ("FATCA") generally imposes a U.S. federal withholding tax of 30% on dividends on, and the gross proceeds from a sale or other disposition of, our common stock paid to a "foreign financial institution" (as specially defined under these rules), unless such institution enters into an agreement with the U.S. government to, among other things, withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding the U.S. account holders of such institution (which include certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or otherwise establishes an exemption. FATCA also generally imposes a U.S. federal withholding tax of 30% on dividends on and the gross proceeds from a sale or other disposition of our common stock paid to a "non-financial foreign entity" (as specifically defined for purposes of these rules) unless such entity provides the withholding agent with a certification identifying certain substantial direct and indirect U.S. owners of the entity, certifies that there are none or otherwise establishes an exemption. The withholding provisions under FATCA generally apply to dividends on our common stock, and under current transitional rules are expected to apply with respect to the gross proceeds from a sale or other disposition of our common stock on or after January 1, 2019. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this paragraph. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in our common stock.

Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state and local and non-U.S. tax consequences of purchasing, holding and disposing of our common stock, including the consequences of any proposed change in applicable laws.

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UNDERWRITING

The underwriters named below, for which William Blair & Company, L.L.C. and Stifel, Nicolaus & Company, Incorporated are acting as representatives, have severally agreed, subject to the terms and conditions set forth in the underwriting agreement by and among the underwriters, us and the selling stockholders to purchase the respective number of shares of common stock set forth opposite each underwriter's name in the table below.

Underwriter	Number of Shares
William Blair & Company, L.L.C.	1,000,001
Stifel, Nicolaus & Company, Incorporated	875,000
JMP Securities LLC	208,333
Needham & Company, LLC	208,333
SunTrust Robinson Humphrey, Inc.	208,333
Total	2,500,000

The underwriting agreement provides that the underwriters are obligated to purchase all of the shares of common stock in this offering if any of those shares are purchased. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

We have granted to the underwriters an option, exercisable for 30 calendar days from the date of this prospectus supplement, to purchase on a pro rata basis up to 375,000 additional shares of common stock from us at the public offering price set forth on the cover page of this prospectus supplement, less underwriting discounts and commissions. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

The underwriters propose to offer the shares of common stock to the public initially at the public offering price set forth on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of $1.2465 per share. After the public offering, the public offering price, concession or any other term of this offering may be changed.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act relating to losses or claims resulting from material misstatements in or omissions from this prospectus supplement, the registration statement of which this prospectus supplement is a part and certain free writing prospectuses that may be used in this offering, and to contribute to payments the underwriters may be required to make in respect of those liabilities.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us and to the selling stockholders. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

		Total	
	Per Share	Without Option	With Option
Public offering price	$ 69.2500	$ 173,125,000	$ 199,093,750
Underwriting discounts and commissions paid by us	$ 2.0775	$ 4,061,205	$ 4,840,268
Underwriting discounts and commissions paid by the selling stockholders	$ 2.0775	$ 1,132,545	$ 1,132,545
Proceeds before expenses to us	$ 67.1725	$ 131,312,296	$ 156,501,983
Proceeds before expenses to the selling stockholders	$ 67.1725	$ 36,618,954	$ 36,618,954

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus supplement are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

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We estimate that our portion of the total expenses of this offering, exclusive of the underwriting discounts and commissions, will be $550,000. We have also agreed to reimburse the underwriters for certain of their expenses in an amount up to $15,000, which amount is included in our estimated offering expenses.

The representatives have informed us that they do not expect sales to accounts over which the underwriters have discretionary authority to exceed 5% of the shares of common stock being offered. The underwriters will not confirm sales to any accounts over which they exercise discretionary authority without first receiving a written consent from those accounts.

No Sales of Similar Securities

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of William Blair & Company, L.L.C. and Stifel, Nicolaus & Company, Incorporated for a period of 90 days after the date of this prospectus supplement, subject to certain exceptions, including a limited number of shares which may be issued by us in connection with acquisitions of other businesses.

Our directors, executive officers and the selling stockholders agreed with the underwriters, with limited exceptions (including an exception for periodic sales by our directors and executive officers for shares of our common stock pursuant to Rule 10b5-1 trading plans adopted by such directors and officers prior to the date of their respective lock-up agreements), for a period of 90 days after the date of this prospectus supplement, not to, without the prior written consent of William Blair & Company, L.L.C. and Stifel, Nicolaus & Company, Incorporated, on behalf of the underwriters (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock (including, without limitation, common stock which may be deemed to be beneficially owned by such directors, executive officers and selling stockholders in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant), enter into a transaction which would have the same effect or engage in any transaction that would require a filing pursuant to §13 or §16 of the Exchange Act, (2) enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or such other securities, in cash or otherwise, (3) publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, or (4) make any demand for or exercise any right with respect to the registration of any shares of our common stock or any security convertible into or exercisable or exchangeable for our common stock, in each case other than certain limited exceptions.

Listing

The shares of our common stock are listed on the NYSE under the symbol “WAGE.”

Price Stabilization, Short Positions and Penalty Bids

In connection with the offering, the underwriters may engage in stabilizing transactions, short sales, syndicate covering transactions, and penalty bids and passive market making in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the overallotment option.

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In a naked short position, the number of shares involved is greater than the number of shares in the overallotment option. The underwriters may close out any covered short position by either exercising their overallotment option and/or purchasing shares in the open market.

- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment option. If the underwriters sell more shares than could be covered by the overallotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.
- In passive market making, market makers in the common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchases of our common stock until the time, if any, at which a stabilizing bid is made.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NYSE or otherwise and, if commenced, may be discontinued at any time.

Neither we, the selling stockholders nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

A prospectus supplement and the accompanying prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters, or dealers, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute such prospectuses electronically. Any such underwriter may allocate a number of shares for sale to its online brokerage customers. An electronic prospectus is available on the websites maintained by any such underwriter. Other than the prospectus supplement in electronic format, the information on the websites of any such underwriter is not part of this prospectus supplement.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time-to-time, performed, and may in the future perform, various financial advisory, lending and investment banking services for us and our affiliates, for which they received or will receive customary fees and expenses.

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In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Member State"), no offer of securities has been, or will be, made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representatives for any such officer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of securities referred to above shall result in a requirement for us or the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person located in a Member State to whom any offer of securities is made or who receives any communication in respect of any offer of ordinary shares, or who initially acquires any securities will be deemed to have represented, warranted, acknowledged and agreed to and with the underwriters and the Company that (1) it is a "qualified investor" within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and (2) in the case of any securities acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the securities acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the underwriters has been given to the offer or resale; or where ordinary shares have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those ordinary shares to it is not treated under the Prospectus Directive as having been made to such persons/

We, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

This prospectus supplement and the accompanying prospectus have been prepared on the basis that any offer of securities in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of securities. Accordingly any person making or intending to make an offer in that Member State of securities which are the subject of the offering contemplated in this prospectus supplement and the accompanying prospectus may only do so in circumstances in which no obligation arises for us or the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of securities in circumstances in which an obligation arises for us or the underwriters to publish a prospectus for such offer.

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For the purposes of this provision, the expression an "offer of securities to the public" in relation to any securities in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each Member State.

United Kingdom

In the United Kingdom, this prospectus supplement and the accompanying prospectus are only addressed to and directed as qualified investors who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order); or (ii) high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this prospectus supplement and the accompanying prospectus relate is available only to relevant persons and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this prospectus supplement or the accompanying prospectus or any of their contents.

Canada

The distribution of the securities into Canada is being made only in the provinces of Ontario, Quebec, Alberta and British Columbia on a private placement basis exempt from the requirement that we and the selling stockholders prepare and file a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of the securities in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the securities.

By purchasing the securities in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us, the selling stockholders and the dealer from whom the purchase confirmation is received that: (a) the purchaser is entitled under applicable provincial securities laws to purchase the securities without the benefit of a prospectus qualified under those securities laws as it is an "accredited investor" as defined under National Instrument 45-106—Prospectus Exemptions; (b) the purchaser is a "permitted client" as defined in National Instrument 31-103—Registration Requirements, Exemptions and Ongoing Registrant Obligations; (c) where required by law, the purchaser is purchasing as principal and not as agent; and (d) the purchaser has reviewed the preceding paragraph regarding resale restrictions.

Canadian purchasers are hereby notified that the underwriters are relying on the exemption set out in Section 3A.3 or 3A.4, if applicable, of National Instrument 3-105—Underwriting Conflicts from having to provide certain conflict of interest disclosure in this document.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the offering memorandum (including any amendment thereto) such as this document contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser of the securities in Canada should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

All of our directors and officers as well as the experts named herein and the selling stockholders may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

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Canadian purchasers of the securities should consult their own legal and tax advisors with respect to the tax consequences of an investment in the securities in their particular circumstances and about the eligbility of the securities for investment by the purchaser under relevant Canadian legislation.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan

Hong Kong

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) ("Companies (Winding Up and Miscellaneous Provisions) Ordinance") or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("Securities and Futures Ordinance"), or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

Singapore

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement, the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for six months after that corporation has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation's securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the

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transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (“Regulation 32”).

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for six months after that trust has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.

Germany

The common stock not been and will not be offered to the public within the meaning of the German Securities Prospectus Act (Wertpapierprospektgesetz). No securities prospectus pursuant to the German Securities Prospectus Act has been or will be published or circulated in Germany or filed with the German Federal Financial Supervisory Authority (Bundesanstalt fuer Finanzdienstleistungsaufsicht). This prospectus supplement does not constitute an offer to the public in Germany, and it does not serve for public distribution of the shares in Germany. Neither this prospectus supplement, nor any other document issued in connection with this offering, may be issued or distributed to any person in Germany except under circumstances that do not constitute an offer to the public under the German Securities Prospectus Act. Prospective investors should consult with their legal or tax advisor before investing in the shares.

France

This prospectus (including any amendment, supplement or replacement thereto) is not being distributed in the context of a public offering of financial instruments (offre au public de titres financiers) in France within the meaning of Article L. 411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulations of the French Autorité des marchés financiers (the “AMF”). The common stock has not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. This prospectus and any other offering material relating to the common stock have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not and will not be distributed or caused to be distributed, directly or indirectly, to the public in France.

Pursuant to Article 211-3 of the AMF General Regulations, French residents are hereby informed that:

(a) the transaction does not require a prospectus to be submitted for approval to the AMF;

(b) the offer, sale and distribution of the financial instruments shall only be made in France to (i) qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L. 411-2-II-2° and D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code and any implementing regulation and/or (ii) a restricted number of non-qualified investors (investisseurs non-qualifiés) acting for their own account, as defined in and in accordance with Articles L. 411-2-II-2° and D. 411-4, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code and any implementing regulation; and

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(c) the financial instruments thus acquired cannot be distributed, directly or indirectly, to the public otherwise than in accordance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Monetary and Financial Code.

This prospectus is not to be further distributed or reproduced (in whole or in part) in France by the recipients of this prospectus. This prospectus has been distributed on the understanding that such recipients will only participate in the issue or sale of the common stock for their own account and undertake not to transfer, directly or indirectly, the common stock to the public in France, other than in compliance with all applicable laws and regulations and in particular with Articles L. 411-1 and L. 411-2 of the French Monetary and Financial Code and Articles 211-1 et seq. of the AMF General Regulations.

The Netherlands

The shares will not be offered or sold, directly or indirectly, in the Netherlands, other than: (a) with a minimum denomination of €50,000 or the equivalent in another currency per investor; (b) for a minimum consideration of €50,000 or the equivalent in another currency per investor; (c) to fewer than 100 individuals or legal entities other than 'Qualified Investors' (see below); or (d) solely to Qualified Investors, all within the meaning of Article 4 of the Financial Supervision Act Exemption Regulation (Vrijstellingsregeling Wet op het financieel toezicht) and Article 1:12 and Article 5:3 of the Financial Supervision Act (Wet op het financieel toezicht, FSA).

