



New York State Health Insurance Program Dependent Eligibility Audit Services

New York State Department of Civil Service

Invitation For Bid # DEAS -2015-1

Administrative FYXUM/XGY/M/cb

Original #1

Response Due: June 10, 2015 / 3:00 p.m. ET

5615 High Point Drive Irving, TX 75038 Telephone: 518.724.7855 Fax: 469.359.4413 <u>Health Management Systems, Inc. (HMS)</u> Proposal Dated <u>June 10, 2015</u> (Name of Company)

In Response to the Procuring Agencies Request for Proposals entitled **Dependent Eligibility Audit Services #DEAS-2015-1.**

- ✓ Offeror asserts that the information noted in the table below constitutes proprietary and/or trade secret information and desires that such information not be disclosed if requested pursuant to the New York State Freedom of Information Law, Article 6 of the Public Officers Law.
- Offeror makes NO assertion that any information in its Proposal, in whole or in part, should be protected from FOIL disclosure.

Administrative Section:			
Requested Redaction Page #'s and Proposal Sections or Exhibit/Attachment #	Description	Offeror Rationale for Proposed Redaction	
Exhibit I.O, MWBE Utilization Plan (Form WMBE 100)	WBE Utilization Plan (HMS Subcontractor))	The value of the specific information/record to the partnership information and disclosure of it could proprietary solution.	
F. Financial Statement, attachments	HMS Financial Information	The value of the specific information/record to the Offeror and to its competitors.	
D. Key Subcontractors, Pages. 1-2	HMS Offering	Whether the item of information is known by anyone outside the Offeror's business or organization; Confidential partnership information and disclosure of it could provide material information relevant to our proprietary solution.	
Exhibit I.U.1 Key Subcontractors	HMS Offering	Whether the item of information is known by anyone outside the Offeror's business or organization; Confidential partnership information and disclosure of it could provide material information relevant to our proprietary solution.	
Insert rows above as neces	sary		
	Technical Section:		
Requested Redaction Page #'s and Proposal Sections or Exhibit/Attachment #	Description	Offeror Rationale for Proposed Redaction	
A.1 Project Team, Page 9	HMS Project Team Details	The ease or difficulty with which the information could be properly acquired or duplicated (not merely copied) for use by others.	

Exhibit I.C - Freedom of Information Law - Request for Redaction Chart

	1	Stroi Reduction Shart
A.2 Project Implementation, Pages 1-6	HMS Implementation Process and Methods	The value of the specific information/record to the Offeror and to its competitors.
A.3 Electronic Transfer of Data, Pages 5-6	HMS Data Security	The amount of effort or money expended by the Offeror in developing the information/record.
A.4 Call Center Services, Page 1, 3-4	HMS Call Center Processes	The amount of effort or money expended by the Offeror in developing the information/record.
A.5 Secure Online Portal, Pages 1-5	HMS Web Portal Technology	The value of the specific information/record to the Offeror and to its competitors; The amount of effort or money expended by the Offeror in developing the information/record.
A.6 Amnesty Period, Eligibility Verification Period, and Appeal and Reinstatement Period(s), Pages 1-3	HMS Operational Processes and Differentiators	The value of the specific information/record to the Offeror and to its competitors; The amount of effort or money expended by the Offeror in developing the information/record.
A.7 Communication Material, Pages 1-5	HMS Operational Processes and Communications	The confidential nature of the specific item, including a description of the nature and extent of the injury to the Offeror's competitive position, such as unfair economic or competitive damage, which would be incurred were the information/record to be disclosed; the value of the specific information/record to the Offeror and to its competitors; and the amount of effort or money expended by the Offeror in developing the information/record.
A.8 Outgoing and Returned Mail Process, Pages 1-7	HMS Operational Processes and Workflows	The value of the specific information/record to the Offeror and to its competitors and the amount of effort or money expended by the Offeror in developing the information/record.
A.9 Reporting, Page 3	HMS Project Reporting	The value of the specific information/record to the Offeror and to its competitors and the amount of effort or money expended by the Offeror in developing the information/record.
B.1 Executive Summary, Pages 2, 10-14,19-20, 25- 26, 28-30	HMS Process and Work Tasks; HMS Differentiators	The value of the specific information/record to the Offeror and to its competitors.
B.3 Project Implementation, Pages 3- 14,	HMS Process and Work Tasks	The value of the specific information/record to the Offeror and to its competitors and the amount of effort or money expended by the Offeror in developing the information/record.

Exhibit I.C - Freedom of Information Law - Request for Redaction Chart

B.4 Electronic Transfer of Data, Pages 1-3,	HMS Data Security	The amount of effort or money expended by the Offeror in developing the information/record.
B.5 Call Center, Pages 1-3, 6-8	HMS Process and Resources	The value of the specific information/record to the Offeror and to its competitors.
B.6 Secure Online Web Portal, Pages 1-11	HMS Web Portal Technology	The amount of effort or money expended by the Offeror in developing the information/record and the ease or difficulty with which the information could be properly acquired or duplicated (not merely copied) for use by others.
B.7 Amnesty Period, Eligibility Verification Period, and Appeal and Reinstatement Period(s), Pages 2-16	HMS Operational Processes and Differentiators	The amount of effort or money expended by the Offeror in developing the information/record.
B.8 Communication Material, Pages 1-29	HMS Operational Processes and Communications	The confidential nature of the specific item, including a description of the nature and extent of the injury to the Offeror's competitive position, such as unfair economic or competitive damage, which would be incurred were the information/record to be disclosed.
B.9 Reporting, Pages 1-5	HMS Project Reporting	The value of the specific information/record to the Offeror and to its competitors; The amount of effort or money expended by the Offeror in developing the information/record.
Insert rows above as neces	sary	
Cost Section:		
Requested Redaction Page #'s and Proposal Sections or Exhibit/Attachment #	Description	Offeror Rationale for Proposed Redaction
Insert rows above as neces	sarv	

REDACTION CHART

Exhibit I.C - Freedom of Information Law - Request for Redaction Chart

Please provide specific justification for each item for which you seek protection from FOIL disclosure. An appropriate justification may any one or more of the following considerations by which to demonstrate reasonably whether the item for which you seek protection may be excepted from disclosure:

- the confidential nature of the specific item, including a description of the nature and extent of the injury to the Offeror's competitive position, such as unfair economic or competitive damage, which would be incurred were the information/record to be disclosed;
- b) whether the specific information/record is treated as confidential by the Offeror, including whether it ever has been made available to any person or entity;
- whether any patent, copyright, or similar legal protection exists for the specific item of information;
- d) whether the public disclosure of the information/record is otherwise restricted by law, and the specific source and content of such restriction;
- the date upon which the information/record no longer will need to be kept confidential, if applicable;
- f) whether the item of information is known by anyone outside the Offeror's business or organization;
- g) the extent to which the information is known by Offeror's employees and others involved in the Offeror's business:
- h) the value of the specific information/record to the Offeror and to its competitors;
- i) the amount of effort or money expended by the Offeror in developing the information/record; and
- j) the ease or difficulty with which the information could be properly acquired or duplicated (not merely copied) for use by others.



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June 8, 2015

Mr. George Powers Procurement Manager Employee Benefits Division – Room 1106 NYS Department of Civil Service Albany, NY 12239

RE: Invitation for Bids # DEAS-2015-1 entitled:
"Dependent Eligibility Audit Services,"
Firm Offer to the State of New York

Dear Mr. Powers,

Health Management Systems, Inc. (HMS) hereby submits this firm and binding offer to the State of New York in response to the Department's Invitation for Bids # DEAS-2015-1, entitled "Dependent Eligibility Audit Services," (IFB). The Proposal hereby submitted meets or exceeds all terms, conditions, and requirements set forth in the above-referenced IFB and in the manner set forth in this IFB.

HMS accepts the terms and conditions as set forth in IFB, Section VII and Appendices A, B, C, and D and agrees to satisfy the comprehensive programmatic duties and responsibilities outlined in this IFB in the manner set forth in this IFB.

HMS agrees to execute a contractual agreement composed substantially of the terms and conditions set forth in the draft contract included in the IFB, and accepts as non-negotiable the terms and conditions set forth in Appendices A, B, C and D to the draft contract.

HMS further agrees, if selected as a result of the IFB, to comply with 1) the provisions of Tax Law Section 5-a, Certification Regarding Sales and Compensating Use Tax; and 2) the Workers' Compensation Law as set forth in Section II.B.7 of the IFB.

This formal offer will remain firm and non-revocable for a minimum period of 365 days from the Proposal Due Date as set forth in the IFB. In the event that a contract is not approved by the NYS Comptroller within the 365 day period, this offer shall remain firm and binding beyond the 365 day period and until a contract is approved by the NYS Comptroller, unless **HMS** delivers to the Department of Civil Service written notice of withdrawal of its Proposal.

HMS's complete offer is set forth as follows:

Administrative and

Total of eight (8) hard copy volumes [two (2) original and six (6) copies] and

Technical Sections:

one (1) electronic copy on CD.

Cost Section:

Total of eight (8) hard copy volumes [two (2) original and six (6) copies] and

one (1) electronic copy on CD.

The undersigned affirms and swears s/he has the legal authority and capacity to sign and make this offer on behalf of, **HMS** and possesses the legal authority and capacity to act on behalf of **HMS** to execute a contract with the State of New York.

[Heal Date: June 8, 2015 By: (signature) Douglas Williams (name) Division President, Markets (title) (phone number) (email address) CORPORATE OR PARTNERSHIP ACKNOWLEDGMENT STATE OF TEXAS} : SS.: **COUNTY OF DALLAS** On the 8th day of June in the year 2015, before me personally appeared; Douglas Williams, known to me to be the person who executed the foregoing instrument, who, being duly sworn by me did depose and say that he resides at: 5615 High Point Drive, Town of Irving, County of Dallas, State of Texas; and further that: [Check One] (X If a corporation): he is the Division President, Markets of Health Management Services, Inc., the corporation described in said instrument; that, by authority of the Board of Directors of said corporation, he is authorized to execute the foregoing instrument on behalf of the corporation for purposes set forth therein; and that, pursuant to that authority, he executed the foregoing instrument in the name of and on behalf of said corporation as the act and deed of said corporation. (__ If a partnership): he is the _ , the partnership described in said instrument; that, by the terms of said partnership, he is authorized to execute the foregoing instrument on behalf of the partnership for the purposes set forth therein; and that, pursuant to that authority, _he executed the foregoing instrument in the name and on behalf of said partnership as the act and deed of said partnership. SONYA GAIL TILLMAN Notary Public, State of Texas My Commission Expires **Notary Public** June 07, 2017

The undersigned affirms and swears as to the truth and veracity of all documents included in this offer.

An authorized representative of the Offeror who is legally authorized to certify the information requested in the name of and on behalf of the Offeror is required to complete and sign the Offeror Attestations and provide all requested information. Offeror's authorized representative must certify as to the truth of the representations made by signing where indicated, below.

CERTIFICATION:

The Offeror (1) recognizes that the following representations are submitted for the express purpose of assisting the State of New York in making a determination to award a contract; (2) acknowledges and agrees by submitting the Attestation, that the State may at its discretion, verify the truth and accuracy of all statements made herein; (3) certifies that the information submitted in this certification and any attached documentation is true, accurate and complete.

Name of Business Entity Submitting Bid:		Health Management Systems, Inc. (HMS)
Entit	y's Legal า:	✓ Corporation □ Partnership □ Sole Proprietorship □ Other
No.	IFB Ref.	IFB Requirement:
1.	Section III.B.1	At time of Proposal Due Date, Offeror represents and warrants that it: ✓ possesses □ does not possess the legal capacity to enter into a contract with the Department.
2.	Section III.B.2	At time of Proposal Due Date, Offeror represents and warrants that it: ✓ attests □ does not attest that it understands and agrees to comply with all specific duties and responsibilities set forth in Section IV of this IFB #DEAS-2015-1, entitled "Dependent Eligibility Audit Services."
3.	Section III.B.3	At time of Proposal Due Date, Offeror represents and warrants that it: ✓ attests □ does not attest it has provided dependent eligibility verification services for a minimum of five (5) years.
4.	Section III.B.4	Amended May 29, 2015 At time of Proposal Due Date, Offeror represents and warrants that it: ✓ attests □ does not attest That it has provided dependent eligibility verification services comparable to the services outlined in this IFB #DEAS-2015-1, entitled "Dependent Eligibility Audit Services" for at least one (1) client in the past three (3) years with a size of at least one hundred fifty thousand Dependent lives subject to audit verification services,
5.	Section III.B.5	At time of Proposal Due Date, Offeror represents and warrants that it: ✓ attests □ does not attest it can complete the Implementation Period within 60 Days from the date the Department notifies the Contractor that the Agreement has been approved by OSC, complete the Amnesty Period and Eligibility Verification Period within twelve(12) months and complete the entire DEA Project, including the Appeal and Reinstatement Period(s) within fifteen (15) months.

6.	Section III.B.6	At time of Proposal Due Date, Offeror represents and warrants that it: ✓ attests □ does not attest
	that its entire DEA Project is fully HIPAA compliant.	
7.	Section III.B.7	At time of Proposal Due Date, Offeror represents and warrants that it: ✓attests □ does not attest that it guarantees a return on investment (ROI), as defined in Section IV of this IFB #DEAS-2015-1, entitled "Dependent Eligibility Audit Services," of at least three to one (3:1) for the Project including administration of the Amnesty Period; the Eligibility Verification Period and the Appeal and Reinstatement Period(s).
8.	Section III.B.8	At time of Proposal Due Date, Offeror represents and warrants that it: ✓ attests □ does not attest that it will maintain a complete and accurate set of records as may be required by the State to be produced for review by the State pursuant to Appendix A of the draft Agreement, contained in Section VII of this IFB #DEAS-2015-1, entitled "Dependent Eligibility Audit Services," including any and all financial records as deemed necessary by the State to discharge its fiduciary responsibilities to NYSHIP participants and to ensure that public dollars are spent appropriately.
9.	Section III.B.9	At time of Proposal Due Date, Offeror represents and warrants that it: ✓attests □ does not attest that it acknowledges and agrees that all enrollment data provided by the Department is being provided to the Offeror (Contractor) solely for the purposes of allowing the Contractor to fulfill its duties and responsibilities under the Agreement;, said materials are sole property of the State; and it will not share, sell, release, or make the data available to third parties in any manner without the written consent of the Department, except as directed by a court of competent jurisdiction, or as necessary to comply with applicable New York State federal law.
10.	Section III. B.10	At time of Proposal Due Date, Offeror represents and warrants that it: ✓ attests □ does not attest that it will agree to provide minimum service levels for performance guarantees and credits, as defined in Section IV of this IFB #DEAS-2015-1, entitled "Dependent Eligibility Audit Services."
11,	Section III. B.11	At time of Proposal Due Date, Offeror represents and warrants that it: ✓ attests □ does not attest that it will provide a customizable secure online web portal (online reporting access) for DEA services, as defined in Section IV of this IFB #DEAS-2015- 1, entitled "Dependent Eligibility Audit Services," that, at a minimum, a. allows Enrollees to upload scanned documents; b. allows Enrollees to view the status of their current compliance with the current audit; c. allows Enrollees to view all documents sent to the Enrollee by the Contractor; d. Allows the Department to compile periodic management reports documenting the progress and outcomes of the Project.

Exhibit I.T - Offeror Attestations Form

12.	Section III. B.12	At time of Proposal Due Date, Offeror represents and warrants that it: √attests □ does not attest that it will provide a Call Center as defined in Section IV of this IFB #DEAS-2015-1, entitled "Dependent Eligibility Audit Services," that at a minimum a. is located in the United States; b. is fully staffed with trained Call Center representatives and supervisors from 8 am to 8 pm ET from the start of the 60-Day Amnesty Period through the end of the Appeal and Reinstatement Period(s), except for Business Holiday(s) observed by the State and have management reporting capability to provide information on the quality and effectiveness of the Call Center; c. is staffed appropriately based on anticipated peak call times (i.e., after Enrollee mailings); and, d. uses an integrated system to log and track all Enrollee calls. The system must create a record of the Enrollee contacting the call center, the call type, and all customer service actions and resolutions.
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Date: June 8, 2015 Signature

[Douglas Williams] [Division President, Markets] [Health Management Systems, Inc.]

		- Commence Telephone			
<u>C</u>	ORPORATE	OR PART	NERSHIP ACK	OWLEDGMEN	<u>I</u>
STATE OF	Texas	}			
OTATE OF		:	SS.:		
COUNTY OF On the 8th day of J known to me to be by me did depose a Dallas, State of Tex	the person w and say that l	ho execute he resides	ed the foregoing	instrument, who	, being duly sworn
[Check One] (_ ✓ _ If a corpor Systems, Inc. (HMS Board of Directors on behalf of the cor _he executed the for act and deed of sai	6), the corpor of said corpor poration for oregoing inst	ration desconation, _hopenses sometiment in termination in termination to the contract of the contract in the	ribed in said ins e is authorized to et forth therein; a	trument; that, by execute the fore and that, pursua	authority of the egoing instrument nt to that authority,
(If a partnersh	•				of
that, by the terms on behalf of the pa	of said partnership for cuted the for	ership, _hethe purpos	e is authorized to es set forth there	execute the fore in; and that, pu	said instrument; egoing instrument rsuant to that If of said partnership
as the act and dee	d of said par	tnership.	ACANA CALL THEA		
			SONYA GAIL TILLM Notary Public, State of My Commission Exp	Texas (
Notary Public		Manufacture .	June 07, 2017		

Please	indicate	by checkmark tha	t your Proposal meets each of the following submission requirements:
<u>√</u> 1.			Proposal submitted to assure receipt by the Department no later than osal Due Date as indicated in IFB Section II.A.1.
<u></u>	Admini	strative Section; To	EMENTS: The Offeror's Proposal must be organized in three parts: echnical Section and Cost Section and each part must each comply ements stated in Section II.A.7.a and II.A.7.b of this IFB.
	√ a.	Section, Technic original signature and "ORIGINAL # Section and Cos	ely bound hardcopies – two (2) Originals each of the Administrative cal Section and Cost Section containing original documents (i.e., i.e., no photocopies) and marked and numbered (i.e., "ORIGINAL #1" #2."), Six (6) copies of each Administrative Section, Technical st Section marked and numbered (i.e., "COPY #1," "COPY #2," etc.) ED for the Administrative, Technical and Cost Sections.
	√ b.		be prepared in Adobe Acrobat, with the exception of certain cost and exhibits that have specific formatting instructions.
	√ C.	Cost Section must or submitted in a	ve, Technical Section must be bound together and clearly labeled. The st be separately bound from the Administrative and Technical Sections separate sealed envelope clearly labeled with "Dependent Eligibility DEAS-2015-1" and Offeror's name(s).
	√ d.	Table of Contents	S
	√ e.	Index Tabs	
		Pagination	
	√ g.	Updates/Correcti	ons
	√ h.	Administrative Se IFB. The Technic responsibilities se	t of Proposals - The Proposal shall consist of three parts: the ection must contain the documentation required in Section III of this cal Section must be responsive to the programmatic duties and et forth in Section IV of this IFB. The Cost Section must demonstrate a erform all programmatic duties and responsibilities in accordance with IFB.
<u>√</u> 3.			PF THE ADMINISTRATIVE SECTION: The Administrative Section g information, in the order enumerated below:
	<u>√</u> A.		etter: The Offeror must submit a formal offer in the form of the "Formal of the IFB, Exhibit I.S in accordance with the requirements set forth A
	<u>√</u> B.		tory Requirements: The Offeror must submit a completed Exhibit I.T ns Form" containing the representations and warranties set forth
	_ √ C.	Exhibits : The Offer follows:	eror must complete and submit the Exhibits specified in Section III.C as
		✓Exhibit I.A	Proposal Submission Requirement Checklist
		✓Exhibit I.D	MacBride Statement and Non-Collusive Bidding Certification
		✓Exhibit I.G	EEO Staffing Plan (form EEO-100)
		✓Exhibit I.K	Offeror's Affirmation of Understanding & Agreement
		∠Exhibit I.M	Compliance with Public Officers Law Requirements
		Exhibit I.N	Compliance with Americans with Disabilities Act
		✓ Exhibit I.O	MWBE Utilization Plan (form MWBE-100)

Exhibit I.A - Proposal Submission Requirement Checklist

✓Exhibit I.P	Offeror's Certification of Compliance Pursuant to State Finance Law §139-k
✓Exhibit I.Q	Certification of Good Faith Efforts (form MWBE-104)
✓Exhibit I.U.2	NYS Supplier & Subcontractor Exhibit
✓Exhibit I.W	Compliance with NYS Workers' Compensation Law
✓ Exhibit I.X	Extraneous Terms

- <u>✓</u>D. <u>Key Subcontractors</u>: The Offeror must provide a statement identifying all Key Subcontractors, if any, that the Offeror will be contracting with to provide program services and must, for each such Key Subcontractor identified, complete and submit Exhibit I.U.1 "Key Subcontractors":
 - 1. provide a brief description of the services to be provided by the Key Subcontractor; and
 - provide a description of any current relationships with such Key Subcontractor and the clients/projects that the Offeror and Key Subcontractor are currently servicing under a formal legal agreement or arrangement, the date when such services began and the status of the project.

The Offeror must indicate whether or not, as of the date of the Offeror's Proposal, a subcontract has been executed between the Offeror and the Key Subcontractor for services to be provided by the Key Subcontractor relating to this IFB. If the Offeror will not be subcontracting with any Key Subcontractor(s) to provide program services, the Offeror must provide a statement to that effect.

- Reference Checks: The Offeror must list two (2) references of current clients and one √E. (1) reference of a former client for a total of three (3) references for which the Offeror has supplied DEA Project Services similar to those required in this IFB. At least one (1) of the referenced clients must be an entity with at least one hundred fifty thousand or more Dependent lives subject to audit. If the Offeror has no former clients to include as references, the Offeror must include a statement attesting to that fact. Otherwise, the Offeror must include, at minimum, one (1) former client as a reference for which the Offeror has supplied services similar in nature to those required in this IFB. If the Offeror is proposing any Key Subcontractors or Affiliates, the references should be with clients for whom the Offeror and Key Subcontractor or Affiliate have jointly supplied services similar to those described in this IFB. For each Reference provided the Offeror must complete and submit Exhibit I.V, entitled "Program References." The Offeror shall be solely responsible for providing contact names and phone numbers that are readily available to be contacted by the State. The Offeror must also indicate what participation, if any, the project manager and each key staff person proposed for this Project had in the referenced services.
- Financial Statements: The Offeror must provide a copy of the Offeror's last issued GAAP annual audited financial statement. A complete set of statements, not just excerpts, must be provided. Additionally, for each Key Subcontractor or Affiliate, if any, that provides any of the Program Services; provide the most recent GAAP annual audited statement. If the Offeror, or a Key Subcontractor or Affiliate, is a privately held business and is unwilling to provide copies of their GAAP annual audited financial statements as part of their Proposal, the Offeror/Key Subcontractor/Affiliate must make arrangements for the procurement evaluation team to review the financial statements. **Note:** If financial statements have not been prepared and/or audited, the Offeror/Key Subcontractor/Affiliate must provide the following as part of its Administrative Section a letter from a bank reference attesting to the Offeror/Key Subcontractor/Affiliate's financial viability and creditworthiness. (Note: for purposes of this reference, the Offeror may not

Exhibit I.A - Proposal Submission Requirement Checklist

give as a reference, a parent or subsidiary company, a partner or an affiliate organization.) The letter must include the bank's name, address, contact person name and telephone number and it must address, at a minimum, the following items:

- a brief description of the business relationship between the parties (i.e., the Offeror/Key Subcontractor/Affiliate and the bank), including the duration of the relationship and the Offeror's current standing with the bank. For example: "The (Offeror/Key Subcontractor/Affiliate's name) is currently and has been for "x" number of years a client in good standing.";
- 2. a description of any ownership/partner relationship that may exist between the parties, if any. (Note: One party cannot be the parent, partner or subsidiary of the other, nor can one party be an affiliate of the other.); and,
- 3. any other facts or conclusions the bank may deem relevant to the State in regard to the bank's assessment of the Offeror/Key Subcontractor/Affiliate's financial viability and creditworthiness concerning the nature and scope of the Program Services, which are the subject matter of this IFB, and the parties (i.e., DCS and the Offeror or the Offeror and Key Subcontractor of Affiliate) contractual obligations should the Offeror be awarded the resultant contract.
- ✓ G. <u>Vendor Responsibility Questionnaire</u>: The Offeror must complete and execute a NYS Vendor Responsibility Questionnaire for itself and all Key Subcontractors.
 - 1. If the Offeror or Key Subcontractor, if any, is incorporated outside the State of New York, a recent certificate of Good Standing must be submitted for each.
 - If the Offeror or Key Subcontractor, if any, has any employees in NYS, a
 confirmation of NYC's Worker's Compensation and NYS Disability coverage must be
 submitted for each.
- 4. REQUIRED CONTENT OF THE TECHNICAL SECTION: The Technical Section shall be responsive to the duties and responsibilities and submission requirements set forth in Section IV of this IFB and it shall contain the following information, in accordance with the submissions associated requirements, and in the order enumerated below:

Technical Section Submission Requirements

_ ✓_ A.	Contra	actor Responsibilities
	<u>√</u> 1.	Project Team
	<u>√</u> 2.	Project Implementation
	<u>√</u> 3.	Electronic Transfer of Data
	<u>√</u> 4.	Call Center Services
	<u>√</u> 5.	Secure Online Web Portal
	<u>√</u> 6.	Amnesty Period, Eligibility Verification Period and Appeal and Reinstatement Period(s)
	<u>√</u> 7.	Communication Material
	<u>√</u> 8.	Outgoing and Returned Mail Process
	<u>√</u> 9.	Reporting
	<u>√</u> 10.	. Project Return on Investment (ROI)
	<u>√</u> 11.	. Performance Guarantees

✓ C. Electronic copy (on CD in Adobe Acrobat Professional software, version 8 or higher) of

which contains no more than three PDF files; one for each part of the Proposal

(Administrative Section, Technical Section, and Cost Section).

the complete Proposal noting each the specific item requested to be protected from FOIL

Exhibit I.A - Proposal Submission Requirement Checklist

Amended May, 29, 2015

NON-DISCRIMINATION IN EMPLOYMENT IN NORTHERN IRELAND MACBRIDE FAIR EMPLOYMENT PRINCIPLES

In accordance with Chapter 807 of the Laws of 1992 the Offeror, by submission of this bid, certifies that it
or any individual or legal entity in which the Offeror holds a 10% or greater ownership interest, or any individual or legal entity that holds a 10% or greater ownership interest in the Offeror, either (answer
"yes" or "no" to one or both of the following, as applicable):
Have business operations in Northern Ireland. Yes or No✓
If yes:
Shall take lawful steps in good faith to conduct any business operations they have in Northern Ireland in accordance with the MacBride Fair Employment Principles relating to nondiscrimination in employment and freedom of workplace opportunity regarding such operations in Northern Ireland, and shall permit independent monitoring of their compliance with such Principles. Yes or No

NON-COLLUSIVE BIDDING CERTIFICATION

By submission of this bid, each Offeror and each person signing on behalf of any Offeror certifies, and in the case of a joint bid each party thereto certifies as to its own organization, under penalty of perjury, that to the best of his knowledge and belief:

- 1. The prices in this bid have been arrived at independently without collusion, consultation, communication or agreement for the purpose of restricting competition, as to any matter relating to such prices with any other Offeror or with any competitor;
- 2. Unless otherwise required by law, the prices which have been quoted in this bid have not been knowingly disclosed by the Offeror and will not knowingly be disclosed by the Offeror prior to opening, directly or indirectly, to any other Offeror or to any competitor; and
- 3. No attempt has been made or will be made by the Offeror to induce any other person, partnership or corporation to submit or not to submit a bid for the purpose of restricting competition.

Date: June 8, 2015	
	Signature
PRINT:	Jan Williams TITLE Division Descident Markets
SIGNATORY'S NAME Doug	las Williams TITLE <u>Division President, Markets</u>
INDIVIDUAL	CORPORATE OR PARTNERSHIP ACKNOWLEDGMENT
STATE OF	Texas}
	: SS.:
COUNTY OF	Dallas}
On the 8th day of June in the	e year 2015, before me personally appeared:
<u>Douglas Williams</u> , known t duly sworn by me did depose <u>Dallas</u> , State of <u>Texas</u> ; and f	o me to be the person who executed the foregoing instrument, who, being and say that he resides at <u>5615 High Point Drive</u> , Town of <u>Irving</u> , County of urther that, if applicable:
(HMS), the corporation of said corporation, he is for purposes set forth the instrument in the name (If a partnership): _he	the partnership described in said instrument; that,
the partnership for the p	nership, _he is authorized to execute the foregoing instrument on behalf of urposes set forth therein; and that, pursuant to that authority, _he executed in the name and on behalf of said partnership as the act and deed of said
Notary Public	SONYA GAIL TILLMAN Notary Public, State of Texas My Commission Expires June 07, 2017



EQUAL EMPLOYMENT OPPORTUNITY STAFFING PLAN

OFFICE OF FINANCIAL ADMINISTRATION

EEO-100 (9/2011)

Page 1 of 2

				_
Solicitation No.:	Reporting Entity:	Keport includes:		_
DEAS-2015-1	X Contractor	Contractor's work forc	Contractor's work force to be utilized on this contract	
	Subcontractor	X Contractor's total work force	force	_
Contractor/Subcontractor's Name: Health Management Systems, Inc. (HMS)	anagement Systems, Inc. (HMS)	Subcontractor's work f	Subcontractor's work force to be utilized on this contract	
Contractor/Subcontractor's Address:360 Park	Contractor/Subcontractor's Address: 360 Park Avenue South, 17th Floor, New York, NY 10010	Subcontractor's total work force	ork force	_
FEIN: 13-2770433				\neg

employees in each classification in each of the EEO-Job Categories identified.

Enter the total number of employees in each classification in each	r employee	S In each	Classificat	רומוו וווו בי	מכוו חו נו	יים ביום	of the EEO-Job Categories Identificate	201103									
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First/Mid level officials																	
& Managers										-	1					00	*
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Craft Workers																	
Operatives																	(
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PREPARED RV/Signature):	ro).					<u> </u>	TELEPHONE NO.:	E NO::							DAIE.	uiic 4, 20	
						EM	EMAIL ADDRESS:	RESS:	3								
NAME AND TITLE OF PREPARER (Print or Type): Maurisa Werner, Sr. HR Specialist	PREPARER	(Print or	Type): Ma	urisa W	erner, Sr	. HR Spe	cialist										



EQUAL EMPLOYMENT OPPORTUNITY STAFFING PLAN

OFFICE OF FINANCIAL ADMINISTRATION

EEO-100 (9/2011)

Page 1 of 2

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		<u>ა</u>	☐ Contractor				Contractor's w	Contractor's work force to be utilized on this contract	l on this contract	
		S	Subcontractor	tor			Contractor's to	Contractor's total work force		
Contractor/Subcontractor's Name:		127	12,1	Mas	LED Mail Masters Inc.		Subcontractor,	Subcontractor's work force to be utilized on this contract	rad on this contra	*
Contractor/Subcontractor's Address:	_	110 Security	イナン	Parkway	way		\		izoa on tins contra	₹
FEIN: 61-1107493		New Albuny	'būn'y	_	IN 47,50	<u>></u>		Subcontractor's total work force		
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Service Workers	7 172	- 17	21.2							
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					EMAIL ADDRESS:	ORESS:			9	6/4/2015
NAME AND TITLE OF PREPARER (Print or Type):	RER (Print		Bennie		lay, Accou	intant/Pa	Day, Accountant/Payroll Admin.			



EQUAL EMPLOYMENT OPPORTUNITY STAFFING PLAN

OFFICE OF FINANCIAL ADMINISTRATION

EEO-100 (9/2011)

Page 1 of 2

Solicitation No.:	Reporting Entity:	Report includes:
	□ Contractor	Contractor's work force to be utilized on this contract
	Subcontractor	Contractor's total work force
Contractor/Subcontractor's Name: AD	4stara, Inc.	Subcontractor's work force to be utilized on this contract
Contractor/Subcontractor's Address: Suite 900, 3110 Fairview Park Drive, Suite 900, FEIN: 54-159674 S	ve, suite 900, Falls Church, VA 22042	Subcontractor's total work force

EEO Job Categories	Enter the total number of employees in each classification in each	yees in eac	h classifica	tion in ea	ch of th	e EEO-,	Job Cate	of the EEO-Job Categories identified.	lentified					
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Part 1 of this Exhibit I.K, as contained on the following page, should be completed by the Offeror and emailed, faxed and/or mailed to the Dependent Eligibility Audit Services Procurement Manager as set forth in IFB, Section II.A.2.b.

Part 2 of this Exhibit I.K should, prior to initiating any contact with the Department, be completed for each Offeror officer, employee, agent or consultant retained, employed or designated, by or on behalf of the Offeror to appear before or contact the Department in regards to this Procurement and submit it to the Dependent Eligibility Audit Services Procurement Manager specified in IFB, Section II.A.2.b.

Part 1

Offeror's Affirmation of Understanding and Agreement

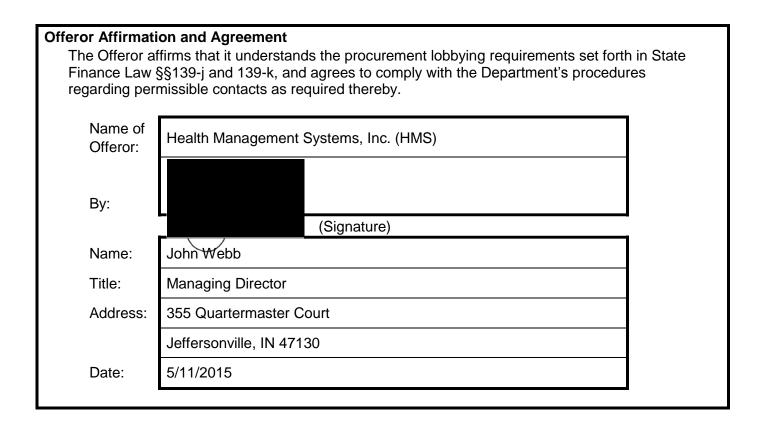
Instructions:

Pursuant to State Finance Law §§139-j and 139-k, this solicitation imposes certain procurement lobbying limitations. Offerors are restricted from making contacts during the procurement's "Restricted Period" (from the earliest written notice, advertisement or solicitation of a request for proposal, invitation for bids, or solicitation of proposals, or any other method for soliciting a response from Offerors intending to result in a procurement contract with a governmental entity and ending with the final contract award and approval by the governmental entity and, where applicable, approval by the State Comptroller) to other than designated staff, unless the contact falls within certain statutory exceptions ("permissible contacts"). the Department's employees are required to obtain certain information from Offerors and others whenever there is a contact about the procurement during the Restricted Period, and are required to make a determination of the Offeror's responsibility that addresses the Offeror's compliance with the statutes' requirements. Findings of non-responsibility result in rejection for contract award, and if an Offeror is subject to two non-responsibility findings within four years the Offeror also will be determined ineligible to submit a proposal on or be awarded a contract for four years from the date of the second non-responsibility finding.

Further information about these requirements can be found at:

http://www.ogs.ny.gov/aboutOGS/regulations/defaultAdvisoryCouncil.html.

As a prerequisite for participating in this procurement, an Offeror must provide the following Affirmation of Understanding and Agreement to comply with these procurement lobbying restrictions in accordance with State Finance Law §§139-j and 139-k.



Part 2

Offeror De	esignated Contact
First Name	Deb
Last Name	Grier
Company Name	Health Management Systems, Inc. (HMS)
Company Address:	
Street Address	2 Winners Circle, Suite 202
City	Albany
State	New York
Zip	12205
Individual's Business Telephone #	
(xxx) xxx-xxxx	
Principal Place of Business (1)	Albany, NY
Individual's Occupation	Vice President

⁽¹⁾ Enter the location of the individual's Principal Place of Business (e.g. Albany, NY)

Offeror De	esignated Contact
First Name	John
Last Name	Webb
Company Name	Health Management Systems, Inc. (HMS)
Company Address:	
Street Address	355 Quartermaster Court
City	Jeffersonville
State	Indiana
Zip	47130
Individual's Business Telephone #	
(xxx) xxx-xxxx	
Principal Place of Business (1)	Jeffersonville, IN
Individual's Occupation	Managing Director

⁽¹⁾ Enter the location of the individual's Principal Place of Business (e.g. Albany, NY)

Offeror De	esignated Contact
First Name	Carly
Last Name	Jordan
Company Name	Health Management Systems, Inc. (HMS)
Company Address:	
Street Address	5615 High Point Drive
City	Irving
State	Texas
Zip	75038
Individual's Business Telephone #	
(xxx) xxx-xxxx	
Principal Place of Business (1)	Irving, TX
Individual's Occupation	Proposal Coordinator

⁽¹⁾ Enter the location of the individual's Principal Place of Business (e.g. Albany, NY)

Offeror De	esignated Contact
First Name	Angela
Last Name	Long
Company Name	Health Management Systems, Inc. (HMS)
Company Address:	
Street Address	5615 High Point Drive
City	Irving
State	Texas
Zip	75038
Individual's Business Telephone #	
(xxx) xxx-xxxx	
Principal Place of Business (1)	Irving, TX
Individual's Occupation	Proposal Specialist

⁽¹⁾ Enter the location of the individual's Principal Place of Business (e.g. Albany, NY)

Complete the table above for <u>each</u> Offeror officer, employee, agent or consultant retained, employed or designated, by or on behalf of the Offeror to appear before or contact the Department in regards to this Procurement, prior to the individual initiating any contact with the Department, and submit it to The DEAS Procurement Manager specified in Section II.A.2.b. of the IFB.



State of New York Department of Civil Service Alfred E. Smith State Office Building Albany, NY 12239

Compliance with Public Officers Law Requirements

ADM-992 (1/07)

The New York State Public Officers Law ("POL"), particularly POL Sections 73 and 74, as well as all other provisions of New York State law, rules and regulations, and policy establishes ethical standards for current and former State employees. In submitting its Proposal, the Offeror must guarantee knowledge and full compliance with such provisions for purposes of this IFB and any other activities including, but not limited to, contracts, bids, offers, and negotiations. Failure to comply with these provisions may result in disqualification from the procurement process, termination, suspension or cancellation of the contract and criminal proceedings as may be required by law.

The Offeror hereby submits its affirmative statement as to the existence of, absence of, or potential for conflict of interest on the part of the Offeror because of prior, current, or proposed contracts, engagements, or affiliations.

Please provide below an affirmative statement as to the existence of, absence of, or potential for conflict of interest on the part of the Offeror because of prior, current, or proposed contracts, engagements, or affiliations. Please attach additional pieces of paper as necessary.

Name of Offeror: Health Management Systems, Inc.
Name & Title of Representative: <u>Douglas Williams, Division President, Markets</u>
Signature:
Date: June 8, 2015



Compliance with Americans with Disabilities Act

ADM-987 (1/07)

The Offeror hereby provides assurance of its compliance with the Americans With Disabilities Act (42 USC§12101 et. seq.), in that any services and programs provided during the course of performance of the Agreement resultant from this IFB shall be accessible under Title II of the Americans With Disabilities Act, and as otherwise may be required under the Americans With Disabilities Act.

Name of Offeror: Health Management Systems, Inc. (HMS)	_
Name & Title of Representative: <u>Douglas Williams, Division President, Markets</u>	
Signature:	

Date: June 8, 2015



MWBE UTILIZATION PLAN

OFFICE OF FINANCIAL ADMINISTRATION

MWBE-100 (9/2011)

INSTRUCTIONS: All Offerors must complete this MWBE Utilization Plan and submit it as part of their Proposal. The Plan must contain a detailed description of 15% Subcontracts/Supplies If YES, submit form MWBE101 5. Dollar Value of 15% WBE: \$565,000 **EMAIL ADDRESS:** □ Partial Waiver O Z UTILIZATION PLAN APPROVED:

VES

NO Date: M/WBE Goals for the Solicitation: MBE: Federal Identification No.: 13-2770433 4. Detailed Description of Work (Attach YES Large Volume Outbound mail the services to be provided by each Minority and/or Woman-Owned Business Enterprise (M/WBE) identified by the Offeror. YES NO Solicitation No.: DEAS-2015-1 ON additional sheets, if necessary.) DATE 0N | 8 | | NOTICE OF DEFICIENCY ISSUED: [Total Waiver TELEPHONE NO.: WBE: \BY WBE CERTIFIED: \(\Brightarrow\) YES MBE CERTIFIED: \(\Brightarrow\) YES WAIVER GRANTED: 🗌 REVIEWED BY: 6. WAIVER REQUESTED: MDE. A VES NO If YES, submit form MWBE101 3. Federal ID No. 61-1107493 COMPLETE AND ACCURATE INFORMATION MAY RESULT IN A Division President, Markets ACKNOWLEDGEMENT AND AGREEMENT TO COMPLY WITH SUBMISSION OF THIS FORM CONSTITUTES THE OFFEROR'S EXECUTIVE LAW, ARTICLE 15-A. FAILURE TO SUBMIT THE M/WBE REQUIREMENTS SET FORTH UNDER NYS Offeror Name: Health Management Systems, Inc. (HMS) FIUNDING OF NONCOMPLIANCE AND/OR PROPOSAL NAME AND TITLE OF PREPARER (Print or Type): NYS ESD Certified NYS ESD Certified DATE: Offeror's Certification Status: 🗌 MBE 🦲 Address: 360 Park Avenue South, 17th Floor 2. Classification City, State, Zip Code: New York, NY 10010 MBE WBE MBE WBE PREPARED BY (Signature): L&D Mail Masters, Inc. Subcontractors/Suppliers DISQUALIFICATION. Address, Telephone No. Name, Address, Email Douglas Williams 1. M/WBE B.



State of New York Department of Civil Service Alfred E. Smith State Office Building Albany, NY 12239

REQUEST FOR WAIVER FORM

Page 1 of 2

MWBE-101 (9/2011)

OFFICE OF FINANCIAL ADMINISTRATION

QUIREMENTS AND DOCUMENT SUBMISSION INSTRUCTIONS.	MS) Federal Identification No.: 13-2770433	Solicitation No.: DEAS-2015-1	Contract No.:	By submitting this form and the required information, the company certifies that every Good Faith Effort has been taken to promote M/WBE narticipation pursuant to the M/WBE requirements set forth under the Procurement/Contract.	Certification Conditional	for the Procurement/Contract is requested.	for the Procurement/Contract is requested.	ESD Certification Waiver – A waiver of the requirement that the MBE/WBE be certified by Empire State Development (ESD). (Check here IBE/WBE is NOT ESD certified.)	as been filed with Empire State Development.	s special conditions or extenuating circumstances.)	Date June 9, 2015			******* FOR DEPARTMENT USE ONLY *********	REVIEWED BY: DATE:	Waiver Granted: TYES NO Total Waiver ESD Certification Waiver Conditional Notice of Deficiency Issued – Date: June 9, 2015	Thomas of Denoteins and Same
INSTRUCTIONS; SEE PAGE 2 OF THIS ATTACHMENT FOR REQUIREMENTS AND DOCUMENT SUBMISSION INSTRUCTIONS.	Offeror/Contractor Name: Health Management Systems, Inc. (HMS)	Address: 360 Park Avenue South, 17th Floor	City, State, Zip Code: New York, NY 10010	By submitting this form and the required information, the company narticipation pursuant to the M/WBE requirements set forth und	Offeror/Contractor is requesting a:	1. ✓ MBE Waiver - A waiver of the MBE Goal for the Procu	2. WBE Waiver - A waiver of the WBE Goal for the Proci	3. ESD Certification Waiver – A waiver of the requiremen if MBE/WBE is NOT ESD certified.)	☐ Checking this box, if an application for certification has been filed with Empire State Development.	4. Conditional Waiver – (Attach separate sheet outlining special conditions or extenuating circumstances.)	Prepared By	Printed or Typed Name and Title of Telephone Number	Preparer: Douglas Williams, Div. President, Markets	SUBMISSION OF THIS FORM CONSTITUTES THE	OFFEROR/CONTRACTOR'S ACKNOWLEDGEMENT AND AGREEMENT TO COMPLY WITH THE M/WBE		DISORAL TRICATION AND/OR TERMINATION OF THE



Alfred E. Smith State Office Building Department of Civil Service State of New York Albany, NY 12239

REQUEST FOR WAIVER FORM

MWBE-101 (9/2011)

CONTRACT

OFFICE OF FINANCIAL ADMINISTRATION

Page 2 of 2

M/WBE REQUIREMENTS AND WAIVER SUBMISSION

ıst d the Request for Waiver Form must be Ę acc M be

- The names of general circulation, trade association, and M/WBE-oriented publications in which you solicited A statement setting forth your basis for requesting a partial or total waiver. M/WBEs for the purposes of complying with your participation goals.
- A list identifying the date(s) that all solicitations for M/WBE participation were published in any of the above publications.
 - A list of all M/WBEs appearing in the NYS Directory of Certified Firms that were solicited for purposes of complying with your M/WBE participation levels.
 - Copies of notices, dates of contact, letters, and other correspondence as proof that solicitations were made in writing and copies of such solicitations, or a sample copy of the solicitation if an identical solicitation was made to all M/WBEs.

S.

4

6.

- Provide a description of any contract documents, plans, or specifications made available to M/WBEs for Provide copies of responses made by M/WBEs to your solicitations.
- purposes of soliciting their bids and the date and manner in which these documents were made available.
- Provide documentation of any negotiations between you, the Offeror/Contractor, and the M/WBEs undertaken for purposes of complying with your M/WBE participation goals.
 - Provide the name, title, address, telephone number, and email address of Offeror's/Contractor's representative Provide any other information you deem relevant which may help us in evaluating your request for a waiver. authorized to discuss this waiver request.
 - Copy of notice of application receipt issued by Empire State Development (ESD)

Note: Unless a Total Waiver has been granted, Offeror/Contractor will be required to submit all reports and documents pursuant to the provisions set forth in the procurement and/or contract, as deemed appropriate by the Department, to determine M/WBE compliance. In cases where the Department grants a full or partial waiver of M/WBE participation goals, the waiver request will be posted to the Department's website.



M/WBE Waiver Request

- 1. HMS is submitting a Total Minority-Owned Business Enterprise (MBE) Request for Waiver Form to certify that HMS has taken Good Faith Efforts to promote MBE participation pursuant to the Minority/Women-Owned Business Enterprise (M/WBE) requirements set forth under the Procurement/Contract.
- 2. HMS attempted to advertise in the Minority Business Enterprise publication but the cut-off date for requested space was May 3 and information was required to be submitted by May 10. The IFB released on May 7, four days after the May 3 deadline for space. The publication was to be issued on June 1 and the original proposal date was June 5. HMS would have had to request participation for a MBE before that time to secure all information needed for the proposal. Please see advertising deadlines at http://ftp.mbemag.com/index.php/advertising/next-issue.
- 3. Due to the extenuating circumstances detailed in number 2 above, we were unable to secure a space in the June publication due to the May 3 deadline and would not have enough time for MBEs to reach out to us as the initial IFB deadline was June 5.
- 4. Please see attached MBE Good Faith Efforts Summary for all MBEs appearing in the NYS Directory of Certified Firms that were solicited for purposes of complying with MBE participation requirements.
- 5. Please see attached copies of notices, dates of contact, letters, and other correspondence as proof that solicitations were made in writing and copies of such solicitations.
- 6. Please see attached documentation of responses provided by the contacted MBEs to our request for participation in the State's solicitation.
- 7. Please see attached plans/specifications made available to MBEs for purposes of soliciting their bids and the date and manner in which these documents were made available.
- 8. Please see documentation of any negotiations between HMS and the MBEs undertaken for purposes of complying with the New York State MBE participation goals.
- 9. HMS has made a good faith effort to find a suitable locally certified MBE alternative and has determined, due to several factors (detailed below) that a waiver for the requirement will be a more expedient and ultimately beneficial solution for the NYSHIP project in this instance.
- 10. Please note that HMS proposes to utilize a Women's Business Enterprise (WBE) in the fulfillment of the contract. As detailed in our proposal, HMS will continue to utilize the same WBE certified by the State that performs the same fulfillment services for other clients that we propose for this contract.



- 11. While there were several locally certified MBE's that could potentially fulfill the contract, none were able to meet all of the prerequisite standards such that HMS would feel comfortable extending the service level guarantees or security standards outlined in the original state contract:
 - The chosen vendor must be able to coordinate with our internal system to create and deploy five disparate on demand specialized responses in addition the larger full population mailings.
 - The chosen vendor must be able to imbed an employee specific scan able bar code on each mail piece.
 - The chosen vendor must be able to accept the initial and subsequent date feeds in Pipe Delimited Format and demonstrate that the data is being received and submitted via a fully secure platform (Electronic Data Interchange).
 - Many vendors cannot accept this data format, and all of our systems, which must include real time capabilities, are difficult for most companies to provide. As HMS sends a return response based on specific elements (time, day, etc.), we submit a response back in real time. This is the level of integration we currently have with the print vendor –documentation is submitted, posted and immediately generated to the registrant.
- 12. Contact information for HMS's representative that is authorized to discuss this waiver request is provided below.

Deborah (Deb) Grier, Vice President 2 Winners Circle, Suite 202 Albany, NY 12211 Telephone:

13. Copies of notice of application receipt issued by Empire State Development (ESD) are not applicable to this MBE Waiver as companies contacted by HMS are New York certified MBEs.

MBE

https://ny.newnycontracts.com/FrontEnd/VendorSearchPublicDetail.asp?XID=5089&TN=ny&CID=D21BA1E23D650756AE1D6F708ED3E524DB18BEF7E4484322'

Contact Name: MONA MEHDI

Company Name: FIRST AMERICAN BUSINESS PRODUCTS INC

Address: 660 HAWKINS AVENUE LAKE RONKONKOMA, NY 11779

Telephone:

Email:

Time Sent: 9:38 AM CST

Failure: Y

Failure Time Stamp: 9:28 AM CST Questionnaire returned: N

Receipt time of questionnaire returned: None

 $\frac{https://ny.newnycontracts.com/FrontEnd/VendorSearchPublicDetail.asp?XID=5089\&TN=ny\&CID=0F45F27558C08}{837BDEC73ED43F16E0926B31133098AA798}$

Contact Name: Charmaine Seifts

Company Name: Gallery Digital Services Inc.

Address: 170 Garfield Avenue Islip Terrace, NY 11752

Telephone:

Email:

Time Sent: 9:28 AM CST

Failure: N

Failure Time Stamp: None Questionnaire returned: N

Receipt time of questionnaire returned: None

https://ny.newnycontracts.com/FrontEnd/VendorSearchPublicDetail.asp?XID=5089&TN=ny&CID=AC10127626B633A511CD2E83D4A256B6115F088E6631BCA

Contact Name: Wayne Mckain

Company Name: HARLIN PRINTING SERVICES INC

Address: 11-05 44th Drive Long Island City, NY 11101 Phone:

Email:

Time Sent: 9:28 AM CST

Failure: N

Failure Time Stamp: None Questionnaire returned: N

Receipt time of questionnaire returned: None

 $\frac{\text{https://ny.newnycontracts.com/FrontEnd/VendorSearchPublicDetail.asp?XID=5089\&TN=ny\&CID=6C7BD6327E221}{\text{F274E3AAEAEC025218C1B5F920F8E531189}}$

Contact Name: Milton Mendez

Company Name: Mendez Instant Printing, Inc., DBA Mendez Printing

Address: 37-66 72nd Street Jackson Heights, NY 11372-9999

Phone:

Email:

Time Sent: 9:28 AM CST; 6/4 2:08pm CST 3:19 PM CST, 2:36PM

Received: 3:34 PM CST

Failure: N

Failure Time Stamp: None Questionnaire returned: N

Receipt time of questionnaire returned Calls: 6/4 1:34pm CST, 3:11pm CST, 3:46pm

https://ny.newnycontracts.com/FrontEnd/VendorSearchPublicDetail.asp?XID=5089&TN=ny&CID=49C3BC2D990D57F0675E31EFC659C1D36AEC03C7DFCFA252

Contact Name: Larry Washington Company Name: Rainbow Printing, Inc.

Address: 47-10 33rd Street Long Island City, NY 11101 Phone: Email:

Time Sent: 9:28 AM CST

Failure: N

Failure Time Stamp: None Questionnaire returned: N

Receipt time of questionnaire returned: None

 $\frac{https://ny.newnycontracts.com/FrontEnd/VendorSearchPublicDetail.asp?XID=9518\&TN=ny\&CID=CBFC48ADE3DF4D5BF05BB93F5D2D0B3F5B2E8E3E2D1FF410$

Contact Name: Rafael Perez

Company Name: Distinctive Graphics & Communications, LLC

Email: ralph@distinctive-graphics.com

Time Sent: 12:45 PM CST

Failure: N

Failure Time Stamp: Questionnaire returned: N

Receipt time of questionnaire returned: None

WBE

https://ny.newnycontracts.com/FrontEnd/VendorSearchPublicDetail.asp?XID=6925&TN=ny&CID=C987385A7A7D7 2B649EE8BE77E71EDAFEA408EC4E3C0B12E

Contact Name: Tracy Lach

Company Name: Twenty-First Century Press

Address: 501 Cornwall Avenue

Buffalo, NY 14215 Phone:

Email:

Time Sent: 9:11 AM CST

Failure: N

Failure Time Stamp: None Questionnaire returned: Y

Receipt time of questionnaire returned: 10:48 AM CST

https://ny.newnycontracts.com/FrontEnd/VendorSearchPublicDetail.asp?XID=6925&TN=ny&CID=D4EC0C6BEA42777FAD72D2426AC4190E3C10D1BE1FCC828C

Contact Name: Nicola Standard

Company Name: Dakota Print and Premiums LLC, DBA Fuse Printing

Address: 520 White Plains Road

Tarrytown, NY 10591

Phone: Email:

Time Sent: 9:11 AM CST

Failure: N

Failure Time Stamp: None Questionnaire Returned: N

Receipt time of questionnaire returned: None

https://ny.newnycontracts.com/FrontEnd/VendorSearchPublicDetail.asp?XID=6925&TN=ny&CID=8A64DF18CA9128D0917F38828B954648E33AB6477AA1D6D6

Contact Name: LIBBY POST

Company Name: COMMUNICATION SERVICES

Address: c/o Mower & Associates

30 S. Pearl St., 12th Fl. ALBANY, NY 12207

Phone: Email:

Time Sent: 9:11 AM CST

Failure: Y

Failure Time Stamp: 9:11 AM CST Questionnaire returned: N

Receipt time of questionnaire returned: None

 $\frac{https://ny.newnycontracts.com/FrontEnd/VendorSearchPublicDetail.asp?XID=2876\&TN=ny\&CID=024C12F73E536}{2FEFD25C45B6E5FAB190306240CB92060D3}$

Contact Name: JANET CALISE-CAZAVILAN
Company Name: ALLEGRA PRINT & IMAGING

Address: 2075 CENTRAL AVE SCHENECTADY, NY 12304

Phone: Email:

Time Sent: 9:10 AM CST

Failure: N

Failure Time Stamp: None Questionnaire returned: N

Receipt time of questionnaire returned: None

https://ny.newnycontracts.com/FrontEnd/VendorSearchPublicDetail.asp?XID=2065&TN=ny&CID=72C8207EE44B7 0D13D4A3986EAC0797DD1718D9CBA4FBC90

Contact Name: Pamela McGrath

Company Name: Brigar X-Press Solutions, Inc., DBA Digital X-Press

Address: 5 Sand Creek Road

Albany, NY 12205

Phone: Email:

Time Sent: 9:11 AM CST

Failure: N

Failure Time Stamp: None Questionnaire returned: Y

Receipt time of questionnaire returned: 9:36 AM CST

 $\frac{https://ny.newnycontracts.com/FrontEnd/VendorSearchPublicDetail.asp?XID=5725\&TN=ny\&CID=76E8F7B7E7552}{F5EBC485FE7D4FEFBAA3FBA1EAB5B12EF3E}$

Contact Name: Jennifer Racquet

Company Name: CNY Business Solutions

Address: 502 Court Street

PO Box 127 Utica, NY 13503

Phone: Email:

Time Sent: 12:47 PM CST

Failure: N

Failure Time Stamp: None

Questionnaire returned: Y; 5/27 9:58 AM Receipt time of questionnaire returned: None

L&D Mail Masters (Get from John as he got confirmation a few weeks ago: not sure via email or phone)

Email sent: 5/20 4:48 CST; 6/4 -12:34pm CST



Block this Caller



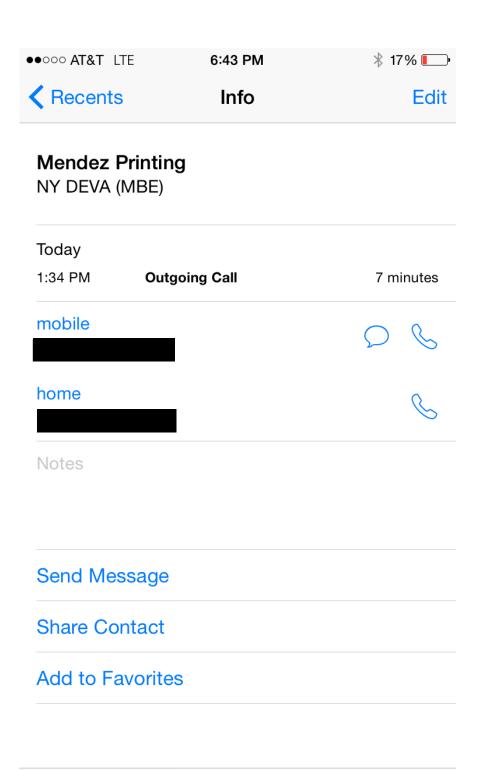








Keypad Voicemail













Offeror's Certification of Compliance Pursuant to State Finance Law §139-k(5)

Instructions:

New York State Finance Law (SFL) §139-k(5) requires that every contract award subject to the provisions of SFL §§139-k or 139-j shall contain a certification by the Offeror that all information provided to the Department with respect to SFL §139-k is complete, true and accurate.

At the time an Offer or Bid is submitted to the Department, the Offeror must provide the following certification that the information it has and will provide to the Department pursuant to SFL §139-k is complete, true and accurate including, but not limited to, disclosures of findings of non-responsibility made within the previous four years by any State governmental entity where such finding of non-responsibility was due to a violation of SFL §139-j or due to the intentional provision of false or incomplete information to a State governmental entity.

Offeror Certification

I certify that all information provided to the Governmental Entity with respect to State Finance Law §139-k is complete, true and accurate.

Name of Offeror:	Health Management Systems, Inc. (HMS)
By:	
(Signature)	
Name:	Douglas Williams
Title:	Division President, Markets
Address:	5615 High Point Drive
	Irving, TX 75038
Date:	06/08/15

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES – EQUAL EMPLOYMENT OPPORTUNITY POLICY STATEMENT

M/WBE AND EEO POLICY STATEMENT

I, <u>Douglas Williams</u>, the (awardee/contractor) <u>Division President, Markets of Health Management Systems, Inc. (HMS)</u>, agree to adopt the following policies with respect to the project being developed or services rendered at the New York State Department of Civil Service.

This organization will and will cause its contractors and subcontractors to take good faith actions to achieve the M/WBE contract participations goals set by the State for that area in which the State-funded project is located, by taking the following steps:

- Actively and affirmatively solicit bids for contracts and subcontracts from qualified State certified MBEs or WBEs, including solicitations to M/WBE contractor associations.
- (2) Request a list of State-certified M/WBEs from the Department and solicit bids from them directly.
- (3) Where feasible, divide the work into smaller portions to enhanced participations by M/WBEs and encourage the formation of joint venture and other partnerships among M/WBE contractors to enhance their participation.
- (4) Document and maintain records of bid solicitation, including those to M/WBEs and the results thereof. The Contractor will also maintain records of actions that its subcontractors have taken toward meeting M/WBE contract participation goals.
- (5) Ensure that progress payments to M/WBEs are made on a timely basis so that undue financial hardship is avoided, and that bonding and other credit requirements are waived or appropriate alternatives developed to encourage M/WBE participation.

(a) This organization will not discriminate against any employee or applicant for employment because of race,

creed, color, national origin, sex, age, disability or marital status, will undertake or continue existing programs of affirmative action to ensure that minority group members are afforded equal employment opportunities without discrimination, and shall make and document its conscientious and active efforts to employ and utilize minority group members and women in its work force on state contracts.

- (b) This organization shall state in all solicitation or advertisements for employees that in the performance of the State contract all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex disability or marital status.
- (c) At the request of the contracting agency, this organization shall request each employment agency, labor union, or authorized representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will affirmatively cooperate in the implementation of this organization's obligations herein.
- (d) The Contractor shall comply with the provisions of the Human Rights Law, all other State and Federal statutory and constitutional non-discrimination provisions. The Contractor and subcontractors shall not discriminate against any employee or applicant for employment because of race, creed (religion), color, sex, national origin, sexual orientation, military status, age,

- disability, predisposing genetic characteristic, marital status or domestic violence victim status, and shall also follow the requirements of the Human Rights Law with regard to non-discrimination on the basis of prior criminal conviction and prior arrest.
- (e) This organization will include the provisions of sections (a) through (d) of this agreement in every subcontract in such a manner that the requirements of the subdivisions will be binding upon each subcontractor as to work in connection with the

Exhibit I.Q – M/WBE and EEO Policy Statement

Agreed to this <u>8th</u> day of <u>June</u> , 2015
Ву
Print: <u>Douglas Williams</u> Title: <u>Division President, Markets</u>
Deb Grier is designated as the Minority Business Enterprise Liaison (Name of Designated Liaison) responsible for administering the Minority and Women-Owned Business Enterprises- Equal Employment Opportunity (M/WBE-EEO) program.
(1) Ensure that plans, specifications, request for proposals and other documents used to secure bids will be made available in sufficient time for review by prospective M/WBEs.
M/WBE Contract Goals
% Minority and Women's Business Enterprise Participation
% Minority Business Enterprise Participation
% Women's Business Enterprise Participation
EEO Contract Goals
% Minority Labor Force Participation
% Female Labor Force Participation
(Authorized Representative)
Title: <u>Division President, Markets</u>
Date: <u>June 8, 2015</u>

IFB # DEAS-2015-1 "Dependent Eligibility Audit Services"

NEW YORK SUBCONTRACTORS AND SUPPLIERS

As stated in Section II.B.11 of the IFB, Offerors are encouraged to use New York State businesses in the performance of Program Services. Please complete the following exhibit to reflect the Offeror's proposed utilization of New York State businesses.

Name(s) of New York Subcontractors and/or Suppliers	Address, City, State, and Zip Code	Description of Services or Supplies Provided	Estimate d Value Over 5-Year Contract Period	Identify if Subcontracto r <u>or</u> Supplier
N/A	N/A	N/A	N/A	N/A



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 12/01/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s)

certificate floider in fled of such endorsen	ι στιμ ο <i>)</i> .					
PRODUCER ARTHUR J. GALLAGHER RISK MANAGEM	ENT SERVICES INC	CONTACT NAME: Linda Brown				
GALLAGHER HEALTHCARE	LIVI OLIVIOLO, IIVO.	PHONE (A/C, NO, EXT):	FAX (A/C, No):			
8511 SOUTH SAM HOUSTON PARKWAY E	EAST, 2 ND FLOOR	E-MAIL ADDRESS:				
HOUSTON, TX 77075		INSURER(S) AFFORDING COVERAG	Ε	NAIC #		
DONOVAN WEGER		COMPANY A: TRAVELERS PROP CAS CO OF A,MER		25674		
INSURED		COMPANY B: TRAVELERS IND CO		25658		
HMS HOLDINGS CORP.		COMPANY C:				
HEALTH MANAGEMENT SYSTEMS 5615 HIGH POINT DRIVE		COMPANY D:				
IRVING. TX 75038		COMPANY E:				
		COMPANY F:				
COVERACES						

CERTIFICATE NUMBER: COVERAGES REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES, LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR		POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
Α	X COMMERCIAL GENERAL LIABILITY			6301871P114	11/30/14	11/30/15	DAMAGE TO RENTED	,000,000
	CLAIMS MADE X OCCUR						MED EXP (Any one person) \$1	0,000
							PERSONAL & ADV INJURY \$E	XCLUDED
							GENERAL AGGREGATE \$2	,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						PRODUCTS – COMP/OP AGG \$2	,000,000
	POLICY X JECT LOC						\$	
	AUTOMOBILE LIABILITY			BA1885P12A	11/30/14	11/30/15	COMBINED SINGLE LIMIT (Ea accident) \$1,	,000,000
В	ANY AUTO						BODILY INJURY (Per person) \$	
	X ALL OWNED SCHEDULED AUTOS						BODILY INJURY (Per accident) \$	
	X HIRED AUTOS X NON-OWNED AUTOS						PROPERTY DAMAGE (Per accident) \$	
							\$	
	UMBRELLA LIAB OCCUR						EACH OCCURRENCE \$	
	EXCESS LIAB CLAIMS MADE						AGGREGATE \$	
	DED RETENTION \$						\$	
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N						WC STATU- OTH- TORY LIMITS ER \$	
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED?	N/A					E.L. EACH ACCIDENT \$	
	(Mandatory in NH)	14//					E.L. DISEASE – EA EMPLOYEE \$	
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE – POLICY LIMIT \$	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER

NEW YORK DEPARTMENT OF HEALTH OFFICE OF THE MEDICAID INSPECTOR ATTN: GENERAL (OMIG) BUREAU OF REV. INITIATIVES 150 BROADWAY RIVERVIEW CENTER, 4TH FLOOR ALBANY, NY 12204-2719

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

STATE OF NEW YORK WORKERS' COMPENSATION BOARD

CERTIFICATE OF NYS WORKERS' COMPENSATION INSURANCE COVERAGE

1a. Legal Name & Address of Insured (Use street address only) HMS HOLDINGS CORP. HEALTH MANAGEMENT SYSTEMS, INC. 360 PARK AVENUE SOUTH, 17 TH FLOOR NEW YORK, NY 10010	 1b. Business Telephone Number of Insured 212-857-5959 1c. NYS Unemployment Insurance Employer Registration Number of Insured
Work Location of Insured (Only required if coverage is specifically limited to certain locations in New York State, i.e., a Wrap-Up Policy)	1d. Federal Employer Identification Number of Insured or Social Security Number 11-3656261
2. Name and Address of the Entity Requesting Proof of Coverage (Entity Being Listed as the Certificate Holder) MONROE COUNTY 39 W. MAIN ST., ROOM 200	3b. Policy Number of entity listed in box "1a" HVYCKUB-7112P78-4-14
ROCHESTER, NY 14614	3c. Policy effective period 11/30/2014 to 11/30/2015 3d. The Proprietor, Partners or Executive Officers are included. (Only check box if all partners/officers included) all excluded or certain partners/officers excluded.

This certifies that the insurance carrier indicated above in box "3" insures the business referenced above in box "1a" for workers' compensation under the New York State Workers' Compensation Law. (To use this form, New York (NY) must be listed under Item 3A on the INFORMATION PAGE of the workers' compensation insurance policy). The Insurance Carrier or its licensed agent will send this Certificate of Insurance to the entity listed above as the certificate holder in box "2".

The Insurance Carrier will also notify the above certificate holder within 10 days IF a policy is canceled due to nonpayment of premiums or within 30 days IF there are reasons other than nonpayment of premiums that cancel the policy or eliminate the insured from the coverage indicated on this Certificate. (These notices may be sent by regular mail). Otherwise, this Certificate is valid for one year after this form is approved by the insurance carrier or its licensed agent, or until the policy expiration date listed in box "3c", whichever is earlier.

Please Note: Upon the cancellation of the workers' compensation policy indicated on this form, if the business continues to be named on a permit, license or contract issued by a certificate holder, the business must provide that certificate holder with a new Certificate of Workers' Compensation Coverage or other authorized proof that the business is complying with the mandatory coverage requirements of the New York State Workers' Compensation Law.

Under penalty of perjury, I certify that I am an authorized representative or licensed agent of the insurance carrier referenced above and that the named insured has the coverage as depicted on this form.

	(Print name of authorized representative or licens	sed agent of insurance carrier)
Approved by:		12-4-14
	(Signature)	(Date)
Title:	COMPLIANCE SPECIALIST	

Please Note: Only insurance carriers and their licensed agents are authorized to issue Form C-105.2. Insurance brokers are **NOT** authorized to issue it.

STATE OF NEW YORK WORKERS' COMPENSATION BOARD

CERTIFICATE OF NYS WORKERS' COMPENSATION INSURANCE COVERAGE

1a. Legal Name & Address of Insured (Use street address only) HMS HOLDINGS CORP. HEALTH MANAGEMENT SYSTEMS, INC. 360 PARK AVENUE SOUTH, 17 TH FLOOR NEW YORK, NY 10010	1b. Business Telephone Number of Insured 212-857-5959 1c. NYS Unemployment Insurance Employer Registration Number of Insured
Work Location of Insured (Only required if coverage is specifically limited to certain locations in New York State, i.e., a Wrap-Up Policy)	1d. Federal Employer Identification Number of Insured or Social Security Number 11-3656261
2. Name and Address of the Entity Requesting Proof of Coverage (Entity Being Listed as the Certificate Holder) STATE OF NEW YORK OFFICE OF THE MEDICAID INSPECTOR GENERAL 800 NORTH PEARL STREET, 2 ND FLOOR ALBANY, NY 12204	

This certifies that the insurance carrier indicated above in box "3" insures the business referenced above in box "1a" for workers' compensation under the New York State Workers' Compensation Law. (To use this form, New York (NY) must be listed under Item 3A on the INFORMATION PAGE of the workers' compensation insurance policy). The Insurance Carrier or its licensed agent will send this Certificate of Insurance to the entity listed above as the certificate holder in box "2".

The Insurance Carrier will also notify the above certificate holder within 10 days IF a policy is canceled due to nonpayment of premiums or within 30 days IF there are reasons other than nonpayment of premiums that cancel the policy or eliminate the insured from the coverage indicated on this Certificate. (These notices may be sent by regular mail). Otherwise, this Certificate is valid for one year after this form is approved by the insurance carrier or its licensed agent, or until the policy expiration date listed in box "3c", whichever is earlier.

Please Note: Upon the cancellation of the workers' compensation policy indicated on this form, if the business continues to be named on a permit, license or contract issued by a certificate holder, the business must provide that certificate holder with a new Certificate of Workers' Compensation Coverage or other authorized proof that the business is complying with the mandatory coverage requirements of the New York State Workers' Compensation Law.

Under penalty of perjury, I certify that I am an authorized representative or licensed agent of the insurance carrier referenced above and that the named insured has the coverage as depicted on this form.

	(Print name of authorized representative or licen-	sed agent of insurance carrier)
pproved by:		12-4-14
	(originature)	(Date)
Title:	COMPLIANCE SPECIALIST	

Please Note: Only insurance carriers and their licensed agents are authorized to issue Form C-105.2. Insurance brokers are **NOT** authorized to issue it.



CERTIFICATE OF LIABILITY INSURANCE

L&DMA-1

OP ID: TS

DATE (MM/DD/YYYY) 06/09/2015

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Callistus Smith Agency, Inc.	CONTACT NAME:	
3415 Paoli Pike	PHONE (A/C, No, Ext):	FAX (A/C, No):
Floyds Knobs, IN 47119	E-MAIL ADDRESS:	
	INSURER(S) AFFORDING COVERAGE	NAIC#
	INSURER A: Selective Insurance Company	12572
INSURED L & D Mailmasters Inc	INSURER B:	
110 Security Pkwy New Albany, IN 47150	INSURER C:	
,,,	INSURER D:	
	INSURER E:	
	INSURER F:	

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SU		POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMIT	<u> </u>
	GENERAL LIABILITY	INOIN IV				EACH OCCURRENCE DAMAGE TO RENTED	\$ 1,000,000
Α	X COMMERCIAL GENERAL LIABILITY		S2046156	09/24/2014	09/24/2015	PREMISES (Ea occurrence)	\$ 100,000
	CLAIMS-MADE X OCCUR					MED EXP (Any one person)	\$ 5,000
						PERSONAL & ADV INJURY	\$ 1,000,000
	X Printers E & O					GENERAL AGGREGATE	\$ 2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:					PRODUCTS - COMP/OP AGG	\$ 2,000,000
	POLICY X PRO-					Emp Ben.	\$ 1,000,000
	AUTOMOBILE LIABILITY					COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000
Α	X ANY AUTO		S2046156	09/24/2014	09/24/2015	BODILY INJURY (Per person)	\$
	ALL OWNED SCHEDULED AUTOS					BODILY INJURY (Per accident)	\$
	X HIRED AUTOS X NON-OWNED AUTOS					PROPERTY DAMAGE (PER ACCIDENT)	\$
							\$
	X UMBRELLA LIAB OCCUR					EACH OCCURRENCE	\$ 5,000,000
Α	EXCESS LIAB CLAIMS-MADE		S2046156	09/24/2014	09/24/2015	AGGREGATE	\$ 5,000,000
İ	DED X RETENTION \$ 10000						\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY					X WC STATU- TORY LIMITS OTH- ER	
Α	ANY PROPRIETOR/PARTNER/EXECUTIVE	N/A	WC7996818	09/24/2014	09/24/2015	E.L. EACH ACCIDENT	\$ 500,000
	(Mandatory in NH)	N/A				E.L. DISEASE - EA EMPLOYEE	\$ 500,000
	If yes, describe under DESCRIPTION OF OPERATIONS below					E.L. DISEASE - POLICY LIMIT	\$ 500,000
Α	Selective Ins		S2046156	09/24/2014	09/24/2015	BPP BLKTW	9,653,400
						\$1000 Ded	
DES	DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101. Additional Remarks Schedule, if more space is required)						

CEDTIFICATE HOLDED	CANCELLATION
CERTIFICATE HOLDER	CANCELLATION

State of New York **Workers Compensation Board Bureau of Compliance**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

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American United Life Insurance Company
Indianapolis, Indiana 46206-0368

Certifies that it has issued and delivered a Group Policy to:

Fifth Third Bank, Indiana, Trustee For The American United Life Group Insurance Trust For The Business And Professional Service Industry (Hereinafter called the Group Policyholder)

L & D Mail Masters, Inc. shall participate in the coverage as a Participating Unit.

Participating Unit Number: G 00605326-0000-000 Group Policy Number: AULtimate STD1E

Class: **001** Change Effective Date: **05/01/2011**

This certificate replaces any and all certificates previously issued to the insured Person under the policy indicated above.

American United Life Insurance Company (AUL) certifies that the Person whose enrollment form is on file with the Participating Unit or AUL as being eligible for insurance and for whom the required premium has been paid is insured under the above numbered policy for group insurance benefits as designated in the Schedule Of Benefits. Benefits as described in this certificate are subject to change.

This certificate describes the coverage provided in the policy. The policy determines all rights and benefits in this certificate and may be amended, cancelled, or discontinued at any time by agreement between AUL, the Group Policyholder, and the Participating Units.

The policy may be examined at the main office of AUL during regular office hours.

Thomas M. Zurek Secretary

Dayton H. Molendorp President and Chief Executive Officer

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SECTION 1 - SCHEDULE OF BENEFITS

ELIGIBLE CLASS All Eligible Full-Time Employees

CLASS NUMBER 001

Required number of hours worked

for full-time employees

30.00 hours or more per week

STANDARD BENEFITS

BASIC WEEKLY EARNINGS

Description Basic Weekly Earnings (BWE). See Section 2.

CONTINUATION OF PERSONAL

INSURANCE UNDER FMLA

Included. See Section 5B.

CONTINUATION OF PERSONAL INSURANCE DURING A LEAVE OF

ABSENCE

Included. See Section 5C.

CONTINUATION OF PERSONAL

INSURANCE DURING A TEMPORARY

LAYOFF

Included. See Section 5C.

CONTINUATION OF PERSONAL INSURANCE DURING A LEAVE OF ABSENCE FOR ACTIVE MILITARY

SERVICE

Included. See Section 5D.

CONTINUITY OF COVERAGE This benefit is included in this Certificate. See Section 10.

ELIMINATION PERIOD The longer of the period of salary continuance and/or sick leave,

or

Injury 7 day(s) Sickness 7 day(s)

EMPLOYEE CONTRIBUTIONS Contributions Are Not Required.

GROSS WEEKLY BENEFIT 66 2/3% of a Person's Covered Weekly Earnings, not to exceed a

Percentage Option Maximum Weekly Benefit of \$1,200.

GUARANTEED ISSUE AMOUNT \$1,200 per week. This amount is also the Maximum Weekly

Benefit. See Section 2.

SECTION 1 - SCHEDULE OF BENEFITS

CLASS 001 (Continued)

INDIVIDUAL EFFECTIVE DATE

Initial Employees First Day of Coverage Month. See Section 3. New Employees First Day of Coverage Month. See Section 3.

INDIVIDUAL REINSTATEMENT First Day of Coverage Month following 30 days. See Section

5A.

INDIVIDUAL TERMINATIONS Immediate. See Section 5.

INTEGRATION Included. See Other Income Benefits, Section 2.

Integration Description Non-Occupational.

MAXIMUM BENEFIT DURATION 13 weeks

MINIMUM WEEKLY BENEFIT \$25

PARTIAL DISABILITY

This benefit is not included for this class in this Certificate.

PRE-EXISTING CONDITION

Duration 30/30. See Section 9.

RESIDUAL BENEFIT This benefit is not included for this class in this Certificate.

SOCIAL SECURITY INTEGRATION Family Social Security Benefits/Non-Occupational. See Section 2.

WAITING PERIOD

Initial Employees First of the Month following 90 days
New Employees First of the Month following 90 days

WAIVER OF PREMIUM

This benefit is not included for this class in this Certificate.

WEEKLY BENEFIT The Gross Weekly Benefit, reduced by Other Income Benefits, if

any. See Section 2.

ACTIVE WORK and ACTIVELY AT WORK means the use of time and energy in the services of the Participating Unit at the regular place of employment, or an alternative worksite as approved by the Participating Unit and AUL, by a Person who is physically and mentally capable of performing each of the Material and Substantial duties of his Regular Occupation on a regular full-time basis. If the alternative worksite is located outside of the United States or Canada, the Person will be considered to be Actively At Work unless the Person is outside of the United States or Canada for more than 6 months in any 12 month period.

This includes time off for vacation, jury duty, and funeral leave, where the Person could have been Actively At Work on that day.

BASIC WEEKLY EARNINGS means the Person's gross weekly income in U.S. dollars before taxes, received from the Participating Unit not to exceed a maximum workweek of forty (40) hours. Gross weekly income includes pre-tax contributions to an employer-sponsored defined contribution plan and a cafeteria plan, if any. These earnings are based on the amount as last reported to AUL in writing by the Participating Unit, for which premiums were paid and the coverage amount was approved by AUL in writing, before the date of Disability. Earnings do not include income received from commissions, bonuses, or expense accounts.

If the Person is paid his annual gross income in less than 52 weeks, the Basic Weekly Earnings shall equal 1/52 of the annual gross income.

CHILD(REN) means a minor related by blood, marriage or court order that can be claimed as a dependent for federal income tax purposes, such as:

- 1) natural born child(ren) of the Person;
- 2) legally adopted child(ren) of the Person;
- 3) stepchild(ren) who live with the Person; or
- 4) child(ren) for whom the Person has legal guardianship.

COSMETIC SURGERY means surgery that is performed to change the texture, shape or structure of any part of the human body for the purpose of creating a different visual appearance.

CONTRIBUTORY INSURANCE means insurance for which the Person pays part or all of the premium.

COVERAGE MONTH means that period of time beginning on the date shown in each Participating Unit's amendment, and ending on the day before that date of the next month.

COVERED WEEKLY EARNINGS means the amount of the Person's income, in US dollars, received from the Participating Unit that is insured by the policy. This amount will be the LESSER of:

- 1) the Basic Weekly Earnings, or
- 2) the Maximum Weekly Benefit divided by the benefit percentage shown on the Schedule of Benefits.

CURRENT WEEKLY INCOME means the income a Person receives while Disabled, plus the income the Person could receive if he were working to his Maximum Capacity.

If a Person is employed in a second job, at the same time he is Actively At Work full-time for the Participating Unit, and becomes Disabled under the policy, the following will apply during the Elimination Period and while receiving Disability benefits under the policy:

- 1) Any income received from the second job will be considered Current Weekly Income only to the extent that it exceeds the average weekly income received from that job during the six-month period immediately prior to becoming Disabled.
- 2) If the Person has worked for the second employer less than six months, the income will be averaged for the total number of months he was employed.

If a Person receives Current Weekly Income in a Lump Sum, the Lump Sum Payment provision will apply.

DATE OF HIRE means the first day the Employee is Actively At Work in an eligible class for the Participating Unit as shown on the Subscription Agreement.

DISABILITY and DISABLED mean Total Disability and Totally Disabled.

Any Disability will be considered the result of Sickness unless the Disability occurs as a result of an Injury and treatment begins within 30 days of the Injury.

DUE DATE means the first day of the Coverage Month for which the premium is payable.

ELIGIBILITY DATE means the date that an Employee, in an eligible class as shown on the Schedule of Benefits, has satisfied his Waiting Period and first becomes eligible for insurance under the policy.

ELIMINATION PERIOD means a period of consecutive days of Total Disability for which no benefit is payable. The Elimination Period begins on the first day of Total Disability and ends on the LATER of:

- 1) the day ending the period of consecutive days stated on the Schedule of Benefits; or
- 2) the day ending the period of time for which salary continuance and/or sick leave is received from the Participating Unit.

EMPLOYEE means any individual who is a full-time employee (or proprietor, partner, or corporate officer) of the Participating Unit:

- 1) whose employment with the Participating Unit constitutes his principal occupation;
- 2) who works at that occupation a minimum number of hours shown on the Schedule Of Benefits;
- 3) who is working at the Participating Unit's regular place of business which may include an alternative worksite if approved by the Participating Unit and AUL;
- 4) who is not a part-time, temporary, or seasonal employee;
- 5) who is authorized to work in the United States under applicable state and federal laws; and
- 6) if approved by AUL:
 - a) who legally works and resides in Canada;
 - b) who legally works in the United States and resides in Canada; or
 - c) who legally works in Canada and resides in the United States.

EVIDENCE OF INSURABILITY means a statement or proof of an Employee's medical history upon which acceptance for insurance will be determined by AUL.

FAMILY SOCIAL SECURITY BENEFITS means benefits which the Person and/or his spouse, or Child(ren) are entitled to receive as a result of the Person's eligibility for disability insurance benefits or old age insurance benefits through the Federal Social Security Administration.

GROSS WEEKLY BENEFIT means the Person's Weekly Benefit, before any reductions for Other Income Benefits.

GUARANTEED ISSUE AMOUNT means the amount of coverage that does not require Evidence Of Insurability. This amount is shown on the Schedule Of Benefits.

INDIVIDUAL REINSTATEMENT means that Personal Insurance that has been terminated due to cessation of Active Work may be reinstated in accordance with Section 5A of the policy.

INJURY means bodily injury resulting directly from an accident and that occurs independently of all other causes while the Person is insured under the policy. This includes all other conditions related to the same Injury sustained by a Person while insured under the policy.

MALE PRONOUN whenever used includes the female.

MATERIAL AND SUBSTANTIAL DUTIES means duties that:

- 1) are normally required for the performance of a Person's Regular Occupation; and
- 2) cannot be reasonably omitted or modified, except that if the Person is required to work on average in excess of 40 hours per week, AUL will consider the Person able to perform that requirement if he has the capacity to work 40 hours per week.

MAXIMUM BENEFIT DURATION means the maximum period of time that benefits will be payable for Disability. This period of time is stated on the Schedule Of Benefits.

MAXIMUM CAPACITY means, based on the Person's restrictions and limitations, the greatest extent of work the Person is able to do in his Regular Occupation.

MAXIMUM WEEKLY BENEFIT means the maximum amount of benefit payable to a Person on a weekly basis as stated on the Schedule Of Benefits.

MENTAL ILLNESS means a psychiatric or psychological condition classified in the Diagnostic and Statistical Manual of Mental Health Disorders (DSM), published by the American Psychiatric Association, most current as of the start of a Disability. Such disorders include, but are not limited to, psychotic, emotional or behavioral disorders, or disorders related to stress or to substance abuse or dependency. If the DSM is discontinued or replaced, these disorders will be those classified in the diagnostic manual then used by the American Psychiatric Association as of the start of a Disability.

NON-CONTRIBUTORY INSURANCE means insurance for which the Person pays none of the premium.

OTHER INCOME BENEFITS means those benefits set out below which the Person, his spouse, or Child(ren) are entitled to receive. It includes any benefit for which they are eligible, or that is paid to them or a Third Party on their behalf, including:

- 1) disability income benefits, including any damages or settlements made in place of such benefits (whether or not liability is admitted) under:
 - a) any automobile liability insurance or "no fault" motor vehicle plan, whichever is applicable;
 - b) a Third Party (after subtracting attorney's fees) by judgment, settlement or otherwise not to exceed 50% of the net settlement;
 - c) state compulsory benefit law, including any state disability income benefit law or similar law;
 - d) disability benefits from the Veteran's Administration, or any other foreign or domestic governmental agency, that begin after a Person becomes Disabled. This includes the amount of any increase in a benefit that a Person was receiving prior to becoming Disabled if the increase is attributed to the same disability for which the Person is currently receiving a Weekly Benefit under the policy;
 - e) any other similar act or law; and
- 2) any disability income benefit for which the Person is eligible under any other employee welfare benefit plan, or arrangement of coverage, whether insured or not, as a result of the Person's employment with the Participating Unit. However, when the Person's Basic Weekly Earnings exceed his Covered Weekly Earnings, the Weekly Benefit will not be reduced by such income unless when combined with the Other Income Benefits the total exceeds 80% of Basic Weekly Earnings. If it does, the Weekly Benefit will be reduced by the amount that is in excess of 80% of the Basic Weekly Earnings; and
- 3) any disability income or retirement benefit that has been received or is eligible to be received from:
 - a) the Social Security Administration or any similar law, plan or act, including the initial enactment and all amendments;
 - b) the Canada Pension Plan;
 - c) the Quebec Pension Plan;
 - d) the Railroad Retirement Act; or
 - e) any other state, provincial or local government act or law or any other similar act or law provided in any jurisdiction; and
- 4) any Current Weekly Income.

The following items are NOT considered Other Income Benefits and will not be deducted from the Gross Weekly Benefit payable to the Person:

- 1) profit sharing plans;
- 2) thrift or savings plans;
- 3) Individual Retirement Accounts (IRA) or Roth IRAs, funded wholly by the Person's contribution;
- 4) tax sheltered annuities (TSA);
- 5) stock ownership plans (ESOP);
- 6) nonqualified deferred compensation plans;
- 7) Keogh, 401(k) or 403(b) plans;
- 8) Veteran Administration Benefits except those benefits that are a result of the same Disability for which a Weekly Benefit is payable under the policy;
- 9) credit disability insurance;
- 10) pension plans for partners;
- 11) individual disability policy paid for by the Person that is not sponsored by the Participating Unit; and
- 12) a retirement plan from another employer.

PARTICIPATING UNIT means any sole proprietorship, partnership, corporation, limited liability company, limited liability partnership, firm, school district, individual school, or other instrumentality of a state or political subdivision thereof, which has been approved by AUL and added by amendment to the policy. An entity that is subsidiary to or affiliated with the Participating Unit as defined below is eligible for coverage under the policy if it is shown on the Subscription Agreement or later added by amendment to the policy.

A subsidiary may be included in this definition when the Participating Unit owns more than 50% of the voting stock of the subsidiary corporation.

An affiliate may be included in this definition when the corporation, limited liability company, proprietorship, or partnership is under common control with the Participating Unit through stock ownership, contract, common officers, or otherwise.

The Participating Unit is liable for all premiums due for a subsidiary and affiliate during any period of time the subsidiary and/or affiliate are insured under the policy. Any notice given to the Participating Unit by AUL shall be considered notice given to the subsidiary and/or affiliate.

PARTICIPATING UNIT'S EFFECTIVE DATE means the date on which coverage is effective for the Participating Unit under the policy, as determined by AUL.

PERSON means an Employee who has met the requirements of the ELIGIBILITY and INDIVIDUAL EFFECTIVE DATE section of the policy.

PERSONAL INSURANCE means the insurance provided under the policy for an insured Person.

PHYSICIAN means a qualified, licensed doctor of medicine or osteopathy, and any other licensed health care provider that state law requires be recognized as a Physician, and practicing within the scope of his license and applicable law. Physician does not include a Physician employed by the Participating Unit, the Person, or anyone related by blood or marriage to the Person.

PRE-DISABILITY EARNINGS means the Person's Basic Weekly Earnings in effect immediately prior to his date of Disability.

PRE-EXISTING CONDITION means any condition for which a Person would have done any of the following at any time during the 30 days immediately prior to a Person's Individual Effective Date of Insurance, whether or not that condition was diagnosed at all or was misdiagnosed:

- 1) received medical treatment or consultation;
- 2) taken or were prescribed drugs or medicine; or
- 3) received care or services, including diagnostic measures.

PRIOR PLAN means the Participating Unit's plan of short term disability insurance which terminated on the day immediately before the Participating Unit's Effective Date of coverage under the policy.

REGULAR ATTENDANCE means that the Person:

- 1) personally visits a Physician as medically required according to standard medical practice, to effectively manage and treat the Person's Disability;
- 2) is receiving the most appropriate treatment and care that will maximize his medical improvement and aid in his return to work; and
- 3) is receiving care by a Physician whose specialty or clinical experience is appropriate for the Disability.

REGULAR OCCUPATION means a Person's occupation as it is recognized in the general workplace and according to industry standards. A Person's occupation does not mean the specific job tasks a Person does for a Participating Unit or at a specific location. For Physicians "Regular Occupation" means the area in the practice of medicine that they were practicing immediately prior to the date Disability started. For attorneys "Regular Occupation" means the practice of law as defined under applicable laws.

SALARY CONTINUANCE means any payments to a Person, by the Participating Unit, of all or part of his Basic Weekly Earnings after he becomes Disabled.

SICKNESS means illness, bodily disorder or disease, Mental Illness, normal pregnancy and complications of pregnancy. Complications of pregnancy are defined as concurrent disease or abnormal conditions significantly effecting the usual medical management of pregnancy.

GC 3600.6C

SECTION 2 - DEFINITIONS

(BWE) (Pre Ex: 30/30) (Prudent/Not Included)

2005

SOCIAL SECURITY means the United States Social Security Act or any similar law, plan, or act including the initial enactment and all amendments.

THIRD PARTY means an individual, entity, or insurance company other than AUL.

TOTAL DISABILITY and TOTALLY DISABLED mean that because of Injury or Sickness:

- 1) the Person cannot perform the Material and Substantial duties of his Regular Occupation;
- 2) the Person is not working;
- 3) the Person is not Partially Disabled; and
- 4) the Person is under the Regular Attendance of a Physician for that Injury or Sickness.

Any Disability will be considered the result of Sickness unless the Disability occurs as a result of an Injury and treatment begins within 30 days of the Injury.

If the Person's Regular Occupation requires a license, loss of this license for any reason does not in itself constitute Disability.

WAITING PERIOD means the period of days, starting on the Date of Hire, that an Employee must be continuously Actively at Work while in an eligible class. Initial Employees will be given credit for time served under the Participating Unit's prior carrier if the policy replaced the same type of coverage an Employee had with the prior carrier. The Waiting Period is stated in the Schedule Of Benefits.

WEEKLY BENEFIT means the amount payable weekly by AUL to the Disabled Person. It is the Gross Weekly Benefit, reduced by Other Income Benefits.

SECTION 3 - ELIGIBILITY AND INDIVIDUAL EFFECTIVE DATE

INITIAL EMPLOYEE: This is an eligible Employee who is Actively At Work and has completed the Waiting Period for Initial Employees before the Participating Unit's original Effective Date.

NEW EMPLOYEE: This is an eligible Employee who was Actively At Work before the Participating Unit's original Effective Date, but did not complete the Waiting Period for an Initial Employee prior to that date. It also refers to an eligible Employee who has completed the Waiting Period for New Employees and was Actively At Work on or after the Participating Unit's original Effective Date.

ELIGIBILITY DATE: An Employee who is in an eligible class as shown on the Schedule of Benefits and has satisfied his Waiting Period becomes eligible for Personal Insurance under the policy on:

- 1) Initial Employees: the Participating Unit's original Effective Date of coverage under the policy;
- 2) *New Employees*: first day of the Coverage Month following completion of the Waiting Period as shown on the Schedule of Benefits.

INDIVIDUAL EFFECTIVE DATE OF INSURANCE: This means the date an Employee's Personal Insurance becomes effective under the policy. This date only applies to the Maximum Weekly Benefit amount less than or equal to the Guaranteed Issue Amount shown on the most recent Schedule of Benefits for the Person's class and will be the Eligibility Date.

If an Employee is not Actively At Work on the date insurance would otherwise become effective, the Individual Effective Date of Insurance is the date the Employee returns to full-time Active Work.

AMOUNTS IN EXCESS OF THE GUARANTEED ISSUE AMOUNT: Any portion of the Maximum Weekly Benefit that exceeds the Guaranteed Issue Amount will require Evidence of Insurability, satisfactory and without expense to AUL. If the excess portion is approved, the effective date for that portion will be named by AUL. If the excess portion is not approved by AUL, the Maximum Weekly Benefit will be an amount equal to the Guaranteed Issue Amount shown on the Schedule of Benefits.

GC 3600.7B

SECTION 3 - ELIGIBILITY AND INDIVIDUAL EFFECTIVE DATE

2003

(non-contrib) (Indiv Eff Dt: FOM) (New EE Elig: FOM)

SECTION 4 - CHANGES IN INSURANCE

The effective date of any change for the Person is:

- 1) the date the request for change is approved by AUL, if the approval date is the first day of a Coverage Month; or
- 2) the first day of the next Coverage Month, if the request for change is approved after the first day of a Coverage Month.

If the Person is not Actively At Work on the effective date of change, the Person becomes eligible for the change on the first day that the Person returns to Active Work.

If the change is an increase of \$200 or more in the Maximum Weekly Benefit, the provision entitled PRE-EXISTING CONDITION EXCLUSION ON AN INCREASED MAXIMUM WEEKLY BENEFIT as shown in Section 9 "EXCLUSIONS" will apply to the increased amount.

SECTION 5 - TERMINATIONS

INDIVIDUAL TERMINATIONS: A Person will cease to be insured on the EARLIEST of the following dates:

- 1) the date the policy or the Participating Unit's coverage under the policy terminates;
- 2) the date the Person is no longer in an eligible class;
- 3) the date the Person's class, as shown on the Schedule Of Benefits, is no longer insured under the policy;
- 4) the last day for which any required employee contribution has been made;
- 5) the date the Person requests termination, but not prior to the date of the request;
- 6) the date employment terminates. **Cessation of Active Work will be deemed termination of employment** However, Personal Insurance will be continued for a Person:
 - a) during the Elimination Period; or
 - b) during the period the Person is eligible to receive a Weekly Benefit; or
 - c) during any temporary leave of absence according to the appropriate Continuation of Personal Insurance benefit if premiums continue to be paid during the leave, and the benefit was elected by the Participating Unit, shown on the Schedule of Benefits and approved by AUL; and
 - d) to the end of the Coverage Month following the month that a Person is temporarily laid off as long as premiums continue to be paid, if coverage during a temporary layoff was requested by the Participating Unit on the Subscription Agreement and approved by AUL.

TERMINATION OF A PARTICIPATING UNIT: Insurance for a Participating Unit ceases on the EARLIEST of the following dates:

- 1) the date the Participating Unit no longer meets the definition of a Participating Unit;
- 2) the date the Participating Unit ceases active business operations or is placed in bankruptcy or receivership;
- 3) the date the Participating Unit loses its entity by means of dissolution, merger, or otherwise;
- 4) the date the Participating Unit is eliminated as a Participating Unit by an amendment to or change in the policy;
- 5) the date ending the Coverage Month for which the last premium payment is made for the Participating Unit's insurance;
- 6) at the end of a Coverage Month, provided that AUL has given at least 31 calendar days prior written notice to the Participating Unit; or
- 7) at the end of a Coverage Month, if the Participating Unit has given AUL at least 31 calendar days prior written notice.

If a Person's insurance is terminated due to the termination of a Participating Unit, the Person's rights under the policy are determined as if the policy had terminated on the date the Participating Unit's coverage terminated.

If coverage for a Participating Unit terminates, the Participating Unit will be liable to AUL for all unpaid premiums for the period during which the coverage was in force.

GC 3600.9D

SECTION 5 - TERMINATIONS

2005 (FMLA) (Layoff) (Layoff/EOM) (LOA) (Military)

SECTION 5 - TERMINATIONS

TERMINATION OF THE POLICY: AUL may terminate the policy at the end of any policy month by giving at least 31 days prior notice to the Policyholder.

Termination of the policy, or termination of coverage for a Participating Unit, under any conditions will be without prejudice to any claim incurred prior to termination.

EXTENDED BENEFIT: If the Person is Disabled on the date of termination of insurance, AUL will pay benefits for Disability:

- 1) after the Elimination Period has been met, if the Person is not already receiving a Weekly Benefit;
- 2) during the uninterrupted continuance of the same period of Disability; and
- 3) subject to the provisions and benefits of the policy as elected by the Participating Unit.

Benefits will be extended to the EARLIEST of the following:

- 1) the date Current Weekly Income received from any occupation or employment equals or exceeds 80% of the Pre-Disability Earnings;
- 2) the date the Person ceases to be Totally Disabled;
- 3) the date the Person dies;
- 4) the date ending the Maximum Benefit Duration as shown on the Schedule Of Benefits;
- 5) the date the Person fails to give AUL required proof of Disability or information required to determine if any benefits are owed under the policy;
- 6) the date the Person refuses to allow an examination requested by AUL;
- 7) the date the Person is no longer under the Regular Attendance and care of a Physician;
- 8) the date the Person refuses to provide information to AUL to verify the Person's Current Weekly Income; or
- 9) the date the Person leaves the United States or Canada and establishes his residence in any other country. A Person will be considered to reside outside these countries when the Person has been outside the United States or Canada for a total period of 6 months or more during any 12 consecutive months of benefits.