Italy

The offering of the shares has not been registered pursuant to Italian securities legislation and, accordingly, no shares may be offered, sold or delivered, nor may copies of the prospectus or of any other document relating to the shares be distributed in the Republic of Italy, except:

(a) to qualified investors (investitori qualificati), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Financial Services Act) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (Regulation No. 11971); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the shares or distribution of copies of the prospectus or any other document relating to the shares in the Republic of Italy under (1) or (2) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act);

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of shares in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority. Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (1) and (2) above, the subsequent distribution of the shares on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such shares being declared null and void and in the liability of the intermediary transferring the shares for any damages suffered by the investors.

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Switzerland

We have not and will not register with the Swiss Financial Market Supervisory Authority ("FINMA") as a foreign collective investment scheme pursuant to Article 119 of the Federal Act on Collective Investment Scheme of 23 June 2006, as amended ("CISA"), and accordingly the securities being offered hereby have not and will not be approved, and may not be licensable, with FINMA. Therefore, the securities have not been authorized for distribution by FINMA as a foreign collective investment scheme pursuant to Article 119 CISA and the securities offered hereby may not be offered to the public (as this term is defined in Article 3 CISA) in or from Switzerland. The securities may solely be offered to "qualified investors," as this term is defined in Article 10 CISA, and in the circumstances set out in Article 3 of the Ordinance on Collective Investment Scheme of 22 November 2006, as amended ("CISO"), such that there is no public offer. Investors, however, do not benefit from protection under CISA or CISO or supervision by FINMA. This prospectus supplement, the accompanying prospectus and any other materials relating to the securities are strictly personal and confidential to each offeree and do not constitute an offer to any other person. This prospectus supplement and the accompanying prospectus may only be used by those qualified investors to whom it has been handed out in connection with the offer described herein and may neither directly or indirectly be distributed or made available to any person or entity other than its recipients. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in Switzerland or from Switzerland. This prospectus supplement and the accompanying prospectus do not constitute an issue prospectus as that term is understood pursuant to Article 652a and/or 1156 of the Swiss Federal Code of Obligations. We have not applied for a listing of the securities on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this prospectus supplement and the accompanying prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

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LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California. Latham & Watkins LLP, Menlo Park, California is representing the underwriters in this offering.

EXPERTS

The consolidated financial statements of WageWorks, Inc. as of December 31, 2016 and 2015, and for each of the years in the three-year period ended December 31, 2016 and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2016, have been incorporated by reference herein in reliance upon the reports of KPMG LLP, an independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The statements of assets acquired and liabilities assumed of the ADP COBRA/CHSA Business (the "Business") as of June 30, 2016 and 2015 and the related statements of revenues and direct expenses for each of the three years in the period ended June 30, 2016 incorporated in this registration statement by reference from the Wage Works, Inc. Current Report on Form 8-K/A filed on February 3, 2017 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report which is incorporated herein by reference (which report expresses an unmodified opinion and includes an emphasis-of-matter paragraph indicating the abbreviated financial statements are not intended to be a complete presentation of the financial position or results of operations of the Business), and is incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

INFORMATION INCORPORATED BY REFERENCE

The rules of the SEC allow us to incorporate by reference information into this prospectus supplement. The information incorporated by reference is considered to be a part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. This prospectus supplement incorporates by reference the documents listed below that we have previously filed with the SEC (excluding any document, or portion thereof, to the extent disclosure is furnished and not filed):

- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on February 23, 2017;
- The information from our definitive proxy statement on Schedule 14A, filed with the SEC on March 17, 2017, to the extent incorporated by reference in our annual report on Form 10-K for the fiscal year ended December 31, 2016;
- Our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017, filed with the SEC on May 4, 2017;
- Our Current Reports on Form 8-K, filed with the SEC on November 28, 2016 (as amended by that Amendment No. 1 to the Current Report on Form 8-K filed on November 28, 2016, filed with the SEC on February 3, 2017), March 13, 2017, April 5, 2017 (as amended by that Amendment No. 1 to the Current Report on Form 8-K filed on April 5, 2017, filed with the SEC on April 6, 2017), April 21, 2017, May 1, 2017 and June 19, 2017; and
- The description of our common stock contained in our Registration Statement on Form 8-A (Commission File No. 001-35232), filed with the SEC on July 12, 2011, including any subsequent amendment or any report filed for the purpose of updating such description.

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All reports and other documents subsequently filed by us pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date of this prospectus supplement and prior to the termination of this offering shall be deemed to be incorporated by reference in this prospectus supplement and to be part hereof from the date of filing of such reports and other documents.

Notwithstanding the foregoing, we are not incorporating by reference any documents, portions of documents, exhibits or other information that is deemed to have been furnished to, rather than filed with, the SEC.

Any statement contained in a document incorporated by reference in this prospectus supplement shall be deemed to be modified or superseded for the purposes of this prospectus supplement to the extent that a statement contained herein or in any subsequently filed document that is also incorporated by reference in this prospectus supplement modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

We will provide to each person, including any beneficial owners, to whom a prospectus supplement and the accompanying prospectus is delivered, upon written or oral request of any such person, a copy of the reports and documents that have been incorporated by reference in this prospectus supplement, at no cost. Any such request should be directed to:

WageWorks, Inc.
1100 Park Place, 4th Floor
San Mateo, California 94403
Attention: General Counsel
(650) 577-5200
generalcounsel@wageworks.com

These documents are also available on the Investor Relations section of our website, which is located at http://www.wageworks.com, or as described under “Where You Can Find More Information” above. The reference to our website address does not constitute incorporation by reference of the information contained on our website.

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Prospectus

2,875,000 Shares

Common Stock

We or any selling stockholder may offer from time to time, in one or more offerings, up to an aggregate amount of 2,875,000 shares of common stock. We will provide the specific terms of any offering and the offered securities in supplements to this prospectus.

This prospectus provides a general description of the securities we or any selling stockholder may offer. Each time we or any selling stockholder sell securities, we will provide the specific terms of the offered securities in a supplement to this prospectus. We may also authorize one or more free writing prospectuses to be provided to you in connection with these offerings. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement which will describe the method and terms of the related offering. The applicable prospectus supplement and any related free writing prospectus may also add, update or change information contained in this prospectus. We urge you to carefully read this prospectus, any accompanying prospectus supplement, any related free writing prospectus and any documents we incorporate by reference before you make an investment decision.

We or any selling stockholder may sell the securities to or through one or more underwriters, to other purchasers, through dealers or agents, or through a combination of these methods on an immediate, continuous or delayed basis. The names of any underwriters will be stated in the applicable prospectus supplement.

Our common stock is listed on the New York Stock Exchange under the symbol “WAGE.”

Investing in our securities involves risks. See “Risk Factors” on page 3 and similar headings in the applicable prospectus supplement, any related free writing prospectus and the documents we incorporate by reference.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated June 19, 2017

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This prospectus and any accompanying supplement to this prospectus do not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered hereby in any jurisdiction to or from any person whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction.

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ABOUT THIS PROSPECTUS

This prospectus is part of an automatic shelf registration statement that we filed with the Securities and Exchange Commission, or the SEC, as a "well-known seasoned issuer" (as defined in Rule 405 under the Securities Act of 1933, as amended, or the Securities Act). Under this shelf registration process, we or the selling stockholders to be named in a supplement to this prospectus may, at any time and from time to time, sell the securities described herein.

This prospectus provides you with a general description of the securities we or any selling stockholder may offer. Each time we or any selling stockholder sell securities, we will provide you with a prospectus supplement that will contain specific information about the terms of that offering. We may also authorize one or more free writing prospectuses to be provided to you that may contain material information relating to these offerings. The prospectus supplement and any related free writing prospectus may also add to, update or change information contained in this prospectus or in any documents that we have incorporated by reference herein. Accordingly, to the extent inconsistent, the information in this prospectus is superseded by the information in the prospectus supplement or any related free writing prospectus.

The prospectus supplement to be attached to the front of this prospectus may describe, as applicable, the terms of the securities offered, the initial public offering price, the price paid for the securities, the net proceeds and the other specific terms related to the offering of these securities.

You should only rely on the information contained or incorporated by reference in this prospectus and any applicable prospectus supplement or any related free writing prospectus that we may authorize to be provided to you. We have not authorized any other person to provide you with any other information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information in this prospectus or any applicable prospectus supplement or any related free writing prospectus is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

References in this prospectus to "WageWorks," the "Company," "we," "us" and "our" refer to WageWorks, Inc. and its subsidiaries, unless otherwise specified.

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WAGEWORKS

We are a leader in administering Consumer-Directed Benefits, or CDBs, which empower employees to save money on taxes and provide corporate tax advantages for employers. We are solely dedicated to administering CDBs, including pre-tax spending accounts, such as Health Savings Accounts, or HSAs, health and dependent care Flexible Spending Accounts, or FSAs, Health Reimbursement Arrangements, or HRAs, as well as Commuter Benefit Services, including transit and parking programs, wellness programs, Consolidated Omnibus Budget Reconciliation Act, or COBRA, and other employee benefits.

We run our services primarily on three enterprise platforms that have been designed to be highly scalable based on an on-demand delivery model that employer clients and their employee participants may access through a standard web browser on any internet-enabled device, including computers, smart phones and other mobile devices, such as tablet computers. Our on-demand delivery model eliminates the need for our employer clients to install and maintain hardware and software in order to support CDB programs and enables us to rapidly implement product enhancements across our entire user base. We closely monitor utilization of all aspects of our platforms for capacity planning purposes. Our existing infrastructure has been designed with sufficient capacity to meet our current and planned future needs.

Our CDB programs assist employees and their families in saving money by using pre-tax dollars to pay for certain expenses related to their healthcare, dependent care and commuter expenses. Employers financially benefit from our programs through reduced payroll taxes. Under our HSA, FSA and commuter programs, employee participants contribute funds from their pre-tax income to pay for qualified out-of-pocket healthcare expenses not fully covered by insurance, such as co-pays, deductibles and over-the-counter medical products or for commuting costs.

We price our services based on the estimated number and types of claims, whether payment processing and client support activities will be provided within or outside of the United States, the estimated number of calls to our customer support center and any specific client requirements. In addition, we derive a portion of our revenues from interchange fees that we receive when employee participants use the prepaid debit cards we provide to them for healthcare and commuter expenses. Our clients include many of the Fortune 100 and Fortune 500, as well as many small-and-medium-sized businesses, or SMBs.

At January 31, 2017, we had approximately 6.5 million employee participants from approximately 100,000 employer clients. In 2016, employee participants used approximately 5.9 million WageWorks prepaid debit cards. Our participant counts do not include our TransitChek Basic program participants, as that fare media is shipped directly to employers which then distribute the products to their employee's based on demand. We believe that January 31 is the most appropriate point-in-time measurement date for annual plan metrics. Although plan changes and the entry and exit of employers and participants from our programs are usually decided late in the calendar year during open enrollment to be effective on January 1, it is not unusual for employers to still be submitting updated files of participants in early January. While updates can be delayed past January, any changes from such late updates are usually minimal. Consequently, we believe the January 31 point-in-time measurement date is the most appropriate date to use as a baseline.