SECTION 5A - INDIVIDUAL REINSTATEMENT

INDIVIDUAL REINSTATEMENT: If Personal Insurance terminates under the policy due to cessation of Active Work for the Participating Unit, it may be reinstated subject to the terms of this Section. Individual Reinstatement must be requested during the 31-day period immediately following return to Active Work for the Participating Unit in accordance with the terms stated in this provision. Individual Reinstatement will be to the same eligible class that the Employee belonged to immediately prior to his termination. AUL may require Evidence of Insurability if reinstatement is requested to an eligible class that differs from the coverage the Employee had with the Participating Unit immediately prior to his cessation of Active Work. Reinstatement is subject to payment of required premiums and that the Participating Unit is currently insured by AUL under the policy.

In addition to the above requirements, the following also applies:

- 1) If an Employee returns to Active Work within 30 days (consecutive calendar days) of his Individual Termination date and requests Individual Reinstatement:
 - a) Personal Insurance will become effective the first day of the Coverage Month immediately following the date of request for Individual Reinstatement.
 - b) Evidence of Insurability will not be required for Individual Reinstatement to the same coverage amounts and eligible class held by the Employee under the policy immediately prior to cessation of Active Work.
 - c) Credit will be given towards satisfaction of the eligibility Waiting Period and of the Pre-Existing Condition exclusion or limitation period the Person previously served under the policy. However, any days accumulated during the period of lapse in coverage will not be credited. The original Individual Effective Date of Insurance will be used when applying the eligibility Waiting Period and the Pre-Existing Condition exclusion or limitation period
- 2) If an Employee returns to Active Work more than the number of consecutive calendar days, shown in 1) above, after his Individual Termination date and requests Individual Reinstatement:
 - a) The Employee will be considered a New Employee and subject to the terms of the policy.
 - b) Eligibility for Personal Insurance, enrollment and his Individual Effective Date Of Insurance will be determined as stated in the policy.
 - c) The Waiting Period and Pre-Existing Condition exclusion or limitation period will start anew. The Individual Reinstatement date will be used when applying the Pre-Existing Condition exclusion or limitation period.
- 3) If Personal Insurance terminates because of a leave under the Federal Family and Medical Leave Act (FMLA), or applicable state law, approved by the Participating Unit and the Employee returns to full-time Active Work immediately following the end of the leave:
 - a) Personal Insurance will become effective immediately upon the date of request for Individual Reinstatement.
 - b) Credit will be given towards satisfaction of the Pre-Existing Condition exclusion or limitation period previously served under the policy, however, the days accumulated during the period of lapse in coverage will not be credited. The original Individual Effective Date of Insurance will be used when applying the Pre-Existing Condition exclusion or limitation period.
 - c) Evidence of Insurability will not be required for Individual Reinstatement to the same coverage amounts and eligible class that the Employee would have been entitled to prior to the leave.
- 4) If Personal Insurance terminates because a Person becomes a full-time member of the armed forces of the United States and he returns to full-time Active Work, the Person's coverage may be reinstated in accordance with Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) and applicable state law.

GC 3600.10-1A

SECTION 5A - INDIVIDUAL REINSTATEMENT

2005

(Credit: Pre-Ex/Wait Per)

SECTION 5B - CONTINUATION OF PERSONAL INSURANCE UNDER THE FAMILY AND MEDICAL LEAVE ACT

CONTINUATION OF PERSONAL INSURANCE UNDER THE FAMILY AND MEDICAL LEAVE ACT. If the Participating Unit approves a leave of absence under the Federal Family and Medical Leave Act (FMLA), a Person's coverage under the policy will be continued as stated in this provision. Personal Insurance will continue while a Person's leave is covered under FMLA, until the end of the LATER of:

- 1) the leave period permitted under FMLA or
- 2) the leave period permitted by applicable state law.

Coverage continued under this Section is subject to the following requirements:

- 1) the Participating Unit has approved a Person's leave in writing as a leave taken under FMLA;
- 2) applicable premiums must continue to be paid to AUL in accordance with the policy (see Section 6 Premium Payment); and
- 3) Basic Weekly Earnings will be the amount last reported to AUL in writing and in effect prior to the date the Person's family or medical leave began.

Continuation of Personal Insurance under this provision will cease on the earliest of the following:

- 1) the date a Person dies;
- 2) the date a Person's coverage terminates for nonpayment of premiums;
- 3) the date a Person begins full or part-time employment with another employer;
- 4) the date the policy, or the Participating Unit's coverage under the policy, terminates;
- 5) the date a Person notifies the Participating Unit that he will not be returning to Active Work;
- 6) the date a Person's class is no longer offered under the policy;
- 7) the date a Person no longer qualifies for an eligible class, as stated in the Schedule of Benefits;
- 8) the date a Person requests termination of coverage under the policy, but not prior to the date of request.

All terms and conditions of the policy will apply during the approved continuation period provided under this Section, unless otherwise stated. While Personal Insurance is being continued under this Section, the Person will be considered exempt from the requirements listed below:

- 1) the Actively At Work definition; and
- 2) the applicable number of hours needed to meet the requirement for full-time Employee, as stated in the Schedule of Benefits.

If the Participating Unit has approved more than one type of Leave of Absence for the Person during any one period, AUL will consider such leaves to be concurrent for the purpose of determining how long the Person's coverage may continue under the policy.

SECTION 5C - CONTINUATION OF PERSONAL INSURANCE DURING A LEAVE OF ABSENCE AND TEMPORARY LAYOFF

LEAVE OF ABSENCE references in this Section mean the Person is absent from Active Work for a temporary period of time that has been agreed to in advance in writing by the Participating Unit and includes temporary layoffs unless otherwise stated.

CONTINUATION OF PERSONAL INSURANCE WHILE TEMPORARILY LAID OFF. If the Participating Unit approves a Temporary Layoff, a Person's coverage under this policy will be continued to the end of the Coverage Month following the month in which the layoff begins, as long as premiums continue to be paid, subject to same requirement as a Leave of Absence.

CONTINUATION OF PERSONAL INSURANCE UNDER A LEAVE OF ABSENCE: If the Participating Unit approves a Leave of Absence, a Person's coverage under this policy will be continued to the end of the Coverage Month following the month that a Person begins a Leave of Absence, as long as premiums continue to be paid, subject to the following requirements:

- 1) the Participating Unit has approved a Person's Leave of Absence in writing;
- 2) applicable premiums must continue to be paid to AUL in accordance with this policy (see Section 6 Premium Payment); and
- 3) Basic Weekly Earnings will be the amount last reported to AUL in writing and in effect prior to the date the Person's Leave of Absence began.

Continuation of Personal Insurance under this provision will cease on the EARLIEST of the following:

- 1) the date a Person dies;
- 2) the date a Person's coverage terminates for nonpayment of premiums;
- 3) the date a Person begins full or part-time employment with another employer;
- 4) the date this policy, or the Participating Unit's coverage under this policy, terminates;
- 5) the date a Person notifies the Participating Unit that he will not be returning to Active Work;
- 6) the date a Person's class is no longer offered under this policy;
- 7) the date a Person no longer qualifies for an eligible class, as stated in the subscription agreement;
- 8) the date a Person requests termination of coverage under this policy, but not prior to the date of request.

All terms and conditions of this policy will apply during the approved continuation period provided under this section, unless otherwise stated. While Personal Insurance is being continued under this Section, the Person will be considered exempt from the requirements listed below:

- 1) the Actively At Work definition; and
- 2) the applicable number of hours needed to meet the requirement for full-time Employee, as stated in the Subscription Agreement.

If the Participating Unit has approved more than one type of Leave of Absence for the Person during any one period, AUL will consider such leaves to be concurrent for the purpose of determining how long the Person's coverage may continue under the policy.

GC 3600.10-3

SECTION 5C - CONTINUATION OF PERSONAL INSURANCE DURING A LEAVE OF ABSENCE AND TEMPORARY LAYOFF

2005 (BWE) (Layoff) (LOA) (LOA/EOM) (Military)

SECTION 5D - CONTINUATION OF PERSONAL INSURANCE DURING A LEAVE OF ABSENCE FOR ACTIVE MILITARY SERVICE

LEAVE OF ABSENCE means the Person is absent from Active Work for a temporary period of time that has been agreed to in advance in writing by the Participating Unit.

CONTINUATION OF PERSONAL INSURANCE DURING A LEAVE OF ABSENCE FOR ACTIVE MILITARY SERVICE: If the Person is on a leave of absence for active military service as described under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) and applicable state law, the Person's coverage may be continued until the end of:

- 1) the length of time the coverage may be continued under the policy for an FMLA leave of absence; or
- 2) the length of time the coverage may be continued under the policy for a Leave of Absence other than an FMLA leave of absence.

Coverage continued under this Section is subject to the following requirements:

- 1) applicable premiums must continue to be paid to AUL in accordance with this policy (see Section 6 Premium Payment); and
- 2) Basic Weekly Earnings will be the amount last reported to AUL in writing and in effect prior to the date the Person's Leave of Absence for active military service began.

Continuation of Personal Insurance under this provision will cease on the earliest of the following:

- 1) the date a Person dies:
- 2) the date a Person's coverage terminates for nonpayment of premiums;
- 3) the date a Person begins full or part-time employment with another employer;
- 4) the date this policy, or the Participating Unit's coverage under this policy, terminates;
- 5) the date a Person notifies the Participating Unit that he will not be returning to Active Work;
- 6) the date a Person's class is no longer offered under this policy;
- 7) the date a Person no longer qualifies for an eligible class, as stated in the subscription agreement; or
- 8) the date a Person requests termination of coverage under this policy, but not prior to the date of request.

All terms and conditions of this policy will apply during the approved continuation period provided under this section, unless otherwise stated. While Personal Insurance is being continued under this Section, the Person will be considered exempt from the requirements listed below:

- 1) the Actively At Work definition; and
- 2) the applicable number of hours needed to meet the requirement for full-time Employee, as stated in the Subscription Agreement.

If the Participating Unit has approved more than one type of Leave of Absence for the Person during any one period, AUL will consider such leaves to be concurrent for the purpose of determining how long the Person's coverage may continue under the policy.

SECTION 6 - PREMIUM PAYMENT

PREMIUM PAYMENTS: The Participating Unit is responsible for properly and accurately remitting premium to AUL on or before the Due Date. All premiums will be calculated and paid in U.S. dollars. At the request of the Participating Unit and with AUL's written approval, the interval of premium payments may be changed. Payment of any premium does not maintain the insurance in force beyond the end of the period for which the premium has been paid, except as provided under the Grace Period provision. If coverage is Contributory Insurance, premium paid by the Person may be paid by means of payroll deduction administered by the Participating Unit. Overpayment of premium will not result in increases in any coverage amounts for the Participating Unit or Persons eligible for benefits under the policy.

Premiums for a Person's coverage under the policy shall be charged from the Person's Individual Effective Date of Insurance. Premium charges will cease on the Person's Individual Termination date. However, if the Person is Disabled on his Individual Termination date, and subsequently becomes eligible for the Extended Benefit, premium charges will continue until the date the Extended Benefit is terminated.

The above manner of charging premiums applies only to a Person's insurance that is terminating, but not to the termination of a Participating Unit. Each premium payment will include adjustments in past premiums for changes that have not previously been taken into account.

PREMIUM RATES: AUL reserves the right to change premium rates on any date:

- 1) after the Participating Unit's coverage has been in effect for 1 year by giving prior written notice to the Participating Unit at least 31 days before the effective date of the change;
- 2) the eligibility and/or benefit provisions are changed;
- 3) the number of Persons insured through the Participating Unit changes by 25% or more; or
- 4) a subsidiary or affiliate is added to, or deleted from, the Participating Unit's coverage under the policy.

SECTION 7 - GENERAL POLICY PROVISIONS

AGENCY: For all purposes of the policy, the Participating Unit acts on behalf of itself or as agent of the Person. Under no circumstances will the Participating Unit be deemed the agent of AUL without a written authorization.

AMENDMENT AND CHANGES: The policy may be amended in writing by mutual agreement between the Policyholder, the Participating Unit and AUL, without prejudice to any loss incurred prior to the effective date of the amendment. No change in the policy is valid until approved in writing by the Chief Executive Officer, President, or Secretary of AUL. No agent has the authority to change the policy or waive any of its provisions.

ASSIGNMENT: No assignment of any present or future right, or benefit under the policy will bind AUL without its prior written consent.

CERTIFICATES: AUL will issue a certificate for delivery by the Participating Unit to the insured Persons. The certificate will summarize a Person's coverage, from those available under the policy and will state:

- 1) the benefits provided; and
- 2) to whom the benefits are payable.

If there is any discrepancy between the provisions of any certificate and the provisions of the policy, the provisions of the policy will govern.

CLERICAL ERROR: Clerical error on the part of the Participating Unit or AUL will not invalidate insurance otherwise in force nor continue insurance otherwise terminated.

CONFORMITY WITH STATE LAWS: Any provision of the policy in conflict with the laws of the state in which it is delivered, is amended to conform to the minimum requirements of those laws.

DATA AND RECORDS: The Policyholder and Participating Unit must furnish all information that AUL reasonably requires. The Participating Unit must furnish all relevant information to AUL about Persons:

- 1) who qualify to become insured;
- 2) whose amounts of insurance or earnings change; and/or
- 3) whose insurance terminates.

At any reasonable time, AUL or its representatives shall have the right to inspect the records of the Policyholder or Participating Unit that, in the opinion of AUL, may have a bearing on the insurance coverage provided under the policy.

DISCRETIONARY AUTHORITY: Benefits under the policy will be paid only if AUL decides in its discretion that the applicant is entitled to them. Except for the functions the policy explicitly reserves to the Participating Unit or Trustee, AUL reserves the right to:

- 1) manage the policy and administer claims under it; and
- 2) interpret the provisions and resolve any questions arising under it.

AUL's authority includes, but is not limited to, the right to:

- 1) establish and enforce procedures for administering the policy and claims under it;
- 2) determine Employees' eligibility for insurance and entitlement to benefits;
- 3) determine what information AUL reasonably requires to make such decisions; and
- 4) resolve all matters when a claim review is requested.

Any decision that AUL makes, in the exercise of its authority, will be conclusive and final subject to any rights under Employee Retirement Income Security Act (ERISA). This provision applies only where the interpretation of the policy is governed by ERISA.

SECTION 7 - GENERAL POLICY PROVISIONS

ENTIRE CONTRACT: The policy and the applications of the individuals, the Participating Units, and the Policyholder constitute the entire contract.

GRACE PERIOD: If the Participating Unit or AUL does not give notice in writing that coverage under the policy is to be terminated, a grace period of 31 days will be granted for the payment of any premium falling due after the first premium. During the grace period, the Participating Unit's coverage under the policy will continue in force but will automatically terminate on the last day of the grace period. The Participating Unit is liable to AUL for payment of premium for the days of grace during which the Participating Unit's coverage under the policy remains in force. AUL is not obligated to pay claims incurred during the grace period until the premium due is received.

INSURANCE FRAUD: AUL wants to ensure that its customers do not incur additional insurance costs as a result of the act of insurance fraud. Applicable state laws require AUL to undertake measures to detect, investigate and prosecute fraud.

Anyone that knowingly completes an application for insurance or statement of claim containing any materially false information or facts, with the intent to deceive, conceal or mislead is committing a fraudulent insurance act. This is a crime and may subject such Persons to criminal and civil penalties.

MISSTATEMENT OF FACTS: If the age, or any other fact that affects the benefits for a Person or Participating Unit has been misstated, the benefits will be payable based on the true facts. Premium adjustment will be made so that AUL will receive the actual premium required based on the true facts.

RELATIONSHIP: AUL and the Participating Unit are, and will remain, independent contractors. Nothing in the policy shall be construed as making the parties joint venturers or as creating a relationship of employer and employee, master and servant or principal and agent. Neither party has any power, right or authority to bind the other or to assume or create any obligation or responsibility on behalf of the other. AUL and the Participating Units each retain exclusive control of their time and methods to perform their respective duties. AUL and any Participating Unit will employ, pay and supervise their own employees and pay their own expenses during a Participating Unit's coverage under the policy.

STATEMENTS MADE IN AN APPLICATION

All statements made by the Policyholder, the Participating Unit, or insured Persons shall be deemed representations and not warranties. No such statements will be used to reduce or deny any claim or to cancel the Person's coverage unless:

- 1) the statement is in writing; and
- 2) a copy of that statement is given to the Person or his Eligible Survivor.

TIME LIMIT ON CERTAIN DEFENSES: Except in the case of fraud, no statement made by the Person relating to his insurability will be used to contest the insurance for which the statement was made after the coverage has been in force for two years.

WORKER'S COMPENSATION AND WORKMEN'S COMPENSATION NOT AFFECTED: The policy is not in lieu of, and does not affect any requirement for coverage by Worker's or Workmen's Compensation Insurance.

SECTION 7A - CLAIM PROCEDURES

INITIAL NOTICE OF DISABILITY: Written notice of Disability must be given to AUL during the Elimination Period. If written notice cannot be made without the fault of the claimant, AUL must be notified as soon as it is reasonably possible to do so. Written notice should contain sufficient information to identify the Person. Notices are not considered given until received by AUL at one of its claims offices.

CLAIM FORMS FOR PROOF OF LOSS: Upon receipt of the Initial Notice of Disability, AUL will furnish the Participating Unit with any necessary claim forms to give to the Person. These forms must be properly, accurately and truthfully completed and returned to AUL. If, for any reason, the Person does not receive a claim form within 15 days of request, the Person should submit written proof of Disability. The initial claim form or proof of Disability must show:

- 1) claimant's name:
- 2) Employer's name and address;
- 3) Group number;
- 4) the date Disability started;
- 5) the cause of Disability; and
- 6) the nature and extent of the Disability.

The initial claim form or proof of Disability must be signed by a Physician and sent to AUL within 90 calendar days following the Elimination Period. If it is not possible to give proof within these limits, it must be given as soon as reasonably possible thereafter. Proof of claim may not be given later than one year after the time proof is otherwise required.

AUL will also periodically send the Person additional claim forms or requests for information necessary to determine eligibility for benefits under the policy. These subsequent claim forms and requests for information must be returned to AUL within 30 days after the Person receives them.

PHYSICAL EXAMINATION: AUL, at its own expense, has the right to have a Person examined to determine the existence of any Disability that is the basis for a claim. This right may be exercised as often as is reasonably necessary, as determined by AUL, and must be performed by a Physician of AUL's choice.

LEGAL ACTION: No legal action may be brought to obtain benefits under this policy:

- 1) for at least 60 days after proof of loss has been furnished; or
- 2) before any denial or reduction of benefits by AUL has been appealed properly in writing; or
- 3) beyond the expiration of the applicable statute of limitations from the time proof of loss is required to be given.

TIME OF PAYMENT OF CLAIMS: When AUL receives a claim form or proof of Disability, benefits payable under the policy will be paid weekly during any period for which AUL is liable.

PAYMENT OF CLAIMS: All benefits, other than any survivor benefits, are payable to a Person. If a Person dies before a benefit to which he was entitled is paid, AUL has the right to pay up to \$1,000 to any of the Person's relatives to whom AUL considers entitled to such benefits. If AUL pays benefits in good faith to a person who it considers entitled to such benefits, then AUL will have no obligation to pay such benefits again. The Weekly Benefit will be calculated and paid in United States dollars, and when necessary, it will be based on the exchange rate effective on the first day of the Elimination Period.

SECTION 7A - CLAIM PROCEDURES

RIGHT TO APPEAL: If a Person wishes to appeal AUL's decision, claimants are allowed 180 days following receipt of a notification of an adverse benefit determination within which to appeal the determination. Claimants are allowed the opportunity to submit written comments, documents, records and other information relating to the claim for benefits. The claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim for benefits. Whether a document, record or other information is relevant to a claim for benefits shall be determined by reference to paragraph (m)(8) of 29 C.F.R. Section 2560.503-1. AUL's review will take into account all comments, documents, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. A claimant has a right to obtain the information about any voluntary appeal procedures offered by the plan described in paragraph (c)(3)(iv) of 29 C.F.R. Section 2560.503-1 and has a right to bring an action under section 502(a) of ERISA. A final determination will be provided pursuant to 29 C.F.R. Section 2560.503-1.

ARBITRATION: Any controversy or claim arising out of or relating to the policy, the sale or solicitation of the policy, or its breach thereof whether in tort, contract, breach of duty (including but not limited to) any alleged fiduciary, good faith and fair dealing duties, may be decided by arbitration in accordance with the Federal Arbitration Act, the procedures of the commercial arbitration rules of the American Arbitration Association, and this agreement. The Court of Arbitrators, which is to be held in the county seat where the insured resides, shall consist of three (3) arbitrators familiar with employee welfare benefit plans. The selection of the arbitrators shall be conducted within thirty (30) days after proper service of a demand for arbitration. One of the arbitrators shall be appointed by AUL, one by the insured, and the third shall be selected by the first two appointees prior to the beginning of arbitration. Should the two arbitrators be unable to agree upon the choice of a third, the appointment shall be left to the President or any Vice President of the American Arbitration Association. The arbitrators shall decide by a majority of votes, the award shall be in writing, the decision shall be signed by a majority of the arbitrators, and they shall include a statement regarding the reasons for the disposition of any claim. Judgment on the award rendered by the arbitrators may be entered by any court having jurisdiction thereof. The parties are not precluded from challenging the decision under the Federal Arbitration Act or applicable law. Unless not allowed under applicable law, each party shall bear the expense of its own attorney and arbitrator, and shall share equally with the other party the expenses of the third arbitrator and of the arbitration.

The parties agree that AUL is engaged in interstate commerce, and the transaction is governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16.

Consistent with the expedited nature of arbitration, each party will, upon the written request of the other party, promptly provide the other with copies of documents relevant to the issues raised by any claim or counterclaim on which the producing party may rely in support of or in opposition to any claim or defense. Any dispute regarding discovery, or the relevance or scope thereof, shall be determined by the arbitrator(s), which determination shall be conclusive. All discovery shall be completed within sixty (60) days following the appointment of the arbitrator(s) or longer following mutual agreement by the parties.

SECTION 7A - CLAIM PROCEDURES

RIGHT OF RECOVERY: If benefits have been received for which the Person was not entitled to receive under this policy, then full reimbursement to AUL is required. Such reimbursement is required whether the overpayment is due to intentional or innocent misrepresentations by the Person, intentional or innocent misrepresentations by an entity supplying AUL with information, a claims processing error or miscalculation by AUL or for any other reason. If reimbursement is not made, then AUL has the right, as allowed under law to:

- 1) reduce future benefits or any amounts payable under this policy until full reimbursement is made, and
- 2) recover such overpayments from the Person, from his beneficiary, or estate.

If AUL chooses not to use benefit payments towards the reimbursement, this will not constitute a waiver of AUL's rights to reimbursement. This provision will be in addition to, and not in lieu of, any other compensation available to AUL by law.

SUBROGATION RIGHTS: AUL has the right to be subrogated to any rights a Person may have against a Third Party. AUL may, at its option, bring legal action to recover benefits it paid in connection with a Person's Disability. AUL may do this if a Person:

- 1) suffers a Disability and, because of any act or omission of a Third Party, becomes entitled to and is paid benefits under the policy; and
- 2) does not initiate legal action for the recovery of such benefits from the Third Party within a reasonable period of time.

WEEKLY BENEFIT FOR TOTAL DISABILITY: AUL will pay Disability benefits, according to the policy, if a Person becomes Disabled while insured under the policy. When AUL receives proof that a Person is Totally Disabled due to Sickness or Injury and requires the Regular Attendance and care of a Physician, AUL will pay the Person a Weekly Benefit after he satisfies the Elimination Period.

The Weekly Benefit will be paid as long as Total Disability continues, provided that proof of continued Total Disability is submitted to AUL upon request, and the Person is under the Regular Attendance and care of a Physician. The proof must be submitted at the Person's expense.

The Weekly Benefit will not exceed the Person's Maximum Weekly Benefit, nor will it be payable for longer than the Maximum Benefit Duration shown on the Schedule Of Benefits. Weekly Benefits will not be paid during any period that a Person is incarcerated in a penal or correctional institution.

PRORATING OF THE WEEKLY BENEFIT: The Weekly Benefit payable for periods of Total Disability less than a full week's duration will be a proportionate amount for each day. The Weekly Benefit will be paid on a pro-rata basis at the rate of 1/7 per day for any period of Total Disability less than one week.

REDUCTIONS TO THE GROSS WEEKLY BENEFIT: The Gross Weekly Benefit will be reduced by Other Income Benefits as defined in Section 2 of this certificate

COST OF LIVING ADJUSTMENT FREEZE: Cost Of Living Increase means any annual increase reasonably related to the annual increase in any generally recognized cost of living measurement that applies to all Persons entitled to receive such benefits. If the Person receives a Cost Of Living Increase with regard to Other Income Benefits after the date benefits actually become payable under the policy, the Weekly Benefit will not be further reduced by such Cost Of Living Increase.

MINIMUM WEEKLY BENEFIT: While a Weekly Benefit is payable under the policy, the amount of Weekly Benefit shall not be less than the Minimum Weekly Benefit shown on the Schedule Of Benefits.

2003

TERMINATION OF THE WEEKLY BENEFIT: The Weekly Benefit for Disability will continue until the EARLIEST of the date:

- 1) Current Weekly Income from any occupation or employment equal or exceed 80% of the Pre-Disability Earnings;
- 2) the Person ceases to be Disabled;
- 3) the Person dies;
- 4) the Maximum Benefit Duration shown on the Schedule Of Benefits is completed;
- 5) the Person fails to give AUL required proof of Disability or information required to determine if benefits are owed under the policy;
- 6) the Person refuses to allow an examination requested by AUL;
- 7) the Person is no longer under the Regular Attendance and continuing care of a Physician;
- 8) the Person refuses to provide any evidence required by AUL to verify the Person's Current Weekly Income; or
- 9) the Person leaves the United States or Canada and establishes his residence in any other country. A Person will be considered to reside outside these countries when the Person has been outside the United States or Canada for a total period of 6 months or more during any 12 consecutive months of benefits.

RECURRENT DISABILITY: If, after a period of Disability for which benefits are payable, the Person resumes his Regular Occupation on a full-time basis and performs each Material and Substantial duty of that occupation for a period of 30 consecutive days of full-time Active Work, any recurrent Disability will be part of a new period of Disability and a new Elimination Period must be completed before the Weekly Benefit is payable.

If the Person resumes his Regular Occupation on a full-time basis and performs each Material and Substantial duty of that occupation for less than 30 consecutive days of full-time Active Work, the recurrent Disability will be considered part of the prior Disability. The recurrent Disability must be the direct result of the Injury or Sickness that caused the prior Disability. The Person is not required to complete a new Elimination Period. Benefit payments will be subject to the terms of the policy for the prior Disability. The Weekly Benefit will be based on the amount of Basic Weekly Earnings in effect immediately prior to the original Elimination Period.

The Recurrent Disability provision in this Section is only applicable as long as the Participating Unit's coverage remains in force with AUL.

SOCIAL SECURITY APPLICATION ASSISTANCE. When AUL determines that a Person is a likely candidate for Social Security Disability Insurance (SSDI), AUL may assist the Person with the application process for these benefits.

Upon written request, a representative from AUL's Group Claims Department may supply pertinent information to the Person about:

- 1) eligibility for SSDI benefits;
- 2) how to begin the application process;
- 3) how to submit an appeal;
- 4) guidelines established by the Social Security Administration for submitting appeals; and
- 5) names of organizations offering assistance.

LUMP SUM PAYMENTS: If Other Income Benefits are paid in a lump sum, that sum will be prorated by AUL on a weekly basis over the period of time for which the sum is payable. If the projected period of time that a lump sum is intended to cover is not stated, the lump sum will be prorated over a period of 60 months.

APPLICATION FOR OTHER INCOME BENEFITS: If the Person is or becomes eligible for any Other Income Benefits as defined in the policy, he must:

- 1) apply for the Other Income Benefits; and
- 2) appeal any denial for the Other Income Benefits that appears unreasonable.

Until approval or denial of any Other Income Benefits for any Disability is determined, AUL will pay the Weekly Benefit after the Elimination Period, with no reduction for estimated benefits until the appropriate entity has reached a decision. When a decision is reached, the Person must send AUL a copy of the determination and reimburse AUL for any overpayment made as a result of that decision, regardless of whether or not the coverage is still in force on the date the Person recovers such amount.

Additionally, if an award is made, AUL will reduce the Weekly Benefit by the amount of the Other Income Benefits the Person received, in accordance with the terms of the policy.

GC 3600.17A

SECTION 9 - EXCLUSIONS

GENERAL EXCLUSIONS: Benefits are not payable for any Disability caused by, contributed to by, or resulting from:

- 1) participation in war or any act of war, declared or undeclared;
- 2) active participation in a riot;
- 3) attempted suicide, regardless of mental capacity;
- 4) attempted or actual self-inflicted bodily injury or self destruction, including but not limited to the voluntary inhaling or taking of:
 - a) a prescription drug in a manner other than as prescribed by a Physician;
 - b) any federal or state regulated substance in an unlawful manner;
 - c) non-prescription medicine in a manner other than as indicated in the printed instructions;
 - d) poison; and
 - e) toxic fumes:
- 5) commission of or attempt to commit a criminal act under relevant state law;
- 6) Cosmetic Surgery. However, Cosmetic Surgery will be covered when it is due to:
 - a) reconstructive surgery incidental to, or follows surgery resulting from, trauma, infection or other diseases of the involved part; or
 - b) congenital disease or anomaly that has resulted in a functional defect;
- 7) caused by a Person legally intoxicated as defined by the law of the jurisdiction in which the incident occurs;
- 8) that occurs while a Person is incarcerated in a penal or correctional institution;
- 9) participation in autoerotic asphyxiation;
- 10) elective surgery except when required for the Person's Regular Attendance as a result of the Person's Injury or Sickness;
- 11) traveling or flying on any aircraft operated by or under authority of military or any aircraft being used for experimental purposes; or
- 12) engaging in any illegal or fraudulent occupation, work, or employment; or
- 13) which is the result of Injury or Sickness due to employment, and for which benefits are payable by any type of worker's compensation law or any similar act or law, unless 24-hour Coverage is elected in the Subscription Agreement.

SECTION 9 - EXCLUSIONS

PRE-EXISTING CONDITION EXCLUSION:

Benefits will not be paid if the Person's Disability begins in the first 30 days following the effective date of the Person's coverage; and the Person's Disability is caused by, contributed to by, or the result of a condition, whether or not that condition is diagnosed at all or is misdiagnosed, for which the Person received medical treatment, consultation, care or services, including diagnostic measures, or was prescribed drugs or medicines in the 30 days just prior to the Person's Individual Effective Date of Insurance.

NOTE: See Section 10 under Continuity of Coverage to determine when benefits may be payable to a Person for a Disability that results from a Pre-existing Condition.

GC 3600.19B

SECTION 9 - EXCLUSIONS

2005 (Continuity) (Pre Ex: 30/30) (Prudent/Not Included)

SECTION 9 - EXCLUSIONS

PRE-EXISTING CONDITION EXCLUSION ON AN INCREASED MAXIMUM WEEKLY BENEFIT: This provision applies to an increase in Maximum Weekly Benefit of \$200 or more that occurs after the effective date of coverage of the Participating Unit.

The policy will not cover the increase in Maximum Weekly Benefit of \$200 or more if the Person's Disability begins in the first 12 months following the Participating Unit's effective date of the increase in coverage; and the Person's Disability is caused by, contributed to by, or the result of a condition, whether or not that condition is diagnosed at all or is misdiagnosed, for which the Person received medical treatment, consultation, care or services, including diagnostic measures, or was prescribed drugs or medicines in the three (3) months just prior to the Person's effective date of increase in amount of insurance.

PRE-EXISTING CONDITION EXCLUSION ON AN INCREASED MAXIMUM WEEKLY BENEFIT WHEN CHANGING CARRIERS: This provision applies to an increase in the Maximum Weekly Benefit when:

- 1) coverage under this policy replaces a Participating Unit's prior Short Term Disability Insurance coverage;
- 2) coverage under this policy has a Maximum Weekly Benefit that is \$200 or more in excess of the Participating Unit's Prior Plan of coverage; and
- 3) the Pre-Existing Condition limitation on the Participating Unit's Prior Plan of coverage was for a period of time of three (3) months or less.

The policy will not cover the increase in Maximum Weekly Benefit of \$200 or more if the Person's Disability begins in the first 12 months following the Participating Unit's effective date of the increase in coverage; and the Person's Disability is caused by, contributed to by, or the result of a condition, whether or not that condition is diagnosed at all or is misdiagnosed, for which the Person received medical treatment, consultation, care or services, including diagnostic measures, or was prescribed drugs or medicines in the three (3) months just prior to the Person's effective date of increase in amount of insurance.

SECTION 10 - CONTINUITY OF COVERAGE

This section applies only when coverage under the policy replaces a Participating Unit's Prior Plan of short term disability insurance, which terminated on the day before the Participating Unit's Effective Date under the policy. This Section will apply only to Persons insured under the Participating Unit's Prior Plan on its termination date.

Continuity of Coverage will apply to a Person who would not get full coverage under the policy because of the failure of the Person to be Actively At Work due to Disability, or approved Leave of Absence, or temporary layoff on the Participating Unit's Effective Date of coverage under the policy and/or a Pre-Existing Condition limitation or exclusion in the policy.

BENEFITS FOR A PERSON WHO FAILS TO BE ACTIVELY AT WORK DUE TO TOTAL DISABILITY:

The policy will cover, subject to proper premium payments, a Person who:

- 1) was insured under the Prior Plan on its termination date; and
- 2) is not Actively At Work due to Disability, or approved Leave of Absence, or temporary layoff on the Participating Unit's Effective Date of coverage under the policy.

Coverage under this provision will begin on the Participating Unit's Effective Date of coverage under the policy and will continue until the EARLIEST of:

- 1) the date the Person returns to Active Work; or
- 2) the end of any period of continuance or extension provided under the Prior Plan; or
- 3) the date coverage would otherwise end, according to the provisions of the AUL policy.

The benefits payable will be the same as the Prior Plan would have paid had coverage remained in force, less any amount for which the Prior Plan is liable.

This section of the Continuity of Coverage Provision does not establish eligibility for such a Person under the policy. Eligibility can only be met when the Person returns to full-time Active Work as described in the Eligibility and Individual Effective Date Section.

SECTION 10 - CONTINUITY OF COVERAGE

BENEFITS PAYABLE FOR A DISABILITY DUE TO A PRE-EXISTING CONDITION:

Benefits may be payable for a Disability due to a Pre-Existing Condition for a Person who:

- 1) was insured by the Prior Plan on its termination date; and
- 2) has been continuously covered under the AUL policy from the Effective Date of the Participating Unit's coverage under the policy through the date the Person's Disability began.

The benefit payable will be determined by applying the policy's Pre-Existing Condition Exclusion. If the Injury or Sickness that causes the Person's Disability is not excluded under the Pre-Existing Condition Exclusion, then the Person will be paid the benefits of the policy as elected by the Participating Unit.

If the Injury or Sickness that causes the Person's Disability is excluded under the Pre-Existing Condition Exclusion of the policy, and such Injury or Sickness is not excluded under the Prior Plan's Pre-Existing Condition exclusion, giving consideration for continuous time the Person is covered under both plans, the Person will be paid the lesser of:

- 1) the benefits of the policy determined without application of the Pre-Existing Condition exclusion or limitation; or
- 2) the benefits of the Prior Plan.

If the Injury or Sickness is excluded under the Prior Plan's Pre-Existing Condition exclusion, giving consideration for continuous time the Person is covered under both the Prior Plan and the policy, then no benefits will be paid.

NOTICE TO POLICYHOLDERS

Questions regarding your policy or coverage should be directed to:

American United Life Insurance Company [®] a OneAmerica [®] Company (800) 553-5318

If you (a) need the assistance of the governmental agency that regulates insurance; or (b) have a complaint you have been unable to resolve with your insurer you may contact the Department of Insurance by mail, telephone or email:

State of Indiana Department of Insurance Consumer Services Division 311 West Washington Street, Suite 300 Indianapolis, Indiana 46204

Consumer Hotline: (800) 622-4461; (317) 232-2395

Complaints can be filed electronically at www.in.gov/idoi.



CERTIFICATE OF LIABILITY INSURANCE

4/1/2015

DATE (MM/DD/YYYY) 11/17/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to

th	e ter	ms and conditions of the policy, cate holder in lieu of such endors	certa eme	in po nt(s).	licies may require an er			ement on thi	s certificate does not confer right	s to the	
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1801 K Street NW, Suite 200						PHONE (A/C, No, Ext); FAX (A/C, No):					
		Washington DC 20006				E-MAIL ADDRESS:					
(202) 414-2400						INSURER(S) AFFORDING COVERAGE					
					INSURER A: Berkley National Insurance Company				38911		
						INSURE				21127	
136	2008	3110 Fall view Lark Dilve				INSURE	c:Columb	oia Casualt	y Company	31127	
		Suite 900				INSURE	RD:				
Falls Church VA 22042						INSURE					
						INSURE	RF;		REVISION NUMBER: XXXX	VVV	
COVERAGES APTIN04 CERTIFICATE NUMBER: 1320120. THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE					VE BEEL	U ISSUED TO					
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INSR				SUBR	POLICY NUMBER		POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS		
	Х	COMMERCIAL GENERAL LIABILITY	N	N	7004041		4/1/2014	4/1/2015	EACH OCCURRENCE \$ 1,000.	000	
A	^	CLAIMS-MADE X OCCUR	14	.,	A TOTOTA				DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,	000	
		CB tillo till to							MED EXP (Any one person) \$ 10,000		
	H								PERSONAL & ADV INJURY \$ 1,000,	000	
	GEN	L AGGREGATE LIMIT APPLIES PER:							GENERAL AGGREGATE \$ 2.000.	000	
		POLICY PRO- JECT LOC							PRODUCTS - COMP/OP AGG \$ 2,000.	000	
		OTHER:							\$		
Α	AUT	OMOBILE LIABILITY	N	N	7004041		4/1/2014	4/1/2015	(Ea accident) \$ 1.000,	000	
		ANY AUTO							BODILY INJURY (Per person) \$ XXX		
		ALL OWNED SCHEDULED AUTOS							BODILY INJURY (Per accident) \$ XXXX		
	X	HIRED AUTOS X NON-OWNED AUTOS							PROPERTY DAMAGE (Per accident) \$ XXXX		
li .									\$ XXX	XXXX	
Α	X	UMBRELLA LIAB X OCCUR	N	N	7004041		4/1/2014	4/1/2015	EACH OCCURRENCE \$ 14,000		
		EXCESS LIAB CLAIMS-MADE							AGGREGATE \$ 14.000		
		DED RETENTION \$							S XXXX	XXXX	
Α		RKERS COMPENSATION EMPLOYERS' LIABILITY Y / N		Y	7004042		4/1/2014	4/1/2015	X STATUTE OTH-		
	ANY	PROPRIETOR/PARTNER/EXECUTIVE N	N/A					1	E.L. EACH ACCIDENT \$ 1,000.		
	(Mar	ndatory in NH)	1	1					E.L. DISEASE - EA EMPLOYEE \$ 1,000	-	
_	_	s, describe under CRIPTION OF OPERATIONS below	<u> </u>	-					E.L. DISEASE - POLICY LIMIT \$ 1,000. Limit: \$5,000,000	000	
С	Pro	fessional Liability	N	N	287291584		9/25/2014	9/25/2015	Emm. \$5,000,000		
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Ļ		TIGATE HOLDES				CAN	CELLATION				
CE		FICATE HOLDER				LAN	CELLATION				
	I- 5	3201205 Health Management Systems, Ir 615 High Point Drive rving TX 75038	ıc.			THI	E EXPIRATIO	N DATE TH	DESCRIBED POLICIES BE CANCELLE EREOF, NOTICE WILL BE DELIVI CY PROVISIONS.	D BEFORE ERED IN	
1						AUTHO	ORIZED REPR				



CERTIFICATE OF LIABILITY INSURANCE

4/1/2015

DATE (MM/DD/YYYY) 10/2/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

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CLAIMS-MADE X OCCUR GGREGATE LIMIT APPLIES PER: LICY PRO- JECT LOC	_	,,,		4/1/2014	4/1/2015	EACH OCCURRENCE \$ 1,000.	000
GGREGATE LIMIT APPLIES PER:	_		7004041	11.72011		DAMAGE TO RENTED \$ 1,000,	000
LICY PRO- JECT LOC	-					MED EXP (Any one person) \$ 10,000)
LICY PRO- JECT LOC		1				PERSONAL & ADV INJURY \$ 1,000,	000
LICY PRO- JECT LOC	-1					GENERAL AGGREGATE \$ 2,000.	000
					1	PRODUCTS - COMP/OP AGG \$ 2,000.	.000
IER:						\$	
BILE LIABILITY	N	N	7004041	4/1/2014	4/1/2015	(Ea accident) \$ 1,000.	000
	IN	1	7004011			BODILY INJURY (Per person) \$ XXX	
AUTO SCHEDULED	1					BODILY INJURY (Per accident) \$ XXXX	XXXX
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BRELLA LIAB Y OCCUR	l _N	N	7004041	4/1/2014	4/1/2015	EACH OCCURRENCE \$ 14,00	0.000
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PLOYERS' LIABILITY	(/N	"	7004042	4/1/2014	4/1/2013	L P. E. C. Schmannster III Stranger	000
	NINIA	4			1		
ory in NH) scribe under		1					-
PTION OF OPERATIONS below	- N	1	7004041	4/1/2014	4/1/2015	\$1.930,000	
	l N	l N	287291584	9/25/2014	9/25/2015	\$5,000,000	
PRIETOR/PARTNER// MEMBER EXCLUDED TO IN INI) scribe under PTION OF OPERATIO t Personal Propert ional Liability	EXECUTIVE C	N/A N/S below N	EXECUTIVE N/N/A ONS below Y	N/A	EXECUTIVE N N/A N/A N/A N/A N/A N/A N/A N/A N/A N	EXECUTIVE N N/A N/A N/A N/A N/A N/A N/A N/A N/A N	ELE EACH ACCIDENT \$ 1,000 EL DISEASE - EA EMPLOYEE \$ 1,000 EL DISEASE - POLICY LIMIT \$ 1,000 EL DISEASE - POLICY LIMIT \$ 1,000 S1,930,000 S2,7291584 4/1/2014 9/25/2014 9/25/2015 \$ 5,000,000

10600707
Evidence of Insurance

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPR

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Extraneous Terms Template (Instructions for Documentation and Submission)

Offerors shall identify all Extraneous Terms in the table provided on the following page, and shall adhere to all instructions below for preparing the table.

INSTRUCTIONS:

IFB Section and Sub-Section

Reference: The Offeror must insert the exact IFB Section, and Sub-Section number of the

requirement(s) that the Offeror is proposing to modify. The Offeror must insert the

nature of the proposed change and its impact on the Requirement.

IFB Requirement: The Offeror must insert a concise description of the requirement(s) that the Offeror is

proposing to modify.

Proposed

Extraneous Term

Type: The Offeror must insert a one-word description, of the type of modification to each of the

requirement(s) that the Offeror is proposing to modify, selected from the following list:

□ Additional;

Supplemental;

□ "Or Equal"; or

□ Alternative

Proposed Extraneous

Term: The one-word description must be followed by proposed alternate wording of the

requirement(s).

Impact on IFB

Requirement: The Offeror should describe the impact of the alternate wording. Then, the comments

should explain how the modification(s) would benefit the State and provide best value. If there is a corresponding impact on the Administrative, Technical or Financial Section(s), that impact should be explained here with reference(s) to the parts of the volume(s) that

are affected. However, DO NOT INCLUDE ANY COST DATA IN THE

ADMINISTRATIVE OR TECHNICAL SECTIONS.

The Offeror must use the table format described above and detailed on the following page to summarize its proposed Extraneous Terms, if any. The Offeror may refer to more voluminous narratives, tables, figures and appendices that more fully describe aspects of the Extraneous Terms, provided that the additional material is fully cross-referenced by this required table.

Extraneous Terms Template

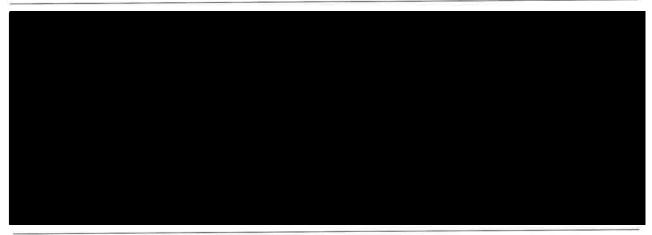
	EXTRANEOUS TERM(S)					
No.	IFB Section and Sub- Section Reference	IFB Requirement	Proposed Extraneous Term Type			
1.	N/A	N/A	□ Additional;□ Supplemental;□ "Or Equal"; or□ Alternative			
Propo	Proposed Extraneous Term(s):					
N/A	N/A					
<u>Impa</u>	Impact on IFB Requirement:					
N/A	Λ					



D. Key Subcontractors or Affiliates

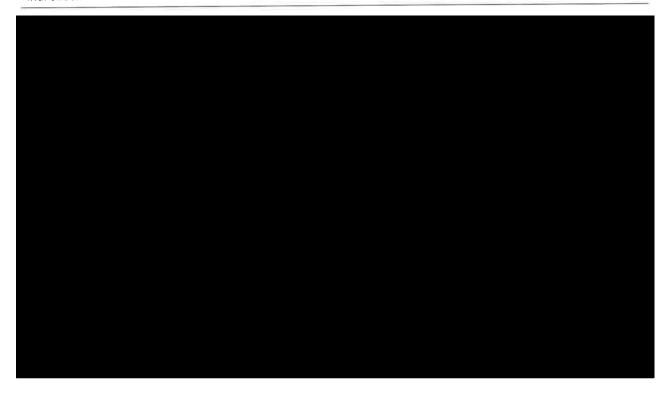
D. Key Subcontractors: The Offeror must provide a statement identifying all Key Subcontractors, if any, that the Offeror will be contracting with to provide program services and must, for each such Key Subcontractor identified, complete and submit **Exhibit I.U.1 "Key Subcontractors"**:

1. provide a brief description of the services to be provided by the Key Subcontractor; and



2. provide a description of any current relationships with such Key Subcontractor and the clients/projects that the Offeror and Key Subcontractor are currently servicing under a formal legal agreement or arrangement, the date when such services began and the status of the project.

The Offeror must indicate whether or not, as of the date of the Offeror's Proposal, a subcontract has been executed between the Offeror and the Key Subcontractor for services to be provided by the Key Subcontractor relating to this IFB. If the Offeror will not be subcontracting with any Key Subcontractor(s) to provide program services, the Offeror must provide a statement to that effect.









The Offeror must complete and submit this Exhibit as part of its Administrative Section. A separate form should be completed for each Key Subcontractor or Affiliate, if any. If the Offeror will not be subcontracting with any Key Subcontractor(s) or Affiliate(s) to provide any of the services required under the IFB, the Offeror must complete and submit a single Exhibit I.U.1 to that affect.

INSTRUCTION: Prepare this form for each Key Subcontractor or Affiliate				
Offeror's Name:	Health Management Systems, Inc. (HMS)			
The Offeror: ✓ is □ is not proposing to utilize the services	services of a Key Subcontractor(s) or Affiliate(s) to provide			
	services of a subcontractor(s) to provide Program Services re during the term of the 5 year agreement			
Subcentractor's Logal Name				
Subcontractor's Legal Name:				
Business Address:	(Oamanatian Darkanakin Oaka Bransistanakin			
Subcontractor's Legal Form:	 ✓ Corporation □ Partnership □ Sole Proprietorship □ Other 			
	U Other			
	the Offeror and the subcontractor(s) for services to be provided) relating to Dependent Eligibility Audit Services Program			
In the space provided below, des responsibilities regarding Prograr	cribe the Key Subcontractor's or Affiliate's role(s) and n Services to be provided.			
	·			
Relationship between Offeror a (Complete items 1 through 5 for a 1. Client:	and Key Subcontractor or Affiliate for Current Engagements: each client engagement identified)			
Client Reference Name and Phone #				
3. Program Title:				
4. Program Start Date:				
5. In the space provided below,	Program Status:			
subcontractor in regard to the Relationship between Offeror a	w, describe the roles and responsibilities of the Offeror and program identified in 3, above: and Key Subcontractor or Affiliate for Current Engagements:			
(Complete items 1 through 5 for each client engagement identified)				

Exhibit I.U.1 - Key Subcontractors or Affiliates

1.	Client:								
2.	Client Reference Name and								
	Phone #			_					
3.	Program Title:								
4.	Program Start Date:								
5.	In the space provided below,	rogram Sta	tus:						
6.	In the space provided below	w, describe	the roles	s and	responsibilities	of	the	Offeror	and
	subcontractor in regard to the	program ide	ntified in 3	3, abov	/e:				

Re	Relationship between Offeror and Key Subcontractor or Affiliate for Current Engagements:							
(Co	(Complete items 1 through 5 for each client engagement identified)							
1.	Client:							
2.	Client Reference Name and							
	Phone #							
3.	Program Title:							
4.	Program Start Date:							
5.	n the space provided below, Program Status:							
6.	n the space provided below, describe the roles and responsibilities of the Offeror and							
	subcontractor in regard to the program identified in 3, above:							



E. Reference Checks

The Offeror must list two (2) references of current clients and one (1) reference of a former client for a total of three (3) references for which the Offeror has supplied DEA Project Services similar to those required in this IFB. At least one (1) of the referenced clients must be an entity with at least one hundred fifty thousand or more Dependent lives subject to audit. If the Offeror has no former clients to include as references, the Offeror must include a statement attesting to that fact. Otherwise, the Offeror must include, at minimum, one (1) former client as a reference for which the Offeror has supplied services similar in nature to those required in this IFB. If the Offeror is proposing any Key Subcontractors or Affiliates, the references should be with clients for whom the Offeror and Key Subcontractor or Affiliate have jointly supplied services similar to those described in this IFB. For each Reference provided the Offeror must complete and submit Exhibit I.V. entitled "Program References." The Offeror shall be solely responsible for providing contact names and phone numbers that are readily available to be contacted by the State. The Offeror must also indicate what participation, if any, the project manager and each key staff person proposed for this Project had in the referenced services.