We were incorporated in Delaware in 2000. Our principal executive offices are located at 1100 Park Place, 4th Floor, San Mateo, CA 94403, U.S.A., and our telephone number is 1 (650) 577-5200. Our website address is www.wageworks.com. Information contained on our website is not incorporated by reference in this prospectus, and should not be considered to be part of this prospectus.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, any prospectus supplement and the documents we incorporate by reference herein and therein contain forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “will,” “would,” “could,” and similar expressions or phrases, or the negative of those expressions or phrases, identify forward-looking statements.

Although we believe that we have a reasonable basis for each forward-looking statement contained or incorporated by reference in this prospectus and any prospectus supplement, we caution you that these statements are based on our projections of the future that are subject to known and unknown risks and uncertainties and other factors that may cause our actual results, level of activity, performance or achievements expressed or implied by these forward-looking statements, to differ.

You should refer to the “Risk Factors” section of this prospectus, any prospectus supplement and the documents we incorporate by reference herein and therein for a discussion of other important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this prospectus, any prospectus supplement and the documents we incorporate by reference herein and therein will prove to be accurate. In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, which although we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted a thorough inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. Other unknown or unpredictable factors could also harm our results. Consequently, actual results or developments anticipated by us may not be realized or, even if substantially realized, may not have the expected consequences to, or effects on, us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. As a result of the factors described in this prospectus, any applicable prospectus supplement or any applicable free writing prospectus and the documents we incorporate by reference in this prospectus and any accompanying prospectus supplement, we undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to the filing of such document.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. In addition to the other information contained in this prospectus, any applicable prospectus supplement, any free writing prospectus and in documents that we incorporate by reference herein or therein, you should carefully consider the risks in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which is incorporated by reference herein, as updated by our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings we make with the SEC, the risk factors described under the caption "Risk Factors" in any applicable prospectus supplement and any risk factors set forth in our other filings with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act before making a decision about investing in our securities. The risks and uncertainties described in these documents are not the only ones facing us. Each of the risks described in these documents could materially and adversely affect our business, financial condition, results of operations and prospects, and could result in a partial or complete loss of your investment. The risks and uncertainties are not limited to those set forth in the risk factors described in these documents. Additional risks and uncertainties not presently known to us or that we currently believe to be less significant than the risk factors incorporated by reference herein may also adversely affect our business. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

USE OF PROCEEDS

Unless otherwise indicated in the applicable prospectus supplement, the net proceeds from the sale of the securities that we may offer under this prospectus and any applicable prospectus supplement or free writing prospectus will be used for general corporate purposes, including strategic acquisitions, channel partner arrangements, capital expenditures and operating costs. We will have significant discretion in the use of any net proceeds. Investors will be relying on the judgment of our management regarding the application of the proceeds of any sale of securities. We may invest the net proceeds temporarily in short- and intermediate-term, interest bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government until we use them for their stated purpose. We are not currently in negotiations with any potential targets; however, we may elect to use the proceeds from the sale of the offered securities to acquire assets and businesses in our industry that from time to time become available to us provided that such acquisitions are deemed to be in our and our stockholders best interest by our board of directors.

We will not receive any of the proceeds from any sale of securities by any selling stockholders.

DESCRIPTION OF THE SECURITIES

We or any selling stockholder may issue from time to time, in one or more offerings, shares of our common stock, par value $0.001 per share.

We will set forth in the applicable prospectus supplement and/or free writing prospectus a description of the common stock that may be offered under this prospectus. The terms of the offering of securities, the initial offering price and the net proceeds to us will be contained in the applicable prospectus supplement, and other offering material, relating to such offer.

LEGAL MATTERS

In connection with offerings of particular securities in the future, and if stated in the applicable prospectus supplement, the validity of the securities may be passed upon for us by our counsel, Wilson Sonsini Goodrich &

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Rosati, Professional Corporation, Palo Alto, California. Additional legal matters may be passed upon for us, the selling stockholders, or any underwriters, dealers or agents by counsel that we will name in the applicable prospectus supplement.

EXPERTS

The consolidated financial statements of WageWorks, Inc. as of December 31, 2016 and 2015, and for each of the years in the three-year period ended December 31, 2016 and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2016, have been incorporated by reference herein in reliance upon the reports of KPMG LLP, an independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The statements of assets acquired and liabilities assumed of the ADP COBRA/CHSA Business (the "Business") as of June 30, 2016 and 2015 and the related statements of revenues and direct expenses for each of the three years in the period ended June 30, 2016 incorporated in this registration statement by reference from the Wage Works, Inc. Current Report on Form 8-K/A filed on February 3, 2017 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report which is incorporated herein by reference (which report expresses an unmodified opinion and includes an emphasis-of-matter paragraph indicating the abbreviated financial statements are not intended to be a complete presentation of the financial position or results of operations of the Business), and is incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede information included or previously incorporated by reference in this prospectus from the date we file the document containing such information. Except to the extent furnished and not filed with the SEC pursuant to Item 2.02 or Item 7.01 of Form 8-K or as otherwise permitted by the SEC rules, we incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, from the date of this prospectus until the completion of the offering in the relevant prospectus supplement to which this prospectus relates or this offering is terminated.

The documents we incorporate by reference in this prospectus are:

- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on February 23, 2017;
- The information from our definitive proxy statement on Schedule 14A, filed with the SEC on March 17, 2017, to the extent incorporated by reference in our annual report on Form 10-K for the fiscal year ended December 31, 2016;
- Our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017, filed with the SEC on May 4, 2017;
- Our Current Reports on Form 8-K, filed with the SEC on November 28, 2016 (as amended by that Amendment No. 1 to the Current Report on Form 8-K filed on November 28, 2016, filed with the SEC on February 3, 2017), March 13, 2017, April 5, 2017 (as amended by that Amendment No. 1 to the Current Report on Form 8-K filed on April 5, 2017, filed with the SEC on April 6, 2017), April 21, 2017, May 1, 2017 and June 19, 2017; and
- The description of our common stock contained in our Registration Statement on Form 8-A (Commission File No. 001-35232), filed with the SEC on July 12, 2011, including any subsequent amendment or any report filed for the purpose of updating such description.

Any statements made in this prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that is incorporated or deemed to be incorporated by reference in this prospectus or any prospectus supplement modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You may request a copy of these filings (excluding exhibits, unless specifically incorporated by reference), at no cost, by directing such request to:

WageWorks, Inc.
1100 Park Place, 4th Floor
San Mateo, California 94403
Attention: General Counsel
(650) 577-5200
generalcounsel@wageworks.com

These documents are also available on the Investor Relations section of our website, which is located at http://www.wageworks.com, or as described under "Where You Can Find Additional Information" below. The reference to our website address does not constitute incorporation by reference of the information contained on our website.

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934. We therefore file periodic reports, current reports, proxy statements and other information with the SEC. You may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operations of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

These documents are also available, free of charge, through the Investor Relations section of our website, which is located at www.wageworks.com. The reference to our website address does not constitute incorporation by reference of the information contained on our website.

Our common stock is quoted on the New York Stock Exchange under the symbol "WAGE" and you may inspect reports and other information concerning us at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005.

We have filed a registration statement on Form S-3 regarding this offering with the SEC under the Securities Act. This prospectus, which constitutes a part of the registration statement, does not contain all the information contained in the registration statement, certain items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. You should refer to the registration statement and its exhibits to read that information. Statements made in this prospectus as to the content of any contract, agreement or other document are not necessarily complete and you should refer to the contracts, agreements and other documents attached exhibits to the registration statement for a more complete description thereof.

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2,500,000 SHARES

COMMON STOCK

PROSPECTUS SUPPLEMENT
June 19, 2017

William Blair **Stifel**

JMP Securities **Needham & Company** **SunTrust Robinson Humphrey**

EXHIBIT E

WageWorks, Inc. (WAGE)
Historical Daily Prices from Yahoo! Finance
for the Time Period of May 5, 2016 - March 18, 2019

Date	Open	High	Low	Close	Adj Close	Volume
5/5/2016	53.34	53.63	52.81	52.82	52.82	253800
5/6/2016	55.14	56.38	53.3	54.53	54.53	587300
5/9/2016	54.53	57.33	54.53	57.1	57.1	430700
5/10/2016	57.31	58	55.99	57	57	284300
5/11/2016	56.99	57.41	56.14	56.16	56.16	170400
5/12/2016	56.16	56.9	55.76	56.35	56.35	201700
5/13/2016	56.39	56.52	55.4	55.84	55.84	133600
5/16/2016	55.72	56.39	55.72	55.86	55.86	238300
5/17/2016	55.76	56.4	54.12	54.36	54.36	182300
5/18/2016	54.24	55.24	53.72	55	55	200400
5/19/2016	54.81	55.1	54.44	54.61	54.61	189500
5/20/2016	54.84	55.43	54.4	55.39	55.39	351700
5/23/2016	55.25	56.25	55.25	55.57	55.57	163400
5/24/2016	55.85	57.2	55.85	57.08	57.08	200700
5/25/2016	57	57.7	55.77	55.98	55.98	162700
5/26/2016	56	56.48	55.78	56.02	56.02	164800
5/27/2016	55.84	56.5	55.51	56.43	56.43	137300
5/31/2016	56.7	56.7	55.53	56.05	56.05	155600
6/1/2016	55.97	56.87	55.57	56.63	56.63	385700
6/2/2016	56.78	57.5	56.66	57.3	57.3	363600
6/3/2016	57.16	57.41	56.29	57.04	57.04	145600
6/6/2016	57.04	57.59	56.72	57.25	57.25	136300
6/7/2016	57.44	58.99	56.8	58.26	58.26	321900
6/8/2016	58.32	59.23	58.04	59.23	59.23	215000
6/9/2016	59.87	60.81	59.39	59.67	59.67	489400
6/10/2016	59.13	59.73	58.89	59.19	59.19	253100
6/13/2016	58.5	59.18	56.6	56.99	56.99	284200
6/14/2016	56.9	57.77	56.5	57.44	57.44	181900
6/15/2016	57.79	57.97	57.03	57.27	57.27	107700
6/16/2016	57.11	57.63	56.64	57.58	57.58	88100
6/17/2016	57.57	57.96	56.55	57.19	57.19	345400
6/20/2016	57.96	59.75	57.96	58.66	58.66	277600
6/21/2016	58.46	59.03	58.35	58.88	58.88	150900
6/22/2016	58.87	59.3	58.65	58.96	58.96	403000
6/23/2016	59.41	60.18	58.95	60.02	60.02	148900
6/24/2016	58.03	59.36	57.56	58.91	58.91	332500
6/27/2016	58.27	58.28	55.98	56.04	56.04	385000
6/28/2016	56.57	57.32	55.93	56.19	56.19	214500
6/29/2016	56.61	58.45	56.35	58.37	58.37	344200
6/30/2016	58.82	59.82	57.83	59.81	59.81	249400
7/1/2016	59.66	59.9	57.73	58.05	58.05	150500
7/5/2016	57.56	58.25	57.49	57.88	57.88	114200
7/6/2016	57.94	59.01	57.94	58.63	58.63	185600
7/7/2016	58.63	59.02	58.12	58.58	58.58	118400

WageWorks, Inc. (WAGE)
Historical Daily Prices from Yahoo! Finance
for the Time Period of May 5, 2016 - March 18, 2019

Date	Open	High	Low	Close	Adj Close	Volume
7/8/2016	59.25	60.84	58.78	60.71	60.71	185000
7/11/2016	61.27	61.53	60.67	60.99	60.99	226300
7/12/2016	61.57	61.82	60.92	61.5	61.5	187300
7/13/2016	61.55	62.23	60.68	61.03	61.03	239600
7/14/2016	61.39	61.84	60.53	60.67	60.67	168100
7/15/2016	60.87	61.46	60.17	60.94	60.94	187500
7/18/2016	60.61	61.61	60.61	61.26	61.26	178300
7/19/2016	61.15	61.9	60.96	61.45	61.45	136900
7/20/2016	61.55	62.5	61.16	61.7	61.7	169000
7/21/2016	61.46	61.75	61.11	61.53	61.53	112700
7/22/2016	61.34	62.24	61.27	62.12	62.12	156400
7/25/2016	61.87	62.64	61.87	62.13	62.13	108300
7/26/2016	62.17	62.43	61.59	62.16	62.16	102600
7/27/2016	62.11	62.32	61.36	61.88	61.88	197300
7/28/2016	61.94	62.04	60.76	61.33	61.33	167500
7/29/2016	61.2	62.82	60.9	61.81	61.81	280700
8/1/2016	61.88	62.69	61.59	62.12	62.12	195300
8/2/2016	62	62.34	60.79	61.16	61.16	268400
8/3/2016	61.36	61.36	60.48	60.49	60.49	275000
8/4/2016	60.49	61.52	60.28	60.3	60.3	174400
8/5/2016	60.62	61.17	60.5	60.78	60.78	161400
8/8/2016	60.81	60.99	60.04	60.09	60.09	120100
8/9/2016	60.09	60.26	58.88	59.02	59.02	360700
8/10/2016	60.62	61.26	55.75	57.88	57.88	624000
8/11/2016	58.04	59.07	57.92	58.57	58.57	282600
8/12/2016	58.69	59.05	58.2	58.82	58.82	207900
8/15/2016	58.77	59.97	58.54	59.48	59.48	226900
8/16/2016	59.25	59.76	58.7	59.47	59.47	242500
8/17/2016	59.26	60.16	58.53	59.51	59.51	233600
8/18/2016	59.44	60	59.15	59.9	59.9	174600
8/19/2016	59.77	60.81	59.53	60.53	60.53	156900
8/22/2016	60.38	61.37	60.16	60.83	60.83	149800
8/23/2016	60.99	61.68	60.9	61.41	61.41	144400
8/24/2016	61.37	61.63	60.71	61.18	61.18	105300
8/25/2016	61.04	62.24	61.04	62	62	131300
8/26/2016	62.09	62.4	61.02	61.3	61.3	90000
8/29/2016	61.74	61.81	60.91	60.98	60.98	74100
8/30/2016	60.89	62.12	60.61	61.61	61.61	133800
8/31/2016	61.67	61.98	61.11	61.79	61.79	105100
9/1/2016	61.94	62.82	61.51	62.78	62.78	183600
9/2/2016	63.01	64.25	62.95	64.23	64.23	181700
9/6/2016	64.34	64.34	63.64	64.28	64.28	106600
9/7/2016	64.04	64.79	63.64	64.16	64.16	185600
9/8/2016	63.95	63.95	62.87	63.49	63.49	147800
9/9/2016	62.89	63.13	61.87	62.09	62.09	119700
9/12/2016	61.84	63.31	61.42	63.22	63.22	100700

WageWorks, Inc. (WAGE)
Historical Daily Prices from Yahoo! Finance
for the Time Period of May 5, 2016 - March 18, 2019

Date	Open	High	Low	Close	Adj Close	Volume
9/13/2016	62.96	62.96	61.79	62.05	62.05	94800
9/14/2016	62.21	62.48	61.12	61.19	61.19	117300
9/15/2016	61.06	62.25	61.06	61.75	61.75	155000
9/16/2016	61.75	63	61.18	62.92	62.92	553800
9/19/2016	62.92	64.18	62.92	63.84	63.84	195400
9/20/2016	64.27	64.28	63.64	64.09	64.09	101700
9/21/2016	64.72	65.43	63.47	63.88	63.88	250900
9/22/2016	64.37	64.41	62.86	63.15	63.15	356200
9/23/2016	63.03	63.35	62.55	63.07	63.07	225000
9/26/2016	62.93	62.98	62.05	62.09	62.09	87400
9/27/2016	62.07	62.35	61.47	61.94	61.94	144900
9/28/2016	62.14	62.32	61.55	62.15	62.15	193200
9/29/2016	62.09	62.09	60.14	60.17	60.17	195500
9/30/2016	60.48	61.24	60.13	60.91	60.91	187500
10/3/2016	60.88	61.65	60.01	60.4	60.4	229900
10/4/2016	60.26	60.58	59.65	60.04	60.04	170800
10/5/2016	60.24	60.5	59.09	60.05	60.05	337500
10/6/2016	59.96	60.75	59.66	60.47	60.47	155200
10/7/2016	60.49	60.89	59.6	60.31	60.31	229900
10/10/2016	60.65	60.83	59.71	60.16	60.16	121200
10/11/2016	59.92	61	59	60.35	60.35	389900
10/12/2016	60.18	61.84	60.06	61.05	61.05	224000
10/13/2016	60.74	60.74	59.11	59.25	59.25	176700
10/14/2016	59.46	59.67	58.28	58.41	58.41	127600
10/17/2016	58.25	58.35	57.7	58.05	58.05	91500
10/18/2016	58.45	59.75	57.95	58.2	58.2	79200
10/19/2016	58.1	58.6	57.9	58.05	58.05	77100
10/20/2016	57.5	58.2	57.1	57.3	57.3	80600
10/21/2016	56.75	57.4	55.65	57.05	57.05	124000
10/24/2016	57.35	58.65	57.35	58.6	58.6	129900
10/25/2016	58.6	58.7	57.85	58.3	58.3	163500
10/26/2016	58.05	58.8	57.9	58.15	58.15	204700
10/27/2016	58.55	58.55	56.2	56.4	56.4	305400
10/28/2016	56.55	57.45	56	56.15	56.15	142800
10/31/2016	56.35	59.05	55.8	58.95	58.95	184800
11/1/2016	59.1	59.48	56.8	57.5	57.5	171900
11/2/2016	57.9	63.75	57.78	62.8	62.8	554100
11/3/2016	63.15	63.15	61.5	62	62	223900
11/4/2016	62.1	63.55	62.1	62.95	62.95	205000
11/7/2016	64	64.85	63.43	63.75	63.75	204200
11/8/2016	63.2	64.75	63	64.35	64.35	123500
11/9/2016	64.4	67.95	63.8	67.2	67.2	433500
11/10/2016	68.6	72.2	67.9	72	72	630000
11/11/2016	72.05	73.55	71.6	73.05	73.05	444400
11/14/2016	72.1	75.28	71.3	72.75	72.75	571800
11/15/2016	72.2	73.65	70.8	72.35	72.35	346500

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11/16/2016	72.35	73.15	72.35	72.8	72.8	196600
11/17/2016	72.8	73.65	72.35	72.65	72.65	263600
11/18/2016	72.85	73.1	72.25	72.8	72.8	228300
11/21/2016	72.95	73.65	72.6	73.05	73.05	158600
11/22/2016	73	73.7	72.6	73.45	73.45	341000
11/23/2016	73.4	75	73.15	74.5	74.5	327500
11/25/2016	74.5	74.85	74.1	74.75	74.75	61300
11/28/2016	74.5	74.8	73.75	73.95	73.95	249700
11/29/2016	74.05	74.95	73.25	73.3	73.3	247800
11/30/2016	74.55	74.58	73.1	73.85	73.85	250200
12/1/2016	74.2	74.9	73.05	73.5	73.5	237500
12/2/2016	72.9	74.4	72.83	72.85	72.85	141600
12/5/2016	73	74.85	73	74.5	74.5	270200
12/6/2016	74.85	74.9	73.95	74.75	74.75	206100
12/7/2016	74.9	74.9	73.35	73.5	73.5	197600
12/8/2016	72.9	73.5	72.3	73.05	73.05	297500
12/9/2016	73.1	73.55	72.45	73.25	73.25	233200
12/12/2016	73.25	73.45	72.35	72.7	72.7	137900
12/13/2016	72.9	73	71.8	72.45	72.45	270900
12/14/2016	72.35	72.9	71.1	71.4	71.4	188800
12/15/2016	71.3	73.6	71.3	73.55	73.55	202200
12/16/2016	73.85	73.85	70.85	71.15	71.15	635100
12/19/2016	71.35	72.25	71.25	71.55	71.55	174500
12/20/2016	72.2	72.65	71.6	72.45	72.45	286600
12/21/2016	72.5	73.05	72.22	72.4	72.4	161500
12/22/2016	72.3	73.2	71.85	73.1	73.1	165000
12/23/2016	73.3	73.45	72.3	73.2	73.2	85300
12/27/2016	73.2	74.35	73.05	74.2	74.2	176400
12/28/2016	74.3	74.3	72.45	72.45	72.45	185600
12/29/2016	72.7	73.7	72.3	72.5	72.5	199000
12/30/2016	72.75	73	71.7	72.5	72.5	155600
1/3/2017	73.1	73.1	70.55	71.1	71.1	219500
1/4/2017	71.45	72.7	70.72	72.45	72.45	275800
1/5/2017	72.25	72.65	70.05	70.4	70.4	183400
1/6/2017	70.45	71.15	69.65	69.8	69.8	197400
1/9/2017	69.5	70.15	67.3	70.1	70.1	308200
1/10/2017	70.2	72.95	70.2	72.85	72.85	367600
1/11/2017	72.35	73.45	72.25	72.9	72.9	185300
1/12/2017	72.75	72.75	71.25	72.65	72.65	93700
1/13/2017	72.9	73.8	72.6	72.7	72.7	478800
1/17/2017	72.5	72.5	70.1	71.1	71.1	246100
1/18/2017	71.1	71.95	70.85	71.9	71.9	79800
1/19/2017	72.05	72.45	70.7	71.3	71.3	147700
1/20/2017	71.3	72.5	71.3	71.8	71.8	165800
1/23/2017	71.45	71.8	71.3	71.6	71.6	237200
1/24/2017	71.7	72.6	71.25	71.9	71.9	223900

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1/25/2017	72.25	72.6	71.15	71.55	71.55	109900
1/26/2017	71.65	72.35	70.15	72.35	72.35	176300
1/27/2017	72.55	72.8	71.65	72.55	72.55	199800
1/30/2017	72.05	72.05	70.55	71.3	71.3	119400
1/31/2017	71.35	72.65	71.05	72.15	72.15	122400
2/1/2017	72.45	72.7	70.35	70.95	70.95	136400
2/2/2017	70.8	71.05	69.55	70.95	70.95	111900
2/3/2017	71.65	72.75	71.1	72.45	72.45	85200
2/6/2017	72.35	72.95	71.7	72.35	72.35	116300
2/7/2017	72.45	72.9	72.15	72.4	72.4	117100
2/8/2017	72.2	72.85	71.7	72.45	72.45	130100
2/9/2017	72.45	74.15	72.05	74.05	74.05	129500
2/10/2017	74.2	74.95	72.8	74.25	74.25	125000
2/13/2017	74.55	75	74.05	74.5	74.5	148800
2/14/2017	73.9	73.9	72.6	73.15	73.15	154800
2/15/2017	72.95	73.5	72.8	73.25	73.25	187100
2/16/2017	73.15	73.98	72.6	73.5	73.5	103000
2/17/2017	73.3	73.85	72.1	72.3	72.3	166000
2/21/2017	72.5	72.7	71.15	72.2	72.2	208100
2/22/2017	72.2	72.5	71.7	72.2	72.2	166000
2/23/2017	72.8	73.4	71.85	72.9	72.9	189800
2/24/2017	75.55	79.75	74.55	78.75	78.75	591700
2/27/2017	78.8	80.45	78.8	79.9	79.9	572900
2/28/2017	79.65	79.65	76.35	77	77	386000
3/1/2017	78.1	78.1	76.85	77.65	77.65	206900
3/2/2017	77.45	78.05	76.9	77.45	77.45	186000
3/3/2017	77.3	77.8	76.5	77.7	77.7	232200
3/6/2017	77.4	77.5	76.47	77.1	77.1	107200
3/7/2017	77	78.4	76.35	77.3	77.3	242800
3/8/2017	77.3	77.65	76.8	77	77	117500
3/9/2017	76.9	77.4	76.8	77.05	77.05	116300
3/10/2017	77.4	77.55	76.45	76.7	76.7	175900
3/13/2017	76.65	77.4	76.6	76.95	76.95	129300
3/14/2017	76.55	77.88	76.4	77.15	77.15	182300
3/15/2017	77.25	78.2	76.65	77.8	77.8	258200
3/16/2017	78.2	79.2	78	79.15	79.15	162600
3/17/2017	79.15	80.5	78.88	80.2	80.2	372200
3/20/2017	80.3	80.45	78.95	79.85	79.85	134300
3/21/2017	79.85	79.85	78.1	78.25	78.25	399200
3/22/2017	77.7	77.8	75.9	77.2	77.2	342200
3/23/2017	77.25	77.45	75.83	75.9	75.9	231300
3/24/2017	75.95	76	74.1	74.5	74.5	237900
3/27/2017	71.7	71.75	68.75	70.05	70.05	672200
3/28/2017	70.05	71.8	69.75	71.55	71.55	304100
3/29/2017	71.3	72.05	70.75	71.3	71.3	343400
3/30/2017	71.35	72.65	71.35	71.85	71.85	447100