Health Management Systems, Inc. (HMS) is providing three references of current clients and one reference of a former client for a total of four references for which we have supplied DEA Project Services similar to those required in the IFB.

HMS provides a completed Exhibit I.V on the following page for the following clients:

- Fidelity
- 1199SECUI Fund
- CalPERS
- Illinois Central Management Services

Reference #: 2012-6685

Current or Former Customer?: Former							
Abstract							
Customer For Whom Services Were Performed: CalPERS							
Number of covered Lives: 1,300,000							
Customer Address: 400 Q Street, Sacramento, CA 95814							
Program Description: (The Offeror should submit specific details concerning the program identified in satisfaction of the requirements in IFB, Section III.E. This information should be provided as an attachment to this form and the information provided should support the Offeror's assertion that it can successfully implement and administer programs of the scope and complexity as set forth in this IFB# DEAS-2015-1.)							
Program Contact References: (Required And Will Be Verified) (Attach 2 current and 1 former client reference)							
Contact Name: Jan Falzarano Contact Title: Assistant Division Chief							
Phone Number: E-Mail Address:							
Contact Name: Karen Perkins Contact Title: Manager, Market Evaluation and Decision Support							
Phone Number: E-Mail Address:							

Client: CalPERS

For more than eight decades, CalPERS has built retirement and health security for state, school, and public agency members who invest their lifework in public service. The Pension Fund serves more than 1.7 million members in the CalPERS retirement system and administers benefits for nearly 1.4 million members and their families in its health program, making it the largest defined-benefit public pension in the U.S. CalPERS' total fund market value current stands at approximately \$296 billion.

HMS won the contract to complete a dependent eligibility review of all dependents similar to ones requested in this IFB including spouse, registered domestic partner, children, adopted children, step or domestic partner's children, certified primary care children, and certified disabled children on any age enrolled on the CalPERS health care plan. Verification started in July 2013 and finished in March 2015. For the first phase, HMS findings helped CalPERS remove 8,940 ineligible dependents from the plan, representing more than 2% of dependents enrolled. The verification phase alone generated an estimated 3,200% return on investment. The project is completed and additional savings are expected once CalPERS reports the final numbers.

The table below indicates the participation of project managers and key staff on the CalPERS project that are proposed in the IFB.

Name	Project Role
Kelly Ruiz	Project Coordinator
Sara Cooke	Project
Benjamin K. Schy	IT Director
Rebecca Johnson	Operations Manager

Reference #: <u>IPB:20029332 C</u>ontract#: CIBADEVA01

Current or Former Customer?: Current

Abs	tract					
Customer For Whom Services Were Performed	: Illinois Central Management Services					
Number of covered Lives: 285,000 (includes me	embers, dependents, retirees)					
Customer Address: 801 South 7th Street, 2M, Sp	oringfield, IL 62703					
Program Description: (The Offeror should submit specific details concerning the program identified in satisfaction of the requirements in IFB, Section III.E. This information should be provided as an attachment to this form and the information provided should support the Offeror's assertion that it can successfully implement and administer programs of the scope and complexity as set forth in this IFB# DEAS-2015-1.)						
Program Contact References: (Required And Will Be Verified) (Attach 2 current and 1 former client reference)						
Contact Name: Diann Reed Co	ntact Title: Manager Local Government Health Plan					
Phone Number: E-N	Mail Address:					
Contact Name: Grant Brauer Co	ntact Title: Agency Services Manager					
Phone Number: E-N	Mail Address:					

Client: Illinois Central Management Services

The state of Illinois Department of Central Management Services provides support for the employees of the State including: Employee Benefits, Personnel Services, Property Management, Communications and Computer Services. Benefits are provided to over 285,000 covered members and include programs for: Active State Employees, Local Government Employees, Retired Teachers, and College Retirees. Illinois CMS contracted with HMS in 2013 to provide eligibility verification of all dependents of members enrolled in a State health insurance plan. The contract runs through 6/30/2018.

CMS contracted HMS to complete a Dependent Eligibility audit and wanted to separate the population into four different cycles. Two of the cycles were completed in 2014 and then the project was temporarily put on hold pending a change in administration due to a new Governor. HMS worked with the CMS Staff to develop a program that meets the needs of the State, including a detailed mailing schedule with specific follow up protocol, a variety of monthly reports, and weekly status meetings. HMS also provided training on usage of AuditOS, HMS's online portal for employees to submit their responses and for CMS to use in reporting and tracking. At this time, the two remaining cycles are in implementation with scheduled mailing dates of 7/2015 and 8/2015. This scope of work supports our assertion that we can successfully implement and administer programs of the scope and complexity set forth in this IFB.

The table below indicates the participation of project managers and key staff on the IL project that are proposed in the IFB.

Name	Project Role
Kelly Ruiz	Project Manager
Sara Cooke	Project Coordinator
Rebecca Johnson	Operations Manager

Reference #: 00005185

Current or Former Customer?: Current							
	Abstract						
Customer For Whom Services Were Performed: 1199SEIUFund							
Number of covered Lives: 157,000 (ongoing)							
Customer Address: 310 West 43rd Street, N 10036	New York, NY						
Program Description: (The Offeror should submit specific details concerning the program identified in satisfaction of the requirements in IFB, Section III.E. This information should be provided as an attachment to this form and the information provided should support the Offeror's assertion that it can successfully implement and administer programs of the scope and complexity as set forth in this IFB# DEAS-2015-1.)							
Program Contact References: (Required And Will Be Verified) (Attach 2 current and 1 former client reference)							
Contact Name: Ann Filloramo	Contact Title: Special Assistant Implementation Suppo						
Phone Number:	E-Mail Address:						
Contact Name: Donna Rey	Contact Title: Chief Administrative Officer						
Phone Number:	E-Mail Address:						

Client: 1199SEIUFund

HMS conducted a comprehensive document based dependent audit for 1199SEIUFund to verify the eligibility of spouse, child, and domestic partner dependents covered by the organization's medical plans. The project was completed in several stages, with the Planning Period beginning on October 21st 2013, and the final stage closing on September 30th, 2014. Of the 123,169 dependents enrolled in the medical plans, 18.4% were deemed to be ineligible, for a projected cost avoidance savings of \$67,959,000 and a project ROI of 6,863%.

HMS sent approximately 293,085 communications during this audit and processed nearly 164,735 documents. The client has numerous plans that feature multiple eligibility types and definitions, which represented a significant challenge. HMS provided multiple sets of customized communications addressing all of these subtle details in a way that helped members easily understand what they needed to do to complete the audit. Because creating clear, client-approved communications is at the heart of our successful process, we were able to successfully overcome this challenge for 1199 and can do the same for NYSHIP.

A highlight of 1199's satisfaction with HMS was the reporting and resources available 24/7 to administrators through our robust AuditOSTM platform. The ability to track the audit in real-time was a major factor in making the audit a positive experience. Exceptional, dedicated Project Management was another key to the success of this audit.

The table below indicates the participation of project managers and key staff on the 1199 project that are proposed in the IFB.

Name	Project Role
Rebecca Johnson	Operations Manager

Reference #: 30243309

Current or Former Customer?: Current				
Abstract				
Customer For Whom Services Were Performance	rmed: Fidelity			
Number of covered Lives: 112,000				
Customer Address: 82 Devonshire Street, Boston, MA 02109				
Program Description: (The Offeror should submit specific details concerning the program identified in satisfaction of the requirements in IFB, Section III.E. This information should be provided as an attachment to this form and the information provided should support the Offeror's assertion that it can successfully implement and administer programs of the scope and complexity as set forth in this IFB# DEAS-2015-1.)				
Program Contact References: (Required And Will Be Verified) (Attach 2 current and 1 former client reference)				
Contact Name: Laurie Quintal	Contact Title: Director, Health Solutions			
Phone Number:	E-Mail Address:			
Contact Name:	Contact Title:			
Phone Number:	E-Mail Address:			

Client: Fidelity

HMS initially conducted a dependent audit for Fidelity in 2010 to verify the eligibility of all dependents covered by the organization's medical and dental plans. The planning period began on April 28th, 2010 and the audit closed on September 21st, 2010. Of the 50,329 dependents enrolled in the medical plans, 1,619 were deemed to be ineligible, for a cost avoidance savings of \$4,636,816 and a project ROI of 821%. HMS sent approximately 71,000 communications during this audit and processed over 37,000 documents.

The initial success of this audit led Fidelity to pursue a Dependent Audit as a unique solution for their own considerable clientele.

HMS now provides Dependent Audit services to some of the most recognizable organizations in the country through our major partner Fidelity including: State Street, The Hartford, Miller-Coors, General Dynamics, Dunn and Bradstreet, HD Supply, General Motors and Merck. All of these organizations rely on HMS to provide perpetual verification services.

The table below indicates the participation of project managers and key staff on the Fidelity project that are proposed in the IFB.

Name	Project Role
Kelly Ruiz	Project Manager
Sara Cooke	Project Coordinator
Rebecca Johnson	Operations Manager
Benjamin K. Schy	IT Director



F. Financial Statement

As part of its Administrative Section, the Offeror must, provide a copy of the Offeror's last issued GAAP annual audited financial statement. A complete set of statements, not just excerpts, must be provided. Additionally, for each Key Subcontractor or Affiliate, if any, that provides any of the Project Services; which are the subject matter of this IFB, provide the most recent GAAP annual audited statement. If the Offeror, or a Key Subcontractor or Affiliate, is a privately held business and is unwilling to provide copies of their GAAP annual audited financial statements as part of their Proposal, the Offeror/Key Subcontractor/Affiliate must make arrangements for the Procurement evaluation team to review the financial statements.

Note: If financial statements have not been prepared and/or audited, the Offeror /Key Subcontractor/ Affiliate must provide the following as part of its Administrative Section: a letter from a bank reference attesting to the Offeror/Key Subcontractor/Affiliate's financial viability and creditworthiness. (Note: For purposes of this reference, the Offeror may not give as a reference, a parent or subsidiary company, a partner or an Affiliate organization.) The letter must include the bank's name, address, contact person name and telephone number and it must address, at a minimum, the following items:

- 1. A brief description of the business relationship between the parties (i.e., the Offeror/Key Subcontractor/Affiliate and the bank), including the duration of the relationship and the Offeror's current standing with the bank. For example: "The (Offeror/Key Subcontractor/ Affiliate's name) is currently and has been for "x" number of years a client in good standing";
- 2. Description of any ownership/partner relationship that may exist between the parties, if any. (Note: One party cannot be the parent, partner or subsidiary of the other, nor can one party be an affiliate of the other); and,
- 3. Any other facts or conclusions the bank may deem relevant to the State in regard to the bank's assessment of the Offeror /Key Subcontractor/Affiliate's financial viability and creditworthiness concerning the nature and scope of the Program Services, which are the subject matter of this IFB, and the Parties (i.e., Department, and the Offeror or the Offeror and Key Subcontractor or Affiliate) contractual obligations should the Offeror be awarded the resultant Contract.

The ability of Health Management Systems, Inc. (HMS), to perform successful Cost Containment and Recovery projects for multiple Medicaid agencies, public healthcare agencies, managed care organizations, child support agencies, U.S. Department of Veterans Affairs facilities, and the Centers for Medicare & Medicaid Services demonstrates that we have adequate financial resources to support multiple, ongoing engagements. We focus our financial resources and team members on one goal; we do not spread our assets thin or force them to compete internally with multiple lines of business, as is the case in many larger companies. We are the right size company to certify ongoing financial stability and sustained delivery of meaningful results for our clients.

HMS's financial results are reported together with those of our parent company, HMS Holdings Corp. We are providing our most recent 10-K statement (year ended December 31, 2014) and amended Form 10-K/A (Amended Annual Report filed April 30, 2015). The financial statements include:

- Balance sheets
- Statement of Operations
- Statements of Cash Flows
- Notes to financial statements
- Auditor's reports (Annual Report only)



HMS HOLDINGS CORP

FORM 10-K (Annual Report)

Filed 03/02/15 for the Period Ending 12/31/14

Address 5615 HIGH POINT DRIVE

IRVING, TX 75038

Telephone 214-453-3000

CIK 0001196501

Symbol HMSY

SIC Code 7374 - Computer Processing and Data Preparation and Processing Services

Industry Computer Services

Sector Technology

Fiscal Year 12/31



Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K				
×	ANNUAL REPORT PURSUANT TO SECTION 13 (OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934		
	For the fiscal year en	nded December 31, 2014		
		Or		
	TRANSITION REPORT PURSUANT TO SECTION	13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934		
	For the transition j	period from to		
	Commission File Number 000-50194			
HMS HOLDINGS CORP. (Exact name of registrant as specified in its charter)				
	Delaware (State or other jurisdiction of incorporation or organization)	11-3656261 (I.R.S. Employer Identification No.)		
	5615 High Point Drive, Irving, TX (Address of principal executive offices)	75038 (Zip Code)		
		umber, including area code) 453-3000		
Secur	rities registered pursuant to Section 12(b) of the Act:			
Sagre	Title of each class Common Stock \$0.01 par value	NASDAQ Global Select Market		
secui	rities registered pursuant to section 12(g) of the Act: None			

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes

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

subject to such filing requirements for the past 90 days. Yes

No □

No 🗷

that the registr	rant was required to subm	nit and post such files).	Yes ☑ No □		
contained, to		knowledge, in definiti	rs pursuant to Item 405 of Regulve proxy or information statem		
			accelerated filer, an accelerated elerated filer" and "smaller repor		
	Large Accelerated Filer ▼	Accelerated Filer	Non-Accelerated Filer (Do not check if a smaller reporting company)	Smaller reporting company □	
Indicate	by check mark whether t	he registrant is a shell of	company (as defined in Rule 12b	o-2 of the Act) Yes \square	No 🗷
registrant's mo		cond quarter was \$1.81	on stock held by non-affiliates a billion based on the last reported		
There we	ere 88,356,591 shares of	common stock outstand	ding as of February 25, 2015.		
		Documen	ts Incorporated by Reference		
the Registrant		t, to the extent stated	t on Form 10-K, the information herein. Such proxy statement of 014.		

HMS HOLDINGS CORP. AND SUBSIDIARIES ANNUAL REPORT ON FORM 10-K TABLE OF CONTENTS

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Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. Such statements give our expectations or forecasts of future events; they do not relate strictly to historical or current facts.

We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will," "target," "seek," "forecast" and similar expressions and references to guidance. In particular, these include statements relating to future actions, business plans, objectives and prospects, future operating or financial performance or results of current and anticipated services, acquisitions and the performance of companies we have acquired, sales efforts, expenses, interest rates and the outcome of contingencies, such as financial results.

We cannot guarantee that any forward-looking statement will be realized. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Annual Report on Form 10-K and in particular, the risks discussed under the heading "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K and those discussed in other documents we file with the Securities and Exchange Commission.

Any forward-looking statements made by us in this Annual Report on Form 10-K speak only as of the date on which they are made. Factors or events that could cause actual results to differ may emerge from time to time and it is not possible for us to predict all of them. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. You are advised, however, to consult any further disclosures we make on related subjects in our Form10-Q and Form 8-K reports to the Securities and Exchange Commission.

PART I

Item 1. Business.

HMS Holdings Corp. is a holding company whose principal business is conducted through its operating subsidiaries. Unless the context otherwise indicates, references in this Annual Report to the terms "we," "our" and "us" refer to HMS Holdings Corp., and its subsidiaries and its affiliates.

General Overview

We operate in the U.S. healthcare insurance benefit cost containment marketplace. We provide coordination of benefits services to government and private healthcare payers and sponsors to ensure that the responsible party pays healthcare claims. Our payment integrity services ensure that healthcare claims billed are accurate and appropriate. Together, these various services help customers recover amounts from liable third parties; prevent future improper payments; reduce fraud, waste and abuse; and ensure regulatory compliance.

Demand for our services arises, in part, from healthcare funds spent in error, where another payer was actually responsible for the cost of the healthcare claim, or a mistake was made in applying complex claim processing rules. According to the Centers for Medicare & Medicaid Services ("CMS") National Health Expenditures ("NHE") 2013-2023 projections and error rates published on paymentaccuracy.gov, the government estimates that improper payments in the Medicaid and Medicare programs totaled \$89 billion

in 2014. Our services focus on containing costs by detecting and reducing the errors that result in improper payment, and our revenues are based, in part, on the amounts we recover for our customers.

Our customers are government health agencies, including CMS, the Veterans Health Administration ("VHA") and state Medicaid agencies; commercial health plans, including Medicaid managed care, Medicare Advantage and group and individual health lines of business; government and private employers; child support agencies; and other healthcare payers and sponsors.

We have grown both organically and through targeted acquisitions. Initially, we provided coordination of benefits services to state Medicaid agencies. When Medicaid began to delegate members to managed care organizations, we began providing similar coordination of benefits services to those plans. We launched our payment integrity services in 2007 and have since acquired several businesses to expand our service offerings. In 2009, we began providing cost containment services for Medicare with our acquisition of IntegriGuard, LLC ("IntegriGuard"), which is now doing business as our wholly owned subsidiary HMS Federal, providing fraud, waste and abuse analytical services to the Medicare program, the Veterans Health Administration ("VHA") and the Department of Defense. In 2009 and 2010, we began providing cost containment services to large self-funded employers through our acquisitions of Verify Solutions, Inc. and Chapman Kelly, Inc. In 2011, we expanded our cost benefit services among federal, state and commercial payers with our acquisition of HealthDataInsights, Inc. ("HDI"). HDI provides improper payment identification services for government and commercial health plans, and is the Medicare Recovery Audit Contractor ("RAC") in CMS Region D, covering 17 states and three U.S. territories. In December 2012, we extended our workers' compensation recovery services to commercial health plans through our asset purchase of MedRecovery Management, LLC ("MRM").

As of December 31, 2014, we served CMS, the VHA, 46 state Medicaid programs and the District of Columbia. We also provided services to approximately 220 commercial customers and supported their multiple lines of business, including Medicaid managed care, Medicare Advantage and group and individual health. We also served as a subcontractor for certain business outsourcing and technology firms.

Our 2014 revenue was \$443.2 million, a decrease of \$48.6 million, or 9.9%, from 2013 revenue of \$491.8 million, primarily as a result of the substantial decline in Medicare RAC revenue, which was partially offset by the expansion of services to our existing customers and growth through serving commercial customers.

The Healthcare Environment

The largest government healthcare programs are Medicare, the healthcare program for aged and disabled citizens that is administered individually by CMS and Medicaid, the program that provides medical assistance to eligible low income individuals, which is also regulated by CMS, but administered by each state. For 2015, Medicare and Medicaid are projected to pay approximately 44% of the nation's healthcare expenditures and to have served over 124 million beneficiaries. Many of these beneficiaries are enrolled in managed care plans, which have the responsibility for both patient care and claim adjudication; increasingly, states are expanding their use of managed care for certain populations and geographic areas.

By law, the Medicaid program is intended to be the payer of last resort; that is, all other available third party resources must meet their legal obligation to pay claims before the Medicaid program pays for the care of an individual enrolled in Medicaid. Under Title XIX of the Social Security Act, states are required to take all reasonable measures to ascertain the legal liability of "third parties" for healthcare services provided to Medicaid recipients. Since 1985, we have provided state Medicaid agencies with services to identify third parties with primary liability for Medicaid claims, and since 2005, we have provided similar services to Medicaid managed care plans.

Signed into law in February 2006, the Deficit Reduction Act of 2005 (the "DRA") established a Medicaid Integrity Program to increase the government's capacity to prevent, detect and address fraud,

waste and abuse in the Medicaid program. The DRA also added new entities, such as self-insured plans, Pharmacy Benefit Managers ("PBMs") and other "legally responsible" parties to the list of entities subject to the third party liability provisions of the Medicaid statute. These measures, at both the federal and state level, have strengthened our ability to identify and recover erroneous payments made by our customers.

The Patient Protection and Affordable Care Act (the "ACA") was signed into law on March 23, 2010, and amended on March 30, 2010. Upheld by the U.S. Supreme Court in June 2012, this legislation touches almost every sector of the healthcare system, and we believe it provides us with a range of growth opportunities across a number of services. We are focused on four critical areas related to this legislation:

- Medicaid Expansion
- Eligibility Verification
- Payment Integrity, and
- Employer-Sponsored Health Coverage

Medicaid Expansion: States that expand their Medicaid programs in accordance with the ACA will receive federal funding for the total cost of the expansion for a period of three years, and reduced funding thereafter. By the end of 2014, more than half of the states opted to expand their Medicaid programs as provided under the ACA. According to CMS projections for national health expenditures for 2013-2023 ("CMS NHE Projections"), the number of individuals enrolled in Medicaid and the Children's Health Insurance Program ("CHIP") is expected to increase from 76 million in 2015 to 86 million in 2023, with expenditures over the same period expected to increase from \$556 billion to \$942 billion. As a result, we anticipate a considerable increase in the need for our cost containment services by states and the managed care organizations they use. We believe that our strong history of successful contracting with Medicaid agencies and Medicaid managed care organizations will enable us to provide value-added services to help control the costs for this expanded population.

Eligibility Verification: The ACA calls for increased efficiency, automation and administrative simplification in addressing program eligibility determination, both as a component of the health insurance exchange marketplaces and as a pathway to the more effective management of existing entitlement programs. Driven both by insurance marketplace requirements and by the pressures to achieve program efficiency and simplification, CMS and states are increasingly moving to implement solutions involving automation of the verification of eligibility, bringing in increased external data and analytics relating to supporting eligibility decision-making.

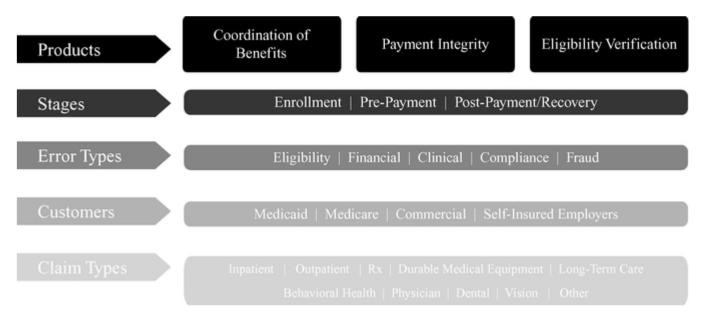
Payment Integrity: The ACA contains a number of provisions for combating fraud, waste and abuse throughout the healthcare system, including in Medicaid and Medicare. These initiatives include: (i) requiring state Medicaid agencies to contract with state Medicaid RACs and deploy programs modeled on CMS' existing Medicare RAC Program, (ii) expanding CMS' Medicare RAC Program to include Medicare Part C and D, (iii) establishing a national healthcare fraud, waste and abuse data collection program and (iv) increasing scrutiny of providers and suppliers who want to participate in Medicare, Medicaid and other federally-funded programs. In addition, the ACA allows for significant increases in funding for these and other fraud, waste and abuse efforts. We continue to expand our current partnerships with CMS, states and health plans to provide innovative ideas for increasing our support of their new payment integrity initiatives.

Employer-Sponsored Health Coverage: The ACA largely preserves and builds upon the existing employer-sponsored health coverage model. Though not all employers will be required to provide healthcare coverage, large employers (i.e. those with 50 or more full time equivalents) will be penalized starting in 2015 if (a) they do not offer coverage (or if they offer coverage that does not meet certain requirements) and (b) one or more of their full time employees receives a federal tax credit or cost sharing subsidy through a health insurance exchange. Employers will also be prohibited from imposing waiting

periods for enrollment of more than 90 days. We believe that these requirements, coupled with the Medicaid expansion and implementation of health insurance exchanges, will result in more overlapping coverage situations and an opportunity for our employer customers and Medicaid to collaborate. We expect that we will be able to offer a range of audit services to employers of all sizes, which will be valuable as these employers extend coverage to their employees.

Principal Products and Services

Our coordination of benefits offering to customers consists of services that draw principally upon proprietary information management and data mining techniques to assure that the right party pays a healthcare claim. Our payment integrity offering to customers also consists of a variety of services designed to assure that the billing itself is accurate and appropriate. As a result of our services, customers received billions of dollars in cash recoveries in 2014, and saved billions more through the prevention of erroneous payments.



Our services are applicable to the federal, state and commercial health plans and address errors across the payment continuum, from an individual's enrollment in a program before any medical service is rendered, to pre-payment review of a claim by a payer, through recovery audit where discovery of an improper payment is made. Our services also address the wide spectrum of payment errors, from eligibility and coordination of benefits errors, to the identification and investigation of potential fraud, and extend to most claim types.

In general, our range of services includes the following:

• Coordination of benefits services. We provide cost avoidance services, in which we provide validated insurance coverage information that is used by government-sponsored payers to coordinate benefits properly for incoming claims. With validated insurance information, Medicaid can avoid unnecessary costs by ensuring that it pays only after all other benefits available have been exhausted, thereby complying with federal regulations that require Medicaid to be the payer of last resort. Nevertheless, due to a variety of factors, some Medicaid claims are paid even when there is a known responsible third party. Our government-sponsored program customers rely on us to identify dollars paid in error and we also provide services to recover these amounts from the liable third party. For Medicaid agencies exclusively, we also provide estate recovery services to identify and recover Medicaid expenditures from the estates of deceased Medicaid members in accordance with state policies. Further, we provide services to assist customers in identifying other third-party

insurance and recovering medical expenses where a member is involved in a casualty or tort incident.

- Payment integrity services. Our payment integrity services are designed to verify that medical services are utilized, billed and paid appropriately. Our services combine data analytics, clinical expertise and proprietary technology to identify improper payments on both a pre-payment and post-payment basis; identify and recover overpayments/underpayments; detect and prevent fraud, waste and abuse; and identify process improvements.
- *Eligibility verification services*. Our eligibility verification services are designed to ensure that individuals meet qualifying criteria for enrollment in a healthcare program. These services include asset and income verification, premium assistance, dependent eligibility audits and other verification solutions.

Customers

Our customers are government health agencies, including CMS, the VHA and state Medicaid agencies; commercial health plans, including Medicaid managed care, Medicare Advantage and group and individual health lines of business; government and private employers; child support agencies; and other healthcare payers and sponsors.

Our largest customer in 2014 accounted for 9.5%, 5.6% and 6.4% of our total revenue for the years ended December 31, 2014, 2013 and 2012, respectively. We provide services to this customer pursuant to a contract that was originally awarded in January 2008 and extends through April 2015. Our services were expanded in 2011 to designate us as the Medicaid RAC for this customer through September 2016. We are currently preparing for the reprocurement of this contract. Our failure to reprocure this contract would have a material adverse effect on our financial condition, results of operations and cash flows.

Our second largest customer in 2014 accounted for 5.3%, 4.6% and 5.2% of our total revenue for the years ended December 31, 2014, 2013 and 2012, respectively. We provide services to this customer pursuant to a contract that expires in January 2016. Our failure to reprocure this contract would have a material adverse effect on our financial condition, results of operations and cash flows.

Our third largest customer in 2014 accounted for 5.0%, 22.3% and 18.2% of our total revenue for the years ended December 31, 2014, 2013 and 2012, respectively. It has been our customer since 2006. Our largest contract with this customer is through HDI, under which HDI has served as the Medicare RAC for Region D since October 2008 and which, after multiple contract modifications, now provides for a term that expires December 31, 2015. Given that HDI's Medicare RAC contract with this customer is one of our largest contracts and represents a significant potential business opportunity for us, our business, financial condition, results of operations and cash flows would be adversely affected if HDI was not awarded a region, if HDI was awarded a region but on substantially different terms from HDI's current contract or if contract awards continue to be delayed. In addition, if HDI is awarded a new Medicare RAC contract, the terms of that contract may change or delay the timing of HDI's revenue recognition from timing under the current contract.

The list of our ten largest customers changes periodically. For the years ended December 31, 2014, 2013 and 2012, our ten largest customers represented 40.1%, 47.2% and 46.9% of our total revenue, respectively. Our agreements with these customers have expiration dates between 2015 and 2018.

We provide products and services under contracts (or sub-contracts) that contain various fee structures, including contingency fee and fixed fee arrangements. Many of our contracts have terms of three to five years, including optional renewal terms. In many instances, we provide our services pursuant to agreements that are subject to periodic reprocurements. Several of our contracts, including those with some of our largest customers, may be terminated for convenience. Because we provide our services pursuant to agreements that are open to competition from various businesses in the U.S. healthcare

insurance benefit cost containment marketplace, we cannot provide assurance that our contracts, including those with our largest customers, will not be terminated for convenience or that any of these contracts will be renewed, and, if renewed, that the fee structures will be equal to those currently in effect.

Industry Trends/Opportunities

Containing healthcare expenditures presents challenges for the government due to the number and variety of programs at the state and federal level, the government appropriations process and the rise in the cost of care and number of beneficiaries. The ACA adds increased pressure to states to cover more individuals, making cost containment a high priority.

Government healthcare programs continue to grow. CMS has projected that Medicaid, CHIP and Medicare expenditures will increase to nearly \$2.1 trillion by 2023.

According to CMS NHE Projections, Medicare programs in 2014 covered approximately 53 million people and spent approximately \$616 billion. CMS projected that at the end of 2014 Medicaid/CHIP programs covered approximately 72 million people and spent approximately \$521 billion. Altogether, it is projected that the government programs we serve covered approximately 125 million people and spent nearly \$1.1 trillion in 2014. We believe that enrollment in these programs will continue to increase as a result of the ACA. CMS projects that in 2017, Medicare will cover approximately 58 million people and will spend approximately \$714 billion, and, Medicaid/CHIP is expected to cover approximately 82 million people and will spend approximately \$644 billion.

According to CMS NHE Projections for 2013-2023, Medicaid enrollment is projected to grow by 5.8% in 2015 and 6.7% in 2016. Total Medicaid spending is projected to increase at a rate of 6.7% in 2015 and at a rate of 8.6% in 2016. In addition, Medicare spending is projected to grow from 2.7% in 2015 to up to 7.8% in 2018. There are a number of factors that could impact these projections, including medical utilization by the new enrollees under the ACA and any legislative action taken to reduce spending.

In response to pressures to contain the growth of state and federal Medicaid spending and to concerns about access to healthcare for low-income individuals, the use of managed care arrangements in Medicaid continues to grow. As of year-end 2014, 38 states and the District of Columbia contracted with managed care organizations to provide care to some or all of their Medicaid beneficiaries. In addition, many states have expanded the use of managed care organizations to new regions or to serve beneficiaries with more complex conditions. Of the 27 states and the District of Columbia that opted to expand Medicaid eligibility levels by the end of 2014 pursuant to the ACA, all except for three did not use Medicaid managed care organizations. The majority of new lives that have entered the Medicaid program as a result of the ACA were enrolled in managed care organizations.

Regardless of the program, coordinating benefits among a growing number of healthcare payers and ensuring that claims are paid appropriately represents both an enormous challenge for our customers and an opportunity for us.

Competition

The U.S. healthcare insurance benefit cost containment marketplace is a dynamic industry with a range of businesses currently able to offer all or a subset of cost containment services, both directly or indirectly (through subcontracting), to some or all of the various healthcare payers. In addition, with improvements in technology and the growth in healthcare spending, new businesses are incentivized to enter into this marketplace. Some healthcare payers also have the ability to perform some or all of these cost containment services themselves and some, in fact, choose to exercise that option. Competition is therefore robust as customers have many alternatives available to them in their effort to contain healthcare costs.

Within our core coordination of benefits services, we compete primarily with large business outsourcing and technology firms, claims processors (including PBMs), clearinghouses, healthcare consulting firms, smaller regional vendors and other third party liability service providers; these companies include Optum, Inc., Public Consulting Group, Inc., Emdeon Inc., EDS (affiliated with Hewlett Packard Company) and ACS (affiliated with Xerox Corporation). In addition, as noted, we frequently work with customers who may elect to perform some or all of their recovery and cost avoidance functions in-house. Against these competitors, we try to compete favorably on the basis of a variety of factors, including our ability to perform a wide variety of coordination of benefits-related functions; maximize recoveries and cost avoidance; apply our in-depth government healthcare program experience, staff expertise, extensive insurance eligibility database, proprietary systems and processes; leverage our existing relationships; and sustain operations under contingency fee structures.

The competitive environment for payment integrity services includes some of the same companies that provide coordination of benefits services, as well as other Medicare RACs (CGI Federal, Inc., Connolly and Performant Financial Corp.); other claim audit vendors (including Cognosante, Myers & Stauffer LC and PRGX Global, Inc.); fraud, waste and abuse claim edit and predictive analysis companies (such as Emdeon, Inc., Verisk Health, Inc. and LexisNexis Risk Solutions); and numerous regional utilization management companies.

Business Strategy

Over the course of 2015, we expect to grow our business through a number of strategic objectives or initiatives that may include:

- *Add new customers.* We will continue to market to government healthcare payers; commercial health plans, including Medicaid managed care, Medicare Advantage and group and individual health lines of business; and private employers.
- Expand scope. We will seek to expand our role with existing customers by extending our reach to include new audit strategies, services and claim types and by providing earlier access to claim data.
- *Add new services.* We will continue to look for opportunities to add services closely related to cost containment through internal development and/or acquisition.
- *Drive organic growth.* We will seek to tap demand for our services created by the steadily increasing expenditures of government-funded healthcare, in particular in the managed care environment.
- *Improve the quality and effectiveness of our services.* We will continue implementing new technology and process improvements, which we expect will enable us to increase recovery yields and promote customer satisfaction.
- Opportunistic growth via acquisition. We may continue selectively seeking strategic assets to acquire in our target industries in order to further enhance our product offerings. Strategic acquisitions are a part of our growth strategy. We focus on acquisitions that have long-term growth potential, target high-growth areas and fill a strategic need in our business portfolio as we seek to provide comprehensive solutions to our customers.

Employees

As of December 31, 2014, we had 2,296 employees, of which 2,228 were full time. Of our total employees, 230 support selling, general and administrative activities.

Financial Information About Industry Segments

Since the beginning of the first quarter of 2007, we have been managed and operated as one business, with a single management team that reports to the chief executive officer. We do not operate separate lines

of business with respect to any of our product lines. Accordingly, we do not prepare discrete financial information with respect to separate product lines or by location and do not have separately reportable segments as defined by the guidance provided by the Financial Accounting Standards Board (the "FASB").

Available Information

We maintain a website (www.hms.com) that contains various information about our company and our services. Through our website, we make available, free of charge, access to all reports filed with the U.S. Securities and Exchange Commission (the "SEC"), including our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and our Proxy Statements, as well as amendments to these reports or statements, as filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") as soon as reasonably practical after we electronically file such material with, or furnish it to, the SEC. In addition, the SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. You may also read and copy this information, for a copying fee, at the SEC's Public Reference Room at 100 F Street NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room. The content on any website referred to in this Form 10-K is not incorporated by reference into this Form 10-K unless expressly noted.

We also make the following documents available on our website under the Investor Relations/Corporate Governance tabs: the Audit Committee Charter, the Compensation Committee Charter, the Nominating & Governance Committee Charter, the Compliance Committee Charter, our Code of Conduct and our Corporate Governance Guidelines. You may also obtain a copy of any of the foregoing documents, free of charge, if you submit a written request to Attention: Investor Relations, 5615 High Point Drive, Irving, TX 75038.

Corporate Information

We are incorporated in the State of Delaware. We were originally incorporated on October 2, 2002 in the State of New York. On March 3, 2003, we adopted a holding company structure and assumed the business of our predecessor, Health Management Systems, Inc. In connection with the adoption of this structure, Health Management Systems, Inc., which began doing business in 1974, became our wholly owned subsidiary.

Item 1A. Risk Factors.

We provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our business that, individually or in the aggregate, may cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. You should consider these factors, but understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties involved with investing in our stock. These risk factors should be read in connection with other information set forth in this Annual Report, including our Consolidated Financial Statements and the related Notes.

Risks Relating to Our Business

Changes in the United States healthcare environment, or in laws relating to healthcare programs and policies, and steps we take in anticipation of such changes, particularly as they relate to the ACA and the Medicare and Medicaid programs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The healthcare industry in the United States is subject to changing political, economic and regulatory influences that may affect the procurement practices and operations of federal, state and private healthcare organizations and agencies. In general, the ACA seeks to decrease over time the number of uninsured legal U.S. residents. Because of the ACA's strong emphasis on program integrity and cost containment, as well as provisions expanding the Medicaid-eligible population, we regard this legislation, on the whole, as creating potential new opportunities for the expansion of our business and service offerings. Until the ACA has been fully implemented, however, it will be difficult to predict its full impact and influence on future changes to Medicare policy, due not only to its complexity, but also to the wide range of other factors contributing to uncertainty of the healthcare landscape. These factors include the unpredictability of responses by states, providers, businesses and other entities to the various choices available to them under the law; the possibility that implementation of certain provisions of the legislation could still be blocked by court challenges, repealed by Congressional efforts or as a result of Supreme Court decisions or otherwise modified at the state level; and the increase in lobbying efforts from established provider organizations for further adverse changes to the Medicare RAC Program.

In addition, under the ACA, as states seek to contain costs with an expanding Medicaid population, we expect to continue to see an increase in the migration of Medicaid lives from fee-for-service to managed care plans. While we provide services to both types of Medicaid plans, we have historically had more success in providing services to states utilizing fee-for-service plans. The transition of Medicaid lives from fee-for-service to managed care requires that we commit more resources to attaining larger amounts of business from managed care plans.

We have made and will continue to make investments in personnel, infrastructure and product development, as well as in the overall expansion of the services that we offer in order to support existing and new customers as they implement the requirements of the ACA. However, future changes to the ACA and to the Medicare and Medicaid programs may also lower reimbursement rates, establish new payment models, increase or decrease government involvement in healthcare, decrease the Medicare RAC Program and/or otherwise change the operating environment for our customers. Our business, financial condition, results of operations and cash flows could be adversely affected if efforts to waive, modify or otherwise change the ACA, in whole or in part, are successful, if we are unable to adapt our products and services to meet changing requirements or expand service delivery into new areas, or the demand for our services is reduced as a result of healthcare organizations' reactions to changed circumstances and financial pressures.

Healthcare organizations may react to such changed circumstances and financial pressures, including those surrounding the implementation of the ACA, by taking actions such as curtailing or deferring their retention of service providers like us, which could reduce the demand for our services and, in turn, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Healthcare spending fluctuations, simplification of the healthcare payment process or other aspects of the healthcare financing system, budgetary pressures and/or programmatic changes diminishing the scope of program benefits, or limiting payment integrity initiatives, could reduce the need for and the price of our services, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our projections and expectations are premised upon consistent growth rates in spending in the Medicare and Medicaid programs, the current healthcare financing system and the need for our services within that existing framework. It is expected that enrollment in government healthcare programs will

continue to grow, particularly under the ACA. There are a number of factors that could impact our projections, including medical utilization by the new enrollees under the ACA and any legislative action taken to reduce spending. Compounding this are budgetary pressures that may drive changes at the state level, including shifting lives from traditional fee-for-service plans into Medicaid managed care plans to achieve cost savings.

Our experience in offering services that improve the ability of our customers to recover revenue that would otherwise be lost, often as a result of procedural inefficiencies and complexities, have contributed to the success of our service offerings. Although the complexities of the healthcare benefit and payment system continue to grow (due to factors such as the expansion of pay-for-performance programs), the need for our services, the price customers are willing to pay for them and/or the scope and profitability of our contracts could be negatively affected by: lower than projected growth in the Medicare and Medicaid programs; a simplification of the healthcare benefit and payment system through legislative or regulatory changes at the federal or state level (for example, legislative changes impacting the scope of mandatory audits, limiting or reducing the amount of reviewable claims and/or the look-back period for review in areas where we conduct audits); unanticipated reductions in the scope of program benefits (such as, for example, state decisions to eliminate coverage of optional Medicaid services or shifting lives into managed care plans); and/or limits placed on ongoing program integrity initiatives (for example, in February 2014, CMS announced a "pause" in operations of the Medicare RAC Program). Modifications in provider billing behavior and habits, often in response to the success of our services, could also reduce the profitability of our contracts and reduce the need for our services. Any of these factors could cause our financial projections to differ from our actual results, and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our operating results are subject to significant fluctuations due to factors including variability in the timing of when we recognize contingency fee revenue and the challenges associated with forecasting revenue for new products and services. As a result, you will not be able to rely on our operating results in any particular period as an indication of our future performance.

Our operating results may fail to match our past or projected performance. We have experienced significant variations in our revenue between reporting periods due to the timing of periodic revenue recovery projects, the timing and delays in third party payers' claim adjudication and ultimate payment to our customers where our fees are contingent upon such collections and delays in receiving payment for our services. Our revenue and operating results have also been impacted from period to period as a result of a number of factors, including:

- fluctuations in sales activity given our sales cycle of approximately six to eighteen months;
- the commencement, completion or termination of contracts during any particular quarter;
- expenses related to certain contracts which may be incurred in periods prior to revenue being recognized;
- the timing of government contract awards;
- the time required to resolve bid protests;
- contract renewal discussions, which result in delayed payments for previously provided services;
- technological and operational issues affecting our customers, including delays in payment receipt for previously recognized revenue due to delays in certain customers processing our findings through their systems;
- adjustments to age/quality of receivables and accruals as a result of delays involving contract limitations and changes or subcontractor performance deficiencies or internal managerial decision not to pursue identified claim revenue from customers; and

regulatory changes or general economic conditions as they affect healthcare providers and payers.

In addition, as we introduce new products and services, we may not be able to accurately estimate the costs and timing for implementing and completing contracts, making it difficult to reliably forecast revenue under those contracts. We cannot predict the extent to which future revenue variations could occur due to these or other factors. Consequently, our results of operations are subject to significant fluctuation and our results of operations for any particular quarter or fiscal year may not be indicative of results of operations for future periods.

Our ability to execute on business plans will be adversely affected if we fail to properly manage our growth.

In recent years, our size and the scope of our business operations have expanded rapidly, and we expect that we will continue to grow and expand into new areas within the government and commercial healthcare space; however, such growth and expansion carries costs and risks that, if not properly managed, could adversely affect our business. To effectively manage our business plans, we must continue to improve our operations, while remaining competitive. We must also be flexible and responsive to our customers' needs and to changes in the political, economic and regulatory environment in which we operate. The greater size and complexity of our expanding business puts additional strain on our administrative, operational and financial resources and makes the determination of optimal resource allocation more difficult. A failure to anticipate or properly address the demands that our growth and diversification may have on our resources and existing infrastructure may result in unanticipated costs and inefficiencies and could negatively impact our ability to execute on our business plans and growth goals, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business could be adversely affected if we fail to maintain a high level of customer retention, lose a major customer or fail to reprocure a contract, or if customers elect to reduce the scope of our contracts or terminate them before their scheduled expiration dates.

We generate a significant portion of our revenue from a limited number of large customers at the federal and state level. For the years ended December 31, 2014, 2013 and 2012, our three largest customers accounted for 19.8%, 32.5% and 29.8%, respectively, of our revenue from continuing operations.

One of our largest customers in 2014 was CMS, primarily related to our Medicare RAC contract through our wholly owned subsidiary HDI, which after a series of contract modifications, now expires on December 31, 2015. In February 2013, CMS began the reprocurement process for the Medicare RAC Program contracts. After a protest was filed on the initial Request for Quote ("RFQ"), CMS took corrective action and, between December 2013 and January 2014, issued five new RFQs for the Medicare RAC Program contracts. HDI and one of HDI's prospective competitors protested certain terms of the new RFQs, and these protests were denied by the Government Accountability Office ("GAO") in April 2014. On April 28, 2014, HDI's prospective competitor filed a lawsuit at the U.S. Court of Federal Claims challenging the terms of the solicitations for CMS Regions 1, 2, and 4 and seeking an injunction against CMS. On August 21, 2014, the U.S. Court of Federal Claims entered judgment in favor of the GAO and HDI's prospective competitor appealed to the U.S. Court of Appeals for the Federal Circuit on August 26, 2014. On September 2, 2014, the U.S. Court of Federal Claims granted a stay that prohibited CMS from awarding contracts for Regions 1, 2, and 4 pending the outcome of the appeal.

Under the existing Medicare RAC contracts, on February 18, 2014, CMS announced its decision to pause the operations of the current Medicare RACs establishing June 1, 2014 as the last day that RAC contractors could transmit improper payment files for processing. On August 4, 2014, CMS announced that due to the continued delay in awarding new Recovery Auditor contracts, it was initiating contract modifications to allow the Medicare RACs to restart certain reviews through December 31, 2014. CMS stated that most reviews will be done on an automated basis, but a limited number will be complex reviews

of topics selected by CMS. On January 12, 2015, we entered into a new modification that extended our auditing services to CMS through December 31, 2015 and requires us to assist CMS with the appeals process through April 30, 2017.

Given that HDI's Medicare RAC contract with CMS is one of our largest contracts and represents a significant potential business opportunity for us, if HDI is not awarded a region, or is awarded a region but on substantially different terms from HDI's current contract, or if the contract awards continue to be delayed, or if CMS imposes or implements other changes to the Medicare RAC Program that materially reduce our revenue or profitability associated with such program, then our business, financial condition, results of operations and cash flows would be materially adversely affected.

In August 2013, CMS issued CMS Rule 1599-F Hospital Inpatient Admission Order and Certification and Two Midnight Benchmark for Inpatient Hospital Admissions for the Fiscal Year 2014 Inpatient Prospective Payment System ("IPPS")/ Long-Term Care Hospital ("LTCH"). Under this final rule, CMS redefined the requirements for an inpatient stay with a new formal time-based standard. The new rule, termed the "Two Midnight Rule," states that surgical procedures, diagnostic tests and other treatments (in addition to services designated as inpatient-only), are generally appropriate for inpatient hospital admission and payment under Medicare Part A when a physician (i) expects the beneficiary to require a stay that crosses at least two midnights, and (ii) admits the beneficiary to the hospital based upon that expectation. As part of the implementation of the new rule, effective October 2013, CMS suspended the review by Medicare RACs of inpatient hospital claims paid between October 1, 2013 and September 30, 2014 for a determination of whether the inpatient hospital admission and patient status was appropriate. In connection with this audit suspension, CMS announced that it had initiated a provider education and compliance review program and stated that it would re-evaluate the retrospective review strategy after it evaluated the results of the compliance review. On April 1, 2014, the "Protecting Access to Medicare Act of 2014," was signed into law. A provision of this act further delayed the Two Midnight Rule's enforcement and RAC review of Two Midnight Rule claims until March 31, 2015.

These reviews have historically been a significant finding for the Recovery Audit Program; as a result, the Two Midnight Rule and the suspension of these reviews by the Medicare RACs could have a material negative impact on our future revenue if HDI is awarded a new Medicare RAC Contract, depending upon, among other factors, how the Two Midnight Rule is applied by providers and the review strategies ultimately approved by CMS.

In addition, on August 29, 2014, CMS announced it would settle with hospitals willing to withdraw inpatient status claims currently pending in the appeals process by offering to pay hospitals 68% for all eligible claims that they have billed to Medicare. Although we accrue an estimated liability for appeals based on the amount of fees that are subject to appeals, closures or other adjustments, which we estimate are probable of being returned to providers following a successful appeal, and we similarly accrue an allowance against accounts receivables related to fees yet to be collected, the impact of CMS' settlement offer to hospitals remains uncertain and our financial condition and results of operations could be adversely affected if we are required to return certain fees we have already been paid under HDI's existing Medicare RAC contract or we are unable to collect fees for audits we have already performed. There could be a material negative impact on our revenue if under the current Medicare RAC contract, HDI is unable to obtain full payments for properly provided services or is required to repay a portion of prior fees associated with the hospital settlement program or if future fees payable to HDI by CMS are reduced.

Our success also depends on relationships we develop with our customers that enable us to understand our customers' needs and deliver solutions and services that are tailored to meet those needs. If a customer is dissatisfied with the quality of our work, or if our products, technical infrastructure or services do not comply with the provisions of our contractual agreements or applicable regulatory requirements, we could incur additional costs that may impair the profitability of a contract and damage our ability to obtain additional work from that customer, or other current or prospective customers. For

example, some of our contracts contain liquidated damages provisions and financial penalties related to performance failures, which if triggered, could adversely affect our reputation, business, financial condition, results of operations and cash flows. If liquidated damages or other financial penalties are assessed against us, we may be required to disclose these damages or penalties in connection with future bids for services with other customers, which may reduce our chances of winning such procurements. Although we have liability insurance, the policy coverage and limits may not be adequate to provide protection against all potential liabilities. Under the terms of one of our contracts, we have an outstanding irrevocable letter of credit for \$4.6 million, which we established against our existing revolving credit facility. If a claim is made against this letter of credit or any similar instrument that we obtain in the future, we would be required to reimburse the issuer of the letter of credit for the amount of the claim.

From time to time, government customers may face financial pressures or pressure from stakeholders that may cause them to redefine or reduce the scope of our contracts (by, for example, significantly reducing the volume of data that we are permitted to audit) or terminate contracts for our services that may be regarded as non-essential. We also occasionally face challenges in obtaining timely or full payments for our properly provided services from customers and parties who we provide services to, despite our right to prompt and full payment under the terms of our contracts. Since several of our contracts, including those with many of our largest customers, may be terminated upon short notice for convenience, dissatisfied customers might seek to exit existing contracts prior to their scheduled expiration date and could direct future business to our competitors.

If we lose a major customer; if we fail to maintain a high level of customer retention; if we fail to reprocure a contract; if our customers reduce the scope of our contracts or limit future contracting opportunities; or if we are exposed to significant costs, liabilities or negative publicity, our ability to compete for new contracts with current or prospective customers could be damaged and our business, financial condition, reputation, results of operations and cash flows could be materially adversely affected.

We face significant competition for our services and we expect competition to increase.

Competition among U.S. healthcare insurance benefit cost containment service providers is increasing and we expect to encounter additional competition as new competitors enter this area as it continues to grow with advances in technology. Our current competitors include the other Medicare RACs; other claim audit vendors; fraud, waste and abuse claim edit and predictive analysis companies; primary claims processors; numerous regional utilization management companies; as well as healthcare consulting firms and other third-party liability service providers. In addition, some customers can compete by electing to perform some or all of their recovery and cost avoidance functions in-house.

We must remain competitive with our existing business and service capabilities and develop new products and services, which will require not only that we make substantial financial and resource investments, but that we quickly respond to new or emerging technologies and to changes in customer requirements and the healthcare industry. There is also increasing sophistication in certain services and our competitors are constantly developing products and services that may become more efficient or appealing to our customers. We cannot provide assurance that our new or modified product and service innovations will be responsive to customer preferences or industry changes, or that the product development initiatives that we prioritize will yield the gains that we anticipate, if any.

Many of the cost containment services we provide are being targeted by formidable competitors with national reputations, and their success in attracting business or winning contract bids could significantly and/or adversely affect our business. In addition, for some of the services that we provide or hope to provide, current and prospective customers could develop in-house capacities and could therefore decide not to engage us. Some of our competitors have also merged or formed business alliances with other competitors, which may affect our ability to work with potential customers. In certain cases, our competitors and potential competitors have significantly greater resources and market recognition than we

have, and may be in a position to bundle services that compete with our product and services offerings, or may be able to devote greater resources to the sale of their services and to developing and implementing new and improved systems and solutions for the customers that we serve. In some areas of our business, we could face potential competition from our current or former subcontractors or teaming partners, who may use their position to establish their own relationships with our customers and seek to become prime contractors on similar work in the future. Although we attempt to protect ourselves against such conduct through the terms of our subcontracts and teaming agreements, a subcontractor or teaming partner may determine that the benefits of violating its contract with us outweigh the costs and risks.

We cannot provide assurance that we will be able to compete successfully against existing or new competitors. In addition, we may be forced to lower our pricing or the demand for our services may decrease as a result of increased competition. Further, a failure to be responsive to our existing and potential customers' needs could hinder our ability to maintain or expand our customer base, hire and retain new employees, pursue new business opportunities, complete future acquisitions and operate our business effectively. Any inability to compete effectively could materially adversely affect our business, financial condition, results of operations and cash flows.

We must comply with laws and regulations regarding individual privacy and information security, including taking steps to ensure that our workforce, vendors, subcontractors and other business associates who obtain access to sensitive information about individuals maintain its confidentiality. Our failure, or a failure by our business associates, to comply with those laws and regulations, whether or not inadvertent, could subject us to legal actions, fines and penalties and negatively impact our reputation and operations.

As a service provider, we often receive, process, transmit and store protected health information ("PHI") of individuals, as well as other financial, confidential and proprietary information belonging to our customers, our subsidiaries and third parties (e.g. , private insurance companies, financial institutions) from which we obtain information. The use and disclosure of that information is regulated through federal and state laws and rules, which are changed frequently by legislation, regulatory issuances and/or administrative interpretation. Various state laws address the use and disclosure of individually identifiable financial and health data. Some are derived from the privacy and security provisions such as in the federal Gramm-Leach-Bliley Act, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as amended by the Health Information Technology for Economic and Clinical Health Act ("HITECH"), and the regulations implementing these laws. HIPAA also imposes standards and requirements on our business associates (as this term is defined in the HIPAA regulations), including our subcontractors and many of our vendors.

In January 2013, the U.S. Department of Health and Human Services issued Final Omnibus Privacy, Security, Breach Notification, and Enforcement Rules that modified and supplemented many of the standards and regulations under HIPAA and HITECH. These new rules significantly increased the risk of liability to us and our business associates and subcontractors and made more incidents of inadvertent disclosure reportable and subject to penalties. Even though we take measures to comply with all applicable regulations and to ensure our business associates and subcontractors comply with these laws, regulations and rules, we have less than complete control over our business associates' and subcontractors' actions and practices. In addition, we could also be exposed to data breach risk if there is unauthorized access to one of our or our subcontractors' secure facilities or from lost or stolen laptops, other portable media from current or former employee theft of data containing PHI, from misdirected mailings containing PHI, or other forms of administrative or operational error. If we or our subcontractors fail to comply with applicable laws; if unauthorized parties gain physical access to one of our facilities and steals or misuses confidential information; if we erroneously use or disclose data in a way that is inconsistent with our granted rights; or if such information is misdirected, lost or stolen during transmission or transport, we may suffer damage to our reputation, potential loss of existing customers and difficulty attracting new customers. We could also be exposed to, among other things, unfavorable publicity, governmental inquiry

and oversight, allegations by our customers that we have not performed our contractual obligations, costs to provide notifications to affected individuals, or litigation by affected parties and possible financial obligations for damages or indemnification obligations related to the theft or misuse of such information, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Further, as regulatory focus on privacy issues continues to increase and laws and regulations concerning the protection of personal information expand and become more complex, these potential risks to our business could intensify. Changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personally identifiable information, along with increased customer demands for enhanced data security infrastructure, could greatly increase our cost of providing our services. See Risk Factor—"Our systems and networks may be subject to cyber security breaches and other disruptions that could compromise our information and harm our business" for additional information.

Our business depends on effective information processing systems that are compliant with current HIPAA transaction and code set standards and the integrity of the data in, and operations of, our information systems, as well as those of other entities that provide us with data or receive data from us.

Our ability to conduct our operations and accurately report our financial results depends on the integrity of the data in our information systems and the integrity of the processes performed by those systems. These information systems and applications require continual maintenance, upgrading and enhancement to meet our operational needs, satisfy customer requests and handle our expansion and growth. Despite our testing and quality control measures, we cannot be certain that errors or system deficiencies will not be found and that remediation can be done in a timeframe that is acceptable to our customers or that customer relationships will not be impaired by the occurrence of errors or the need for remediation. In addition, implementation of upgrades and enhancements may cost more, take longer or require more testing than originally expected. Given the large amount of data we collect and manage, it is possible that hardware failures or errors or technical deficiencies in our systems could result in data loss or corruption or cause the information that we collect, utilize or disseminate to be incomplete or contain inaccuracies that our customers regard as significant.

Through several of the services we provide, situations arise in which the accuracy of our data analysis or the content and quality of our work product is central to the disposition of claims, controversies or litigation between our customers and third parties. When such situations arise, we may be required to allocate significant resources to fulfilling our contractual obligations to provide our customers with full and complete access to records, analysis and back-up documentation of our work. Assuring our capacity to fulfill these obligations, as well as actually fulfilling such obligations, can impose significant burdens on our infrastructure for data storage, maintenance and processing, requiring us to prioritize maintenance of and access to these resources, or incur additional costs to supplement them in order to satisfy our obligations. Should the frequency or scope of situations in which customers invoke these obligations increase to a substantial degree, the resulting strain on our personnel, data storage and computing resources could negatively impact other business operations.

Moreover, because many of the services we furnish to customers involve submitting high volumes of monetary claims to third parties (such as health insurance carriers) and processing payments from them, the efficiency and effectiveness of our own operations are to some degree dependent on the claims processing systems of these third parties and their compliance with any new transaction and code set standards. By October 1, 2015, health plans, commercial payers and healthcare providers are required to transition to the new ICD-10 coding system, which greatly expands the number and detail of diagnosis codes used for inpatient, outpatient and physician claims. The transition to the new transaction and code set standard is expensive, time-consuming and may initially result in disruptions or delays as we and other stakeholders make necessary system adjustments to be fully compliant and capable of exchanging data. In

addition, we may experience delays in processing claims and therefore earning our fees if the third parties with whom we work are not in full compliance with these new standards in the required timeframe. Claims processing systems failures, incapacities or deficiencies internal to these third-parties could significantly delay or obstruct our ability to recover money for our customers, and thereby interfere with our performance under our contracts and our ability to generate revenue from those contracts in the timeframe we anticipate, which in turn could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be precluded from bidding on and/or performing certain work due to other work we currently perform.

Various laws, regulations and administrative policies prohibit companies from performing work for government agencies in capacities that might be viewed to create an actual or perceived conflict of interest. In particular, CMS has stringent conflict of interest rules, which can limit our bidding for specific work for CMS, or for other contracts that might conflict, or be perceived by CMS to conflict, with contractual work for CMS. State governments and managed care organizations also have conflict of interest restrictions that could limit our ability to bid for certain work. Conflict of interest rules and standards change frequently, and are subject to varying interpretations and varying degrees and consistency of enforcement at the federal, state and municipal levels, and we cannot provide assurance that we will be successful in navigating these restrictions.

The expansion and diversification of our business operations increases the potential that customers or potential customers will perceive conflicts of interest between our various subsidiaries, products, services, activities and customer relationships. Such conflicts, whether real or perceived, could result in loss of contracts or require us to divest ourselves of certain existing business in order to qualify for new contract awards. We may be required to adjust our current management and personnel structure, as well as our corporate organization and entity structure, in order to appropriately mitigate conflicts and otherwise accommodate the needs as a company that is expanding in size and complexity. Our failure to devote sufficient care, attention and resources to managing these adjustments may result in technical or administrative errors that could expose us to potential liability or adverse regulatory action. If we are prevented from expanding our business due to real or perceived conflicts of interest, our business and results of operations could be adversely affected.

System interruptions or failures could expose us to liability and harm our business.

Our data and operation centers are essential to our business and our operations depend on our ability to maintain and protect our information systems. We attempt to mitigate the potential adverse effects of a disruption, relocation or change in operating environment; however, we cannot provide assurance that the situations we plan for and the amount of insurance coverage that we maintain will be adequate in any particular case. In addition, despite system redundancy and security measures, our systems and operations are vulnerable to damage or interruption from, among other sources:

- power loss, transmission cable cuts and telecommunications failures;
- damage or interruption caused by fire, earthquake and other natural disasters;
- attacks by hackers or nefarious actors;
- computer viruses and other malware, or software defects; and
- physical break-ins, sabotage, intentional acts of vandalism, terrorist attacks and other events beyond our control.

If we encounter a business interruption; if we fail to effectively maintain our information systems; if it takes longer than we anticipate to complete required upgrades, enhancements or integrations; or if our business continuity plans and business interruption insurance do not effectively compensate on a timely

basis, we could suffer operational disruptions, disputes with customers, civil or criminal penalties, regulatory problems, increases in administrative expenses, loss of our ability to produce timely and accurate financial and other reports or other adverse consequences, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we do not successfully integrate the businesses that we acquire, we may not realize the anticipated benefits of acquisitions and our results of operations could be adversely affected.

Historically, to achieve our strategic goals, we have made a significant number of acquisitions that have expanded the products and services we offer, provided a presence in complementary business lines, or expanded our geographic presence and/or customer base. Business acquisitions and combinations involve a number of risk factors that could affect our operations, including:

- diversion of management's attention and other resources;
- our ability to maintain relationships with the customers of the acquired business and further develop the acquired business;
- our ability to cross-sell our services and the services of the acquired businesses to our respective customers;
- compliance with regulatory requirements and avoiding potential conflicts of interest in markets that we serve;
- our ability to integrate and coordinate organizations that are geographically diverse and may have different business cultures;
- transition of operations, users and customers to our existing platforms or the integration of data, systems and technology platforms with ours;
- our ability to retain or replace key personnel;
- entry into unfamiliar markets;
- assumption of unanticipated legal or financial liabilities and/or negative publicity related to prior acts by the acquired entity;
- litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or third parties;
- becoming significantly leveraged as a result of incurring debt to finance an acquisition;
- unanticipated operating, accounting or management difficulties in connection with the acquired entities; and/or
- impairment of acquired intangible assets, including goodwill, and dilution to our earnings per share.

We intend to continue our acquisition strategy to expand and diversify our business. We cannot, however, provide assurance that we will be able to identify any potential acquisition candidates or consummate any additional acquisitions or that any future acquisitions will be successfully integrated or will be advantageous to us. Entities we acquire may not achieve the revenue and earnings we anticipate or their liabilities may exceed our expectations. We could face integration issues pertaining to the internal controls and operational functions of the acquired companies and we also could fail to realize cost efficiencies or synergies that we anticipated when selecting our acquisition candidates. Customer dissatisfaction or performance problems with a particular acquired entity could materially and adversely affect our reputation as a whole. We may be unable to profitably manage entities that we have acquired or that we may acquire, or we may fail to integrate them successfully without incurring substantial expenses, delays or other problems. If we fail to successfully integrate the businesses that we acquire, we may not

realize any of the benefits that we anticipate in connection with the acquisitions and that could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

We are subject to extensive government regulation and our government contracts are subject to audit and investigation rights. Any violation of the laws and regulations applicable to us or a negative audit or investigation finding could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

Much of our business is regulated by the federal government and the states in which we operate. The laws and regulations governing our operations are generally intended to benefit and protect individual citizens, including government program beneficiaries, health plan members and providers, rather than stockholders. The government agencies administering these laws and regulations have broad latitude to enforce them. These laws and regulations, along with the terms of our government contracts, regulate how we do business, what services we offer and how we interact with our customers, providers, other healthcare payers and the public. We are subject, on an ongoing basis, to various governmental reviews, audits and investigations to verify our compliance with our contracts and applicable laws and regulations.

In addition, because we receive payments from federal and state governmental agencies, we are subject to various laws, including the Federal False Claims Act and similar state statutes, which permit government law enforcement agencies to institute suits against us for violations and, in some cases, to seek double or treble damages, penalties and assessments. In addition, private citizens, acting as whistleblowers, can sue on behalf of the government under the " *qui tam* " provisions of the Federal False Claims Act and similar statutory provisions in many states.

The expansion of our operations into new products and services may further expose us to requirements and potential liabilities under additional statutes and legislative schemes that have previously not been relevant to our business, such as banking and credit reporting statutes, that may both increase demands on our resources for compliance activities and subject us to potential penalties for noncompliance with statutory and regulatory standards. Increased involvement in analytic or audit work that can have an impact on the eligibility of individuals for medical coverage or specific benefits could increase the likelihood and incidence of our being subjected to scrutiny or legal actions by parties other than our customers, based on alleged mistakes or deficiencies in our work, with significant resulting costs and strain on our resources.

If the government discovers improper or illegal activities in the course of audits or investigations, we may be subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions and debarment from doing business with the government. The risks to which we are subject, particularly under the Federal False Claims Act and similar state fraud statutes, have increased in recent years due to legislative changes that have (among other amendments) expanded the definition of a false claim to include, potentially, any unreimbursed overpayment received from, or other monetary debt owed to, a government agency. This subjects us to potential liability for a false claim, for example, where we may be overcharged for services by a subcontractor and may pass that charge on to a government customer, or where we may have a good faith disagreement with a government agency's view of whether an overpayment has occurred. If we are found to be in violation of any applicable law or regulation, or if we receive an adverse review, audit or investigation, any resulting negative publicity, penalties or sanctions could have an adverse effect on our reputation in the industry, impair our ability to compete for new contracts and have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be a party to litigation, regulatory, or other dispute resolution proceedings. Adverse judgments or settlements in any of these proceedings could harm our business, financial condition and operating results.

We are subject and may be a party to lawsuits and other claims that arise from time to time in the ordinary course of our business. These may include lawsuits and claims related to, for example, contracts, subcontracts, teaming agreements, protection of confidential information or trade secrets, employment of our workforce or compliance with any of a wide array of state and federal statutes, rules and regulations that pertain to different aspects of our business. We may also be required to initiate expensive litigation or other proceedings to protect our business interests. In addition, because of the payments we receive from government customers, we may be subject to unexpected inquiries, investigations, legal actions or enforcement proceedings pursuant to the False Claims Act, healthcare fraud, waste and abuse laws or similar legislation. Any investigations, settlements or adverse judgments stemming from such legal disputes or other claims may result in significant monetary damages or injunctive relief against us, as well as reputational injury that could adversely affect us. There is a risk that we will not be successful in such litigation. In addition, litigation and other legal claims are subject to inherent uncertainties and management's view of currently pending legal matters may change in the future. Those uncertainties include, but are not limited to, costs of litigation, unpredictable judicial or jury decisions and the differing laws and judicial proclivities regarding damage awards among the states in which we operate. Unexpected outcomes in such legal proceedings, or changes in management's evaluation or predictions of the likely outcomes of such proceedings (possibly resulting in changes in established reserves), could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our outstanding indebtedness could adversely affect our financial condition and our ability to operate our business, and we may not be able to generate sufficient cash flows to meet our debt service obligations.

In December 2011, we entered into a five-year, revolving and term secured credit agreement with certain financial institutions and Citibank, N.A. as Administrative Agent in connection with our acquisition of HDI. In May 2013, we amended and restated the credit agreement and entered into a \$500 million five-year revolving credit agreement ("Credit Agreement"). Under specified circumstances, the revolving credit facility under the Credit Agreement can be increased or one or more incremental term loan facilities can be added. Our obligations and any amounts due under the Credit Agreement are guaranteed by our material subsidiaries and secured by a security interest in all, or substantially all, of our and our subsidiaries' physical assets. As of December 31, 2014, the outstanding principal balance due on the revolving credit facility was \$197.8 million.

Our outstanding indebtedness and any additional indebtedness we incur may have important consequences for us, including, without limitation, that: we may be required to use a substantial portion of our cash flow to pay the principal of and interest on our indebtedness; our indebtedness and leverage may increase our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressures; our ability to obtain additional financing for working capital, capital expenditures, acquisitions and for general corporate and other purposes may be limited; and our flexibility in planning for, or reacting to, changes in our business and our industry may be limited.

In addition, our ability to make payments of principal and interest on our outstanding revolving credit facility depends upon our future performance and our ability to generate cash flows. Under the terms of the Credit Agreement, we are required to comply with specified financial and operating covenants, which may limit our ability to operate our business as we otherwise might operate it. For example, our obligations may be accelerated upon the occurrence of an event of default, which includes customary events of default including, without limitation, payment defaults, failure to perform affirmative covenants, failure to refrain from actions or omissions prohibited by negative covenants, the inaccuracy of representations or warranties, cross-defaults, bankruptcy and insolvency related defaults, defaults relating to judgments, defaults due to certain ERISA related events and a change of control default. If not cured, an event of default would result in any amounts outstanding, including any accrued interest and unpaid fees, becoming

immediately due and payable, which would require us to, among other things: seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets, and/or reduce or delay planned capital or operating expenditures. Such measures might not be sufficient to enable us to service our debt, and any such financing or refinancing might not be available on economically favorable terms or at all. If we are not able to generate sufficient cash flows to meet our debt service obligations or are forced to take additional measures to be able to service our indebtedness, our business and results of operations could be materially and adversely affected.

We obtain a significant portion of our business through competitive bidding in response to government requests for proposals and future contracts may not be awarded through this process on the same level and we may not re-procure certain contracts.

In order to market our services to customers, we are often required to respond to government-issued requests for proposals ("RFPs") to compete for a contract. This requires that we accurately estimate our cost structure for servicing a proposed contract, the time required to establish operations and the likely terms of any proposals submitted by our competitors. We must also assemble and submit a large volume of information within a RFP's rigid timetable, and our ability to provide timely and complete responses to RFPs will greatly impact our business. Should any part of our business suffer a negative event, for example, a customer dispute or a government inquiry, we may be required to disclose the occurrence of that event in a RFP, which could impact our ability to win the contract at issue. We cannot provide assurance that we will continue to obtain contracts in response to government RFPs, that we will be successful in re-winning contracts after they expire, or that our proposals will result in profitable contracts. In addition, if we are unable to win particular contracts, we may be precluded from entering certain customer markets for a number of years. If we are unable to consistently win new contract awards over any extended period, our business and prospects will be adversely affected.

If we fail to accurately estimate the factors upon which we base our contract pricing, we may generate less profit than expected or incur losses on those contracts.

Our pricing is dependent on our internal forecasts and predictions about our projects and the marketplace, which might be based on limited data and could turn out to be inaccurate. A majority of our contracts are contingency fee based. For contingency fee based offerings, we receive our fee based on recoveries received by our customers. Our ability to earn a profit on a contingency fee offering requires that we accurately estimate costs involved and outcomes likely to be achieved and assess the probability of completing multiple tasks and transactions within the contracted time period. Some of our contracts with the federal government are cost-plus or time-and-material based. Revenue on cost-plus contracts is recognized based on costs incurred plus an estimate of the negotiated fee earned. To earn a profit on these contracts, we must accurately estimate costs involved and assess the probability of achieving certain milestones within the contracted time period. If we do not accurately estimate the costs and timing for completing projects, or if we encounter increased or unexpected costs, delays, failures, liabilities or risks, including those outside of our control, our contracts could prove unprofitable for us or yield lower profit margins than anticipated. Although we believe that we have recorded adequate provisions in our financial statements for losses on our fixed-price and cost-plus contracts where applicable, as required under United States generally accepted accounting principles ("U.S. GAAP"), we cannot provide assurance that our contract loss provisions will be adequate to cover all actual future losses.

The U.S. government's determination to award a contract may be challenged by an interested party. As a result, even if we win a bid, the contract may be delayed or may never be implemented if such a challenge is successful.

The laws and regulations governing procurements of goods and services by the U.S. government provide procedures by which other bidders and other interested parties may challenge the award of a government contract. Challenges or protests to government awards may be filed even if there are no valid

legal grounds on which to base the protest. If any such protests are filed, the government agency may decide to withhold a contract award or suspend performance under the contract while the protest is being considered by the GAO or the applicable federal court, or may choose to take corrective action on its own, in each case, potentially delaying the start of the contract. If we are the original awardee of a protested contract, we could be forced to expend considerable funds to defend a potential award, while also incurring expenses to maintain our ability to timely start implementation in case the protest is resolved in our favor. It can take many months to resolve these protests, and even if it is resolved in our favor, the resulting delay in the start-up and funding of our work under the contracts may cause our actual results to differ materially and adversely from those anticipated. In the event of irregularities we perceive or learn of in the award or bidding process, we also may be forced to file protests in response to RFP awards to competitors, at significant cost to us. In addition, a contract award may be terminated or the government agency may opt to solicit new bids and award a new contract if a protest is successful or the government agency chooses not to uphold its original award. We cannot provide assurance that we will prevail if a contract we are awarded is protested or that if we protest an award we will be successful. Extended implementation delays or successful challenges of our contract awards could have a material adverse effect on our financial condition or results of operations.

We depend on many different entities to supply information and an inability to successfully manage our relationships with a number of these suppliers may harm the quality and availability of our services.

We obtain data used in our services from many sources, including commercial insurance plans, financial institutions, managed care organizations, government entities and non-government entities. From time to time, challenges arise in managing and maintaining our relationships with entities that are not our customers and that furnish information to us pursuant to a combination of voluntary cooperation and legal obligation under laws and regulations that are often subject to differing interpretation. Our data suppliers may determine that some uses of data for our customers are not permitted by our agreements, and seek to limit or end our access and use of certain data for particular purposes or customers. They may also make errors in compiling, transmitting or accurately characterizing data, or may have technological limitations that interfere with our receipt or use of the data we are relying upon them to provide. If a number of information sources or suppliers become unable or unwilling to provide us with certain data under terms of use that are acceptable to us and our customers, or if the applicable regulatory and law enforcement regime for use and protection of this data changes in a way that imposes unacceptable or unreasonable conditions or risks on us or disincentivizes our suppliers to continue to provide us with data, we cannot provide assurance that we will be able to obtain new agreements with alternative data suppliers on terms favorable to us, or at all. If we lose our data sources or access to certain data; are unable to identify and reach the requisite agreements with suitable alternative suppliers and integrate these data sources into our service offerings; or there is a lack of integrity of data that our suppliers provide, we could experience service disruptions, increased costs, reduced quality of our services and/or performance penalties under our customer contracts, which could have an adverse effect on our business, financial condition, results of operations or cash flows.

We may rely on subcontractors and partners to provide customers with a single-source solution or we may serve as a subcontractor to a third party prime contractor.

From time to time, we may engage subcontractors, teaming partners or other third parties to provide our customers with a single-source solution for a broader range of service needs. Similarly, we are and may in the future be engaged as a subcontractor to a third party prime contractor. Subcontracting arrangements pose unique risks to us because we do not have control over the customer relationship, and our ability to generate revenue under the subcontract is dependent on the prime contractor, its performance and relationship with the customer and its relationship with us. While we believe that we perform appropriate due diligence on our prime contractors, subcontractors and teaming partners and that we take adequate measures to ensure that they comply with the appropriate laws and regulations, we cannot guarantee that

those parties will comply with the terms set forth in their agreements with us (or in the case of a prime contractor, their agreement with the customer), or that they will be reasonable in construing their contractual rights and obligations, always act appropriately in dealing with us or customers, provide adequate service, or remain in compliance with the relevant laws, rules or regulations. We may have disputes with our prime contractors, subcontractors, teaming partners or other third parties arising from the quality and timeliness of work being performed, customer concerns, contractual interpretations or other matters. Performance deficiencies or misconduct by our prime contractors or subcontractors or perceived performance deficiencies by us could result in a contract termination and/or could adversely affect our customer relationships and reputation. We may be exposed to liability if we lose or terminate a subcontractor or teaming partner due to a dispute, and subsequently have difficulty engaging an appropriate replacement or otherwise performing their functions in-house, such that we fail to fulfill our contractual obligations to our customer. In the event a prime contract, under which we serve as a subcontractor, is terminated, whether for non-performance by the prime contractor or otherwise, then our subcontract will similarly terminate and we could face contractual liability and the resulting contract loss could adversely affect our business, financial condition, results of operations and cash flows.

We use software vendors, utility providers and network providers in our business and could be materially adversely affected if they cannot deliver or perform as expected or if our relationships with them are terminated or otherwise change.

Our ability to service our customers and deliver and implement solutions requires that we work with certain third party providers, including software vendors, utility and network providers and depends on such third parties meeting our expectations in both timeliness and quality. Our business could be materially and adversely affected and we might incur significant additional liabilities if the services provided by these third party providers do not meet our expectations, or if they terminate or refuse to renew their relationships with us, or if they were to offer their products to us in the future on less advantageous terms. In addition, while there are backup systems in many of our operating facilities, an extended outage of utility or network services supplied by these vendors or providers may have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we are unable to protect our intellectual property rights the value of our products and services may be diminished and our business may be adversely affected.

Our success as a company depends in part upon our ability to protect our core technology and intellectual property. Our expanding operations and efforts to develop new products and services also make protection of our intellectual property more critical. The steps we have taken to deter misappropriation of intellectual property may be insufficient to protect our proprietary information. From time to time, competitors have attempted to use state open records and/or federal Freedom of Information Act laws to obtain our proposal responses. We cannot be certain that our efforts to protect these confidential and proprietary elements will always be successful, due to the many factors that go into the various state and federal decisions to release information (even in spite of our objections and responses). In addition, misappropriation of our intellectual property by third parties, or any disclosure or dissemination of our business intelligence, queries, algorithms and other similar information by any means, could undermine any competitive advantage we currently derive or may derive. On the other hand, third parties may claim that we are infringing upon or misappropriating their intellectual property. Our exposure to risks related to the use of intellectual property may also increase as a result of acquisitions since third parties may make infringement and similar or related claims after we have acquired technology. Any of these situations could result in our expending significant time and incurring expense to defend ourselves or to enforce our intellectual property rights and could result in our being prevented from furnishing certain products and services. Although we have taken measures to protect our proprietary rights, we cannot provide assurance that others will not compete with our business by offering products or concepts that are substantially similar to ours. If the protection of our proprietary rights is inadequate to prevent

unauthorized use or appropriation by third parties or our employees, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our products and services, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

Our systems and networks may be subject to cyber security breaches and other disruptions that could compromise our information and harm our business.

In the ordinary course of our business, we rely heavily upon our technology systems and networks to input, maintain and communicate the confidential and proprietary data we receive on behalf of our customers. The secure processing and maintenance of this information is critical to our operations and business strategy. Our security measures could be compromised and, as a result, our data, customers' data, information technology or infrastructure could be accessed improperly, made unavailable, improperly modified, corrupted by computer hackers, computer viruses or other malicious software programs that could attack our services or breached due to employee error or malfeasance, all of which could create system disruptions and cause shutdowns or denials of service. This is also true for third-party products or services that we use. In addition, subcontractors, teaming partners or other third party vendors that receive or utilize confidential information on our behalf may become subject to a security breach, which may result in unauthorized access to such third-party's information systems and/or our customers' protected information. The occurrence of any of these events could cause our services to be perceived as vulnerable, cause our customers to lose confidence in our services, negatively affect our ability to attract new customers, cause existing customers to terminate or not renew our services and damage our reputation, all of which could reduce our revenue, increase our expenses and expose us to legal claims and regulatory actions. Similarly, if our internal networks are compromised, we could be adversely affected by the loss of proprietary, trade secret or confidential technical and financial data. Because techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures. We could be forced to expend significant resources in response to a cyber-security breach, including repairing system damage, increasing cyber security protection costs by deploying additional personnel and protection technologies, paying regulatory fines and litigating and resolving legal claims and regulatory actions, all of which could increase our expenses, divert the attention of our management and key personnel away from our business operations and adversely affect our results of operations.

The federal government or a state may limit or prohibit the outsourcing of certain programs or functions, or may refuse to grant consents and/or waivers necessary to permit private entities, such as us, to perform certain elements of government programs or functions, or there may be other state or federal limitations on our outsourcing of work or our vendor use that obstruct cost-effective performance of our contracts.

The federal government or a state could limit or prohibit private contractors like us from operating or performing elements of certain government functions or programs. State or local governments could be required to operate such programs with government employees as a condition of receiving federal funding. Moreover, under current law, in order to privatize certain functions of government programs, the federal government must grant a consent and/or waiver to the petitioning state or local agency. If the federal government does not grant a necessary consent or waiver, the state or local agency will be unable to outsource that function to a private entity. Such a situation could eliminate a contracting opportunity or reduce the value of an existing contract.

Similarly, other state or federal limitations on outsourcing certain types of work to vendors that supplement our own workforce could make it more difficult for us to fulfill our contracts in a cost-effective manner. Certain segments of our operations use or involve vendor or subcontractor personnel located outside of the United States, who may (under carefully controlled circumstances) access certain PHI in the

course of assisting us with various elements of the services we provide to our customers. There is, however, increasing pressure from an expanding number of sources to prohibit the use of off-shore labor, particularly on government contracts. The federal government and a number of states have considered laws and/or issued rules and orders that would limit, restrict or wholly prohibit the use of off-shore labor in performance of government contracts, or impose sanctions for the use of such resources. Some of our customers have already chosen to contractually limit or restrict our ability to use off-shore resources. Intensified restrictions of this type or associated penalties could raise our costs of doing business, expose us to unexpected fines or penalties, increase the prices we must charge to customers to realize a profit and eliminate or significantly reduce the value of existing contracts or potential contract opportunities, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in, or interpretations of, tax rules and regulations may adversely affect our effective tax rates.

We are a United States-based company subject to various federal, state and local tax laws and regulations in multiple U.S. jurisdictions that govern numerous aspects of our business.

Unanticipated changes in our tax rates could affect our future results of operations. Our future effective tax rates could be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned and taxed, by changes in, or our interpretation of, tax rules and regulations in the jurisdictions in which we do business, by increases in expenses not deductible for tax purposes including impairments of goodwill, by changes in U.S. GAAP or by changes in the valuation of our deferred tax assets and liabilities.

In addition, we are subject to the continual examination of our income tax returns by the U.S. Internal Revenue Service ("IRS") and other domestic tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result. There can be no assurance that the final determination of any of these examinations will not have an adverse effect on our financial condition, results of operations and cash flows.

We may not be able to realize the entire book value of goodwill and other intangible assets from acquisitions.

As of December 31, 2014, we have \$361.5 million of goodwill and \$74.6 million of net intangible assets. We assess goodwill and other intangible assets at least annually for impairment in the second quarter of each year, or more frequently if certain events or circumstances warrant. In the event that the book value of goodwill is impaired, any such impairment would be charged to earnings in the period of impairment. We cannot provide assurance that future impairment of goodwill will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our success may depend on the continued service and availability of key personnel and we may be unable to attract and retain sufficient qualified personnel to properly operate our business.

Our success and future growth is dependent upon the ability of our executive officers and our senior managers to generate business and execute on our business plans successfully. We have experienced executive turnover in the past year and have hired and promoted a number of new executive officers. We may face challenges in effectively managing our operations as they learn about our company and business and develop working relationships with our other executive officers and their staff. Our ability to execute on our business plans will be impacted if our management team cannot work together effectively, or if other members of our senior management team resign.

In addition, our success requires that we attract, develop, motivate and retain experienced and innovative executive officers, senior managers who have successfully managed or designed government services programs or who have relevant experience in other sectors of the data management or healthcare

industry and information technology professionals who have designed or implemented complex information technology projects. Innovative, experienced and technologically proficient individuals are in great demand and are likely to remain a limited resource. We cannot provide assurance that we will be able to continue to attract and retain the most capable and desirable executive officers and senior managers. We may incur increased expenses in connection with the hiring, promotion or replacement of any of these key individuals. The loss of the services of one or more of our key employees or the loss of significant numbers of senior managers or information technology professionals could adversely affect our business, financial condition, results of operations and cash flows.

Our ability to execute on contracts is dependent on our ability to attract and retain qualified employees.

Our delivery of services is labor-intensive. When we are awarded a contract, we must quickly hire project leaders, case management staff and other personnel with the specific qualifications required by our contracts. The additional staff also creates a concurrent demand for increased administrative personnel. Our ability to maintain our productivity and profitability is limited by our ability to recruit, employ, train and retain the skilled personnel necessary to fulfill our contractual requirements. The success of recruitment and retention strategy depends on a number of factors, including the competitive demands for employees having the skills we need and the level of compensation required to hire and retain such employees. We cannot provide assurance that we will be able to recruit the appropriate personnel in the timeframe required to fulfill our contractual obligations, we will be successful in maintaining the personnel necessary to efficiently operate and support our business, or if our recruitment and retention strategies are successful, our labor costs will not increase significantly. Our inability to hire sufficient personnel on a timely basis and without significantly increasing our labor costs could adversely affect our business, financial condition, results of operations and cash flows.

Our health insurance coverage and self-insurance reserves may not cover future claims.

We maintain various insurance policies for employee health, workers' compensation, general liability and property damage. We are self-insured for our health plans, and have purchased a fully-insured stop loss policy to help offset our liability for both individual and aggregate claim costs. We are also responsible for losses up to a certain limit for workers' compensation, general liability and property damage insurance.

For policies under which we are responsible for losses, we record a liability that represents our estimated cost of claims incurred and unpaid as of the balance sheet date. Our estimated liability is not discounted and is based on a number of assumptions and factors, including historical trends, actuarial assumptions and economic conditions, and is closely monitored and adjusted when warranted by changing circumstances. Our significant growth rate could affect the accuracy of estimates based on historical experience. Should a greater amount of claims occur compared to what was estimated or medical costs increase beyond what was expected, our accrued liabilities might not be sufficient and we may be required to record additional expense. Unanticipated changes may also produce materially different amounts of expense than reported under these programs, which could adversely affect our financial condition, results of operations and cash flows.

Risks Related to Our Common Stock

The market price of our common stock may be volatile.

The market price of our common stock has fluctuated widely and may continue to do so. During the 52-week period ended February 20, 2015, the closing price of our common stock on the NASDAQ Global Select market ranged from a high of \$23.23 per share, to a low of \$15.74 per share. We expect our stock price to be subject to fluctuations as a result of a variety of factors, including factors beyond our control. Some of these factors are:

• actual or anticipated variations in our results of operations;

- the gain or loss of significant contracts or the changes in the contingency fee rates or other significant terms of our business arrangements with our significant customers;
- delays in our development and introduction of new services;
- changes in government policies or regulations;
- delays by government agencies of the awarding of contracts, including the impact of any protests or lawsuits filed in connection with the award of any such contracts;
- developments in our relationships with current or future customers and suppliers;
- operating and stock price performance of other companies that investors deem comparable to our company;
- news reports relating to trends, concerns and other issues in the healthcare industry;
- perceptions in the marketplace regarding us and/or our competitors;
- acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- political developments affecting healthcare at the federal, state or local level;
- our failure to integrate acquisitions or realize anticipated benefits from acquisitions;
- the hiring or departure of key personnel;
- the introduction of new services by us or our competitors;
- changes in estimates of our performance or recommendations by securities analysts;
- future sales of shares of common stock in the public market;
- any other changes in the amount of our outstanding shares, including as a result of share repurchases;
- securities class action or other litigation; and
- market conditions in the industry and the economy as a whole.

In addition, the stock market often experiences significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. When the market price of a company's stock drops significantly, stockholders may institute securities class action litigation against that company. Any litigation against us could cause us to incur substantial costs, divert the time and attention of our management and other resources or otherwise harm our business.

Certain provisions of our certificate of incorporation could discourage unsolicited takeover attempts, which could depress the market price of our common stock.

Our certificate of incorporation authorizes the issuance of up to 5,000,000 shares of "blank check" preferred stock with such designations, rights and preferences as may be determined by our Board of Directors. Accordingly, our Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights, that could adversely affect the voting power or other rights of holders of our common stock. In the event of issuance, preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying, or preventing a change in control. Although we have no present intention to issue any shares of preferred stock, we cannot provide assurance that we will not do so in the future. In addition, our bylaws provide for a classified Board of Directors, which could also have the effect of discouraging a change of control.

Because we do not intend to pay dividends, you will benefit from an investment in our common stock only if it appreciates in value.

We have paid no cash dividends on any of our capital stock to date and currently intend to retain our future earnings, if any, to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. The success of your investment in our common stock will likely depend entirely upon any future appreciation. There is no guarantee that our common stock will appreciate in value or even maintain the price at which you purchased your shares.

Failure to maintain adequate internal controls may affect our ability to timely or accurately report our financial results.

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. If we identify and are unable to remediate material weaknesses or significant deficiencies in our internal control, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results. If our financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our financial statements are not filed on a timely basis as required by the SEC and NASDAQ, we could face severe consequences from those authorities. Either case may result in a material adverse effect on our business. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

In June 2010, we purchased the 223,000 square foot office building in Irving, Texas that serves as our corporate headquarters and as the primary center for our operational activities. In addition, in February 2014, we entered into a lease agreement for 63,922 square feet of office space in Las Vegas, Nevada. As of December 31, 2014, we leased approximately 272,000 square feet of office space in 30 other locations throughout the United States, the leases for which have expiration dates later in 2015 and through 2024. See Note 14—"Commitments and Contingencies" in our Notes to the Consolidated Financial Statements in Item 8. Consolidated Financial Statements and Supplementary Data for additional information about our lease commitments. In general, we believe our facilities are suitable to meet our current and reasonably anticipated future needs.

Item 3. Legal Proceedings.

From time to time, we may be subject to investigations, legal proceedings and other disputes arising in the ordinary course of our business, including but not limited to regulatory audits, billing and contractual disputes and employment-related matters.

Our contractual relationships, including those with federal and state government entities, subject our operations, billing and business practices to scrutiny and audit, including by multiple agencies and levels of government, as well as to frequent transitions and changes in the personnel responsible for oversight of our contractual performance. From time to time, we may have contractual disputes with our customers arising from differing interpretations of contractual provisions that define our rights, obligations, scope of work or terms of payment, and with associated claims of liability for inaccurate or improper billing for reimbursement of contract fees, or for sanctions or damages for alleged performance deficiencies. Resolution of such disputes may involve litigation or may require that we accept some amount of loss or liability in order to avoid customer abrasion, negative marketplace perceptions and other disadvantageous results that could affect our business, financial condition, results of operations and cash flows.

Kern Health Systems: In August 2011, in the Superior Court of the State of California, County of Los Angeles, Kern Health Systems ("KHS" or "Plaintiff") sought to recover in excess of \$7.0 million exclusive of interest, attorney fees and costs, against Allied Management Group Special Investigation Unit, Inc. ("AMG"), Dennis Demetre, and Lori Lewis (collectively, "Defendants"), jointly and severally, on causes of action for breach of contract, professional negligence, intentional misrepresentation, negligent misrepresentation and unfair business practices under the California Business and Professions Code. On June 9, 2014, the jury issued its verdict in favor of all Defendants, and against KHS, on all causes of action except negligent misrepresentation. On that cause of action, the jury issued a verdict against all Defendants, jointly and severally, in the sum of \$1.38 million. The negligent misrepresentation verdict was based on representations to KHS allegedly made by AMG and former owner Dennis Demetre in the spring of 2008, prior to our acquisition of AMG. We believe that the jury erroneously awarded damages based on an error inasmuch as the jury unanimously found that Defendants (through Demetre) made the negligent misrepresentation to KHS while having reasonable grounds for believing the representation to be true. Based on the jury's verdict, we believe we are properly characterized as the prevailing party on the breach of contract claim. AMG has filed an appeal of the verdict and is seeking to recover its attorney fees and costs in the sum of approximately \$2.3 million. We have not recorded an obligation on this matter at this time, as we have appealed this decision and believe it is probable that we will prevail on the appeal of this matter, although there are risks and uncertainties related to any litigation, including appeals, and neither we nor our counsel can assure litigation results. Pending the appeal process, we were required to obtain a surety bond in the amount of 150% of the final judgment amount, or approximately \$2.2 million, which was collateralized by a cash deposit and is reflected in Other current assets on our audited Consolidated Balance Sheet at December 31, 2014.

Dennis Demetre and Lori Lewis: In July 2012, two of AMG's former owners, Dennis Demetre and Lori Lewis filed an action in the Supreme Court of the State of New York, claiming an undetermined amount of damages alleging that various actions unlawfully deprived Demetre and Lewis of the acquisition earn-out portion of the purchase price of AMG under the applicable Stock Purchase Agreement (the "SPA") and that we had breached certain contractual provisions under the SPA. Demetre and Lewis filed a second amended complaint with two causes of action for breach of contract. We filed a counter claim for breach of contract arising out of Demetre's and Lewis's failure to indemnify us for costs, including attorney fees arising out of our defense of the KHS action described above and for fraud arising out of Demetre's and Lewis's misrepresentations concerning capabilities of their software platform. We believe we have a meritorious defense and will continue to defend this matter vigorously, although there are risks and uncertainties related to any litigation.

Restrictive Covenants and Trade Secret Actions in Texas and New York: We are the plaintiff in lawsuits filed in August 2014, entitled HMS Holdings Corp., et al. v. Public Consulting Group, Inc., James Gambino, and Jason Ramos, in the District Court of Dallas County, Texas, Cause No. DC-14-09047 (the "Texas Action"), and HMS Holdings Corp., et al. v. Matthew Arendt, Sean Curtin, and Danielle Lange, in New York State Supreme Court, Albany County, Index No. A00754/2014 (the "New York Action"). These suits allege that, in violation of their respective contractual, statutory and common law obligations to us, defendant Public Consulting Group, Inc. and defendant former HMS employees Gambino, Ramos, Arendt, Curtin, and Lange, unlawfully misappropriated our confidential, proprietary and trade secret information, as well as our employee and customer relationships. The lawsuits seek damages and injunctive relief and assert causes of action including breach of contract, breach of fiduciary duty and misappropriation of trade secrets. At the Texas Court's direction, an agreed temporary restraining order was entered, under which, inter alia, the defendants are prohibited from using our confidential information, and must return any of our information. Both the Texas and New York matters are currently in the discovery phase.

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 is included in the NASDAQ Global Select Market, under the symbol HMSY. The table below summarizes the market closing high and low sales prices per share for our common stock for the periods indicated, as reported on the NASDAQ Global Select Market.

	High	Low
Year ended December 31, 2014		
Quarter ended December 31, 2014	\$ 23.23	\$ 18.39
Quarter ended September 30, 2014	\$ 23.00	\$ 18.41
Quarter ended June 30, 2014	\$ 20.41	\$ 15.74
Quarter ended March 31, 2014	\$ 26.05	\$ 18.89
Year ended December 31, 2013		
Quarter ended December 31, 2013	\$ 23.60	\$ 17.39
Quarter ended September 30, 2013	\$ 26.77	\$ 21.43
Quarter ended June 30, 2013	\$ 28.13	\$ 21.89
Quarter ended March 31, 2013	\$ 31.93	\$ 25.53

Holders

As of the close of business on February 12, 2014, there were 343 holders of record of our common stock.

Dividends

We have not paid any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. Our current intention is to retain earnings to support the future growth of our business.

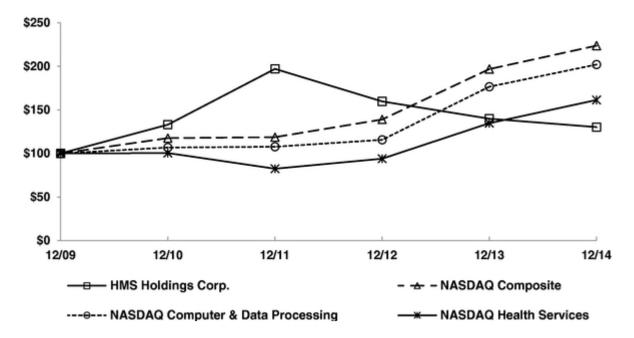
In addition, our Credit Agreement restricts our ability to make certain payments or distributions with respect to our capital stock, including cash dividends to our stockholders. These restrictions are described in more detail in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, under "Liquidity and Capital Resources" and in Note 8—"Credit Agreement", in our Notes to the Consolidated Financial Statements under Item 8. Consolidated Financial Statements and Supplementary Data.

Comparative Stock Performance Graph

The graph below compares the cumulative total stockholder return on our common stock with the cumulative total stockholder returns of the NASDAQ Composite Index, the NASDAQ Computer and Data Processing Index and the NASDAQ Health Services Index assuming an investment of \$100 on December 31, 2009 and the reinvestment of dividends through fiscal year ended December 31, 2014.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among HMS Holdings Corp., the NASDAQ Composite Index, the NASDAQ Computer & Data Processing Index, and the NASDAQ Health Services Index



^{* \$100} invested on 12/31/09 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
HMS Holdings Corp	\$ 100.00	\$ 133.03	\$ 197.04	\$ 159.70	\$ 139.86	\$ 130.25
NASDAQ Composite	\$ 100.00	\$ 117.61	\$ 118.70	\$ 139.00	\$ 196.83	\$ 223.74
NASDAQ Computer & Data						
Processing	\$ 100.00	\$ 106.82	\$ 107.70	\$ 115.65	\$ 176.58	\$ 202.04
NASDAQ Health Services	\$ 100.00	\$ 100.48	\$ 82.48	\$ 93.99	\$ 134.74	\$ 161.37

Notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate by reference this Annual Report on Form 10-K or future filings made by us under those statutes, the Stock Performance Graph is not deemed filed with the Securities and Exchange Commission, is not deemed soliciting material and shall not be deemed incorporated by reference into any of those prior filings or into any future filings we make under those statutes, except to the extent that we specifically incorporate such information by reference into a previous or future filing, or specifically request that such information be treated as soliciting material, in each case under those statutes.

Item 6. Selected Financial Data.