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3/31/2017	71.85	73.03	71.45	72.3	72.3	351800
4/3/2017	72.5	73.15	70.6	70.65	70.65	200200
4/4/2017	70.45	70.95	69.3	69.35	69.35	171500
4/5/2017	69.75	71.15	69.1	70.25	70.25	312100
4/6/2017	70.25	70.9	70.1	70.65	70.65	177400
4/7/2017	70.15	72.25	70.15	71.65	71.65	334300
4/10/2017	71.8	72.4	71.4	71.45	71.45	143300
4/11/2017	71.4	72.1	71.05	71.9	71.9	359200
4/12/2017	72	72.45	71.28	71.4	71.4	141700
4/13/2017	71.15	71.75	70.1	70.85	70.85	411900
4/17/2017	71	71.9	70.7	71.85	71.85	200900
4/18/2017	71.6	72.15	71.1	71.8	71.8	111000
4/19/2017	72.15	72.9	72.05	72.45	72.45	152800
4/20/2017	72.65	73.15	72.2	72.85	72.85	218600
4/21/2017	72.85	73.35	72.6	73	73	299000
4/24/2017	73.55	74.44	73.3	73.55	73.55	272200
4/25/2017	73.95	74.55	73.4	73.75	73.75	206500
4/26/2017	73.6	74.5	73.35	74.2	74.2	218400
4/27/2017	74.15	75.2	73.95	74	74	234400
4/28/2017	74.05	74.5	73.5	73.8	73.8	195400
5/1/2017	73.85	74.45	73.15	74.3	74.3	182900
5/2/2017	74.45	74.9	73.8	74.55	74.55	345200
5/3/2017	74.15	74.5	73.47	74.25	74.25	222100
5/4/2017	74.4	74.55	72.65	73.5	73.5	211100
5/5/2017	74.95	76.55	71.1	72.3	72.3	613400
5/8/2017	72.3	72.3	69.6	70.35	70.35	539400
5/9/2017	70.4	70.7	69.7	70.25	70.25	266600
5/10/2017	70.3	71.05	69.8	71	71	252700
5/11/2017	70.8	71.15	69.9	70.15	70.15	310100
5/12/2017	70.05	70.95	69.55	70.8	70.8	306800
5/15/2017	71.1	72.85	71.05	72.5	72.5	409800
5/16/2017	72.5	72.9	72.15	72.2	72.2	239800
5/17/2017	72.2	72.2	69.55	69.55	69.55	313900
5/18/2017	69.45	70.3	69	69.1	69.1	296800
5/19/2017	69.1	70.6	69.05	69.7	69.7	203700
5/22/2017	69.9	70.4	69.65	70.4	70.4	194200
5/23/2017	70.55	70.7	69.45	70.6	70.6	196300
5/24/2017	70.85	70.9	70	70.25	70.25	211700
5/25/2017	70.55	71.35	70	70.8	70.8	325300
5/26/2017	70.75	70.75	69.65	70.35	70.35	175600
5/30/2017	70.05	70.45	69.5	70.05	70.05	162900
5/31/2017	70.3	71.3	69.5	70.75	70.75	220100
6/1/2017	70.85	72.3	70.8	72.25	72.25	258000
6/2/2017	72.25	73.1	71.97	73	73	237900
6/5/2017	72.9	73.1	71.2	71.2	71.2	137400
6/6/2017	70.7	71.35	70.35	70.95	70.95	101000

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6/7/2017	70.95	70.95	69.9	70.35	70.35	292800
6/8/2017	70.2	73.55	70.13	73.55	73.55	232300
6/9/2017	73.7	74.4	72.1	72.7	72.7	292300
6/12/2017	72.5	72.65	70.2	70.7	70.7	165800
6/13/2017	70.9	71.25	69.8	70.4	70.4	228700
6/14/2017	70.5	71.95	70.45	71.85	71.85	226100
6/15/2017	71.15	71.79	70.6	71.2	71.2	110300
6/16/2017	70.75	72.05	70.35	71.65	71.65	327300
6/19/2017	71.15	71.8	68.6	69.45	69.45	480200
6/20/2017	70.25	71.35	69.7	70.2	70.2	2121000
6/21/2017	70.25	70.65	69.35	69.35	69.35	323700
6/22/2017	69.1	69.55	68	68.15	68.15	355300
6/23/2017	68.15	68.7	67.55	68.1	68.1	405300
6/26/2017	67.9	68.4	66.45	66.55	66.55	520600
6/27/2017	66.65	66.75	66	66.4	66.4	338600
6/28/2017	66.55	68.15	66.2	67.9	67.9	365500
6/29/2017	68.15	68.25	66.5	67.35	67.35	424000
6/30/2017	67.35	67.9	66.75	67.2	67.2	331500
7/3/2017	67.35	67.45	66.5	66.65	66.65	198200
7/5/2017	66.65	66.65	65.6	66.1	66.1	260200
7/6/2017	65.5	65.6	64.25	64.35	64.35	365600
7/7/2017	64.65	65.2	64.15	65.05	65.05	450300
7/10/2017	64.95	65	63.3	63.55	63.55	342000
7/11/2017	63.5	64.2	62.65	63.4	63.4	363900
7/12/2017	63.7	64.95	63.25	64.75	64.75	406400
7/13/2017	64.85	65.2	63.4	65.2	65.2	347000
7/14/2017	65.2	65.95	65.2	65.55	65.55	231100
7/17/2017	65.55	66	65.3	65.7	65.7	245900
7/18/2017	65.65	67.3	65.55	67	67	468800
7/19/2017	67.15	67.5	65.97	66	66	507800
7/20/2017	65.95	66.6	65.34	65.5	65.5	237900
7/21/2017	65.7	65.7	64.55	64.6	64.6	283900
7/24/2017	64.55	66.65	64.35	66.35	66.35	252700
7/25/2017	66.5	67.25	66	66.75	66.75	264700
7/26/2017	66.75	67.55	66.25	66.75	66.75	239300
7/27/2017	66.9	66.95	65.05	65.4	65.4	391100
7/28/2017	65.2	65.75	64.29	65.05	65.05	599000
7/31/2017	65.1	65.5	64.4	65.2	65.2	545200
8/1/2017	65.45	65.65	64.8	65.45	65.45	545300
8/2/2017	68	69.25	58.9	59.75	59.75	2042000
8/3/2017	59.6	59.6	58.05	58.65	58.65	589300
8/4/2017	58.85	59.35	58.2	59.15	59.15	531600
8/7/2017	59.1	59.1	57.8	58.4	58.4	374100
8/8/2017	58.4	58.7	57.75	57.95	57.95	486500
8/9/2017	57.7	58.15	57.6	58	58	608000
8/10/2017	57.75	58.15	57.35	57.5	57.5	395100

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8/11/2017	57.8	58.25	57.3	57.55	57.55	271700
8/14/2017	57.85	58.85	57.4	58.45	58.45	295200
8/15/2017	58.7	58.95	58.1	58.1	58.1	224800
8/16/2017	58.15	59.05	57.85	59	59	419500
8/17/2017	59.05	59.35	57.95	58	58	346400
8/18/2017	57.6	58.8	57.45	58.25	58.25	302900
8/21/2017	58.2	58.2	57.4	57.45	57.45	155300
8/22/2017	57.7	58.8	57.5	58.8	58.8	177100
8/23/2017	58.45	58.85	57.5	57.7	57.7	137300
8/24/2017	58	58.6	57.7	58.3	58.3	205000
8/25/2017	58.5	58.98	58.15	58.6	58.6	179600
8/28/2017	58.7	59.1	58.25	59.05	59.05	202500
8/29/2017	58.65	59.25	58.35	58.7	58.7	245300
8/30/2017	58.65	59.2	58.3	58.5	58.5	208500
8/31/2017	58.7	59.4	58.55	58.95	58.95	261000
9/1/2017	59.05	59.45	58.35	59.15	59.15	193100
9/5/2017	59.05	59.45	57	57.45	57.45	172300
9/6/2017	58	59.03	57.95	58.75	58.75	402400
9/7/2017	58.6	58.6	56.9	57.7	57.7	292200
9/8/2017	57.6	58.6	57.6	58.55	58.55	129600
9/11/2017	58.85	59.4	58.7	59	59	213800
9/12/2017	59	59.65	58.48	58.6	58.6	170600
9/13/2017	58.65	58.65	57.75	58.15	58.15	282000
9/14/2017	58	58.2	57.45	57.95	57.95	227300
9/15/2017	58.05	58.47	57.6	58	58	529500
9/18/2017	58	58.5	57.7	58.5	58.5	195100
9/19/2017	58.5	58.9	58.15	58.85	58.85	175800
9/20/2017	58.9	60.1	58.85	59.5	59.5	307000
9/21/2017	59.55	59.6	58.55	58.6	58.6	181600
9/22/2017	58.5	59.55	58.5	58.8	58.8	186700
9/25/2017	58.75	58.9	57.83	58.75	58.75	250900
9/26/2017	58.85	59.25	58.7	59	59	219900
9/27/2017	59.25	61.25	59.18	61.1	61.1	290700
9/28/2017	60.85	62.05	60.25	61.65	61.65	371700
9/29/2017	61.6	61.95	60.55	60.7	60.7	465200
10/2/2017	60.75	62.75	60.6	62.75	62.75	236300
10/3/2017	62.85	63.83	62.25	63.75	63.75	521600
10/4/2017	63.75	64.35	63.6	63.6	63.6	402200
10/5/2017	63.65	63.65	62.35	62.95	62.95	294900
10/6/2017	62.65	63.25	62.6	62.95	62.95	174400
10/9/2017	62.8	63.05	62.15	62.5	62.5	265400
10/10/2017	62.85	63.9	62.6	63.8	63.8	271900
10/11/2017	63.6	63.9	63	63.6	63.6	321900
10/12/2017	63.8	64.85	63.4	64.7	64.7	449100
10/13/2017	64.65	64.65	63.5	64.1	64.1	527800
10/16/2017	64	64.5	63.55	63.9	63.9	271700