The following table sets forth selected consolidated financial data at and for each of the five fiscal years in the period ended December 31, 2014. It should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, included in Item 7 of this Annual Report and the Consolidated Financial Statements and Supplementary Data thereto, included in Item 8 of this Annual Report.

	Year ended December 31,									
		2014		2013		2012		2011		2010
Statement of Operations Data										
(in thousands, except per share										
data)										
Revenue	\$,==0	\$,	\$	473,696	\$	363,826	\$	302,867
Total operating expenses		409,021		414,584		374,184		282,955		236,123
Operating income		34,204		77,178		99,512		80,871		66,744
Interest expense		(7,931)		(12,460)		(16,561)		(605)		(94)
Interest income		57		71		12		65		94
Other income, net				801		382		632		(69)
Income before income taxes		26,330		65,590		83,345		80,963		66,675
Income taxes		12,383		25,593		32,829		33,178		26,583
Net income and comprehensive										
income	\$	13,947	\$	39,997	\$	50,516	\$	47,785	\$	40,092
Net Income Per Common Share	_		_							
Basic income per common share:										
Net income per common										
share—basic	\$	0.16	\$	0.46	\$	0.59	\$	0.56	\$	0.49
Diluted income per common share:			Ξ		Ė		=		=	
Net income per common										
share—diluted	\$	0.16	\$	0.45	\$	0.57	\$	0.55	\$	0.47
	Ψ	0.10	Ψ	0.13	Ψ	0.57	Ψ	0.55	Ψ	0.17
Weighted average shares: Basic		97 672		97 509		96 204		01 500		01 760
	_	87,673	_	87,598	=	86,204	_	84,588	_	81,762
Diluted		88,164	_	88,344	_	88,365		87,444		85,375

	Year ended December 31,						
	2014	2013	2012	2011	2010		
Balance Sheet Data							
(in thousands)							
Cash and cash equivalents	\$ 133,116	\$ 93,366	\$ 135,227	\$ 97,003	\$ 94,836		
Working capital	\$ 226,271	\$ 199,069	\$ 205,537	\$ 169,862	\$ 147,546		
Total assets	\$ 880,988	\$ 878,602	\$ 926,052	\$ 869,331	\$ 352,905		
Revolving credit facility	\$ 197,796	\$ 232,796	\$ —	\$ —	\$ —		
Term loan, less current portion	\$ —	\$ —	\$ 297,500	\$ 332,500	\$ —		
Total stockholders' equity	\$ 533,090	\$ 502,439	\$ 462,874	\$ 391,237	\$ 307,638		

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

We begin Management's Discussion and Analysis of Financial Condition and Results of Operations with a business overview discussion. We then present the critical accounting policies that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results followed by a discussion of our results of operations. We provide an analysis of our liquidity and capital resources, including discussions of our sources of capital, cash flows and financial commitments, and present the effects of recent accounting pronouncements.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the other sections of this Annual Report, including the disclaimer regarding forward-looking statements appearing prior to Part I, Item 1, the Risk Factors appearing in Part I, Item 1A and the Consolidated Financial Statements and Supplemental Data thereto appearing in Part II, Item 8. Historical results set forth in Part II, Item 6 Selected Financial Data, Item 7 and Item 8 of this Annual Report should not be taken as necessarily indicative of our future operations.

Business Overview

We are managed and operate as one business, with a single management team that reports to the Chief Executive Officer. We do not operate separate lines of business with respect to any of our product lines. We operate in the U.S. healthcare insurance benefit cost containment marketplace. We provide coordination of benefits services to government and private healthcare payers and sponsors to ensure that the responsible party pays healthcare claims. Our payment integrity services ensure that healthcare claims billed are accurate and appropriate. Together, these various services help customers recover amounts from liable third parties; prevent future improper payments; reduce fraud, waste and abuse; and ensure regulatory compliance.

As of December 31, 2014, we served CMS, the VHA, 46 state Medicaid programs and the District of Columbia. We also provided services to approximately 220 commercial customers and supported their multiple lines of business, including Medicaid managed care, Medicare Advantage and group and individual health. We also served as a subcontractor for certain business outsourcing and technology firms.

2014 Highlights and Year in Review

Total revenue was \$443.2 million for the year ended December 31, 2014, a decrease of \$48.6 million compared to total revenue of \$491.8 million for the year ended December 31, 2013. This decrease was primarily a result of the substantial decline in revenue from HDI's Medicare RAC contract, which was partially offset by the expansion of services to our existing customers and growth through serving commercial customers. In addition, our state government customers continue their use of our services for coordination of benefits and other cost containment functions and we have been able to increase our revenue through these initiatives. Revenue excluding our Medicare RAC business for the year ended December 31, 2014 was \$421.2 million, an increase of \$37.4 million, or 9.8%, compared to prior year revenue excluding Medicare RAC of \$383.8 million.

Our business was impacted by a number of key factors in 2014, including legislative changes, the growth in Medicaid and Medicare enrollment and spending, successes in our commercial sales program, the reduction in Medicare RAC revenue and the changes in our customer concentration.

Healthcare Environment

In March 2010, the ACA was signed into law and in June 2012, the U.S. Supreme Court upheld the constitutionality of the ACA, ruling that the federal government could not condition continued receipt of a state's existing Medicaid funding on its agreement to implement the Medicaid expansion. As of December 2014, 27 states and the District of Columbia have committed to expanding their Medicaid programs and/or have begun to implement Medicaid expansion. Based on CMS NHE Projections for 2013-2023, in 2014,

Medicare programs covered approximately 53 million people and Medicaid/CHIP programs covered approximately 72 million people.

As enrollment in these government healthcare programs continues to grow under the ACA, there is increased pressure on states to contain the growth of state and federal Medicaid spending and to provide more access to healthcare for low-income individuals. According to the CMS NHE Projections for 2013-2023, Medicare programs spent approximately \$616 billion in 2014, an increase of \$25 billion compared to the amount spent in 2013, which CMS estimated was approximately \$591 billion. In 2014, Medicaid/CHIP programs spent approximately \$521 billion, an increase of \$58 billion compared to the amount spent in 2013, which CMS estimated was approximately \$463 billion. In response to the budgetary pressure facing the states and the rising cost of care and the number of beneficiaries, the use of managed care arrangements in Medicaid continues to grow. In addition, states are expanding the use of managed care organizations to new regions within the state or are using managed care arrangements to serve beneficiaries with more complex conditions. As such, a majority of new lives entering the Medicaid program under the ACA were enrolled in managed care organizations during 2014.

Another result of the ACA is the increasing complexity in determining eligibility, as well as the shifting of members from Medicaid government premium subsidies through the exchange and potentially back to Medicaid due to changes in income.

Customer Concentration

For the year ended December 31, 2014, our commercial sales were \$170.9 million, an increase of \$21.8 million, or 14.6%, from \$149.1 million in 2013. This increase was driven by the number of new members we added to our commercial customer base and our sales of additional products to existing commercial customers. In addition, for the year ended December 31, 2014, our government sales were \$225.8 million, an increase of \$18.4 million, or 8.9%, from \$207.4 million in 2013. Our non-Medicare RAC federal and other sales for the year ended December 31, 2014 were \$24.5 million, a decrease of \$2.7 million, or 9.9%, from \$27.2 million in 2013.

One of our largest customers in 2014 was CMS. Our largest contract with CMS is HDI's Medicare RAC Contract, which after multiple contract modifications, now provides for a term that expires on December 31, 2015. For the year ended December 31, 2014, revenue recognized under this agreement was \$22.0 million, a decrease of \$86.0 million from the prior year revenue of \$108.0 million. This decrease is due to the delay of new contract awards under the Medicare RAC Program and the suspension of inpatient hospital claim reviews under the Two Midnight Rule. See the Risk Factor—"Our business could be adversely affected if we fail to maintain a high level of customer retention, lose a major customer or fail to reprocure a contract, or if customers elect to reduce the scope of our contracts or terminate them before their scheduled expiration dates" for additional information.

Outlook

To date, we have grown our business through the internal development of new services and through acquisitions of businesses whose core services strengthen our overall mission to help our customers control healthcare costs. Our largest growth during 2014 was with commercial customers and we expect the commercial healthcare space to present the greatest opportunity for growth in the year ahead, particularly with the ongoing expansion of Medicaid and Medicare managed care (Medicare Advantage). We plan to continue our business growth by leveraging our expertise to add new customers at the state, federal and employer levels and by expanding our current contracts to provide new services to existing customers. Our goal is to develop and build on existing partnerships with our state, federal and commercial customers and our other partners to provide services that address their business needs. We also expect to improve our margins by increasing yield from our current products by increasing our operating efficiency.

Critical Accounting Policies

Revenue Recognition: We provide products and services under contracts that contain various fee structures, including contingency fee and fixed fee arrangements. We recognize revenue when a contract exists, products or services have been provided to the customer, the fee is fixed and determinable, and collectability is reasonably assured. In addition, we have contracts with the federal government which are generally cost-plus or time and material based. Revenue on cost-plus contracts is recognized based on costs incurred plus an estimate of the negotiated fee earned. Revenue on time and materials contracts is recognized based on hours worked and expenses incurred.

Under our Medicare RAC contract with CMS, our Medicaid RAC contracts with various states, and similar contracts for commercial customers, we recognize revenue when claims are sent to the customer for offset against future claims payments. Providers have the right to appeal a claim and may pursue additional appeals if the initial appeal is found in favor of the customer. We accrue an estimated liability for appeals based on the amount of fees that are subject to appeals, closures or other adjustments and which we estimate are probable of being returned to providers following a successful appeal. This estimated liability for appeals is an offset to revenue in our Consolidated Statements of Comprehensive Income. Our estimates are based on our historical experience with appeals. The estimated liability for appeals of \$36.8 million at December 31, 2014, and \$41.9 million as of December 31, 2013, represents our estimate of the potential amount of repayments related to appeals of claims, closures and other adjustments for which fees were previously collected. This is reflected as a separate line item in the current liabilities section of our balance sheet titled "Estimated liability for appeals." To the extent the amount to be returned to providers following a successful appeal, closure or other adjustment exceeds the amount accrued, revenue in the applicable period would be reduced by the amount of the excess.

As of December 31, 2014, we have accrued an estimated liability for appeals and estimated allowance for appeals based on our historical experience with this activity under our customers' contracts. At this time, we do not believe that we face a risk of significant loss in excess of the amounts accrued. Accordingly, we believe that an estimate of any possible loss in excess of the amounts accrued is immaterial. Any future changes to any of our customer contracts, including further modifications to the transition plan for incumbent Medicare recovery audit contractors, may require us to apply different assumptions that could affect our estimated liability for future periods. We similarly accrue an allowance against accounts receivable related to fees yet to be collected, based on the same estimates used to establish the estimated liability for appeals of fees received. Our inability to correctly estimate the estimated liabilities and allowance against accounts receivable could adversely affect our revenue in future periods.

When contracts have multiple deliverables, we evaluate these deliverables at the inception of each contract and as each item is delivered. As part of this evaluation, we (i) consider whether a delivered item has value to a customer on a standalone basis; (ii) use the vendor specific objective evidence ("VSOE") of selling price or third party estimate ("TPE") of selling price. If neither VSOE nor TPE of selling price exist for a deliverable, we use best estimated selling price for that deliverable; and (iii) allocate revenue to each non-contingent element based upon the relative selling price of each element. Revenue allocated to each element is then recognized when the above four basic revenue recognition criteria are met for each element. Arrangements, including implementation and transaction related revenue, are accounted for as a single unit of accounting. Since implementation services do not carry a standalone value, the revenue relating to these services is recognized over the term of the customer contract to which it relates.

In addition, some of our contracts may include customer acceptance provisions. Formal customer sign-off is not always necessary to recognize revenue, provided we objectively demonstrate that the criteria specified in the acceptance provision are satisfied. Due to the range of products and services that we provide and the differing fee structures associated with each type of contract, we may recognize revenue in irregular increments.

Expense Classifications: Our cost of services in our Consolidated Statements of Comprehensive Income is presented in the seven categories set forth below. Each category of cost excludes costs relating to selling, general and administrative functions, which are presented separately as a component of total operating expenses. A description of the primary costs included in each cost of service category is provided below:

- *Compensation:* Salary, fringe benefits and bonus.
- Data processing: Hardware, software and data communication costs.
- Occupancy: Rent, utilities, depreciation, office equipment, repair and maintenance costs.
- *Direct project costs*: Variable costs incurred from third party providers that are directly associated with specific revenue generating projects and employee travel expense.
- Other operating costs: Professional fees, temporary staffing, travel and entertainment, insurance and local and property tax costs.
- Amortization of intangible assets: Amortization cost of acquisition related software and intangible assets.
- Selling, general and administrative: Costs related to general management, marketing and administration activities including stock-based compensation expense.

Accounting for Income Taxes: Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary and permanent differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits for net operating loss carry-forwards. 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 as income in the period that includes the enactment date. A valuation allowance is provided against deferred tax assets to the extent their realization is not more likely than not.

Uncertain income tax positions are accounted for by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements.

Valuation of Goodwill: Goodwill, representing the excess of acquisition costs over the fair value of assets and liabilities of acquired businesses, is subject to a periodic assessment for impairment in accordance with Accounting Standards Codification ("ASC") 350—Intangibles, Goodwill and Other. We assess goodwill for impairment on an annual basis as of June 30 of each year or more frequently if an event occurs or changes in circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount. Our assessment of goodwill impairment is at the HMS Holdings Corp. entity level as we operate as a single reporting unit.

We have the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If we can support the conclusion that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then we would not need to perform the two-step impairment test for that reporting unit. If we cannot support such a conclusion, or we do not elect to perform the qualitative assessment, then the first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill.

In the prior year, we performed our impairment testing for goodwill using the two step approach.

In the current year, we performed a qualitative assessment to determine if an impairment is more likely than not to have occurred and there was no impairment of goodwill identified.

There are no impairment charges related to goodwill for any of the fiscal periods presented.

Estimating valuation allowances and accrued liabilities, such as bad debt: The preparation of financial statements requires our management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reported period. In particular, management must make estimates of the probability of collecting our accounts receivable. When evaluating the adequacy of the allowance for doubtful accounts, management reviews our accounts receivable based on an analysis of historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment terms. As of December 31, 2014 and 2013, the accounts receivable balance was \$157.1 million and \$171.7 million, respectively, net of allowance for doubtful accounts of \$1.9 million and \$0.9 million, respectively and estimated allowance for appeals, closures and other adjustments of \$4.8 million and \$13.9 million, respectively.

Stock-based Compensation: We grant stock options to purchase our common stock and restricted stock units to our employees and directors. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense over the requisite service period, which is generally the vesting period.

We estimate the fair value of options granted using the Black-Scholes and the Monte Carlo option pricing models. The application of these valuation models involves assumptions that are highly subjective, judgmental and sensitive in the determination of compensation cost. The Black-Scholes and Monte Carlo models incorporate the expected term of the option, the expected volatility of the price of our common stock, risk free interest rates and the expected dividend yield of our common stock. Expected volatilities are calculated based on the historical volatility of our stock. Management monitors stock option exercises and employee termination patterns to estimate forfeiture rates within the valuation model. Separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected terms of options granted are based on our historical experience for similar types of stock option awards. The risk-free interest rate for periods within the contractual life of the option is based on the interest rate of U.S. Treasury Note's with the same expected term of the grant. All share based payment awards are amortized on a straight-line basis over the requisite service period of the awards, which is generally the vesting period.

If factors change and we employ different assumptions for estimating stock-based compensation expense in future periods or if we decide to use a different valuation model, stock-based compensation in future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income, net income and net income per share.

We estimate forfeitures at the time of grant and revise the forfeiture rate in subsequent periods if actual forfeitures differ from our estimates. If actual forfeitures vary from our estimates, we will recognize the difference in compensation expense in the period the actual forfeitures occur or at the time of vesting.

Use of estimates: We prepare our consolidated financial statements in accordance with U.S. GAAP. In doing so, we have to make estimates and assumptions that affect our reported amounts of assets, liabilities, revenue and expenses, as well as related disclosure of contingent assets and liabilities. In some cases, we could reasonably have used different accounting policies and estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations will be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates, which we have discussed further above. We have reviewed our critical accounting policies and estimates with the Audit Committee of our Board of Directors.

Contingencies: From time to time, we are involved in legal proceedings in the ordinary course of business. We assess the likelihood of any adverse judgments or outcomes to these contingencies as well as potential ranges of probable losses and establish reserves accordingly. Significant judgment is required to determine both probability and the estimated amount. We review these provisions at least quarterly and adjust these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and updated information. Litigation is inherently unpredictable and is subject to significant uncertainties, some of which are beyond our control. The amount of reserves required may change in future periods due to new developments in each matter or changes in approach to a matter such as a change in settlement strategy.

The policies described above are not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP, with no need for management's judgment in their application. There are also areas in which the audited consolidated financial statements and notes thereto included in this Form 10-K contain accounting policies and other disclosures required by U.S. GAAP.

Years Ended December 31, 2014 and 2013

The following table sets forth, for the periods indicated, certain items in our Consolidated Statements of Comprehensive Income expressed as a percentage of revenue:

	Years ended December 31,	
	2014	2013
Revenue	100.0%	100.0%
Cost of services:		
Compensation	40.0	37.8
Data processing	8.9	7.5
Occupancy	3.8	3.7
Direct project costs	9.7	9.4
Other operating costs	5.6	5.4
Amortization of acquisition related software and		
intangible assets	6.5	6.5
Total cost of services	74.5	70.3
Selling, general and administrative expenses	17.8	14.0
Total operating expenses	92.3	84.3
Operating income	7.7	15.7
Interest expense	(1.8)	(2.6)
Other income, net	_	0.2
Income before income taxes	5.9	13.3
Income taxes	(2.8)	(5.2)
Net income and comprehensive income	3.1%	8.1%

Operating Results

Revenue for the year ended December 31, 2014 was \$443.2 million, a decrease \$48.6 million, or 9.9%, from revenue of \$491.8 million for the year ended December 31, 2013. This resulted from an \$86.0 million decrease in revenue related to the transitional reduction in revenue from the Medicare RAC contract and a \$15.7 million decrease related to contract expirations. These decreases were partially offset by a \$45.4 million increase in revenue resulting from changes in the yield and scope of projects from existing customers and differences in the timing of when customer projects were completed in the current year

compared to the prior year. For the year ended December 31, 2014, an additional \$7.7 million in revenue was generated from new customers.

Compensation expense as a percentage of revenue was 40.0% for the year ended December 31, 2014, compared to 37.8% for the prior year. Compensation expense was \$177.3 million for 2014, a decrease of \$8.5 million, or 4.6%, from the prior year compensation expense of \$185.8 million. This decrease reflects a \$7.4 million decrease in salary and overtime expense and a \$2.2 million decrease in variable compensation, partially offset by a \$0.8 million increase in severance expense and a \$0.3 million increase in fringe benefits expenses. For the year ended December 31, 2014, we averaged 2,167 employees, a 10.5% decrease over the year ended December 31, 2013, during which we averaged 2,421 employees.

Data processing expense as a percentage of revenue was 8.9% for the year ended December 31, 2014, compared to 7.5% for the prior year. Data processing expense was \$39.7 million for 2014, an increase of \$2.6 million, or 7.0%, from the prior year data processing expense of \$37.1 million. Improvements to our technology infrastructure and the requirement for higher transaction capacity resulted in higher expenses in 2014. Additional software costs of \$2.6 million were primarily related to software maintenance and amortization of capitalized software and additional hardware costs of \$0.6 million were primarily related to depreciation expense. These increases were partially offset by a \$0.6 million decrease in data communications costs, data costs and data processing supplies expense.

Occupancy expense as a percentage of revenue was 3.8% for the year ended December 31, 2014, compared to 3.7% for the prior year. Occupancy expense was \$17.0 million for 2014, a decrease of \$1.4 million, or 7.6%, from the prior year occupancy expense of \$18.4 million. The reduction was primarily related to the downsizing of office space and relocation of our office in New York City in 2013, and our offices in Charlestown, Massachusetts and Las Vegas in 2014. Additional savings were realized as a result of closing several of our smaller field offices in 2013 and 2014.

Direct project expense as a percentage of revenue was 9.7% for the year ended December 31, 2014, compared to 9.4% for the prior year. Direct project expense for the current period was \$42.9 million, a \$3.4 million, or 7.3%, decrease compared to direct project expense of \$46.3 million for the prior year. The reduction reflects a \$6.0 million decrease in temporary employee costs as the verification process was transitioned to subcontractors from temporary employees, which was partially offset by a \$1.9 million increase in subcontractor expenses. Data costs decreased by \$3.5 million as the number of patient charts reviewed were reduced in connection with the transitional reduction in revenue from the Medicare RAC Contract. Additionally, key punch and data conversion expense decreased by \$1.3 million as a portion of our customer collections data shifted from hard copy to electronic media. These decreases were partially offset by increases of \$5.1 million in provision for bad debt associated with two contracts and \$0.4 million in lockbox expenses.

Other operating expenses as a percentage of revenue were 5.6% for the year ended December 31, 2014, compared to 5.4% for the prior year. Other operating expenses for 2014 were \$24.6 million, a decrease of \$1.9 million, or 7.2%, from the prior year expense of \$26.5 million. This decrease primarily resulted from a \$0.8 million decrease in travel and entertainment expense, a \$0.6 million decrease due to a contingent payment reversal and a decrease of \$0.3 million in recruiting and employee relocations.

Amortization of acquisition related software and intangible assets as a percentage of revenue was 6.5% for both years ended December 31, 2014 and 2013. Amortization of acquisition related software and intangible assets for 2014 was \$28.6 million, a decrease of \$3.1 million, or 9.8%, compared to the prior year expense of \$31.7 million. This expense consists primarily of amortization of customer relationships, trade names and software and includes a \$2.7 million decrease in expenses related to the completion of customer relationship intangible asset amortization from our acquisition of Benefits Solutions Practice Area from Public Consulting Group, Inc. in 2006. Additional decreases in amortization expense totaling \$0.4 million related to the completion of restrictive covenant and trade name amortization from the Chapman Kelly, Verify Solutions and IntegriGuard acquisitions.

Selling, general and administrative expenses as a percentage of revenue were 17.8% for the year ended December 31, 2014, compared to 14.0% for the prior year. Selling, general and administrative expenses for 2014 were \$79.0 million, an increase of \$10.3 million, or 15.0%, compared to the prior year expense of \$68.7 million. Incremental costs include a \$5.9 million increase in compensation expense, which represents \$2.7 million of additional salaries expense, \$1.6 million in additional variable compensation, \$1.4 million in additional stock-based compensation expense and \$0.7 million of severance expense, partially offset by a decrease of \$0.5 million in fringe benefits expense. Other expenses increased by \$4.4 million primarily due to an increase in legal expenses related to our action against Public Consulting Group, Inc. and our former employees. See Item 3—"Legal Proceedings" for additional information. During the year ended December 31, 2014, we averaged 221 employees in the sales, general and administrative group, a 6.3% increase over our average of 208 employees in that group during the year ended December 31, 2013.

Operating income for the year ended December 31, 2014 was \$34.2 million, or 7.7% of revenue, compared to \$77.2 million, or 15.7% of revenue, for the prior year.

Interest expense was \$7.9 million for the year ended December 31, 2014, compared to \$12.5 million for the same period in 2013. Interest expense represents borrowings under our revolving credit facility, amortization of deferred financing costs, commitment fees for our revolving credit facility and issuance fees for our Letter of Credit. The \$4.6 million decrease compared to the prior year primarily relates to a \$4.0 million reduction in interest on our revolving debt since our debt restructure in May 2013, which was the result of a \$130.0 million reduction in our principal balance due to debt payments and a decrease in our interest rates. Amortization of deferred financing costs decreased by \$1.0 million due to the debt restructure. Other interest expense decreased by \$0.1 million. These decreases were partially offset by a \$0.5 million increase in commitment fees. Interest income was \$57,000 for the year ended December 31, 2014, compared to interest income of \$71,000 for the year ended December 31, 2013. There was no other income in the year ended December 31, 2014. Other income in the year ended 2013 represented a release of \$0.8 million of the funds held in escrow related to our HDI acquisition.

We recorded income tax expense of \$12.4 million for the year ended December 31, 2014, compared to income tax expense of \$25.6 million for the year ended December 31, 2013, a decrease of \$13.2 million. Net income before taxes decreased \$39.3 million year over year, which caused a decrease in tax expense of \$13.2 million. Our effective tax rate increased from 39.0% to 47.0% primarily due to a change in state apportionments and permanent differences. The principal difference between the statutory rate and our effective rate is state taxes and permanent differences.

Net income and comprehensive income of \$13.9 million for the year ended December 31, 2014 represents a decrease of \$26.1 million compared to net income for the same period in 2013 of \$40.0 million.

Years Ended December 31, 2013 and 2012

The following table sets forth, for the periods indicated, certain items in our Consolidated Statements of Comprehensive Income expressed as a percentage of revenue:

	Years en Decembe	
	2013	2012
Revenue	100.0%	100.0%
Cost of services:		<u>.</u>
Compensation	37.8	34.1
Data processing	7.5	6.6
Occupancy	3.7	3.7
Direct project costs	9.4	11.7
Other operating costs	5.4	4.3
Amortization of acquisition related software and intangible		
assets	6.5	6.9
Total cost of services	70.3	67.3
Selling, general and administrative expenses	14.0	11.7
Total operating expenses	84.3	79.0
Operating income	15.7	21.0
Interest expense	(2.6)	(3.5)
Other income, net	0.2	0.1
Income before income taxes	13.3	17.6
Income taxes	(5.2)	(6.9)
Net income and comprehensive income	8.1%	10.7%

Operating Results

Revenue for the year ended December 31, 2013 was \$491.8 million, an increase of \$18.1 million, or 3.8%, from revenue of \$473.7 million for the year ended December 31, 2012, with \$21.3 million attributable to new contracts. Organic growth in existing customer accounts together with changes in the yield and scope of those customer projects and differences in the timing of when customer projects were completed in the current year compared to the prior year provided an increase of \$5.6 million. These increases in revenue were offset by a reduction of \$8.8 million resulting from contracts that expired during 2013.

Compensation expense as a percentage of revenue was 37.8% for the year ended December 31, 2013, compared to 34.1% for the prior year. Compensation expense was \$185.8 million for 2013, an increase of \$24.3 million, or 15.0%, from the prior year compensation expense of \$161.5 million. This increase reflected \$15.2 million in additional salary expense. Average salary expense per employee increased by 2.7% over average salary expense last year due to annual salary increases. There was a \$5.7 million increase in incentive compensation related to retention bonuses paid in the year, sign-on bonuses and annual bonus accrual for bonuses that were paid in the first quarter of 2014. Employee benefits expense increased by \$2.8 million, or approximately 10.2%. This increase was related to increases in employer payroll taxes and other benefits expenses. Severance expense increased by \$0.6 million related to our restructuring initiatives. For the year ended December 31, 2013, we averaged 2,421 employees, an 8.6% increase over the year ended December 31, 2012, during which we averaged 2,229 employees. This increase primarily reflected the addition of staff in the areas of information technology and product delivery.

Data processing expense as a percentage of revenue was 7.5% for the year ended December 31, 2013, compared to 6.6% for the prior year. Data processing expense was \$37.1 million for 2013, an increase of

\$5.6 million, or 17.9%, from the prior year data processing expense of \$31.5 million. Improvements to our technology infrastructure and the requirement for higher transaction capacity resulted in higher expenses in 2013. Additional hardware costs of \$4.0 million were primarily related to maintenance expense, hosting costs and depreciation expense and additional software costs of \$1.6 million was primarily related to software maintenance.

Occupancy expense as a percentage of revenue was effectively flat year over year. Occupancy expense was \$18.4 million for 2013, an increase of \$0.9 million, or 5.4%, from the prior year occupancy expense of \$17.5 million. This increase was primarily related to our assuming full occupancy of our Irving, Texas office building in 2013. In the prior year, a portion of that building was rented to tenants; as a result, occupancy costs related to the rented portion of the building were netted against rental income and recorded in Other Income. For the year ended December 31, 2013 occupancy cost increases relating to our Irving, Texas office building contributed \$0.7 million of additional costs over the prior year, which included depreciation of building improvements and common area maintenance expenses. Additionally, in 2013, we closed four of our smaller offices, and relocated two other offices, which contributed approximately \$0.2 million of losses related to fixed asset disposals.

Direct project expense as a percentage of revenue was 9.4% for the year ended December 31, 2013, compared to 11.7% for the prior year. Direct project expense for the current period was \$46.3 million, a \$9.0 million, or 16.2%, decrease compared to direct project expense of \$55.3 million for the prior year. The reduction reflected a \$6.9 million decrease in temporary employee costs as full time employees were utilized in the verification process as opposed to temporary employees. A \$1.5 million decrease in subcontractor expenses primarily related to a large project wind-down and reductions in subcontractors used to support a major customer. A \$1.1 million decrease in data costs resulted from a reduction in the number of patient charts reviewed in connection with the transitional reduction in revenue from the Medicare RAC Contract. A \$0.8 million decrease in travel expense was related to cost control efforts. A \$0.5 million decrease in postage and delivery expense resulted from electronic data retrieval. Supplies expenses decreased by \$0.4 million. These decreases were partially offset by increases of \$1.3 million in electronic data conversion expenses and \$0.9 million in provision for bad debt.

Other operating expenses as a percentage of revenue were 5.4% for the year ended December 31, 2013, compared to 4.3% for the prior year. Other operating expenses for 2013 were \$26.5 million, an increase of \$5.9 million, or 28.7%, from the prior year expense of \$20.6 million. This increase primarily resulted from a \$2.6 million increase in professional and subcontractor fees. The reversal, in September 2012, of \$2.3 million in contingent consideration related to our AMG-SIU acquisition contributed to the increase compared to last year. In addition, there was a \$1.0 million increase in office-related expenses, including postage, delivery and supplies.

Amortization of acquisition related software and intangible assets as a percentage of revenue was 6.5% for the year ended December 31, 2013, compared to 6.9% for the prior year. Amortization of acquisition related software and intangible assets for 2013 was \$31.7 million, a decrease of \$0.9 million, or 2.5%, compared to the prior year expense of \$32.6 million. This expense consists primarily of amortization of customer relationships, trade names and software and includes a decrease of \$2.3 million in expenses related to the completion of trade name and software intangible amortization from prior acquisitions, primarily that of Benefits Solutions Practice Area in 2006. This decrease was offset by an increase of \$1.5 million in amortization expense related to our acquisition of MRM in December 2012.

Selling, general and administrative expenses as a percentage of revenue were 14.0% for the year ended December 31, 2013, compared to 11.7% for the prior year. Selling, general and administrative expenses for 2013 were \$68.7 million, an increase of \$13.4 million, or 24.3%, compared to the prior year expense of \$55.3 million. Incremental costs include a \$5.5 million increase in compensation expense. This increase represents \$2.9 million of additional stock-based compensation expense, \$1.5 million of additional salaries expense, \$0.4 million of fringe benefits expense and \$0.3 million

of additional variable compensation. Data processing expense increased by \$0.8 million relating to higher software and equipment expenses. Occupancy expenses increased by \$0.3 million due to additional space utilized in our corporate headquarters. Other expenses increased by \$6.8 million primarily due to an increase in legal expenses of \$6.6 million. During the year ended December 31, 2013, we averaged 208 employees in the sales, general and administrative group, a 0.5% decrease over our average of 209 employees in that group during the year ended December 31, 2012.

Operating income for the year ended December 31, 2013 was \$77.2 million, or 15.7% of revenue, compared to \$99.5 million, or 21.0% of revenue, for the prior year. This decrease as a percentage of revenue was primarily the result of increases in investment in our technology infrastructure in the year ended December 31, 2013.

Interest expense was \$12.5 million for the year ended December 31, 2013, compared to \$16.6 million for the same period in 2012. Interest expense represents borrowings under our revolving credit facility, amortization of deferred financing costs, commitment fees for our revolving credit facility and issuance fees for our Letter of Credit. The decrease of \$4.1 million compared to the prior year primarily related to a reduction in debt interest expense, due to a more favorable interest rate in our revolving credit facility and a reduction in principal balance. Interest income was \$71,000 for the year ended December 31, 2013, compared to interest income of \$12,000 for the year ended December 31, 2012. Other income increased to \$0.8 million for the year ended December 31, 2013 from \$0.4 million for the year ended December 31, 2012. Other income in the year ended December 31, 2013 represented a release of \$0.8 million of the funds held in escrow related to our HDI acquisition. This increase was partially offset by a \$0.4 million reduction in tenant income for leases associated with our Irving, Texas building. During 2013, we assumed full occupancy of that building.

We recorded income tax expense of \$25.6 million for the year ended December 31, 2013, compared to income tax expense of \$32.8 million for the year ended December 31, 2012, a decrease of \$7.2 million. Net income before taxes decreased \$17.7 million year over year, which caused a decrease in tax expense of \$7.2 million. Our effective tax rate decreased from 39.4% to 39.0% primarily due to a change in state apportionments and permanent differences. The principal difference between the statutory rate and our effective rate is state taxes and permanent differences.

Net income and comprehensive income of \$40.0 million for the year ended December 31, 2013 represents a decrease of \$10.5 million compared to net income for the same period in 2012 of \$50.5 million.

Off-Balance Sheet Arrangements

Other than our Letter of Credit, we do not have any off-balance sheet arrangements.

Liquidity and Capital Resources

At December 31, 2014, our cash and cash equivalents and net working capital were \$133.1 million and \$226.3 million, respectively.

In connection with our acquisition of HDI, we entered into a five-year, revolving and term secured credit agreement, ("2011 Credit Agreement"), with certain financial institutions and Citibank, N.A. as Administrative Agent. In May 2013, we amended and restated the 2011 Credit Agreement and entered into a \$500 million five-year, amended and restated revolving credit agreement ("2013 Credit Agreement"). Under specified circumstances, the revolving credit facility under the 2013 Credit Agreement can be increased or one or more incremental term loan facilities can be added. Our obligations and any amounts due under the 2013 Credit Agreement are guaranteed by our material subsidiaries and secured by a security interest in all or substantially all of our and our subsidiaries' physical assets. As of

December 31, 2014, the outstanding principal balance due on the revolving credit facility was \$197.8 million.

The 2013 Credit Agreement provides for an initial \$500 million revolving credit facility, and, under specified circumstances, the revolving credit facility can be increased or one or more incremental term loan facilities can be added, provided that the incremental credit facilities do not exceed in the aggregate the sum of (a) \$75 million plus (b) an additional amount not less than \$25 million, so long as our total secured leverage ratio, calculated giving pro forma effect to the requested incremental borrowing and other customary and appropriate pro forma adjustment events, including any permitted acquisitions, is no greater than 2.5:1.0.

The 2013 Credit Agreement contains certain customary representations and warranties, affirmative and negative covenants, and events of default. The 2013 Credit Agreement requires us to comply, on a quarterly basis, with certain principal financial covenants, including a maximum consolidated leverage ratio reducing from 3.50:1.00 to 3.25:1.00 over the next five years and a minimum interest coverage ratio of 3.00:1.00.

The interest rates applicable to the revolving credit facility are, at our option, either (a) the LIBOR multiplied by the statutory reserve rate plus an interest margin ranging from 1.50% to 2.25% based on our consolidated leverage ratio, or (b) a base rate (which is equal to the greatest of (a) Citibank's prime rate, (b) the federal funds effective rate plus 0.50% and (c) the one-month LIBOR plus 1.00% plus an interest margin ranging from 0.50% to 1.25% based on our consolidated leverage ratio). We will pay an unused commitment fee on the revolving credit facility during the term of the 2013 Credit Agreement ranging from 0.375% to 0.50% per annum based on our consolidated leverage ratio.

Our obligations under the 2013 Credit Agreement may be accelerated upon the occurrence of an event of default, which includes customary events of default including, without limitation, payment defaults, failures to perform affirmative covenants, failure to refrain from actions or omissions prohibited by negative covenants, the inaccuracy of representations or warranties, cross-defaults, bankruptcy and insolvency related defaults, defaults relating to judgments, defaults due to certain ERISA related events and a change of control default.

As of December 31, 2014, we were in compliance with all the terms of 2013 Credit Agreement.

As of December 31, 2014, we had incurred \$4.2 million of interest on the outstanding principal and \$1.5 million in commitment fees on the revolving credit facility. The loan origination fee and issuance costs of \$15.6 million incurred upon consummation of the Credit Agreement have been recorded as deferred financing costs and are being amortized as interest expense over the five year life of the Credit Agreement. For the year ended December 31, 2014, \$2.1 million of the financing cost has been amortized to interest expense.

As part of our contractual agreement with a customer, we have an outstanding irrevocable letter of credit or Letter of Credit for \$4.6 million, which we established against our existing revolving credit facility.

We expect that operating cash flows will continue to be a primary source of liquidity for our operating needs. In addition, we have the revolving credit facility, which may be used for general corporate purposes, including acquisitions.

The following tables, which should be read in conjunction with our Consolidated Statements of Cash Flows, represent the cash and cash equivalents, working capital and a summary of our cash flows at December 31, 2014 and 2013, respectively:

	Decemb	ber 31,
(In thousands)	2014	2013
Cash and cash equivalents	\$ 133,116	\$ 93,366
Working capital	\$ 226,271	\$ 199,069

A summary of our cash flows is as follows:

	December 31,
(In thousands)	2014 2013
Net cash provided by operating activities	\$ 98,761 \$ 101,181
Net cash used in investing activities	\$ (26,201) \$ (26,283)
Net cash used in financing activities	\$ (32,810) \$ (116,759)
Net increase (decrease) in cash and cash equivalents	\$ 39.750 \$ (41.861)

We believe that our cash generating capability and financial condition, together with our funds available under our 2013 Credit Agreement, will be adequate to meet our operating, investing and financing needs. Our principal source of cash has been our cash flow from operations and our \$500 million five-year revolving credit facility. The primary uses of cash are compensation expenses, data processing, direct project costs and selling, general and administration expenses and acquisitions. Other sources of cash include proceeds from exercise of stock options and tax benefits associated with stock option exercises. We expect that operating cash flows will continue to be a primary source of liquidity for our operating needs.

We rely on operating cash flows and cash and cash equivalent balances to provide for our liquidity requirements. We believe that we have the ability to obtain both short-term and long-term loans to meet our financing needs for the foreseeable future. Due to our significant operating cash flows, access to capital markets and available revolving credit facility under the 2013 Credit Agreement, we continue to believe that we have the ability to meet our liquidity needs for the foreseeable future, which include:

- the working capital requirements of our operations;
- investments in our business;
- business development activities; and
- repayment of our revolving credit facility under our 2013 Credit Agreement.

In connection with our appeal process in the matter of Kern Health Systems, on September 30, 2014 we obtained a surety bond in the amount of approximately \$2.2 million, which was collateralized by a cash deposit and reflected in Other current assets on our audited Consolidated Balance Sheet at December 31, 2014. See Note 14—"Commitments and Contingencies" in our Notes to the Consolidated Financial Statements in Item 8. Consolidated Financial Statements and Supplementary Data.

Cash Flows from Operating Activities

Net cash provided by operating activities for the year ended December 31, 2014 was \$98.8 million, a \$2.4 million decrease from net cash provided by operating activities of \$101.2 million for the year ended December 31, 2013. The decrease was due to normal changes in our working capital accounts.

The results of operations after non-cash adjustments to net income for the current period contributed \$65.2 million as compared to a contribution of \$107.9 million for the prior year. The \$42.7 million decrease primarily resulted from our change in net income due to the transitional reduction in revenue from the

Medicare RAC contract. Changes in operating assets and liabilities further contributed net cash inflows of \$33.6 million primarily as a result of a \$5.8 million decrease in accounts receivable primarily resulting from the transitional reduction in revenue from the Medicare RAC contract, an \$18.0 million increase in accounts payable, accrued expenses and other liabilities and a \$3.4 million decrease in prepaid income taxes. These changes were offset by a \$7.2 million decrease in our estimated liability for appeals. The decrease in our estimated liability for appeals is primarily associated with the Medicare RAC contract.

Net cash provided by operating activities for the year ended December 31, 2013 was \$101.2 million. Results of operations, after noncash adjustments to net income, contributed \$107.9 million to cash flows provided by operating activities, compared to a contribution of \$97.4 million for the year ended December 31, 2012. This increase primarily resulted from organic growth in customer accounts and cost savings from restructuring initiatives during the year ended December 31, 2013. The contribution by results of operations was offset by changes in net cash outflows of \$6.7 million related to our 2013 operating assets and liabilities. The net outflow was primarily due to a \$21.9 million increase in our accounts receivable that was offset by an increase in our estimated liability for appeals of \$14.5 million.

In order to allow the Days Sales Outstanding ("DSOs") calculation to be made from the face of our balance sheet, we have changedour presentation of DSOs this quarter. Historically, we have calculated and disclosed our DSOs net of certain estimated liability for appeals. We have now revised our DSO calculation to exclude them.

Our DSO calculation can be derived by dividing total net accounts receivable at the end of period, by the daily average of the current quarter's annualized sales. For the year ended December 31, 2014, revenue was \$443.2 million, a decrease of \$48.6 million compared to revenue of \$491.8 million for the year ended December 31, 2013. The number of DSOs decreased by 1 day to 126 days as of December 31, 2014, as compared to 127 days as of December 31, 2013. DSOs utilizing the prior method of calculation were 110 days as of December 31, 2014, as compared to 105 days as of December 31, 2013.

We expect our future DSOs to be impacted by the factors described below:

- increased revenue from commercial customers that generally include longer payment terms in their contracts;
- delays in receipt of payment for previously recognized revenue due to timing delays in certain customers processing our findings through their systems, which has led to delays in paying us; operational issues, such as missing Explanation of Benefits, as well as an increase in appealed Medicare RAC receivables awaiting resolution, and
- contract renewal discussions that certain customers have used to delay making payments for previously provided services.

These factors may result in higher accounts receivable balances and higher DSOs in future periods, which would reduce net cash from operating activities in those periods. We do not anticipate collection issues with these accounts receivable, however, nor do we expect that any extended collections will materially impact our liquidity.

The majority of our customer relationships have been in place for several years. Our future operating cash flows could be adversely affected by a decrease in a demand for our services, delayed payments from customers or if one or more contracts with our largest customers is terminated or not re-awarded.

Cash Flows from Investing Activities

Net cash used in investing activities for the year ended December 31, 2014 was \$26.2 million, a \$0.1 million decrease compared to net cash used in investing activities of \$26.3 million for the year ended December 31, 2013. The decrease primarily related to a \$0.5 million decrease in investments in common stock and a \$0.1 million decrease in investment in capitalized software, partially offset by a \$0.5 million increase in purchases of property and equipment.

Net cash used in investing activities for the year ended December 31, 2013 was \$26.3 million, an \$11.8 million decrease compared to net cash used in investing activities of \$38.1 million for the year ended December 31, 2012. The decrease primarily related to our 2012 acquisition of MRM for \$12.4 million, a \$3.1 million decrease in purchases of property and equipment and a \$2.5 million decrease in investments in common stock. These decreases were partially offset by a \$4.8 million inflow in the prior year period related to a certificate of deposit reaching maturity and a \$1.4 million increase in investment in capitalized software.

Cash Flows from Financing Activities

Net cash used in financing activities for the year ended December 31, 2014 was \$32.8 million, an \$84.0 million decrease from net cash used in financing activities of \$116.8 million for the year ended December 31, 2013. This decrease was primarily attributable to a \$60.0 million reduction in payments toward the principal outstanding on our revolving credit facility and a \$25.0 million reduction for treasury stock purchases. No treasury stock repurchases were made in the year ended December 31, 2014.

Net cash used in financing activities for the year ended December 31, 2013 was \$116.7 million, a \$110.0 million increase over net cash used in financing activities of \$6.7 million for the year ended December 31, 2012. This increase was primarily attributable to \$95.0 million in payments toward the principal outstanding on our revolving credit facility and an increase of \$14.4 million in treasury stock purchases.

Contractual Obligations

The following tables represent the scheduled maturities of our contractual cash obligations and other commitments at December 31, 2014 (*in thousands*):

	Payments Due by Period								
Contractual Obligations	Total	Less than Total 1 Year 1 - 3 Years			More than 5 Years				
Operating leases (1)	\$ 40,541	\$ 11,848	\$ 10,258	\$ 7,668	\$ 10,767				
Revolving credit									
facility ⁽²⁾	197,796	_	_	197,796	_				
Interest expense (3)	13,439	4,024	8,059	1,356	_				
Commitment fee (4)	5,039	1,509	3,022	508	_				
Capital leases (5)	1,214	1,160	54	_	_				
Letter of Credit fee									
(6)	40	40							
Total	\$ 258,069	\$ 18,581	\$ 21,393	\$ 207,328	\$ 10,767				

- (1) Represents the future minimum lease payments under non-cancelable operating leases. In addition to minimum rent, certain of our leases require the payment for insurance, maintenance and other costs. These costs have historically represented approximately 3 to 6 percent of the minimum rent amount. These additional amounts are not included in the table of contractual obligations as the timing and/or amounts of such payments are unknown.
- (2) Represents scheduled repayments of principal on the revolving credit facility under the terms of the 2013 Credit Agreement. See Note 8—"Credit Agreement" in our Notes to the Consolidated Financial Statements in Item 8. Consolidated Financial Statements and Supplementary Data for additional information regarding the Credit Agreement.
- (3) Represents estimates of amounts due on revolving credit facility based on the interest rate as of December 31, 2014 and on scheduled repayments of principal. See Note 8—"Credit Agreement" in our Notes to the Consolidated Financial Statements in Item 8. Consolidated

- Financial Statements and Supplementary Data for additional information regarding the 2013 Credit Agreement.
- (4) Represents the commitment fee due on the revolving credit facility. See Note 8—"Credit Agreement" in our Notes to the Consolidated Financial Statements in Item 8. Consolidated Financial Statements and Supplementary Data for additional information regarding the 2013 Credit Agreement.
- (5) Represents the future minimum lease payments under capital leases.
- (6) Represents the fees for the letter of credit established against the revolving credit facility. See Note 8—"Credit Agreement" in our Notes to the Consolidated Financial Statements in Item 8. Consolidated Financial Statements and Supplementary Data for additional information regarding the Credit Agreement.

In May 1997, our Board of Directors authorized us to repurchase up to \$10 million of shares of our common stock. We repurchased 4,988,538 shares in 1997, at an average price of \$1.88 per share. In February 2006, our Board of Directors increased the aggregate repurchase amount to a maximum of \$20 million. We repurchased an additional 436,309 shares at an average price of \$24.29 per share and completed the Share Repurchase Plan in May 2012.

In October 2012, our Board of Directors authorized us to repurchase up to \$50 million of our common stock from time to time on the open market or in privately negotiated transactions, for a period of up to two years. During this two-year period, we purchased a total of 1,101,458 shares at an average price of \$22.65 per share, which amounts to \$25.0 million of our common stock pursuant to this authorization.

Repurchased shares will be available for use in connection with our stock plans and for other corporate purposes.

As part of our contractual agreement with a customer, we have an outstanding irrevocable letter of credit for \$4.6 million, which we established against our existing revolving credit facility.

Recently Issued Accounting Pronouncements

On March 31, 2014, the New York Bank and Corporate Franchise Tax Reform was enacted. Under this new law, banks and general corporations will be subject to a substantially revised Article 9-A franchise tax. Substantive changes to the 9-A franchise tax include, but are not limited to, new economic nexus standards, reduced corporate franchise tax rates for general corporations and qualified manufacturers, revised apportionment provisions, and new rules for when unitary combined reporting is required. As required by ASC 740-10-25-48, the effects of a change in the tax law shall be recognized as of the date of enactment. The adoption of this guidance did not have a material effect on our consolidated financial statements.

In May 2014, FASB issued an ASU that amends the FASB ASC by creating a new Topic 606, *Revenue from Contracts with Customers*. The new guidance will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance on revenue recognition throughout the Industry Topics of the Codification.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity

expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

In addition, an entity should disclose sufficient qualitative and quantitative information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. This amendment is to be either retrospectively adopted to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. We are currently evaluating the impact of the adoption of this guidance to our consolidated financial statements.

In June 2014, FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period ("ASU 2014-12"). ASU 2014-12 brings consistency to the accounting for share-based payment awards that require a specific performance target to be achieved in order for employees to become eligible to vest in the awards. ASU 2014-12 is effective for annual reporting periods (including interim periods) beginning after December 15, 2015, with early adoption permitted. The adoption of this guidance will not have a material effect on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

At December 31, 2014, we were not a party to any derivative financial instruments. We conduct all of our business in U.S. currency and hence do not have direct foreign currency risk. We are exposed to changes in interest rates, primarily with respect to our revolving credit facility under our 2013 Credit Agreement. If the effective interest rate for all of our variable rate debt were to increase by 100 basis points (1%), our annual interest expense would increase by a maximum of \$2.0 million based on our debt balances outstanding at December 31, 2014. Further, we currently invest substantially all of our excess cash in short-term investments, primarily money market accounts, where returns effectively reflect current interest rates. As a result, market interest rate changes may impact our interest income or expense. The impact will depend on variables such as the magnitude of rate changes and the level of borrowings or excess cash balances. We do not consider this risk to be material. We manage such risk by continuing to evaluate the best investment rates available for short-term, high quality investments.

Item 8. Consolidated Financial Statements and Supplementary Data.

The information required by Item 8 is found on pages 55 to 88 of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 or the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's 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 for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, management, with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2014. Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of period covered by this Annual Report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by Rule 13a-15(f) of the Exchange Act, internal control over financial reporting is a process designed by, or under the supervision of our Chief Executive Officer and our Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with U.S. GAAP.

Our 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 our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with generally accepted accounting principles and that our 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 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.

In connection with the preparation of our annual consolidated financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2014, based on criteria established in the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. In May 2013, COSO issued an updated Internal Control—Integrated Framework, or the 2013 Framework. We adopted the new framework in 2014.

Based on this assessment, management has concluded that as of December 31, 2014, our internal control over financial reporting was effective in providing assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with U.S. GAAP.

KPMG LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report, has issued an attestation report on our assessment of our internal control over financial reporting, a copy of which appears on page 57.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation of our controls performed during the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Unless provided in an amendment to this Annual Report on Form 10-K, the following information is incorporated by reference from our definitive proxy statement for our 2015 Annual Meeting of Stockholders ("2015 Proxy Statement") as follows: (i) information about our Board of Directors, from the section captioned " *Proposal One: Election of Directors—Our Board of Directors*," (ii) information about our Executive Officers, from the section captioned " *Executive Officers*," (iii) information about compliance with Section 16(a) of the Exchange Act, from the section captioned " *Section 16(a) Beneficial Ownership Reporting Compliance*," (iv) information about our Code of Ethics, from the section captioned " *Board of Directors and Corporate Governance—Code of Ethics*," (v) information regarding the procedures by which our stockholders may recommend nominees to our Board of Directors, from the sections captioned " *Questions and Answers—Stockholder Proposals and Director Nominations*" and "Board of Directors and Corporate Governance—Director Nomination Process," (vi) information about our Audit Committee, including the members of the Committee, and our Audit Committee financial expert, from the section captioned " *Board of Directors and Corporate Governance—Board Committees—Audit Committee*."

Item 11. Executive Compensation.

Unless provided in an amendment to this Annual Report on Form 10-K, information about executive compensation and the compensation of our Board of Directors is incorporated by reference from the sections of our 2015 Proxy Statement captioned " Executive Compensation, " " Director Compensation," " Board of Directors and Corporate Governance—Compensation Committee Interlocks and Insider Participation, " and " Executive Compensation—Compensation Committee Report ."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Unless provided in an amendment to this Annual Report on Form 10-K, information about the security ownership of certain beneficial owners and management is incorporated by reference from the section in our 2015 Proxy Statement captioned "Security Ownership of Certain Beneficial Owners and Management."

Equity Compensation Plan Information

The following table summarizes information about our equity compensation plans as of December 31, 2014. For additional information about our equity compensation plans see Note 11—"Stock-Based Compensation" in our Notes to the Consolidated Financial Statements in Item 8 Consolidated Financial Statements and Supplemental Data.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	av exerci outs oj wari	eighted- verage se price of standing ptions, rants and eights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	<u>(a)</u>		(b)	(c)
Equity compensation plans approved by				
stockholders ⁽¹⁾	4,599,635	\$	15.35	5,945,337
Equity compensation plans not approved by				
stockholders (2)	180,000	\$	6.37	
HDI plans not approved by stockholders (3)	230,447	\$	21.86	251,214
Total	5,010,082			

- (1) This includes stock options to purchase common stock granted under our 1999 Plan and the 2006 Stock Plan and restricted stock awards and restricted stock units granted under the 2006 Stock Plan.
- (2) Stock options outstanding under plans not approved by the stockholders include 180,000 options granted in July 2007 to Walter D. Hosp, our former Chief Financial Officer, under the terms of his employment agreement.
- (3) Includes stock options to purchase common stock granted under the HDI 2011 Stock Plan, which was assumed in connection with our acquisition of HDI.

Item 13. Certain Relationships and Related Transactions and Director Independence.

Unless provided in an amendment to this Annual Report on Form 10-K, the following information is incorporated by reference from our 2015 Proxy Statement as follows: (i) information about certain relationships and transactions with related parties to the section captioned "Board of Directors and Corporate Governance—Certain Relationships and Related Person Transactions," and (ii) information about director independence to the section captioned "Board of Directors and Corporate Governance—Board Determination of Independence."

Item 14. Principal Accounting Fees and Services.

Unless provided in an amendment to this Annual Report on Form 10-K, information about the fees for professional services rendered by our independent registered public accounting firm in 2014 and 2013 and our Audit Committee's policy on pre-approval of audit and permissible non-audit services provided by our independent registered public accounting firm is incorporated by reference from the section in our 2015 Proxy Statement captioned "Proposal Three: Ratification of the Selection of Independent Registered Public Accounting Firm."

PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements.

The financial statements are listed in the Index to Consolidated Financial Statements on page 55.

2. Financial Statement Schedules.

Financial Statement Schedule II-Valuation and Qualifying Accounts is set forth on page 89. All other financial statement schedules have been omitted as they are either not required, not applicable or the information is otherwise included.

3. *Exhibits*.

The Exhibits are set forth on the Exhibit Index on page 90 and incorporated herein by reference.

SIGNATURES

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

HMS Holdings Corp. (Registrant)

By: /s/ WILLIAM C. LUCIA

William C. Lucia
Chief Executive Officer
(Principal Executive Officer and
Duly Authorized Officer)

Date: March 2, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
/s/ WILLIAM C. LUCIA William C. Lucia	President, Chief Executive Officer and Director (Principal Executive Officer)	March 2, 2015
/s/ JEFFREY S. SHERMAN Jeffrey S. Sherman	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	March 2, 2015
/s/ JOSEPH M. DONABAUER Joseph M. Donabauer	Senior Vice President and Controller (Principal Accounting Officer)	March 2, 2015
/s/ ROBERT M. HOLSTER Robert M. Holster	- Chairman, Board of Directors	March 2, 2015
/s/ CRAIG R. CALLEN	- Director	March 2, 2015
Craig R. Callen /s/ DANIEL N. MENDELSON	- Director	March 2, 2015
Daniel N. Mendelson	Director	Widicii 2, 2013

Signatures	<u>Title</u>	<u>Date</u>	
/s/ WILLIAM F. MILLER III William F. Miller III	Director	March 2, 2015	
/s/ ELLEN A. RUDNICK Ellen A. Rudnick	Director	March 2, 2015	
/s/ BART M. SCHWARTZ	Director	March 2, 2015	
Bart M. Schwartz /s/ RICHARD H. STOWE	Director	March 2, 2015	
Richard H. Stowe /s/ CORA M. TELLEZ			
Cora M. Tellez	Director	March 2, 2015	
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HMS HOLDINGS CORP. AND SUBSIDIARIES INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Statements of Comprehensive Income for the Years Ended December 31,	
2014, 2013 and 2012	59
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2014,	
2013 and 2012	60
Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013	
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders HMS Holdings Corp.:

We have audited the accompanying consolidated balance sheets of HMS Holdings Corp. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HMS Holdings Corp. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), HMS Holdings Corp.'s internal control over financial reporting as of December 31, 2014, 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 2, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

KPMG LLP New York, New York March 2, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders HMS Holdings Corp.:

We have audited HMS Holdings Corp.'s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). HMS Holdings Corp.'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 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, 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 company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, HMS Holdings Corp. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of HMS Holdings Corp. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and financial statement schedule and our report dated March 2, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

KPMG LLP New York, New York March 2. 2015

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	December 31,		
	2014	2013	
Assets			
Current assets:			
Cash and cash equivalents	\$ 133,116	\$ 93,366	
Accounts receivable, net of allowance for doubtful accounts of \$1,898 and			
\$916, respectively and estimated allowance for appeals of \$4,824 and			
\$13,939, at December 31, 2014 and 2013, respectively	157,101	171,726	
Prepaid expenses	11,810	12,942	
Prepaid income taxes	5,142	6,792	
Deferred tax assets	7,811		
Other current assets	2,639	489	
Total current assets	317,619	285,315	
Property and equipment, net	116,027	123,006	
Goodwill	361,468	361,468	
Intangible assets, net	74,578	95,312	
Deferred financing costs, net	6,957	9,041	
Other assets	4,339	4,460	
Total assets	\$ 880,988	\$878,602	
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable, accrued expenses and other liabilities	\$ 54,549	\$ 37,123	
Estimated liability for appeals	36,799	41,852	
Deferred tax liabilities		6,326	
Acquisition related contingent consideration	_	945	
Total current liabilities	91,348	86,246	
Long-term liabilities:	71,510		
Revolving credit facility	197,796	232,796	
Deferred tax liabilities	50,853	52,523	
Deferred tax habilities Deferred rent	5,037	724	
Other liabilities	2,864	3,874	
Total long-term liabilities	256,550	289,917	
Total liabilities	347,898	376,163	
Commitments and contingencies (Note 14)			
Stockholders' equity:			
Preferred stock—\$0.01 par value; 5,000,000 shares authorized; none issued			
Common stock—\$0.01 par value; 125,000,000 shares authorized;			
94,511,444 shares issued and 87,985,139 shares outstanding at			
December 31, 2014; 93,826,453 shares issued and 87,300,148 shares			
outstanding at December 31, 2013	943	936	
Capital in excess of par value	313,214	296,517	
Retained earnings	263,947	250,000	
Treasury stock, at cost: 6,526,305 shares at December 31, 2014 and 2013,			
respectively	(45,014)	(45,014)	
Total stockholders' equity	533,090	502,439	
Total liabilities and stockholders' equity	\$ 880,988	\$878,602	

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share amounts)

	Year ended December 31,					,
		2014		2013		2012
Revenue	\$	443,225	\$	491,762	\$	473,696
Cost of services:						
Compensation		177,313		185,788		161,547
Data processing		39,661		37,115		31,491
Occupancy		16,950		18,397		17,456
Direct project costs		42,934		46,343		55,272
Other operating costs		24,588		26,493		20,593
Amortization of acquisition related software and intangible						
assets		28,612		31,747		32,551
Total cost of services		330,058		345,883		318,910
Selling, general and administrative expenses		78,963		68,701		55,274
Total operating expenses		409,021		414,584		374,184
Operating income		34,204		77,178		99,512
Interest expense		(7,931)		(12,460)		(16,561)
Interest income		57		71		12
Other income, net		_		801		382
Income before income taxes		26,330		65,590		83,345
Income taxes		12,383		25,593		32,829
Net income and comprehensive income	\$	13,947	\$	39,997	\$	50,516
Basic income per common share:						
Net income per common share—basic	\$	0.16	\$	0.46	\$	0.59
Diluted income per common share:						
Net income per common share—diluted	\$	0.16	\$	0.45	\$	0.57
Weighted average shares:						
Basic		87,673		87,598		86,204
Diluted		88,164	Τ	88,344		88,365
	_		_		_	

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share amounts)

	Common S	tock					
	# of Shares	Par	Capital in Excess of	Retained	Treasury	Stock	Total Stockholders'
	Issued	Value	Par Value	Earnings	# of Shares	Amount	Equity
Balance at January 1, 2012	90,575,837	\$ 906	\$ 240,241	\$ 159,487	4,988,538	\$ (9,397)	\$ 391,237
Net income and comprehensi income	_	_	_	50,516	_	_	50,516
Stock-based compensation expense	_	_	9,116	_	_	_	9,116
Purchase of treasury stock			_		436,309	(10,617)	(10,617)
Exercise of stock options	1,673,457	16	11,957	_		<u> </u>	11,973
Vesting of restricted stock awards and units, net of shares withheld for employee	1,075,107	10	11,907				-1,773
tax Excess tax	125,245	1	(1,785)	_	_	_	(1,784)
benefit from exercise of stock options			12,433				12,433
Balance at			12,433				12,433
December 31, 2012	92,374,539	923	271,962	210,003	5,424,847	(20,014)	462,874
Net income and comprehensi income	_		_	39,997	_	_	39,997
Stock-based compensation				37,771			
expense Purchase of treasury	_	_	11,997	<u> </u>	_	_	11,997
stock	_	_	_	_	1,101,458	(25,000)	(25,000)
Exercise of stock options	1,305,538	12	9,248	_	_	_	9,260
Vesting of restricted stock awards and units, net of shares withheld for employee	1,333,330		2,210				7,200

tax	146,376	1	(1,923)	_	_	_	(1,922)
Excess tax benefit from exercise of stock	2.0,0		(=,-=)				(-,)
options	_		5,233	_	_	_	5,233
Balance at December 31, 2013	93,826,453	936	296,517	250,000	6,526,305	(45,014)	502,439
Net income and comprehensi	93,820,433	930	290,317		0,320,303	(43,014)	
income	_			13,947		_	13,947
Stock-based compensation expense	_	_	13,356	_	_	_	13,356
Exercise of			·				
stock options	516,552	5	4,105	_	_	_	4,110
Vesting of restricted stock awards and units, net of shares withheld for employee							
tax	168,439	2	(1,660)	_	_	_	(1,658)
Excess tax benefit from exercise of stock	,		(,,,,,,				(, = = -,
options	_	_	1,795	_	_	_	1,795
Shortfall due to exercise of stock							
options	_	_	(323)	_	_	_	(323)
Deferred tax asset reversal for unexercised stock							
options		_	(576)	_	_		(576)
Balance at			/				
December 31, 2014	94,511,444	\$ 943	\$ 313,214	\$ 263,947	6,526,305	\$ (45,014) \$	533,090
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See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

$(in\ thousands)$

	Year ended December 31,			
	2014	2013	2012	
Operating activities:				
Net income and comprehensive income	\$ 13,947	\$ 39,997	\$ 50,516	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of property and equipment	32,864	31,360	26,902	
Amortization of intangible assets	20,734	23,631	24,245	
Amortization of deferred financing costs	2,084	3,077	3,689	
Stock-based compensation expense	13,356	11,997	9,116	
Excess tax benefit from exercised stock options	(1,795)	(5,233)	(12,433)	
Deferred income taxes	(12,290)	(4,354)	(6,323)	
Allowance for doubtful accounts and bad debt write-offs	(3,444)	6,943	3,751	
Change in fair value of contingent consideration	(517)	35	(2,300)	
Loss on disposal of fixed assets	219	431	290	
Changes in operating assets and liabilities:	5.500	(21,000)	(40.005)	
Accounts receivable	5,769	(21,899)	(40,235)	
Prepaid expenses	1,132	1,341	(7,670)	
Prepaid income taxes Other current assets	3,445	(1,559)	14,326	
Other current assets Other assets	(2,150)	(172)	667	
	18.039	28 1.050	(127)	
Accounts payable, accrued expenses and other liabilities Estimated liability for appeals	7,247	14,508	(1,340) 19,965	
J 11				
Net cash provided by operating activities	98,761	101,181	83,039	
Investing activities:	(22.505)	(22.125)	(25,222)	
Purchases of land, property and equipment	(22,687)	(22,127)	(25,222)	
Investment in capitalized software	(3,514)		(2,244)	
Investment in common stock	_	(500)	(3,024)	
Acquisitions, net	_	_	(12,393)	
Proceeds from redemption of certificate of deposit	(2.5.201)	(2.5.202)	4,809	
Net cash used in investing activities	(26,201)	(26,283)	(38,074)	
Financing activities:				
Repayment of revolving credit facility	(35,000)	(95,000)		
Proceeds from exercise of stock options	4,110	9,260	11,973	
Excess tax benefit from exercised stock options	1,795	5,233	12,433	
Payments of tax withholdings on behalf of employees for net-share settlement for	(4.550)	(1.022)	(1.50A)	
stock-based compensation	(1,658)	(1,922)	(1,784)	
Payments on capital lease obligations	(1,629)	(1,711)	(996)	
Payments on contingent consideration	(428)	(25,000)	(250)	
Purchases of treasury stock	_	(25,000)	(10,617)	
Repayment of term loan	_	(8,750) 4,046	(17,500)	
Proceeds from revolving credit facility		,		
Payment of financing fees related to revolving credit facility	(22.010)	(2,915)	(6.741)	
Net cash used in financing activities	(32,810)	(116,759)	(6,741)	
Net increase (decrease) in cash and cash equivalents	39,750	(41,861)	38,224	
Cash and cash equivalents at beginning of year	93,366	135,227	97,003	
Cash and cash equivalents at end of year	\$ 133,116	\$ 93,366	\$ 135,227	
Supplemental disclosure of cash flow information:				
Cash paid for income taxes	\$ 21,144	\$ 34,922	\$ 20,490	
Cash paid for interest	\$ 4,458	\$ 9,520	\$ 13,236	
Supplemental disclosure of noncash activities:				
Accrued property and equipment purchases	\$ 1,610	\$ 1,725	\$ 4.439	
Equipment purchased through capital leases	\$ 20	\$ 2,401	\$ 2,127	
Decrease in appeals liability for lost appeals offset with a reduction in accounts receivable	\$ 12,300	<u> </u>	<u> </u>	

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

We are incorporated in the State of Delaware. We were originally incorporated on October 2, 2002 in the State of New York. On March 3, 2003, we adopted a holding company structure and assumed the business of our predecessor, Health Management Systems, Inc. In connection with the adoption of this structure, Health Management Systems, Inc. which began doing business in 1974, became our wholly owned subsidiary. Unless the context otherwise indicates, references in these Notes to the Consolidated Financial Statements to the terms "we," "our" and "us" refer to HMS Holdings Corp., and its subsidiaries and its affiliates.

We operate in the U.S. healthcare insurance benefit cost containment marketplace. We provide coordination of benefits services to government and private healthcare payers and sponsors to ensure that the responsible party pays healthcare claims. Our payment integrity services ensure that healthcare claims billed are accurate and appropriate. Together, these various services help customers recover amounts from liable third parties; prevent future improper payments; reduce fraud, waste and abuse; and ensure regulatory compliance.

We have grown both organically and through targeted acquisitions. Initially, we provided coordination of benefits services to state Medicaid agencies. When Medicaid began to delegate members to managed care organizations, we began providing similar coordination of benefits services to those plans. We launched our payment integrity services in 2007 and have since acquired several businesses to expand our service offerings. In 2009, we began providing cost containment services for Medicare with our acquisition of IntegriGuard, LLC ("IntegriGuard"), which is now doing business as our wholly owned subsidiary HMS Federal, providing fraud, waste and abuse analytical services to the Medicare program, the Veterans Health Administration and the Department of Defense. In 2009 and 2010, we began providing cost containment services to large self-funded employers through our acquisitions of Verify Solutions, Inc. and Chapman Kelly, Inc. In 2011, we expanded our cost benefit services among federal, state and commercial payers with our acquisition of HealthDataInsights, Inc. ("HDI"). HDI provides improper payment identification services for government and commercial health plans, and is the Medicare Recovery Audit Contractor ("RAC") in CMS Region D, covering 17 states and three U.S. territories. In December 2012, we extended our workers' compensation recovery services to commercial health plans through our asset purchase of MedRecovery Management, LLC ("MRM").

We are managed and operate as one business, with a single management team that reports to the Chief Executive Officer. We do not operate separate lines of business with respect to any of our product lines.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include our accounts and transactions and those of our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with United States generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, primarily accounts receivable, intangible assets,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

accrued expenses, estimated liability for appeals and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Our actual results could differ from those estimates.

(c) Reclassifications

Certain reclassifications were made to prior year amounts to conform to the current period presentation.

(d) Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of deposits that are readily convertible into cash.

(e) Concentration of Credit Risk

Financial instruments (principally cash and cash equivalents, accounts receivable, accounts payable and accrued expenses) are carried at cost, which approximates fair value due to the short-term maturity of these instruments. Our long-term debt or revolving credit facility is carried at cost. Due to the variable interest rate associated with the revolving credit facility, its fair value approximates its carrying value.

Our policy is to limit our credit exposure by placing our investments with financial institutions evaluated as being creditworthy, or in short-term money market funds which are exposed to minimal interest rate and credit risk. We maintain our cash in cash depository accounts and certificate of deposits with large financial institutions. The balance in certain of these accounts exceeds the maximum balance insured by the Federal Deposit Insurance Corporation of up to \$250,000 per bank account. We have not experienced any losses on our bank deposits and we believe these deposits do not expose us to any significant credit risk.

We are subject to potential credit risk related to changes in economic conditions within the healthcare market. However, we believe that our billing and collection policies are adequate to minimize the potential credit risk. We perform ongoing credit evaluations of our customers and generally do not require collateral. We have no history of significant losses from uncollectible accounts.

(f) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets utilizing the straight-line method. We provide amortization of leasehold improvements on a straight-line basis over the shorter of a five year period or the term of the related lease. Equipment leased under capital leases is depreciated over the shorter of (i) the term of the lease and (ii) the estimated useful life of the equipment. The depreciation expense on assets acquired under capital leases is included in our Consolidated Statements of Comprehensive Income as depreciation expense. The estimated useful lives are as follows:

Equipment	2 - 3 years
Leasehold improvements	3 - 5 years
Furniture and fixtures	5 - 7 years
Building and building improvements	up to 39.5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

(g) Software and Software Development Cost

Certain software development costs related to software that is acquired or developed for internal use while in the application development stage are capitalized. All other costs to develop software for internal use, either in the preliminary project stage or post-implementation stage, are expensed as incurred. Amortization of software and software development costs is calculated on a straight-line basis over the expected economic life of the product, generally estimated to be 5 years.

(h) Goodwill

Goodwill, representing the excess of acquisition costs over the fair value of assets and liabilities of acquired businesses, is subject to a periodic assessment for impairment in accordance with Accounting Standards Codification ("ASC") 350—Intangibles, Goodwill and Other. We assess goodwill for impairment on an annual basis as of June 30 of each year or more frequently if an event occurs or changes in circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount. Our assessment of goodwill impairment is at the HMS Holdings Corp. entity level as we operate as a single reporting unit.

We have the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If we can support the conclusion that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then we would not need to perform the two-step impairment test for that reporting unit. If we cannot support such a conclusion, or we do not elect to perform the qualitative assessment, then the first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill.

In the prior year, we performed our impairment testing for goodwill using the two step approach.

In the current year, we performed a qualitative assessment to determine if an impairment is more likely than not to have occurred and there was no impairment of goodwill identified.

There are no impairment charges related to goodwill for any of the fiscal periods presented.

(i) Long-Lived Assets

Long-lived assets, which include property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of its asset group to the estimated undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the asset group exceeds the fair value of the assets, which amount is charged to earnings. Fair value is based on a projection of the estimated discounted future net cash flows expected to result from the asset group, using a discount rate reflective of our cost of funds.

For long-lived assets and intangible assets, we measure the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. If the sum of the expected future net cash flows is less than the carrying value of the asset being evaluated, we would recognize an impairment charge. The impairment charge would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The determination of fair value is based on quoted market prices, if available. If

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. We did not recognize any impairment charges related to our long-lived assets, property and equipment, goodwill or intangible assets, during the years ended December 31, 2014 and 2013, as management believes that carrying amounts were not impaired.

(j) Acquisition Accounting

The acquisition method of accounting requires companies to assign values to assets acquired and liabilities assumed based upon their fair value. In most instances there is not a readily defined or listed market price for individual assets and liabilities acquired in connection with a business, including intangible assets. The determination of fair value for individual assets and liabilities in many instances requires a high degree of estimation. The valuation of intangible assets, in particular, is very subjective. The use of different valuation techniques and assumptions could change the amounts and useful lives assigned to the assets and liabilities acquired, including goodwill and other intangible assets and related amortization expense.

(k) Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary and permanent differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits for net operating loss carry-forwards. 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 as income in the period that includes the enactment date. A valuation allowance is provided against deferred tax assets to the extent their realization is not more likely than not.

Uncertain income tax positions are accounted for by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements.

(1) Revenue Recognition and Estimated Liability for Appeals

We provide products and services under contracts that contain various fee structures, including contingency fee and fixed fee arrangements. We recognize revenue when a contract exists, products or services have been provided to the customer, the fee is fixed and determinable, and collectability is reasonably assured. In addition, we have contracts with the federal government which are generally cost-plus or time and material based. Revenue on cost-plus contracts is recognized based on costs incurred plus an estimate of the negotiated fee earned. Revenue on time and materials contracts is recognized based on hours worked and expenses incurred.

Under our Medicare RAC contract with CMS, our Medicaid RAC contracts with various states, and similar contracts for commercial customers, we recognize revenue when claims are sent to the customer for offset against future claims payments. Providers have the right to appeal a claim and may pursue additional appeals if the initial appeal is found in favor of the customer. We accrue an estimated liability for appeals based on the amount of fees that are subject to appeals, closures or other adjustments and which we estimate are probable of being returned to providers following a successful appeal. This estimated liability

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

for appeals is an offset to revenue in our Consolidated Statements of Comprehensive Income. Our estimates are based on our historical experience with appeals. The estimated liability for appeals of \$36.8 million at December 31, 2014, and \$41.9 million as of December 31, 2013, represents our estimate of the potential amount of repayments related to appeals of claims, closures and other adjustments for which fees were previously collected. This is reflected as a separate line item in the current liabilities section of our balance sheet titled "Estimated liability for appeals." To the extent the amount to be returned to providers following a successful appeal, closure or other adjustment exceeds the amount accrued, revenue in the applicable period would be reduced by the amount of the excess.

As of December 31, 2014, we have accrued an estimated liability for appeals and estimated allowance for appeals based on our historical experience with this activity under our customers' contracts. At this time, we do not believe that we face a risk of significant loss in excess of the amounts accrued. Accordingly, we believe that an estimate of any possible loss in excess of the amounts accrued is immaterial. Any future changes to any of our customer contracts, including further modifications to the transition plan for incumbent Medicare recovery audit contractors, may require us to apply different assumptions that could affect our estimated liability for future periods. We similarly accrue an allowance against accounts receivable related to fees yet to be collected, based on the same estimates used to establish the estimated liability for appeals of fees received. Our inability to correctly estimate the estimated liabilities and allowance against accounts receivable could adversely affect our revenue in future periods.

When contracts have multiple deliverables, we evaluate these deliverables at the inception of each contract and as each item is delivered. As part of this evaluation, we (i) consider whether a delivered item has value to a customer on a standalone basis; (ii) use the vendor specific objective evidence ("VSOE") of selling price or third party estimate ("TPE") of selling price. If neither VSOE nor TPE of selling price exist for a deliverable, we use best estimated selling price for that deliverable; and (iii) allocate revenue to each non-contingent element based upon the relative selling price of each element. Revenue allocated to each element is then recognized when the above four basic revenue recognition criteria are met for each element. Arrangements, including implementation and transaction related revenue, are accounted for as a single unit of accounting. Since implementation services do not carry a standalone value, the revenue relating to these services is recognized over the term of the customer contract to which it relates.

In addition, some of our contracts may include customer acceptance provisions. Formal customer sign-off is not always necessary to recognize revenue, provided we objectively demonstrate that the criteria specified in the acceptance provision are satisfied. Due to the range of products and services that we provide and the differing fee structures associated with each type of contract, we may recognize revenue in irregular increments.

(m) Stock-Based Compensation

The cost of stock-based compensation is recognized in our Consolidated Statements of Comprehensive Income based on the fair value of all awards granted using the Black-Scholes method and the Monte Carlo option pricing model for valuation. The Black-Scholes option pricing model is used for "non-performance-based" grants and the Monte Carlo option pricing model is used for performance-based grants with certain market conditions. The fair value of each award is determined and the compensation cost is recognized over the service period required to obtain full vesting. Compensation cost to be recognized reflects an estimate of the number of awards expected to vest after taking into consideration an estimate of award forfeitures based on actual experience. Upon the exercise of stock

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

options or the vesting of restricted stock units and restricted stock awards, the resulting excess tax benefits, if any, are credited to additional paid-in capital. Any resulting tax deficiencies will first be offset against those cumulative credits to additional paid-in capital. If the cumulative credits to additional paid-in capital are exhausted, tax deficiencies will be recorded to the provision for income taxes. Excess tax benefits are required to be reflected as financing cash inflows in the accompanying Consolidated Statements of Cash Flows.

(n) Fair Value of Financial Instruments

We measure certain financial assets and liabilities at fair value based on valuation techniques using the best information available, which may include quoted market prices, market comparables and discounted cash flow projections. Financial instruments may include time deposits, money market funds, and other cost method investments. In general, and where applicable, we use quoted prices in active markets for identical assets to determine fair value. If quoted prices in active markets for identical assets are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs that are observable either directly or indirectly. If quoted prices for identical or similar assets are not available, we use internally developed valuation models, whose inputs include bid prices, and third party valuations utilizing underlying asset assumptions.

The fair values of our financial instruments reflect 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 (exit price). In addition, the Financial Accounting Standards Board (the "FASB"), authoritative guidance requires us to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized in the statement of financial position, for which it is practicable to estimate fair value.

Our financial instruments are categorized into a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument. In the event the fair value is not readily available or determinable, the financial instrument is carried at cost and referred to as a cost method investment. The evaluation of whether an investment's fair value is less than cost is determined by using a disclosed fair value estimate, if one is available, otherwise, it is determined by evaluating whether an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment (an impairment indicator). We are not aware of any identified events or change in circumstances that would have a significant adverse effect on the carrying value of our cost method investments. Financial instruments recorded at fair value on our consolidated balance sheets are categorized as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

(o) Leases

We account for our lease agreements at their inception as either operating or capital leases, depending on certain defined criteria. We recognize lease costs on a straight-line basis without regard to deferred payment terms, such as rent holidays, that defer the commencement date of required payments. Additionally, incentives we receive, such as tenant improvement allowances, are capitalized and are treated as a reduction of our rental expense over the term of the lease agreement.

(p) Recently Issued Accounting Pronouncements

On March 31, 2014, the New York Bank and Corporate Franchise Tax Reform was enacted. Under this new law, banks and general corporations will be subject to a substantially revised Article 9-A franchise tax. Substantive changes to the 9-A franchise tax include, but are not limited to, new economic nexus standards, reduced corporate franchise tax rates for general corporations and qualified manufacturers, revised apportionment provisions, and new rules for when unitary combined reporting is required. As required by ASC 740-10-25-48, the effects of a change in the tax law shall be recognized as of the date of enactment. The adoption of this guidance did not have a material effect on our consolidated financial statements.

In May 2014, FASB issued an ASU that amends the FASB ASC by creating a new Topic 606, *Revenue from Contracts with Customers*. The new guidance will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance on revenue recognition throughout the Industry Topics of the Codification.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

In addition, an entity should disclose sufficient qualitative and quantitative information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. This amendment is to be either retrospectively adopted to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. We are currently evaluating the impact of the adoption of this guidance to our consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

In June 2014, FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period ("ASU 2014-12"). ASU 2014-12 brings consistency to the accounting for share-based payment awards that require a specific performance target to be achieved in order for employees to become eligible to vest in the awards. ASU 2014-12 is effective for annual reporting periods (including interim periods) beginning after December 15, 2015, with early adoption permitted. The adoption of this guidance will not have a material effect on our consolidated financial statements.

3. Acquisitions

The results of operations for our acquisitions have been included in our consolidated financial statements from the respective dates of acquisition.

MedRecovery Management, LLC.

In December 2012, we acquired the assets and liabilities of MRM for an aggregate purchase price of \$11.7 million, consisting of a \$10.8 million initial cash payment and \$0.9 million in future contingent payments that are based on the achievement of certain performance milestones. We recognized \$1.9 million of goodwill in connection with our acquisition of MRM. In June 2013, we finalized the valuation of intangible assets and future contingent consideration related to this acquisition and determined that, as of acquisition date, the value of intangible assets was \$9.2 million and the value of future contingent consideration was \$0.9 million. The Consolidated Balance Sheet for the year ended December 31, 2012 was retrospectively adjusted to increase the carrying amount of intangible assets by \$9.2 million, decrease the carrying value of future contingent consideration by \$0.1 million and decrease the carrying value of goodwill by \$9.3 million. Of the total intangible assets acquired, \$8.9 million was related to customer relationships and has an amortization period of seven years and \$0.3 million was related to restrictive covenants and has an amortization period of two years. During 2014, we paid approximately \$0.4 million of contingent consideration due to the achievement in 2013 of certain performance milestones. We reversed approximately \$0.5 million of contingent consideration liability upon the non-achievement of the remaining performance milestones. This amount is included in other operating costs for the year ended December 31, 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Property and Equipment

Property and equipment at December 31, 2014 and 2013 consisted of the following (in thousands):

	December 31,			
		2014		2013
Equipment	\$	94,686	\$	86,494
Leasehold improvements		9,194		3,712
Building		8,624		8,624
Building improvements		8,762		7,404
Land		2,769		1,163
Furniture and fixtures		12,107		11,045
Capitalized software		101,069		97,555
		237,211		215,997
Less accumulated depreciation and amortization		(121,184)		(92,991)
Property and equipment, net	\$	116,027	\$	123,006

Depreciation and amortization expense related to property and equipment charged to operations for the years ended December 31, 2014, 2013 and 2012 was \$32.9 million, \$31.4 million and \$26.9 million, respectively. Net capital leases included as part of equipment were approximately \$1.2 million and \$2.8 million at December 31, 2014 and 2013, respectively. Accumulated depreciation for equipment under capital leases was approximately \$4.8 million and \$3.2 million for the years ended December 31, 2014 and 2013. Depreciation expense for equipment under capital leases for the years ended December 31, 2014, 2013 and 2012 was approximately \$1.6 million, \$1.7 million, and \$1.4 million, respectively.

5. Intangible Assets

Intangible assets consisted of the following at December 31, 2014 and 2013 (in thousands):

Accumulated							
	G	ross Value	Amortization		Ne	t Book Value	Useful Life
December 31, 2014							
Customer							
relationships	\$	102,755	\$	(44,020)	\$	58,735	5 - 10 years
Restrictive covenants		18,000		(11,394)		6,606	3 - 7 years
Trade name		17,000		(7,763)		9,237	3 - 5 years
	\$	137,755	\$	(63,177)	\$	74,578	
December 31, 2013							
Customer							
relationships	\$	102,755	\$	(29,504)	\$	73,251	5 - 10 years
Restrictive covenants		18,300		(7,981)		10,319	3 - 7 years
Trade name		19,532		(7,790)		11,742	3 - 5 years
	\$	140,587	\$	(45,275)	\$	95,312	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Intangible Assets (Continued)

Estimated amortization expense of intangible assets is expected to approximate the following (in thousands):

Year ending December 31,	
2015	\$ 20,270
2016	19,934
2017	16,613
2018	15,992
2019	1,582
Thereafter	187

For the years ended December 31, 2014, December 31, 2013 and December 31, 2012, amortization expense related to intangible assets was \$20.7 million, \$23.6 million and \$24.2 million, respectively.

There were no changes in the carrying amount of goodwill for the years ended December 31, 2014 and 2013.

6. Accounts Payable, Accrued Expenses and Other Liabilities

Accounts payable, accrued expenses and other liabilities at December 31, 2014 and 2013 consisted of the following (in thousands):

	December 31,		
	2014	2013	
Accounts payable, trade	\$ 14,840	\$ 7,217	
Accrued compensation	16,895	15,419	
Accrued direct project costs	1,543	1,629	
Accrued refunds	1,842	2,667	
Liability for tax payments	4,159	_	
Accrued other liabilities	15,270	10,191	
Total accounts payable, accrued expenses and other			
liabilities	\$ 54,549	\$ 37,123	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Income Taxes

The income tax expense for the years ended December 31, 2014, 2013 and 2012 is as follows (in thousands):

		December 31,					
	2014		2013			2012	
Current tax expense:							
Federal	\$	20,244	\$	25,211	\$	33,456	
State		4,429		4,736		5,696	
		24,673		29,947		39,152	
Deferred tax expense (benefit):							
Federal		(12,421)		(3,485)		(6,085)	
State		131		(869)		(238)	
		(12,290)		(4,354)		(6,323)	
Total income tax expense	\$	12,383	\$	25,593	\$	32,829	

A reconciliation of the income tax expense calculated using the applicable federal statutory rates to the actual income tax expense for the years ended December 31, 2014, 2013 and 2012 is as follows (*in thousands*):

	December 31,						
	2014	%	2013	%	2012	%	
Computed at federal statutory rate	\$ 9,215	35.0	\$ 22,946	35.0	\$ 29,171	35.0	
State and local tax expense, net of							
federal benefit	2,973	11.3	2,448	3.7	3,548	4.3	
Other, net	195	0.7	199	0.3	110	0.1	
Total income tax expense	\$ 12,383	47.0	\$ 25,593	39.0	\$ 32,829	39.4	

Our effective tax rate increased to 47.0% for the year ended December 31, 2014 from 39.0% for the year ended December 31, 2013, primarily due to a change in state apportionments and permanent differences. The principal difference between the statutory rate and our effective rate is state taxes and permanent differences.

Deferred income taxes are recognized for the future tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities. The tax effect of temporary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Income Taxes (Continued)

differences that give rise to a significant portion of the deferred tax assets and deferred tax liabilities at December 31, 2014 and 2013 were as follows (in thousands):

	December 31,				
	2014			2013	
Deferred tax assets:					
Deferred stock-based compensation expense	\$	7,739	\$	6,112	
Goodwill and intangible assets		10,416		7,679	
Accounts receivables		2,576		1,905	
Allowance for doubtful accounts and deferred revenue		1,473		669	
Deferred rent		783		215	
Restructuring cost		513		369	
Tenant improvements		1,339		_	
Net operating loss carry-forwards		122		69	
Other		2,824		843	
Total deferred tax assets		27,785		17,861	
Deferred tax liabilities:					
Goodwill and intangible assets		61,328		64,317	
Property and equipment		6,107		8,287	
Capitalized software cost		3,392		2,995	
Prepaid expenses				1,111	
Total deferred tax liabilities		70,827		76,710	
Total net deferred tax liabilities	\$	43,042	\$	58,849	
Net current deferred tax (assets) liabilities	\$	(7,811)	\$	6,326	
Net non-current deferred tax liabilities		50,853		52,523	
Total net deferred tax liabilities	\$	43,042	\$	58,849	

During 2014, we utilized \$4.9 million in tax deductions arising from stock-based compensation, which resulted in an excess tax benefit of \$1.8 million that was recorded to capital in excess of par value and an offsetting reduction to taxes payable.

As of December 31, 2014 and 2013, the total amount of unrecognized tax benefits was approximately \$1.3 million and \$1.0 million, respectively (net of the federal benefit for state issues) of unrecognized tax benefits that, if recognized, would favorably affect our future effective tax rate. The accrued liability for interest expense and penalties related to unrecognized tax benefits was \$0.2 million for both December 31, 2014 and 2013. We include interest expense and penalties in the provision for income taxes in the Consolidated Statements of Comprehensive Income. The amount of interest expense (net of federal and state income tax benefits) and penalties in the Consolidated Statements of Comprehensive Income for the years ended December 31, 2014 and 2013 was immaterial. We do not expect any significant change in unrecognized tax benefits during the next twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Income Taxes (Continued)

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for the twelve months ended December 31, 2014 and 2013 are as follows:

	December 31,			
	2014 2013			
Unrecognized tax benefits at January 1	\$ 1,034	\$ 799		
Additions for tax positions of prior periods	484	26		
Additions for tax positions of current periods	_	280		
Reductions related to the expiration of statutes of				
limitations	(189)	(71)		
Unrecognized tax benefits at December 31	\$ 1,329	\$ 1,034		

We file income tax returns with the U.S. Federal government and various state jurisdictions. We are no longer subject to U.S. Federal income tax examinations for years before 2011. We operate in a number of state and local jurisdictions, most of which have never audited our records. Accordingly, we are subject to state and local income tax examinations based upon the various statutes of limitations in each jurisdiction. We are currently being examined by the State of New York.

8. Credit Agreement

In connection with our acquisition of HDI, we entered into a five-year, revolving and term secured credit agreement, ("2011 Credit Agreement"), with certain financial institutions and Citibank, N.A. as Administrative Agent. In May 2013, we amended and restated the 2011 Credit Agreement and entered into a \$500 million five-year, amended and restated revolving credit agreement ("2013 Credit Agreement"). During the year ended December 31, 2014, we made principal payments of \$35.0 million against our revolving credit facility. During the year ended December 31, 2013, we made principal payments of \$8.8 million against our term loan and \$95.0 million against our revolving credit facility. The \$197.8 million principal balance of our revolving credit facility is due in May 2018.

The 2013 Credit Agreement provides for an initial \$500 million revolving credit facility, and, under specified circumstances, the revolving credit facility can be increased or one or more incremental term loan facilities can be added, provided that the incremental credit facilities do not exceed in the aggregate the sum of (a) \$75 million plus (b) an additional amount not less than \$25 million, so long as our total secured leverage ratio, calculated giving pro forma effect to the requested incremental borrowing and other customary and appropriate pro forma adjustment events, including any permitted acquisitions, is no greater than 2.5:1.0. The 2013 Credit Agreement is collateralized by our assets.

The 2013 Credit Agreement contains certain customary representations and warranties, affirmative and negative covenants, and events of default. The 2013 Credit Agreement requires us to comply, on a quarterly basis, with certain principal financial covenants, including a maximum consolidated leverage ratio reducing from 3.50:1.00 to 3.25:1.00 over the next five years and a minimum interest coverage ratio of 3.00:1.00.

The interest rates applicable to the revolving credit facility are, at our option, either (a) the LIBOR multiplied by the statutory reserve rate plus an interest margin ranging from 1.50% to 2.25% based on our consolidated leverage ratio, or (b) a base rate (which is equal to the greatest of (a) Citibank's prime rate, (b) the federal funds effective rate plus 0.50% and (c) the one-month LIBOR plus 1.00% plus an interest margin ranging from 0.50% to 1.25% based on our consolidated leverage ratio). We pay an unused

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Credit Agreement (Continued)

commitment fee on the revolving credit facility during the term of the 2013 Credit Agreement ranging from 0.375% to 0.50% per annum based on our consolidated leverage ratio.

Our obligations under the 2013 Credit Agreement may be accelerated upon the occurrence of an event of default, which includes customary events of default including, without limitation, payment defaults, failures to perform affirmative covenants, failure to refrain from actions or omissions prohibited by negative covenants, the inaccuracy of representations or warranties, cross-defaults, bankruptcy and insolvency related defaults, defaults relating to judgments, defaults due to certain ERISA related events and a change of control default. As of December 31, 2014, we were in compliance with all the terms of the 2013 Credit Agreement.

Borrowings under the 2013 Credit Agreement were used to refinance the outstanding principal and unpaid interest of \$323.8 million and \$1.1 million, respectively, under the term loan of the 2011 Credit Agreement. We paid lender fees of \$2.9 million in connection with amending and restating the Credit Agreement.

The interest expense and the commitment fees on the unused portion of our revolving credit facility are as follows (in thousands):

	December 31,						
	 2014				2012		
Interest expense	\$ 4,186	\$	8,156	\$	12,200		
Commitment fees	\$ 1,465	\$	887	\$	500		

At December 31, 2014 and December 31, 2013, the unamortized balance of deferred origination fees and debt issue costs were \$6.9 million and \$9.0 million, respectively. For the years ended December 31, 2014 and 2013, we amortized \$2.1 million and \$3.1 million, respectively, of interest expense related to our deferred origination fees and debt issue costs.

Although we expect that operating cash flows will continue to be a primary source of liquidity for our operating needs, we have the revolving credit facility, which may be used for general corporate purposes, including acquisitions, available for future cash flow needs, if necessary.

As part of our contractual agreement with a customer, we have an outstanding irrevocable letter of credit or Letter of Credit for \$4.6 million, which we established against our existing revolving credit facility.

9. Equity

(a) Treasury Stock

In October 2012, our Board of Directors authorized us to repurchase up to \$50 million of our common stock from time to time on the open market or in privately negotiated transactions, for a period of up to two years. During this two year period, we purchased a total of 1,101,458 shares at an average price of \$22.65 per share, which amounts to \$25.0 million of our common stock pursuant to this authorization.

The above repurchased shares will be available for use in connection with our stock plans and for other corporate purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Equity (Continued)

(b) Preferred Stock

Our certificate of incorporation, as amended, authorizes the issuance of up to 5,000,000 shares of "blank check" preferred stock with such designations, rights and preferences as may be determined by our Board of Directors. As of December 31, 2014, no preferred stock had been issued.

10. Employee Benefit Plan

We sponsor a benefit plan to provide retirement benefits for our employees, which is known as the HMS Holdings Corp. 401(k) Plan (the "401(k) Plan"). Eligible employees must complete 90 days of service in order to enroll in the 401(k) Plan. Participants may make voluntary contributions to the 401(k) Plan of up to 60% of their annual base pre-tax compensation not to exceed the federally determined maximum allowable contribution. In addition, the 401(k) Plan permits us to make discretionary contributions. We match 100% of the first 3% of pay contributed by each eligible employee and 50% on the next 2% of pay contributed. These matching contributions vest immediately and are not in the form of our common stock.

For the years ended December 31, 2014, 2013 and 2012, we contributed \$5.0 million, \$4.6 million and \$3.7 million, respectively, to the 401 (k) Plan in the form of matching contributions.

11. Stock-Based Compensation

We grant stock options to purchase our common stock, restricted stock awards and restricted stock units to our employees and directors under the Amended 2011 Stock Option and Stock Issuance Plan (the "HDI 2011 Stock Plan"), which we assumed in connection with our acquisition of HDI and the Fourth Amended and Restated 2006 Stock Plan (the "2006 Stock Plan"). The HDI 2011 Stock Plan superseded the HealthDataInsights Inc. Amended 2004 Stock Option/Stock Issuance Plan. The 2006 Stock Plan was adopted in June 2006 and superseded our 1999 Long-Term Incentive Stock Plan (the "1999 Plan"). We have previously granted stock options outside of our plans, and some of those stock options still remain outstanding.

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is generally the vesting period. Stock options granted under the HDI 2011 Stock Plan had vesting schedules ranging from one month to four years. Stock options granted under the 2006 Stock Plan generally vest over a one to four year period. All stock options granted under the 1999 Plan and outside our plans are fully vested. The restricted stock awards and restricted stock units granted under the 2006 Stock Plan vest over a one to five year period and the related stock-based compensation expense is ratably recognized over those same time periods.

Total stock-based compensation expense charged as a selling, general and administrative expense related to our stock compensation plans was \$13.4 million, \$12.0 million and \$9.1 million for the years ended December 31, 2014, 2013 and 2012, respectively. The excess tax benefit from the exercise of stock options for the years ended December 31, 2014, 2013 and 2012 was \$1.8 million, \$5.2 million and \$12.4 million, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Stock-Based Compensation (Continued)

(a) Amended 2011 Stock Option and Stock Issuance Plan

We assumed the HDI 2011 Stock Plan in connection with our acquisition of HDI. As of December 31, 2014, there were stock options to purchase 230,447 shares of common stock outstanding under the HDI 2011 Stock Plan.

The HDI 2011 Stock Plan is divided into two separate equity programs: a stock option grant program and a stock issuance program. The HDI 2011 Stock Plan permits the grant of incentive stock options, non-qualified stock options and share awards. A total of 836,122 shares have been authorized for issuance under the 2011 Stock Plan. The maximum number of shares available to be issued under the Plan is currently 251,214 shares, subject to adjustments for any stock splits, stock dividends or other specified adjustments which may take place in the future. Former HDI employees as well as new (i) employees, (ii) non-employee directors and (iii) consultants and other independent advisors are eligible to participate in the HDI 2011 Stock Plan. However, only employees are eligible to receive incentive stock options. The exercise price of stock options granted under the HDI 2011 Stock Plan may not be less than fair market value of a share of stock on the grant date, as measured by the closing price of our common stock on The NASDAQ Global Select Market and the term of a stock option may not exceed ten years.

(b) Fourth Amended and Restated 2006 Stock Plan

The 2006 Stock Plan permits the grant of incentive stock options, non-qualified stock options, stock appreciation rights ("SARs"), restricted stock awards and restricted stock units, performance shares and performance units and other share awards.

Our 2006 Stock Plan was approved by our stockholders in June 2006. The purpose of the 2006 Stock Plan is to furnish a material incentive to our employees and non-employee directors by making available to them the benefits of a larger common stock ownership through stock options and awards. We believe that these increased incentives stimulate the efforts of employees and non-employee directors towards our continued success, as well as assist in the recruitment of new employees and non-employee directors.

A total of 18,000,000 shares have been authorized for issuance under the 2006 Stock Plan. Any shares issued in connection with awards other than stock options and SARs are counted against the 18,000,000 share limit as one and eighty-five hundredths (1.85) of a share for every one share issued in connection with such award or by which the award is valued by reference.

All of our employees as well as our non-employee directors are eligible to participate in the 2006 Stock Plan. However, only our employees are eligible to receive incentive stock. The exercise price of stock options granted under the 2006 Stock Plan may not be less than fair market value of a share of stock on the grant date, as measured by the closing price of our common stock on The NASDAQ Global Select Market and the term of a stock option may not exceed seven years.