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Date	Open	High	Low	Close	Adj Close	Volume
10/17/2017	63.95	64.3	63.75	63.8	63.8	237600
10/18/2017	64.05	64.8	63.5	64.05	64.05	197800
10/19/2017	63.9	64.5	63.9	64.4	64.4	207700
10/20/2017	65	65.35	64.47	64.85	64.85	207500
10/23/2017	64.9	65.1	64.2	65.05	65.05	151000
10/24/2017	65.25	65.8	64.45	64.55	64.55	328800
10/25/2017	64.6	64.6	63.4	64.1	64.1	154200
10/26/2017	64.45	64.8	63.7	64.65	64.65	218800
10/27/2017	64.6	65.3	64	64.4	64.4	180400
10/30/2017	64.05	64.05	62.3	62.8	62.8	172300
10/31/2017	62.95	64.3	62.95	63.75	63.75	248400
11/1/2017	64.3	64.3	62.51	63.3	63.3	367800
11/2/2017	63.3	63.4	62.45	62.95	62.95	212900
11/3/2017	63.05	63.15	61.95	62.55	62.55	253000
11/6/2017	62.3	62.9	61.55	61.6	61.6	397500
11/7/2017	61.4	62.35	59.35	59.45	59.45	358100
11/8/2017	59.1	59.85	58.3	58.5	58.5	935800
11/9/2017	58.3	62.25	58.3	61.35	61.35	526500
11/10/2017	61.25	61.65	60.7	61.5	61.5	287600
11/13/2017	61.4	62.73	61.1	62.3	62.3	423200
11/14/2017	62	62.9	61.8	62.75	62.75	309300
11/15/2017	62.6	63.35	62.45	62.8	62.8	323800
11/16/2017	63.1	63.1	62	62.2	62.2	282300
11/17/2017	61.7	61.9	60.15	60.65	60.65	431100
11/20/2017	60.65	60.95	60.05	60.6	60.6	218900
11/21/2017	60.95	62.4	60.45	61.95	61.95	432100
11/22/2017	62	63.05	61.95	62.2	62.2	275000
11/24/2017	62.25	63.08	62.05	62.85	62.85	98700
11/27/2017	62.95	63.95	62.85	63.5	63.5	297300
11/28/2017	63.7	64.3	63.25	64.15	64.15	207300
11/29/2017	64.2	65.4	64.05	65.4	65.4	295200
11/30/2017	65.55	65.75	63.95	64.15	64.15	254600
12/1/2017	64.3	64.75	63.2	64.15	64.15	664200
12/4/2017	64.8	65.1	63.35	63.45	63.45	178400
12/5/2017	63.85	63.85	63	63.25	63.25	199600
12/6/2017	63.25	64.1	62.65	62.9	62.9	160400
12/7/2017	62.5	63.45	62.3	62.5	62.5	189900
12/8/2017	62.95	62.95	61.93	62	62	148300
12/11/2017	61.9	62.4	61.3	61.55	61.55	286400
12/12/2017	61.65	62.15	61.05	61.1	61.1	138200
12/13/2017	61.3	61.65	60.45	61.3	61.3	200500
12/14/2017	61.45	61.6	59.7	59.95	59.95	161400
12/15/2017	60.05	61.1	59.25	60.35	60.35	594500
12/18/2017	60.9	61.35	60	60.45	60.45	263300
12/19/2017	60.6	60.6	59.55	60.3	60.3	516600
12/20/2017	60.6	60.92	60.05	60.65	60.65	228500

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Date	Open	High	Low	Close	Adj Close	Volume
12/21/2017	60.7	62.55	60.5	62.25	62.25	229400
12/22/2017	62.2	62.4	61.4	61.8	61.8	187000
12/26/2017	61.7	62.4	61.65	61.9	61.9	156600
12/27/2017	62	62.25	61.01	61.9	61.9	246900
12/28/2017	62	62.4	61.35	62.05	62.05	225400
12/29/2017	62.25	62.55	61.7	62	62	291800
1/2/2018	62.1	62.5	60.85	61.35	61.35	463300
1/3/2018	61.3	61.7	60.85	61.4	61.4	150300
1/4/2018	61.65	63.4	61.65	63.25	63.25	192600
1/5/2018	63.45	63.45	62	62.85	62.85	242600
1/8/2018	62.85	62.85	61.35	61.35	61.35	363500
1/9/2018	61.35	61.35	60	60.45	60.45	485400
1/10/2018	60.15	60.75	59.75	60.6	60.6	226200
1/11/2018	60.55	62	60.25	61.9	61.9	248100
1/12/2018	61.85	62.35	61.1	61.25	61.25	256100
1/16/2018	61.55	63.4	61.15	62.25	62.25	273400
1/17/2018	62.65	62.65	61.55	61.7	61.7	180300
1/18/2018	61.85	62.6	61.6	61.7	61.7	323800
1/19/2018	61.75	61.9	60.85	61	61	411400
1/22/2018	61	61.4	60.1	60.2	60.2	423000
1/23/2018	60.3	61.35	60.15	60.65	60.65	842200
1/24/2018	60.65	61.73	60.3	60.55	60.55	482900
1/25/2018	60.65	60.8	59.7	60.45	60.45	347700
1/26/2018	60.65	61.45	59.75	61.45	61.45	390000
1/29/2018	61.4	62.2	61.25	62	62	232900
1/30/2018	61.45	61.85	60.5	61.05	61.05	332100
1/31/2018	61.35	61.45	60.3	60.55	60.55	265100
2/1/2018	60.85	61.6	59.85	61.1	61.1	429000
2/2/2018	60.75	61.35	60.4	60.95	60.95	223200
2/5/2018	60.5	61.15	57.95	57.95	57.95	391500
2/6/2018	57.1	58.4	56.65	57.85	57.85	243000
2/7/2018	57.6	57.75	56.95	57.15	57.15	157600
2/8/2018	57.3	57.3	56.45	56.45	56.45	258000
2/9/2018	56.8	57.13	54.8	56.4	56.4	260800
2/12/2018	56.45	56.5	55.6	55.6	55.6	309600
2/13/2018	55.5	55.85	54.45	55.5	55.5	310100
2/14/2018	55.25	56.75	55.02	56.7	56.7	309400
2/15/2018	56.95	57.2	56.05	56.65	56.65	181500
2/16/2018	56.4	57.25	56.4	57	57	244500
2/20/2018	57.1	58.1	56.9	57.3	57.3	255700
2/21/2018	57.5	57.92	56.7	56.8	56.8	272800
2/22/2018	57.2	57.45	53.6	54.1	54.1	527800
2/23/2018	54.05	55.1	54.05	55.05	55.05	283000
2/26/2018	55.2	56.65	54.7	54.85	54.85	289000
2/27/2018	54.75	55.1	53.75	53.75	53.75	253600
2/28/2018	53.75	54.35	52.35	52.45	52.45	435500

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Date	Open	High	Low	Close	Adj Close	Volume
3/1/2018	51.6	51.8	38.4	42.7	42.7	4296600
3/2/2018	42	47	39.55	46.5	46.5	2609200
3/5/2018	46.25	46.3	44.55	45.6	45.6	713100
3/6/2018	45.6	46.2	45.1	46.15	46.15	580800
3/7/2018	45.8	48.2	45.8	48.15	48.15	397200
3/8/2018	48.5	49.35	47.65	49.2	49.2	517700
3/9/2018	49.6	49.75	48.5	49.05	49.05	528400
3/12/2018	49.1	49.8	49	49.05	49.05	454200
3/13/2018	49.1	49.2	47.65	47.95	47.95	1310700
3/14/2018	48.05	48.3	47.35	48.25	48.25	1009700
3/15/2018	48.25	48.25	44.9	45.7	45.7	515800
3/16/2018	45.7	46.95	45.65	46.35	46.35	638800
3/19/2018	46.1	46.5	45.35	46.25	46.25	311700
3/20/2018	46.25	46.4	45.65	46.2	46.2	293800
3/21/2018	46.25	47.31	45.8	47	47	289400
3/22/2018	46.5	46.65	45.45	45.5	45.5	244100
3/23/2018	45.55	45.55	43.6	43.65	43.65	310300
3/26/2018	44.4	45.15	44	44.95	44.95	311700
3/27/2018	45.2	45.4	44.35	44.65	44.65	253800
3/28/2018	44.8	45.2	44.15	44.25	44.25	379000
3/29/2018	44.55	45.85	44.48	45.2	45.2	310600
4/2/2018	45	45.5	43.85	44.15	44.15	285000
4/3/2018	44.45	44.96	44.05	44.85	44.85	182000
4/4/2018	44.45	45.15	44.3	45.1	45.1	348600
4/5/2018	45.45	45.55	44.75	45.05	45.05	256000
4/6/2018	45.6	45.9	41.25	43.4	43.4	1710000
4/9/2018	42.85	43.15	41.9	42.45	42.45	622600
4/10/2018	42.75	44.45	42.65	44.25	44.25	552500
4/11/2018	43.9	44.5	43.45	43.65	43.65	534400
4/12/2018	43.8	44.55	43.6	43.95	43.95	249000
4/13/2018	44.1	44.2	42.75	43.45	43.45	541100
4/16/2018	43.65	44.75	43.3	44.65	44.65	307900
4/17/2018	44.95	45.2	44.3	44.7	44.7	755800
4/18/2018	45.15	45.59	44.73	45	45	350400
4/19/2018	44.75	45.45	44.65	45	45	326100
4/20/2018	44.8	44.85	43.75	44.1	44.1	270300
4/23/2018	44.1	44.1	43.52	43.75	43.75	409800
4/24/2018	44.05	44.4	43.25	43.75	43.75	577600
4/25/2018	43.75	44.15	43.6	43.85	43.85	552600
4/26/2018	43.9	43.9	42.7	42.95	42.95	307400
4/27/2018	42.95	42.95	42.05	42.1	42.1	376200
4/30/2018	42.1	42.5	41.05	41.65	41.65	532000
5/1/2018	41.6	42	40.75	41.95	41.95	843000
5/2/2018	41.95	42.2	41.2	41.95	41.95	525900
5/3/2018	41.8	42	41.2	41.4	41.4	221600
5/4/2018	41.15	42	41.05	41.5	41.5	372300

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5/7/2018	41.7	41.9	41.35	41.45	41.45	433600
5/8/2018	41.45	42	41.25	41.4	41.4	479000
5/9/2018	41.6	41.8	40.9	41.05	41.05	464700
5/10/2018	41.3	41.75	40.95	41.45	41.45	344200
5/11/2018	41.15	42.05	41.15	41.85	41.85	670400
5/14/2018	41.8	43.05	41.7	42.85	42.85	513900
5/15/2018	42.95	43.87	42.65	43.7	43.7	393200
5/16/2018	43.85	43.85	42.55	43.3	43.3	293600
5/17/2018	43.45	44.65	43.1	44.55	44.55	385600
5/18/2018	44.8	45.33	44.6	44.95	44.95	301300
5/21/2018	45	45.6	44.65	45.1	45.1	251500
5/22/2018	45.05	45.5	44.7	44.75	44.75	152000
5/23/2018	44.05	45	43.85	44.8	44.8	423100
5/24/2018	44.65	44.7	44.05	44.25	44.25	531600
5/25/2018	44.4	45.2	44.3	45.1	45.1	206100
5/29/2018	44.9	45.25	44.3	44.85	44.85	273200
5/30/2018	45.8	47.2	45.75	46.65	46.65	310500
5/31/2018	46.7	47.55	46.35	47.45	47.45	444300
6/1/2018	47.85	48.59	46.7	46.7	46.7	345700
6/4/2018	46.8	47.45	46.5	47.2	47.2	276200
6/5/2018	47.25	48.46	47.05	48.35	48.35	309700
6/6/2018	48.5	48.85	47.5	48.65	48.65	299600
6/7/2018	48.75	48.9	48.15	48.45	48.45	411000
6/8/2018	48.55	49.15	48.3	48.5	48.5	211600
6/11/2018	48.45	48.95	48.1	48.55	48.55	298600
6/12/2018	48.45	49.15	48.3	48.75	48.75	202900
6/13/2018	49	49.25	48.65	49.15	49.15	185300
6/14/2018	49.15	50.5	48.9	50.35	50.35	293100
6/15/2018	50.4	51	50	50.9	50.9	874800
6/18/2018	50.35	51.5	50.1	51	51	482900
6/19/2018	50.8	51	50	50.95	50.95	550200
6/20/2018	51	52.15	50.6	52.1	52.1	473100
6/21/2018	52	52.25	51.3	51.4	51.4	288300
6/22/2018	51.8	51.8	50.65	51.1	51.1	378300
6/25/2018	50.75	51	50.1	50.6	50.6	266500
6/26/2018	50.7	51.3	50.2	51.25	51.25	165000
6/27/2018	50.65	50.65	46	47.25	47.25	1069600
6/28/2018	48.05	50.15	47.45	50.1	50.1	507500
6/29/2018	50.25	51	49.4	50	50	574000
7/2/2018	49.4	51.2	49.4	51	51	479100
7/3/2018	51.35	52.55	51.2	52.5	52.5	268000
7/5/2018	52.6	52.75	51.8	52.65	52.65	251900
7/6/2018	52.85	53.6	52.85	53.15	53.15	257400
7/9/2018	53.4	53.7	52.9	53.4	53.4	203500
7/10/2018	53.3	53.3	51.45	51.55	51.55	231400
7/11/2018	51.45	52.25	51.28	52.2	52.2	215400

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7/12/2018	52.5	53.2	51.6	53.05	53.05	226200
7/13/2018	52.85	53.2	51.9	52.45	52.45	215500
7/16/2018	52.5	52.68	51.58	51.9	51.9	254200
7/17/2018	51.65	52.45	51.35	52.15	52.15	159700
7/18/2018	52.05	52.45	51.85	51.95	51.95	182700
7/19/2018	51.65	51.75	50.53	51.1	51.1	332000
7/20/2018	51.25	52	51	51.65	51.65	339600
7/23/2018	51.75	53.25	51.45	52.85	52.85	238800
7/24/2018	53.05	53.25	51.9	52.4	52.4	295300
7/25/2018	52.3	53.75	52.3	53.65	53.65	343100
7/26/2018	53.55	54.65	53.55	54.4	54.4	358500
7/27/2018	54.6	54.7	53.75	54.35	54.35	176500
7/30/2018	54.2	54.6	52.3	52.4	52.4	245700
7/31/2018	52.7	53.45	52.15	52.8	52.8	292200
8/1/2018	52.6	53.55	52.25	53.5	53.5	293400
8/2/2018	53.15	54.55	53.15	54.45	54.45	226900
8/3/2018	54.4	54.69	52.7	52.85	52.85	225000
8/6/2018	53.05	55.15	53.05	54.85	54.85	176200
8/7/2018	54.9	55.9	54.5	55.7	55.7	291200
8/8/2018	55.65	56.75	55.1	56.35	56.35	196900
8/9/2018	56	56.8	55.2	55.35	55.35	252900
8/10/2018	55.05	55.45	54.75	54.8	54.8	135000
8/13/2018	54.85	54.95	53.8	54.65	54.65	148500
8/14/2018	54.75	54.9	52.95	53.15	53.15	210500
8/15/2018	53	53.4	51.65	51.75	51.75	407100
8/16/2018	52.15	52.65	51.55	52.05	52.05	207000
8/17/2018	51.9	52.97	51.9	52.8	52.8	257300
8/20/2018	53.1	53.1	52.05	52.1	52.1	164300
8/21/2018	52.05	53	52.05	52.8	52.8	424700
8/22/2018	52.75	53.2	51.7	51.85	51.85	154700
8/23/2018	51.85	52.33	51.25	51.7	51.7	131000
8/24/2018	51.7	53.1	51.65	52.7	52.7	154900
8/27/2018	52.85	53.5	52	52.1	52.1	188500
8/28/2018	52.25	52.85	51.45	52.15	52.15	120600
8/29/2018	52.3	52.8	51.95	52.1	52.1	122900
8/30/2018	51.85	52.65	51.3	52	52	222500
8/31/2018	51.9	53.65	51.9	53.5	53.5	207900
9/4/2018	53.5	53.85	52.05	52.45	52.45	232500
9/5/2018	52.2	52.2	50.6	51.5	51.5	274300
9/6/2018	51.6	51.6	50.9	51.2	51.2	148400
9/7/2018	51.15	51.45	50.4	50.6	50.6	149700
9/10/2018	50.75	50.8	50.09	50.5	50.5	123600
9/11/2018	50.5	50.9	49.35	49.6	49.6	262700
9/12/2018	49.55	49.85	49	49.1	49.1	235400
9/13/2018	40.65	43.4	40	40.95	40.95	2975600
9/14/2018	40.71	42.05	40.15	41.05	41.05	637700

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9/17/2018	40.6	42.05	40.05	41.95	41.95	675300
9/18/2018	41.95	42.7	41.7	41.75	41.75	459600
9/19/2018	41.65	42.2	41.56	41.7	41.7	335900
9/20/2018	41.75	42.6	41.6	41.75	41.75	647200
9/21/2018	41.55	41.8	39.9	40.15	40.15	727700
9/24/2018	40.1	40.42	39.6	40	40	503400
9/25/2018	40.1	41.15	39.8	40.6	40.6	365600
9/26/2018	40.55	40.9	40.13	40.5	40.5	272200
9/27/2018	40.6	41.85	40.3	41.55	41.55	278500
9/28/2018	41.55	43.15	41.55	42.75	42.75	414600
10/1/2018	43.01	43.32	42.04	42.25	42.25	564800
10/2/2018	42.39	42.71	41.83	41.9	41.9	243900
10/3/2018	42.15	43.34	41.67	42.97	42.97	245500
10/4/2018	42.73	43.01	42	42.39	42.39	155500
10/5/2018	42.61	42.67	41.07	41.81	41.81	141300
10/8/2018	41.8	42.09	40.23	40.89	40.89	297700
10/9/2018	40.93	41.61	40.83	40.94	40.94	216100
10/10/2018	40.92	41.44	40.75	41	41	215700
10/11/2018	40.83	41.65	40.49	41.1	41.1	284700
10/12/2018	41.74	41.74	40.55	41.09	41.09	279300
10/15/2018	41.49	42.11	40.21	41.57	41.57	259200
10/16/2018	41.71	43.12	40.6	43	43	223800
10/17/2018	42.86	42.86	41.91	42.37	42.37	180700
10/18/2018	42.28	42.91	41.76	42.06	42.06	186400
10/19/2018	41.98	42.66	41.63	41.81	41.81	186100
10/22/2018	42.07	42.67	41.84	42.16	42.16	170000
10/23/2018	41.73	42	41.04	41.64	41.64	158300
10/24/2018	41.57	41.78	40.08	40.17	40.17	346100
10/25/2018	40.42	41	40.19	40.75	40.75	267300
10/26/2018	40.44	41.07	39.77	40.16	40.16	256700
10/29/2018	40.67	41.42	39.52	40.04	40.04	173700
10/30/2018	39.98	40.47	39.67	40.01	40.01	183900
10/31/2018	40.57	40.63	39.11	39.81	39.81	303800
11/1/2018	39.99	41.98	39.97	41.36	41.36	298400
11/2/2018	41.44	41.72	41	41.38	41.38	292300
11/5/2018	41.34	42.37	40.89	41.32	41.32	251300
11/6/2018	41.25	42.83	41.25	42.78	42.78	174600
11/7/2018	41	41.28	38.16	40.89	40.89	384100
11/8/2018	40.7	41.28	39.93	40	40	251400
11/9/2018	40	40	37.86	38.38	38.38	212500
11/12/2018	38.34	38.46	37.23	37.69	37.69	341300
11/13/2018	37.75	38.13	36.45	37.1	37.1	439200
11/14/2018	37.26	37.51	35.98	36.4	36.4	409100
11/15/2018	36	37.28	36	36.87	36.87	325800
11/16/2018	36.58	37.04	35.28	36.5	36.5	416500
11/19/2018	36.36	37.2	35.86	36.02	36.02	555600

WageWorks, Inc. (WAGE)
Historical Daily Prices from Yahoo! Finance
for the Time Period of May 5, 2016 - March 18, 2019

Date	Open	High	Low	Close	Adj Close	Volume
11/20/2018	35.76	36.16	34.28	34.3	34.3	366000
11/21/2018	34.52	35.08	33.78	33.92	33.92	236000
11/23/2018	33.6	34.71	33.43	34.51	34.51	89900
11/26/2018	34.59	35.12	33.98	34.38	34.38	420700
11/27/2018	34.34	34.81	33.07	33.16	33.16	354900
11/28/2018	33.31	33.86	32.64	33.84	33.84	834800
11/29/2018	33.4	34.32	33.07	33.6	33.6	618200
11/30/2018	33.58	34.05	33.16	33.33	33.33	335500
12/3/2018	33.82	33.86	32.84	33.59	33.59	858200
12/4/2018	33.46	34.17	31.03	31.1	31.1	769000
12/6/2018	30.66	30.67	29.44	30.03	30.03	634800
12/7/2018	30.02	30.65	29.18	29.48	29.48	432800
12/10/2018	29.94	30.99	29.71	29.84	29.84	443100
12/11/2018	30.38	30.55	28.16	28.91	28.91	835800
12/12/2018	29.27	29.83	29.04	29.2	29.2	860100
12/13/2018	29.37	29.37	27.84	28.38	28.38	504400
12/14/2018	28.13	28.67	27.97	28.12	28.12	346700
12/17/2018	27.88	28.57	27.26	27.4	27.4	417700
12/18/2018	27.67	28.09	27.51	27.64	27.64	531100
12/19/2018	27.59	27.86	26.4	26.55	26.55	421900
12/20/2018	26.42	26.87	25.47	25.48	25.48	397600
12/21/2018	25.4	25.79	25.2	25.48	25.48	1344700
12/24/2018	25.18	26.14	25.16	25.44	25.44	232300
12/26/2018	25.56	26.5	25.15	26.47	26.47	503300
12/27/2018	26.12	27.15	25.83	26.73	26.73	577100
12/28/2018	26.7	27.47	26.07	26.8	26.8	440600
12/31/2018	26.89	27.18	26.4	27.16	27.16	434400
1/2/2019	26.83	27.87	26.63	26.86	26.86	379500
1/3/2019	26.56	27.2	25.96	26.38	26.38	449400
1/4/2019	26.87	27.96	26.74	27.62	27.62	468900
1/7/2019	27.84	29.08	27.78	28.32	28.32	494200
1/8/2019	28.65	28.99	28.16	28.32	28.32	318200
1/9/2019	28.45	28.7	27.71	28.12	28.12	1088800
1/10/2019	27.91	28.57	27.64	27.87	27.87	402400
1/11/2019	27.59	28.31	27.4	27.91	27.91	408300
1/14/2019	27.75	28.04	27.42	27.53	27.53	332500
1/15/2019	27.71	28.32	27.26	27.89	27.89	537100
1/16/2019	27.91	28.73	27.37	27.46	27.46	573200
1/17/2019	27.3	29	27.3	28.88	28.88	954400
1/18/2019	28.91	29.35	28.88	29.25	29.25	525100
1/22/2019	29.05	29.89	29.05	29.52	29.52	588600
1/23/2019	29.51	30.25	29.29	29.33	29.33	315100
1/24/2019	29.23	29.75	28.9	29.68	29.68	576900
1/25/2019	30	30.52	29.84	30.3	30.3	150200
1/28/2019	29.72	30.24	29.47	30.09	30.09	246800
1/29/2019	30.16	31.04	30.07	30.7	30.7	362900

WageWorks, Inc. (WAGE)
Historical Daily Prices from Yahoo! Finance
for the Time Period of May 5, 2016 - March 18, 2019

Date	Open	High	Low	Close	Adj Close	Volume
1/30/2019	30.89	31.11	30.43	30.92	30.92	246300
1/31/2019	30.93	31.73	30.93	31.55	31.55	621900
2/1/2019	31.6	32	31.55	31.85	31.85	351300
2/4/2019	31.97	32.27	31.62	32.27	32.27	440000
2/5/2019	32.4	32.67	32.13	32.65	32.65	443900
2/6/2019	32.67	33.28	32.36	32.8	32.8	326800
2/7/2019	32.62	33.35	32.44	33.08	33.08	275300
2/8/2019	32.86	33.87	32.77	33.83	33.83	507800
2/11/2019	34.03	35.47	34.03	35.35	35.35	798500
2/12/2019	35.5	36.07	35.5	35.71	35.71	510000
2/13/2019	35.77	36.77	35.64	36.65	36.65	429400
2/14/2019	36.49	37.46	36.26	37.35	37.35	592500
2/15/2019	37.53	37.7	37.03	37.32	37.32	412200
2/19/2019	37.33	37.55	36.77	36.79	36.79	258600
2/20/2019	36.78	36.78	34.98	35.49	35.49	672800
2/21/2019	35.33	35.58	34.94	35.1	35.1	390900
2/22/2019	35.31	35.69	35.07	35.45	35.45	431700
2/25/2019	35.49	36.07	35.34	35.51	35.51	357200
2/26/2019	35.41	35.66	34.66	34.99	34.99	255800
2/27/2019	34.8	35.18	33.99	34.01	34.01	564100
2/28/2019	33.84	34.1	32.9	32.9	32.9	832200
3/1/2019	33.02	33.8	31.91	32	32	1481200
3/4/2019	32	32.12	30.84	31.07	31.07	846500
3/5/2019	31.02	31.23	29.8	30.01	30.01	1079500
3/6/2019	30.02	30.2	28.56	28.68	28.68	920800
3/7/2019	28.66	28.66	27.66	27.7	27.7	355900
3/8/2019	28.05	29.91	28	29.69	29.69	1049700
3/11/2019	29.69	30.19	29.31	29.79	29.79	635900
3/12/2019	29.86	30.39	29.15	29.15	29.15	752100
3/13/2019	29.27	30.45	28.69	29.87	29.87	1821900
3/14/2019	32.32	40.24	32.26	38.99	38.99	4454200
3/15/2019	38.62	39.01	37.04	37.72	37.72	1648900
3/18/2019	38.11	40.1	37.41	39.58	39.58	1260600

EXHIBIT F

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2018

OR

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

For the transition period from to

Commission File Number: 001-35232

WAGEWORKS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	94-3351864
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1100 Park Place, 4th Floor San Mateo, California	94403
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (650) 577-5200

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	WAGE	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the registrant's common stock, $0.001 par value per share, held by non-affiliates of the registrant on June 30, 2018, the last business day of the registrant's most recently completed second fiscal quarter, was $1,992,642,850 (based on the closing sales price of the registrant's common stock on that date). This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of May 23, 2019, there were 39,869,857 shares of the registrant's common stock outstanding.

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Overview

The last year has been a period of significant transition for our business, including within our management team. As previously disclosed on April 5, 2018, the Board concluded that our financial statements for (i) the quarterly and year-to-date periods ended June 30 and September 30, 2016, (ii) the year ended December 31, 2016 and (iii) the quarterly and year-to-date periods ended March 31, June 30 and September 30, 2017 (collectively, the "Non-Reliance Periods") should be restated and should no longer be relied upon (the "Announced Restatement"). The determination was made upon the recommendation of the Audit Committee as a result of the investigation described below and after consultation with our then independent auditors and management team. The investigation included a review of certain issues, including revenue recognition, related to the accounting for a government contract during fiscal 2016 and associated issues with whether there was an open flow of information and appropriate tone at the top for an effective control environment, the timing of revenue recognition under certain contracts and arrangements, and the impairment assessment for KP Connector, our internal use software, among other matters.

On September 12, 2018, in response to concerns raised by KPMG LLP ("KPMG"), the Board formed a Special Committee of members of the Board (the "Special Committee"), independent from the Audit Committee. The Special Committee was tasked with carrying out an independent investigation and review of the procedures, scope and findings of the Audit Committee's investigation of the concerns raised by KPMG as well as the additional allegations made by former management's counsel noted in the Company's Form 8-K filed with the SEC on November 6, 2018, with full authority to take whatever follow-up measures it deemed appropriate. The Special Committee has concluded its investigation. Among its findings, the Special Committee determined: that the Audit Committee's investigation, conducted with the assistance of two independent professionals, Paul Hastings LLC and Sidley Austin LLP, was adequate; that the Audit Committee had a reasonable basis for its conclusion that no illegal acts had occurred; that Paul Hastings did not see communications or correspondence about KP Connector that they should have followed up on; and that neither the Audit Committee members nor Edgar Montes, then the Company's President and Chief Operating Officer, knew that information regarding the government contract had not been timely disclosed to KPMG.

These events created significant uncertainty in our business, including in our financial performance for the year, which was below that of prior years, as described in the "2018 Financial and Operational Highlights." This uncertainty was further enhanced by the restructuring of our management team as described in the "Management Changes" section below.

2018 Financial and Operational Highlights

The Company's financial and operational results in 2018 are described below:

- A $3.9 million decrease in total revenue year-over-year (from $476.1 million in 2017 to $472.2 million in 2018);
- GAAP net income of $26.0 million or $0.64 (40,434 thousand shares) per diluted share, as compared to GAAP net income in 2017 of $54.4 million or $1.38 (39,415 thousand shares) per diluted share;
- A 16.8% decrease in non-GAAP Adjusted EBITDA year-over-year (from $146.6 million in 2017 to $122.0 million in 2018);
- Maintained high customer and participant satisfaction and retention scores; and
- Maintained a greater than 90% annual renewal rate for enterprise clients (based on annual revenue).

2018 Executive and Director Changes

On April 5, 2018, executing on the Company's long-standing succession plan, and in order to provide a seamless transition of leadership, we announced changes to our management team:

- Mr. Jackson resigned from his position as Chief Executive Officer, and was appointed Executive Chairman of the Company, a position he held until his resignation on September 6, 2018;
- Mr. Montes was appointed President and Chief Executive Officer, and appointed to serve as a member of the Board;
- Mr. Callan resigned from his position as Chief Financial Officer, and continued his employment with us to effect a seamless transition to the incoming interim chief financial officer, followed by the termination of his employment on July 4, 2018; and
- Ms. Wilford resigned from her position as Senior Vice President, General Counsel and Corporate Secretary of the Company, and continued employment with us to effect a seamless transition, followed by the termination of her employment on July 4, 2018.

On April 9, 2018, the Board approved the appointment of Mr. Dawood as Interim Chief Financial Officer and principal financial officer of the Company, effective immediately.

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SIGNATURES

Pursuant to the requirement of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WAGEWORKS, INC.

Date: May 29, 2019 By: /s/ ISMAIL DAWOOD

Ismail Dawood

Chief Financial Officer

(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Edgar O. Montes and Ismail Dawood, and each or any one of them, his or her lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/ S / EDGAR O MONTES **Edgar O. Montes**	President, Chief Executive Officer and Director (Principal Executive Officer)	May 29, 2019
/ S / ISMAIL DAWOOD **Ismail Dawood**	Chief Financial Officer (Principal Financial Officer)	May 29, 2019
/ S / STUART C HARVEY, JR. **Stuart C. Harvey, Jr.**	Executive Chairman and Director	May 29, 2019
/ S / THOMAS A BEVILACQUA **Thomas A. Bevilacqua**	Lead Independent Director	May 29, 2019
/ S / BRUCE G BODAKEN **Bruce G. Bodaken**	Director	May 29, 2019
/ S / JEROME D GRAMAGLIA **Jerome D. Gramaglia**	Director	May 29, 2019
/ S / ROBERT L METZGER **Robert L. Metzger**	Director	May 29, 2019
/ S / GEORGE P SCANLON **George P. Scanlon**	Director	May 29, 2019
/ S / CAROL A. GOODE **Carol A. Goode**	Director	May 29, 2019

EXHIBIT G

UNITED STATES
CIVILIAN BOARD OF CONTRACT APPEALS

ORDER ON PROCEEDINGS: March 22, 2019

CBCA 6027, 6224

WAGEWORKS, INC.,

Appellant,

v.

OFFICE OF PERSONNEL MANAGEMENT,

Respondent.

Lars E. Anderson, Sally Ann Hostetler, Shiva S. Hamidinia, James P. Miller, and Ken M. Kanzawa of Odin Feldman Pittleman PC, Reston, VA; and Dale Bish of Wilson Sonsini Goodrich & Rosati, PC, Palo Alto, CA, counsel for Appellant.

Matthew Donohue, Austin Fulk, and Sean Belanger, Office of the General Counsel, Office of Personnel Management, Washington, DC, counsel for Respondent.

HYATT, Board Judge.

ORDER

On Tuesday, March 19, 2019, the Board received a request from Sam M. Ward, Esq. of Barrack Rodos & Bacine, in San Diego, California, for copies of all documents and pleadings filed in these cases. The request has now been supplemented to identify only the following documents:

<u>CBCA 6027 Index of Record</u>:
Tab Nos. 5,7, 17, 21, 24-25, 35, 37, 39, 41, 45-48, 50, 53, 56, 58, 60-62, 68

<u>CBCA 6224 Index of Record</u>:
Tab Nos. 1, 4-5, 10, 22-28, 32-36, 38, 43, 45, 47-49, 55

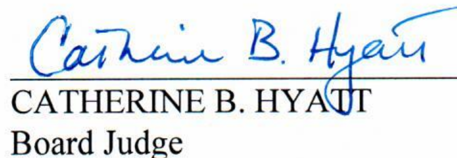
<u>CBCA No. 6027 Rule 4 File Index</u>:
Tab Nos. 4-12, 15-16, 29-65

<u>CBCA No. 6027, 6224, Respondent's Supplemental Rule 4 File Index</u>:
Tab Nos. 65-70

<u>CBCA No. 6027, 6224, WageWorks' Supplemental Rule 4 File Index</u>:
Tab Nos. 81-82, 85, 94, 130-132, 136, 150-154,158-161, 167-168

In accordance with paragraph 8(b) of the protective order issued on April 20, 2018, the parties are hereby afforded an opportunity to object to release of any documents that would not be available to third parties under the Freedom of Information Act. The parties should identify any documents which may be released without objection, those which may be released in redacted form (with copies of proposed redactions), and those which should be withheld in their entirety.

The parties should provide a response to the Board by **Wednesday, March 27, 2019**. If this is insufficient time to complete a review of the requested documents, a partial response as to documents that have been reviewed and to which there is no objection to their release should be provided, with a timetable as to when the parties will be able to provide a complete response to this request.



CATHERINE B. HYATT
Board Judge