In November 2014, the Compensation Committee of the Board of Directors approved the grant of non-qualified stock options to purchase an aggregate of 565,823 shares of common stock to certain of our directors and employees, including our executive officers, under the 2006 Stock Plan at an exercise price of \$21.63 per share, the closing price of our common stock on the grant date. The Committee also approved the grant of 318,654 restricted stock units to directors and certain employees on the same date. The stock options and restricted stock units granted to our executive officers vest as follows: one half of the awards vest in equal installments on each of the first three anniversaries of the grant date, and provided the average closing price per share of our common stock is at least 25% higher than the exercise price for a

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Stock-Based Compensation (Continued)

period of 30 consecutive days, which we refer to as the performance condition, then the other half will vest in accordance with a pre-defined schedule depending upon when during the three year period following the grant date the performance condition is achieved. The stock options and restricted stock units granted to the other employees vest in equal installments on each of the first three anniversaries of the grant date. The stock options and restricted units granted to our directors in November 2014 vest quarterly over a one year period commencing on December 31, 2014.

During the year ended December 31, 2014, we granted stock options to purchase an aggregate of 761,918 shares of common stock and 582,936 restricted stock units under the 2006 Stock Plan.

As of December 31, 2014, there were 5,945,337 shares of common stock available for future grant under the 2006 Stock Plan. We had the following outstanding under the 2006 Stock Plan as of December 31, 2014: (i) stock options to purchase 3,615,810 shares of common stock and (ii) 909,535 restricted stock units. There are no restricted stock awards outstanding under the 2006 Stock Plan as of December 31, 2014.

(c) 1999 Long-Term Incentive Plan

The 1999 Plan was approved by our stockholders in March 1999 and was superseded by the 2006 Stock Plan in June 2006. Accordingly, no additional awards or options may be granted thereunder. As of December 31, 2014, there were 74,290 stock options outstanding under the 1999 Plan.

(d) Options Issued Outside the Plans

As of December 31, 2014, there were stock options to purchase an aggregate of 180,000 shares of our common stock outstanding that were not granted under the 2006 Stock Plan, the 1999 Plan or the HDI 2011 Stock Plan, of which 180,000 stock options were granted in July 2007 to Walter D. Hosp, our former Chief Financial Officer, under the terms of his employment agreement.

(e) Summary of Stock Options

Presented below is a summary of our stock option activity for the year ended December 31, 2014 (*shares and aggregate intrinsic value in thousands*):

ic
246
345
392
2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Stock-Based Compensation (Continued)

For awards subject to service-based vesting conditions, we recognize stock-based compensation expense, net of estimated forfeitures, equal to the grant date fair value of stock options on a straight-line basis over the requisite service period, which is generally the vesting term. For awards subject to both performance and service-based vesting conditions, we recognize stock-based compensation expense using the straight-line recognition method when it is probable that the performance condition will be achieved. Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The fair value of each option grant with service-based vesting conditions was estimated using the Black-Scholes pricing models. The performance share awards granted in 2014 and 2013 are market condition awards as attainment is based on the performance of our common stock for the relevant performance period. These awards were valued on the date of grant using a Monte Carlo simulation model.

Expected volatilities are calculated based on the historical volatility of our common stock. Management monitors stock option exercises and employee termination patterns to estimate forfeiture rates within the valuation model. Separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected holding period of options represents the period of time that options granted are expected to be outstanding. The expected terms of options granted are based on our historical experience for similar types of stock option awards. The risk-free interest rate is based on U.S. Treasury Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Stock-Based Compensation (Continued)

The weighted-average grant-date fair value per share of the stock options granted during the years ended December 31, 2014, 2013 and 2012 was \$7.59, \$7.07 and \$9.35, respectively. We estimated the fair value of each stock option grant on the date of grant using a Black-Scholes option pricing model and weighted-average assumptions set forth in the following table:

	Year	Year ended December 31,					
	2014	2013	2012				
Expected dividend yield	0%	0%	0%				
Risk-free interest rate	1.57%	1.21%	0.55%				
Expected volatility	38.18%	37.22%	40.13%				
Expected life	4.82 years	4.51 years	4.47 years				

During the years ended December 31, 2014, 2013 and 2012, we issued 516,552 shares, 1,300,000 shares and 1,700,000 shares, respectively, of our common stock upon the exercise of outstanding stock options and received proceeds of \$4.1 million, \$9.3 million and \$12.0 million, respectively. The total intrinsic value of options exercised during the years ended December 31, 2014, 2013 and 2012 was \$6.5 million, \$23.9 million and \$39.6 million, respectively.

For the years ended December 31, 2014, 2013 and 2012, approximately \$7.6 million, \$6.7 million and \$7.3 million, respectively, of stock-based compensation expense relating to stock options was charged against income.

As of December 31, 2014, there was approximately \$10.7 million of total unrecognized compensation cost, adjusted for estimated forfeitures, related to stock options outstanding, which is expected to be recognized over a weighted-average period of 1.5 years.

(f) Restricted Stock Units

In 2014, 2013 and 2012, certain employees received restricted stock units under the 2006 Stock Plan. The fair value of restricted stock units is estimated based on the closing sale price of our common stock on the NASDAQ Global Select Market on the date of issuance. The total number of restricted stock units expected to vest is adjusted by estimated forfeiture rates. As of December 31, 2014, 2013 and 2012, 813,346, 571,204 and 379,734 restricted stock units remain unvested and there was approximately \$13.8 million, \$11.6 million and \$4.1 million, respectively, of unamortized compensation cost related to restricted stock units which is expected to be recognized over the remaining weighted-average vesting period of 1.6 years.

For the years ended December 31, 2014, 2013 and 2012, stock-based compensation expense related to restricted stock units, was \$5.7 million, \$4.5 million and \$1.0 million, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Stock-Based Compensation (Continued)

A summary of the status of our restricted stock units and of changes in restricted stock units outstanding under the 2006 Stock Plan, as amended, as of December 31, 2014 is as follows (*in thousands, except for weighted average grant date fair value per unit*):

	Number of Units	Weighted Average Grant Date Fair Value per Share	Aggregate Intrinsic Value
Outstanding balance at December 31,			
2013	636	\$ 25.50	
Granted	583	21.00	
Vesting of restricted stock units, net of			
shares withheld for taxes	(110)	25.07	
Shares withheld for taxes	(50)	25.07	
Forfeitures	(149)	24.67	
Outstanding balance at December 31, 2014	910	\$ 22.84	\$ 19,246

(g) Restricted Stock Awards

Certain executive officers have received grants of restricted stock awards under the 2006 Stock Plan. The vesting of restricted stock awards is subject to the executive officers' continued employment with us. Recipients of restricted stock awards are not required to provide us with any consideration other than rendering service and in addition, restricted stock holders are permitted to vote and receive dividends.

The stock-based compensation expense for restricted stock awards is determined based on the closing market price of our common stock on the grant date of the awards applied to the total number of awards that are anticipated to fully vest. Shares withheld to pay taxes are retired upon the vesting of the restricted stock awards. We did not issue restricted stock awards during the year ended December 31, 2014. At December 31, 2014, there are no unvested shares underlying restricted stock awards and there is no unrecognized compensation cost related to restricted stock awards. For each of the years ended December 31, 2014, 2013 and 2012, stock-based compensation expense related to restricted stock awards was \$0.1 million, \$0.7 million, and \$0.8 million, respectively.

A summary of the status of our restricted stock awards as of December 31, 2014 and of changes in restricted stock awards outstanding under the 2006 Stock Plan for the year ended December 31, 2014 is as follows (*in thousands, except for weighted average grant date fair value*):

Shares	Weighted Average Grant Date Fair Value per Share	Aggregate Intrinsic Value
82	\$ 10.42	
(54)	10.42	
(28)	10.42	
	\$ —	\$ —
	82 (54)	Shares Grant Date Fair Value per Share 82 \$ 10.42 (54) 10.42

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2014, 2013 and 2012.

	Years Ended December 31					
Basic and diluted	2014	2013	2012			
	(in thousar	ids, except per s	hare data)			
Net income	\$ 13,947	\$ 39,997	\$ 50,516			
Net weighted average common shares outstanding—basic	87,673	87,598	86,204			
Plus: net effect of dilutive stock options and restricted common						
shares	491	746	2,161			
Weighted average common shares outstanding—diluted	88,164	88,344	88,365			
Net income per common share—basic	\$ 0.16	\$ 0.46	\$ 0.59			
Net income per common share—diluted	\$ 0.16	\$ 0.45	\$ 0.57			

For the years ended December 31, 2014, 2013 and 2012, 2,422,628, 1,111,795 and 566,876 stock options, respectively, were not included in the diluted earnings per share calculation because the effect would have been anti-dilutive. For the years ended December 31, 2014, 2013 and 2012, restricted stock units representing, 90,905, 88,327 and 50,300 shares of common stock, respectively, were not included in the diluted earnings per share calculation because the effect would have been anti-dilutive.

13. Transactions with Officers, Related Parties and Others

(a) Public Consulting Group, Inc.

Since our acquisition of Benefits Solutions Practice Area ("BSPA") from Public Consulting Group, Inc. ("PCG") in 2006, we have entered into subcontractor agreements with PCG, pursuant to which we provide cost containment services. In February 2013, we further amended and extended our Master Teaming and Non-Compete Agreements with PCG, first entered into in September 2006, and (ii) Supplementary Medicaid RAC Contract Teaming and Confidentiality with PCG, first entered into in July 2011. Both of these agreements expired on December 31, 2013.

For the years ended December 31, 2013 and 2012, amounts recognized as revenue under subcontractor agreements with PCG were \$0.4 million and \$0.6 million, respectively. No revenue was recognized during 2014. As of December 31, 2014 and 2013, no accounts receivable were outstanding related to these subcontract agreements with PCG.

In connection with the BSPA acquisition, we entered into an Intercompany Services Agreement ("ISA") with PCG to allow each party to perform services for the other, such as information technology support and contractual transition services. Services performed under the ISA were billed at pre-determined rates specified in the ISA. No significant services were rendered by PCG under the ISA during 2014. For the years ended December 31, 2013 and 2012 services rendered by PCG under the ISA were valued at approximately \$42,000 and \$58,000, respectively. For the years ended December 31, 2014, 2013 and 2012 our services rendered to PCG were valued at approximately \$21,000, \$70,000 and \$41,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Transactions with Officers, Related Parties and Others (Continued)

Since the BSPA acquisition, amounts collected by or paid on our behalf by PCG are reimbursed to PCG at cost. For the years ended December 31, 2014 and 2013, we did not owe any amount to PCG.

(b) Employment Agreements

Effective March 1, 2013, and as amended on April 30, 2013, we entered into an Executive Employment Agreement with William C. Lucia, our President and Chief Executive Officer, with a termination date of February 28, 2015. Mr. Lucia is eligible to receive bonus compensation from us in respect of each fiscal year (or portion thereof) during the term of his employment, in each case as may be determined by our Compensation Committee in its sole discretion on the basis of performance or such other criteria as may be established from time to time by the Compensation Committee in its sole discretion. Mr. Lucia's annualized base salary remains at \$650,000 and his target bonus remains at 100% of his base salary.

On January 20, 2015, the Executive Agreement with Mr. Lucia was further amended. See Note 16—"Subsequent Events" for terms of the amended agreement.

If we terminate Mr. Lucia's employment without Cause, in connection with a Change in Control (as defined in the agreement) or otherwise, or if his employment ceases because of his disability or if he terminates his employment with Good Reason (as defined in the agreement), then provided Mr. Lucia executes and does not revoke a separation agreement and release and complies with certain restrictive covenants, he will be entitled to receive cash severance in an amount equal to (i) 24 times his monthly base salary paid ratably in equal installments over a 24 month period, (ii) twice a bonus component that will vary depending upon whether the bonus for the year of termination is intended to be performance-based compensation and the performance is satisfied or whether the bonus is under a different program, in which case it will be his target bonus and will be paid on the same schedule as (i) above, and (iii) continued health coverage for 24 months or until he becomes eligible for health coverage from another employer, whichever is earlier.

In addition, under the terms of our employment agreements with our other executive officers, under certain circumstances, we could be required to provide severance in an amount equal to 12 times his/her monthly base salary plus a lump sum amount equal to 12 times the difference between the monthly COBRA coverage premium for the same type of medical and dental coverage the executive is receiving as of the date his/her employment ends and his/her then monthly employee contribution, which amount may be used for any purpose.

14. Commitments and Contingencies

(a) Lease commitments

We lease office space, data processing equipment and software licenses under operating leases that expire on various dates through 2024. The lease agreements provide for rent escalations. Lease expense, exclusive of sublease income, for the year ended December 31, 2014 was \$6.9 million, and \$7.6 million for each of the years ended December 31, 2013 and 2012. Lease and sublease income was \$42,000, \$0.3 million and \$0.6 million, for the years ended December 31, 2014, 2013 and 2012, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Commitments and Contingencies (Continued)

Minimum annual lease payments to be made both under capital leases and operating leases, and sublease payments to be received for each of the next five years ending December 31 and thereafter are as follows (*in thousands*):

]	Capital Lease yments		perating Lease ayments
2015	\$	1,160	\$	11,848
2016		50		5,698
2017		4		4,560
2018		_		4,144
2019		_		3,524
Thereafter		_		10,767
		1,214	\$	40,541
Less: Interest		(31)	-	
	\$	1,183		

(b) Litigation

From time to time, we may be subject to investigations, legal proceedings and other disputes arising in the ordinary course of our business, including but not limited to regulatory audits, billing and contractual disputes and employment-related matters. We record accruals for outstanding legal matters when we believe it is probable that a loss will be incurred and the amount can be reasonably estimated. We evaluate, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable, we do not establish an accrued liability. None of our accruals for outstanding legal matters are material in the aggregate to our financial position.

Our contractual relationships, including those with federal and state government entities, subject our operations, billing and business practices to scrutiny and audit, including by multiple agencies and levels of government, as well as to frequent transitions and changes in the personnel responsible for oversight of our contractual performance. From time to time, we may have contractual disputes with our customers arising from differing interpretations of contractual provisions that define our rights, obligations, scope of work or terms of payment, and with associated claims of liability for inaccurate or improper billing for reimbursement of contract fees, or for sanctions or damages for alleged performance deficiencies. Resolution of such disputes may involve litigation or may require that we accept some amount of loss or liability in order to avoid customer abrasion, negative marketplace perceptions and other disadvantageous results that could affect our business, financial condition, results of operations and cash flows.

Kern Health Systems: In August 2011, in the Superior Court of the State of California, County of Los Angeles, Kern Health Systems ("KHS" or "Plaintiff") sought to recover in excess of \$7.0 million exclusive of interest, attorney fees and costs, against Allied Management Group Special Investigation Unit, Inc. ("AMG"), Dennis Demetre, and Lori Lewis (collectively, "Defendants"), jointly and severally, on causes of action for breach of contract, professional negligence, intentional misrepresentation, negligent misrepresentation and unfair business practices under the California Business and Professions Code. On

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Commitments and Contingencies (Continued)

June 9, 2014, the jury issued its verdict in favor of all Defendants, and against KHS, on all causes of action except negligent misrepresentation. On that cause of action, the jury issued a verdict against all Defendants, jointly and severally, in the sum of \$1.38 million. The negligent misrepresentation verdict was based on representations to KHS allegedly made by AMG and former owner Dennis Demetre in the spring of 2008, prior to our acquisition of AMG. We believe that the jury erroneously awarded damages based on an error inasmuch as the jury unanimously found that Defendants (through Demetre) made the negligent misrepresentation to KHS while having reasonable grounds for believing the representation to be true. Based on the jury's verdict, we believe we are properly characterized as the prevailing party on the breach of contract claim. AMG has filed an appeal of the verdict and is seeking to recover its attorney fees and costs in the sum of approximately \$2.3 million. We have not recorded an obligation on this matter at this time, as we have appealed this decision and believe it is probable that we will prevail on the appeal of this matter, although there are risks and uncertainties related to any litigation, including appeals, and neither we nor our counsel can assure litigation results. Pending the appeal process, we were required to obtain a surety bond in the amount of 150% of the final judgment amount, or approximately \$2.2 million, which was collateralized by a cash deposit and is reflected in Other current assets on our audited Consolidated Balance Sheet at December 31, 2014.

Dennis Demetre and Lori Lewis: In July 2012, two of AMG's former owners, Dennis Demetre and Lori Lewis filed an action in the Supreme Court of the State of New York, claiming an undetermined amount of damages alleging that various actions unlawfully deprived Demetre and Lewis of the acquisition earn-out portion of the purchase price of AMG under the applicable Stock Purchase Agreement (the "SPA") and that we had breached certain contractual provisions under the SPA. Demetre and Lewis filed a second amended complaint with two causes of action for breach of contract. We filed a counter claim for breach of contract arising out of Demetre's and Lewis's failure to indemnify us for costs, including attorney fees arising out of our defense of the KHS action described above and for fraud arising out of Demetre's and Lewis's misrepresentations concerning capabilities of their software platform. We believe we have a meritorious defense and will continue to defend this matter vigorously, although there are risks and uncertainties related to any litigation.

Restrictive Covenants and Trade Secret Actions in Texas and New York: We are the plaintiff in lawsuits filed in August 2014, entitled HMS Holdings Corp., et al. v. Public Consulting Group, Inc., James Gambino, and Jason Ramos, in the District Court of Dallas County, Texas, Cause No. DC-14-09047 (the "Texas Action"), and HMS Holdings Corp., et al. v. Matthew Arendt, Sean Curtin, and Danielle Lange, in New York State Supreme Court, Albany County, Index No. A00754/2014 (the "New York Action"). These suits allege that, in violation of their respective contractual, statutory and common law obligations to us, defendant Public Consulting Group, Inc. and defendant former HMS employees Gambino, Ramos, Arendt, Curtin, and Lange, unlawfully misappropriated our confidential, proprietary and trade secret information, as well as our employee and customer relationships. The lawsuits seek damages and injunctive relief and assert causes of action including breach of contract, breach of fiduciary duty and misappropriation of trade secrets. At the Texas Court's direction, an agreed temporary restraining order was entered, under which, inter alia, the defendants are prohibited from using our confidential information, and must return any of our information. Both the Texas and New York matters are currently in the discovery phase.

As of December 31, 2014, we accrued \$0.9 million for litigation or other legal proceedings asserted or pending against us that could have, in the aggregate, a material adverse effect on our financial condition,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Commitments and Contingencies (Continued)

results of operations or cash flows, and believe that adequate provision for any probable and estimable losses has been made in our consolidated financial statements. However, the ultimate result of any current or future litigation or other legal proceedings, audits or disputes is inherently unpredictable and could result in liabilities that are higher than currently predicted.

15. Customer Concentration

(a) Geographic Information

We operate within the United States.

(b) Major Customers

Our largest customer in 2014 accounted for 9.5%, 5.6% and 6.4% of our total revenue for the years ended December 31, 2014, 2013 and 2012, respectively. We provide services to this customer pursuant to a contract that was originally awarded in January 2008 and extends through April 2015. The contract was also expanded in 2011 to designate us as the Medicaid RAC.

Our second largest customer in 2014 accounted for 5.3%, 4.6% and 5.2% of our total revenue for the years ended December 31, 2014, 2013 and 2012, respectively. We provide services to this customer pursuant to a contract that expires in January 2016.

Our third largest customer in 2014 accounted for 5.0%, 22.3% and 18.2% of our total revenue for the years ended December 31, 2014, 2013 and 2012, respectively. Our largest contract with this customer is through our wholly owned subsidiary HDI, under which contract HDI has served as the Medicare RAC for Region D since October 2008 and which, after multiple contract modifications, now expires in December 2015.

(c) Concentration of Revenue

The list of our ten largest customers changes periodically. For the years ended December 31, 2014, 2013 and 2012, our ten largest customers represented 40.1%, 47.2% and 46.9% of our total revenue, respectively. Our three largest customers accounted for 19.8%, 32.5% and 29.8% of our total revenue for each of the years ended December 31, 2014, 2013 and 2012, respectively. Our agreements with our ten current largest customers expire between 2015 and 2018. In many instances, we provide our services pursuant to agreements that may be renewed subject to a competitive reprocurement process. Several of our contracts, including those with some of our largest customers, may be terminated for convenience.

16. Subsequent Events

(a) Employment Agreements

On January 20, 2015 (effective as of March 1, 2013), Mr. Lucia's Executive Employment Agreement (the "Agreement") was amended and will terminate on February 28, 2018.

If Mr. Lucia's employment is terminated by us without Cause or Mr. Lucia resigns for Good Reason (as defined in the Agreement), Mr. Lucia will be treated as continuing in service for the purposes of the vesting of any equity award until the earliest of: (i) the end of the Noncompetition Period (as defined in Mr. Lucia's Noncompetition, Nonsolicitation, Proprietary and Confidential Information and Developments Agreement with us (the "Restrictive Covenants Agreement")), (ii) the last of the applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Subsequent Events (Continued)

vesting dates under such awards, or (iii) the termination or violation of the Restrictive Covenants Agreement.

If Mr. Lucia's employment is terminated by us without Cause or Mr. Lucia resigns for Good Reason and a Change in Control (as defined in the Agreement) occurs within six months following such termination, then with respect to any equity awards outstanding or deemed to be outstanding, or canceled or forfeited as a result of Mr. Lucia's termination or such Change in Control, Mr. Lucia will receive a cash payment equal to the excess of the amount he would have received for such equity awards if he were continuing in service as of the date of the Change in Control and terminated immediately thereafter over the amount actually received, paid in a single lump sum payment at the time provided in the Agreement. To the extent that the payments and benefits provided under the Agreement and benefits provided to Mr. Lucia, or for Mr. Lucia's benefit, under any other of our company's plans or agreements would be subject to the excise tax imposed under Section 4999 of the Code, such benefits shall be reduced (but not below zero) if and to the extent that a reduction in such benefits would result in Mr. Lucia retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and such excise tax), than if Mr. Lucia received all of such benefits pursuant to the provisions set forth in the Agreement.

Except as described above, all other provisions of the Agreement will remain in full force and effect.

(b) Stock-Based Compensation

On February 20, 2015, the Compensation Committee of the Board of Directors approved March 4, 2015 grants of stock option awards and restricted stock units to employees. The stock options and restricted stock units vest over 3 years. We estimate the fair value of these grants to be \$16.4 million, utilizing the method and assumptions set forth in Note 11—"Stock-Based Compensation."

In connection with the preparation of these audited consolidated financial statements, an evaluation of subsequent events was performed through the date these audited consolidated financial statements were issued and there are no other events that have occurred that would require adjustments or disclosure to our audited consolidated financial statements.

17. Quarterly Financial Data (unaudited)

The table below summarizes our unaudited quarterly operating results for the last two fiscal years (in thousands, except per share amounts).

Year ended December 31, 2014 ⁽¹⁾	First Quarter		Second r Quarter		Third Quarter		 Fourth Quarter
Revenue	\$	104,707	\$	112,561	\$	113,796	\$ 112,161
Operating income (loss)	\$	7,797	\$	12,558	\$	13,940	\$ (91)
Net income (loss) and comprehensive income							
(loss)	\$	3,353	\$	6,038	\$	6,950	\$ (2,394)
Net income (loss) per common share—basic	\$	0.04	\$	0.07	\$	0.08	\$ (0.03)
Net income (loss) per common share—diluted	\$	0.04	\$	0.07	\$	0.08	\$ (0.03)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Quarterly Financial Data (unaudited) (Continued)

Year ended December 31, 2013 $^{(1)}$

- <u></u> -				
Revenue	\$ 116,607	\$ 125,809	\$ 127,754	\$ 121,592
Operating income	\$ 15,268	\$ 20,366	\$ 21,283	\$ 20,261
Net income and comprehensive income	\$ 6,976	\$ 10,420	\$ 11,508	\$ 11,093
Net income per common share—basic	\$ 0.08	\$ 0.12	\$ 0.13	\$ 0.13
Net income per common share—diluted	\$ 0.08	\$ 0.12	\$ 0.13	\$ 0.13

⁽¹⁾ The summation of the above quarterly results may not agree to the full year 2014 reported results as amounts have been rounded for presentation purposes.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 2014 and 2013

Allowance for doubtful accounts and estimated liability for appeals as of December 31, 2014 and 2013 are as follows:

Allowance for doubtful accounts (in thousands):

Balance, December 31, 2012	\$ 830
Provision	718
Recoveries	(42)
Charge-offs	 (590)
Balance, December 31, 2013	\$ 916
Provision	6,085
Recoveries	(17)
Charge-offs	 (5,086)
Balance, December 31, 2014	\$ 1,898

Estimated liability for appeals and estimated allowance for appeals (in thousands):

Balance, December 31, 2012	\$ 34,426
Provision	41,076
Appeals found in providers favor	(19,711)
Balance, December 31, 2013	\$ 55,791*
Provision	16,822
Appeals found in providers favor	(30,990)
Balance, December 31, 2014	\$ 41,623*

^{*} Includes \$4,824 and \$13,939 related to estimated allowance for appeals that apply to uncollected accounts receivable as of December 31, 2014 and December 31, 2013, respectively.

HMS Holdings Corp. and Subsidiaries Exhibit Index

Where an exhibit is filed by incorporation by reference to a previously filed registration statement or report, such registration statement or report is identified after the description of the exhibit.

Exhibit Number	Description					
2.1	Agreement and Plan of Merger, dated as of December 16, 2002, among Health Management Systems, Inc., HMS Holdings Corp. and HMS Acquisition Corp. Incorporated by reference to Exhibit A to HMS Holdings Corp.'s Prospectus and Proxy Statement, filed with the SEC on January 24, 2003.					
2.2	Agreement and Plan of Merger dated as of November 7, 2011 by and among HMS Holdings Corp., HDI Holdings, Inc., Montmartre Merger Sub, Inc., and with respect to Articles II, VIII, IX and X only, Fortis Advisors LLC, as Securityholders' Representative Incorporated by reference to Exhibit 2.1 to HMS Holdings Corp.'s Current Report on Form 8-K, File No. 000-50194, filed with the SEC on December 19, 2011.					
2.3	Agreement and Plan of Merger, dated as of July 17, 2013, between the HMS Holdings Corp., a Delaware corporation and HMS Holdings Corp., a New York corporation. Incorporated by reference to Exhibit 2.1 to HMS Holding Corp.'s Current Report on Form 8-K12G, File No. 000-50194, filed with the SEC on July 23, 2013.					
3.1	Amended and Restated Certificate of Incorporation of HMS Holdings Corp. Incorporated by reference to Exhibit 3.1 to HMS Holding Corp.'s Current Report on Form 8-K12G, File No. 000-50194, filed with the SEC on July 23, 2013.					
3.2	By-laws of HMS Holdings Corp. Incorporated by reference to Exhibit 3.2 to HMS Holding Corp.'s Current Report on Form 8-K12G, File No. 000-50194, filed with the SEC on July 23, 2013.					
4.1	Specimen Common Stock Certificate. Incorporated by reference to Exhibit 4.1 to HMS Holding Corp.'s Current Report on Form 8-K12G, File No. 000-50194, filed with the SEC on July 23, 2013.					
4.2	See Exhibits 3.1 and 3.2 for provisions defining the rights of holders of common stock of HMS Holdings Corp.					
10.1†	HMS Holdings Corp. 1999 Long-Term Incentive Stock Plan, as amended. Incorporated by reference to Exhibit 4 to HMS Holdings Corp.'s Registration Statement on Form S-8, File No. 333-108436, filed with the SEC on September 2, 2003.					
10.2†	Form of Incentive Stock Option Agreement under the 1999 Long-Term Incentive Stock Plan. Incorporated by reference to Exhibit 10.1 to HMS Holdings Corp.'s Current Report on Form 8-K, File No. 000-50194, filed with the SEC on December 14, 2004.					
10.3†	Form of Employee Non-Qualified Stock Option Agreement under the 1999 Long Term Incentive Stock Plan. Incorporated by reference to Exhibit 10.2 to HMS Holdings Corp.'s Current Report on Form 8-K, File No. 000-50194, filed with the SEC on December 14, 2004.					

Incentive Stock Plan. Incorporated by reference to Exhibit 10.3 to HMS Holdings Corp.'s Current Report on Form 8-K, File No. 000-50194, filed with the SEC on December 14,

10.4† Form of Director Non-Qualified Stock Option Agreement under the 1999 Long Term

2004.

Exhibit Number	Description				
10.5†	HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan (the "2006 Stock Plan"). Incorporated by reference to Exhibit 3.1 to HMS Holdings Corp.'s Current Report on Form 8-K, File No. 000-50194, filed with the SEC on July 12, 2011.				
10.6†	Amendment No. 1 to the 2006 Stock Plan. Incorporated by reference to Exhibit 10.6 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on February 29, 2012.				
10.7†	Form of Non-Qualified Stock Option Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 4.6(ii) to HMS Holdings Corp.'s Registration Statement on Form S-8, File No. 333-139025, filed with the SEC on November 30, 2006.				
10.8†	Form of 2009 Non-Qualified Stock Option Agreement under the 2006 Stock Plan. Incorporated by reference Exhibit 10.1 to HMS Holding Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 000-50194, filed with the SEC on November 6, 2009.				
10.9†	Form of 2010 Director Non-Qualified Stock Option Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.2 to HMS Holdings Corp.'s Quarterly Report on Form 10-Q, File No. 000-50194, filed with the SEC on November 8, 2010.				
10.10†	Form of 2010 Director Restricted Stock Unit Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.3 to HMS Holdings Corp.'s Quarterly Report on Form 10-Q, File No. 000-50194, filed with the SEC on November 8, 2010.				
10.11†	Form 2010 Employee Non-Qualified Stock Option Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.4 to HMS Holdings Corp.'s Quarterly Report on Form 10-Q, File No. 000-50194, filed with the SEC on November 8, 2010.				
10.12†	Form of 2011 Director Non-Qualified Stock Option Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.16 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on February 29, 2012.				
10.13†	Form of 2011 Director Restricted Stock Unit Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.17 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on February 29, 2012.				
10.14†	Form of 2011 Employee Non-Qualified Stock Option Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.18 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on February 29, 2012.				
10.15†	Form of 2011 Employee Restricted Stock Unit Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.19 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on February 29, 2012.				
10.16†	Form of 2012 Director Non-Qualified Stock Option Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.20 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on March 1, 2013.				
10.17†	Form of 2012 Director Restricted Stock Unit Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.21 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on March 1, 2013.				
10.18†	Form of 2012 Executive Non-Qualified Stock Option Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.22 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on March 1, 2013.				

Exhibit Number	Description					
10.19†	Form of 2012 Executive Restricted Stock Unit Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.23 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on March 1, 2013.					
10.20†	Form of 2013 Executive Restricted Stock Unit Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.24 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on March 1, 2013.					
10.21†	Form of 2013 Director Non-Qualified Stock Option Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.1 to HMS Holding Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, File No. 000-50194, filed with the SEC on May 12, 2014.					
10.22†	Form of 2013 Director Restricted Stock Unit Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.2 to HMS Holding Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, File No. 000-50194, filed with the SEC on May 12, 2014.					
10.23†	Form of 2013 Executive Non-Qualified Stock Option Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.3 to HMS Holding Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, File No. 000-50194, filed with the SEC on May 12, 2014.					
10.24†	Form of March 2014 Executive Restricted Stock Unit Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.4 to HMS Holding Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, File No. 000-50194, filed with the SEC on May 12, 2014.					
10.25†	Form of November 2014 Executive Restricted Stock Unit Agreement under the 2006 Stock Plan. Incorporated by reference to Exhibit 10.1 to HMS Holding Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 000-50194, filed with the SEC on November 10, 2014.					
10.26†*	Form of 2014 Director Non-Qualified Stock Option Agreement under the 2006 Stock Plan.					
10.27†*	Form of 2014 Director Restricted Stock Unit Agreement under the 2006 Stock Plan.					
10.28†*	Form of 2014 Executive Non-Qualified Stock Option Agreement under the 2006 Stock Plan.					
10.29†*	Form of 2014 Senior Vice President Restricted Stock Unit Agreement under the 2006 Stock Plan.					
10.30†*	Form of 2014 Senior Vice President Non-Qualified Stock Option Agreement under the 2006 Stock Plan.					
10.31†	HealthDataInsights, Inc. Amended 2004 Stock Option/Stock Issuance Plan. Incorporated by reference to Exhibit 10.20 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on February 29, 2012.					
10.32†	HDI Holdings, Inc. Amended 2011 Stock Option and Stock Issuance Plan (the "HDI 2011 Stock Plan"). Incorporated by reference to Exhibit 10.21 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on February 29, 2012.					

Exhibit Number	Description					
10.33†	•					
10.34†	Executive Employment Agreement between William C. Lucia and HMS Holdings Corp. dated March 1, 2013. Incorporated by reference to Exhibit 10.20 to HMS Holdings Corp.'s Annual Report on Form 10-K, File No. 000-50194, filed with the SEC on March 1, 2013.					
10. 35†	Letter of Amendment to Executive Employment Agreement between William C. Lucia and HMS Holdings Corp. dated April 30, 2013. Incorporated by reference to Exhibit 10.3 to HMS Holdings Corp.'s Annual Report on Form 10-K/A, File No. 000-50194, filed with the SEC on April 30, 2013.					
10.36†	Second Amendment to Executive Employment Agreement between HMS Holdings Corp. and William C. Lucia dated January 20, 2015. Incorporated by reference to Exhibit 10.1 to HMS Holding Corp.'s Current Report on Form 8-K, Filed No. 000-50194, filed with the SEC on January 23, 2015.					
10.37†	Letter Agreement between Walter Hosp and HMS Holdings Corp. dated March 6, 2014. Incorporated by reference to Exhibit 10.1 to HMS Holding Corp.'s Current Report on Form 8-K, File No.000-50194, filed with the SEC on March 12, 2014.					
10 38†	Employment Agreement between Jeffrey S. Sherman and HMS Holdings Corp. dated July 28, 2014. Incorporated by reference to Exhibit 10.1 to HMS Holdings Corp.'s Current Report on Form 8-K, File No. 000-50194, filed with the SEC on September 8, 2014.					
10.39†	Employment Agreement between Andrea Benko and HMS Holdings Corp. dated December 20, 2011. Incorporated by reference to Exhibit 99.1 to HMS Holding Corp.'s Annual Report on Form 10-K for the year ended December 31, 2013, File No. 000-50194, filed with the SEC on March 3, 2014.					
10.40†	Separation Agreement and General Release of Claims among Andrea Benko, HMS Holdings Corp. and HealthDataInsights, Inc. dated November 17, 2014. Incorporated by reference to Exhibit 10.1 to HMS Holdings Corp.'s Current Report on Form 8-K, File No. 000-50194, filed with the SEC on November 20, 2014.					
10.41†	Employment Agreement between Semone Wagner and HMS Holdings Corp. dated January 16, 2013. Incorporated by reference to Exhibit 99.2 to HMS Holding Corp.'s Annual Report on Form 10-K for the year ended December 31, 2013, File No. 000-50194, filed with the SEC on March 3, 2014.					
10. 42†	Form of Indemnification Agreement. Incorporated by reference to Exhibit 10.1 to HMS Holdings Corp.'s Current Report on Form 8-K, File No. 000-50194, filed with the SEC on August 6, 2014.					
10.43†	HMS Holdings Corp. Director Deferred Compensation Plan. Incorporated by reference to Exhibit 10.62 to HMS Holdings Corp.'s Annual Report on Form 10-K for the year ended December 31, 2010, File No. 000-50194, filed with the SEC on March 1, 2011.					
10.44†	HMS Holdings Corp. Annual Incentive Plan. Incorporated by reference to Exhibit 99.1 to HMS Holdings Corp.'s Current Report on Form 8-K, File No. 000-50194, filed with the SEC on July 12, 2011.					

Exhibit Number	Description					
10.45	Credit Agreement dated May 3, 2013 among HMS Holdings Corp., the Guarantors Party thereto, the Lenders party thereto and Citibank, N.A. as Administrative Agent. Incorporated by reference to Exhibit 10.1 to HMS Holdings Corp.'s Current Report on Form 8-K, File No. 000-50194, filed with the SEC on May 6, 2013.					
10.46	HealthDataSights, Inc. Lease between New Russell One LLC and HMS Business Services, Inc. dated February 27, 2014. Incorporated by reference to Exhibit 10.5 to HMS Holdings Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, File No. 000-50194, filed with the SEC on May 12, 2014.					
14.1*	HMS Holdings Corp. Amended Code of Conduct.					
21.1*	HMS Holdings Corp. List of Subsidiaries					
23.1*	Consent of Independent Registered Public Accounting Firm					
31.1*	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer of HMS Holdings Corp., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					
31.2*	Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer of HMS Holdings Corp., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					
31.3*	Rule 13a-14(a)/15d-14(a) Certification of the Principal Accounting Officer of HMS Holdings Corp., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					
32.1‡	Section 1350 Certification of the Principal Executive Officer of HMS Holdings Corp., as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					
32.2‡	Section 1350 Certification of the Principal Financial Officer of HMS Holdings Corp., as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					
32.3‡	Section 1350 Certification of the Principal Accounting Officer of HMS Holdings Corp., as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					
101.INS*	XBRL Instance Document					
101.SCH*	XBRL Taxonomy Extension Schema Document					
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document					
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document					

[†] Indicates a management contract or compensatory plan, contract or arrangement

^{*} Filed herewith

[‡] Furnished herewith

2014 BOARD OF DIRECTOR NOSO AGREEMENT

Congratulations, you have been awarded a stock option grant in recognition of your contributions to the success of HMS Holdings Corp. (the " *Company*") and its Affiliates. A stock option grant gives you the right to purchase a specific number of shares of the Company's common stock at a fixed price, assuming that you satisfy conditions of the Company's Fourth Amended and Restated 2006 Stock Plan (the "*Plan*") and the implementing agreement. We would like you to have an opportunity to share in the continued success of the Company through this stock option grant under the Plan. The following represents a brief description of your grant. Additional details regarding your award are provided in the attached Nonqualified Stock Option Agreement (the "*Grant Agreement*") and in the Plan.

Stock Option Grant Summary:

Date of Grant November 12, 2014

Option Shares Exercise Price per Share

Exercisability One-quarter of the Option Shares on December 31 of the year in which the Grant is made and an additional one-quarter on the last day of each of the

first three quarters of the following calendar year. Each of those dates is an

"Exercisability Date ."
Term Expiration Date

Term Expiration Date

You have been granted a nonqualified stock option to purchase Shares of the Company's common stock. The total number of Shares under your grant is in the chart above under "Option Shares" and the price per share is under "Exercise Price per Share."

The potential value of your stock option grant increases if the price of the Company's stock increases, but you also have to continue to provide services to the Company (except as the Grant Agreement provides) to actually receive such value. Of course, the value of the stock may go up and down over time.

You can't exercise the stock option (actually purchase the shares) until it becomes exercisable. Your stock option becomes exercisable as provided in the chart above under Exercisability, assuming you remain an employee of or member of the Board of Directors of the Company and subject to the terms in the Grant Agreement.

Whether or not you decide to exercise your stock option and purchase the stock is your decision, and, you have until the stock option expires (which will be no later than the *seventh* anniversary of the Date of Grant, but can end earlier in various situations) to make that decision.

Once you have purchased the Shares, you will own them and may decide whether to hold the stock, sell the stock or give the stock to someone as a gift.

You can access the Merrill Lynch portal updates and information: https://www.benefits.ml.com. Please email IR@hms.com with any questions.

HMS HOLDINGS CORP. NONOUALIFIED STOCK OPTION GRANT AGREEMENT FOR BOARD OF DIRECTORS

HMS Holdings Corp. (the "Company") has granted you an option (the "Option") under the HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan (as it may be amended from time to time) (the "Plan"). The Option lets you purchase a specified number (the "Option Shares") of Shares of the Company's common stock, at a specified price per Share (the "Exercise Price").

The individualized communication you received (the "*Cover Letter*") provides the details for your Option. It specifies the number of Option Shares, the Exercise Price, the Date of Grant, the schedule for exercisability, and the latest date the Option will expire (the "*Term Expiration Date*").

The Option is subject in all respects to the applicable provisions of the Plan. This Grant Agreement does not cover all of the rules that apply to the Option under the Plan; please refer to the Plan document. Capitalized terms are defined either further below in this grant agreement (the "*Grant Agreement*") or in the Plan.

The Plan document is available on the Merrill Lynch website. The Prospectus for the Plan, the Company's S-8, Annual Report on Form 10-K, and other filings the Company makes with the Securities and Exchange Commission are available for your review under the Investor Relations tab on the Company's web site. You may also obtain paper copies of these documents upon request to the Company's Investor Relations department (IR@HMS.com).

Neither the Company nor anyone else is making any representations or promises regarding the duration of your service, exercisability of the Option, the value of the Company's stock or of this Option, or the Company's prospects. The Company is not providing any advice regarding tax consequences to you or regarding your decisions regarding the Option; you agree to rely only upon your own personal advisors.

NO ONE MAY SELL, TRANSFER, OR DISTRIBUTE THE OPTION OR THE SECURITIES THAT MAY BE PURCHASED UPON EXERCISING THE OPTION WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATING THERETO OR AN OPINION OF COUNSEL SATISFACTORY TO HMS HOLDINGS CORP. OR OTHER INFORMATION AND REPRESENTATIONS SATISFACTORY TO IT THAT SUCH REGISTRATION IS NOT REQUIRED.

In addition to the Plan's terms and restrictions, the following terms and restrictions apply:

Option Exercisability

While your Option remains in effect under the **Option Expiration** section, you may exercise any exercisable portions of the Option (and buy the Option Shares) under the timing rules of this section, provided that you may not exercise the Option for fewer than 100 full shares at any particular time unless fewer than 100 remain unexercised.

The Option will become exercisable on the schedule provided in the Cover Letter to this Grant Agreement assuming that through each Exercisability Date, (i) if you received the Option in your capacity as an employee of the Company, you remain an employee or (ii) if you received the Option in your capacity as a member of the Company's Board, you remain a member of the Company's Board. Any fractional shares will be carried forward to the following Exercisability Date, unless the Committee selects a different treatment. For purposes of this Grant Agreement, employment with the Company will include employment with any Affiliate whose employees are then eligible to receive Awards under the Plan. Unless the Committee determines otherwise, if an entity employing you ceases to be an Affiliate, your employment with the Company will be treated as ended even though you continue to be employed by that entity.

Exercisability will accelerate fully on your disability or death. For this purpose, "disability" means permanent and total disability as defined by Section 22(e)(3) of the Code. Exercisability will continue and increase (until fully exercisable) over the two years following your date of Retirement. "Retirement" for this purpose means cessation of service on or after attaining age 60 and completing five years of service with the Company.

Change in Control

If a Change in Control occurs, your Option will be treated as provided in Section 11 of the Plan if, within 24 months following the Change in Control, your employment or service ends on a termination without cause (as determined by the Committee or the Board), provided also that the Option will remain outstanding for 12 months following such termination but not beyond the Term Expiration Date.

Option Expiration

The Option will expire no later than the close of business on the Term Expiration Date. Unexercisable portions of the Option expire immediately when you cease to be employed (unless you are concurrently remaining or becoming a member of the Board, or, for a Board member, concurrently remaining or becoming an employee of the Company). If the Company terminates your employment or service for cause or if you violate any then applicable restrictive covenant agreement (such as agreements pertaining to confidentiality, intellectual property, nonsolicitation, and/or noncompetition), the Option will immediately expire without regard to whether it is then exercisable.

Exercisable portions of the Option remain exercisable until the first to occur of the following (the "Final Exercise Date"), each as defined further in the Plan or the Grant Agreement:

• Three months (measured to the corresponding date in the month) after your employment (or directorship) ends if you resign or if the Company terminates your employment or service without cause (as determined under the Plan), except as provided above under **Change in Control**

- For death or Disability, the first anniversary of the date employment or service ends
- For Retirement, the end of the second year following your date of Retirement
- The Term Expiration Date

The Committee can override the expiration provisions of this Grant Agreement.

Method of Exercise and Payment for Shares Subject to this Grant Agreement and the Plan, you may exercise the Option only by providing a written notice (or notice through another previously approved method, which could include a web-based or voice- or e-mail system) to the Secretary of the Company or to whomever the Committee designates, received on or before the date the Option expires. Each such notice must satisfy whatever then-current procedures apply to that Option and must contain such representations (statements from you about your situation) as the Company requires. You must, at the same time, pay the Exercise Price using one or more of the following methods:

Cash/Check

cash or check in the amount of the Exercise Price payable to the order of the Company;

Cashless Exercise

an approved cashless exercise method, including directing the Company to send the stock certificates (or other acceptable evidence of ownership) to be issued under the Option to a licensed broker acceptable to the Company as your agent in exchange for the broker's tendering to the Company cash (or acceptable cash equivalents) equal to the Exercise Price and, if you so elect, any required tax withholdings;

Net Exercise

by delivery of a notice of "net exercise" to or as directed by the Company, as a result of which you will receive (i) the number of shares underlying the portion of the Option being exercised less (ii) such number of shares as is equal to (A) the aggregate Exercise Price for the portion of the Option being exercised divided by (B) the Fair Market Value on the date of exercise;

Stock

if permitted by the Committee, by delivery of Shares owned by you, valued at their Fair Market Value, provided (i) applicable law then permits such method of payment, (ii) you owned such Shares, if acquired directly from the Company, for such minimum period of time, if any, as the Committee may establish in its discretion, and (iii) the Shares are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar restrictions; or

any combination of the above permitted forms for payment.

Withholding

Issuing the Option Shares is contingent on satisfaction of all obligations with respect to required tax or other required withholdings (for example, in the U.S., Federal, state, and local taxes). The Company may take any action permitted under Section 14(c) of the Plan to satisfy such obligation, including satisfying the tax obligations by (i) reducing the number of Option Shares to be issued to you in connection with any exercise of the Option by that number of Option Shares (valued at their Fair Market Value on the date of exercise) that would equal all taxes required to be withheld (at their minimum withholding levels), (ii) accepting payment of the withholdings from a broker in connection with a Cashless

Exercise of the Option or directly from you, or (iii) taking any other action under Section 14(c) of the Plan. If a fractional share remains after deduction for required withholding, the Company will pay you the value of the fraction in cash.

Compliance with Law

You may not exercise the Option if the Company's issuing stock upon such exercise would violate any applicable Federal or state securities laws or other laws or regulations. You may not sell or otherwise dispose of the Option Shares in violation of applicable law. As part of this prohibition, you may not use the Cashless Exercise methods if the Company's insider trading policy then prohibits you from selling to the market.

Additional Conditions to Exercise

The Company may postpone issuing and delivering any Option Shares for so long as the Company determines to be advisable to satisfy the following:

its completing or amending any securities registration or qualification of the Option Shares *or* its or your satisfying any exemption from registration under any Federal or state law, rule, or regulation;

its receiving proof it considers satisfactory that a person seeking to exercise the Option after your death is entitled to do so;

your complying with any requests for representations under the Plan; and

your complying with any Federal, state, or local tax withholding obligations.

Additional Representations from You

If you exercise the Option at a time when the Company does not have a current registration statement (generally on Form S-8) under the Securities Act of 1933 (the "*Act*") that covers issuances of shares to you, you must comply with the following before the Company will issue the Option Shares to you. You must —

represent to the Company, in a manner satisfactory to the Company's counsel, that you are acquiring the Option Shares for your own account and not with a view to reselling or distributing the Option Shares; and

agree that you will not sell, transfer, or otherwise dispose of the Option Shares unless:

a registration statement under the Act is effective at the time of disposition with respect to the Option Shares you propose to sell, transfer, or otherwise dispose of; or

the Company has received an opinion of counsel or other information and representations it considers satisfactory to the effect that, because of Rule 144 under the Act or otherwise, no registration under the Act is required.

No Effect on Employment or Other Relationship Nothing in this Grant Agreement restricts the Company's rights or those of any of its Affiliates to terminate your employment or other relationship at any time and for any or no reason. The termination of employment or other relationship, whether by the Company or any of its Affiliates or otherwise, and regardless of the reason for such termination, has the consequences provided for under the Plan and any applicable employment or severance agreement or plan.

Not a Shareholder

You understand and agree that the Company will not consider you a shareholder for any purpose with respect to any of the Option Shares until you have exercised the Option, paid for the shares, and received evidence of ownership.

No Effect on Running Business You understand and agree that the existence of the Option will not affect in any way the right or power of the Company or its shareholders to make or authorize any adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or other stock, with preference ahead of or convertible into, or otherwise affecting the Company's common stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether or not of a similar character to those described above.

Governing Law

The laws of the State of New York will govern all matters relating to the Option, without regard to the principles of conflict of laws.

Notices

Any notice you give to the Company must follow the procedures then in effect. If no other procedures apply, you must send your notice in writing by hand or by mail to the office of the Company's Secretary (or to the Chair of the Committee if you are then serving as the sole Secretary). If mailed, you should address it to the Company's Secretary (or the Chair of the Committee) at the Company's then corporate headquarters, unless the Company directs optionees to send notices to another corporate department or to a third party administrator or specifies another method of transmitting notice. The Company and the Committee will address any notices to you using its standard electronic communications methods or at your office or home address as reflected on the Company's personnel or other business records. You and the Company may change the address for notice by like notice to the other, and the Company can also change the address for notice by general announcements to optionees.

Amendment

Subject to any required action by the Committee or the shareholders of the Company, the Company may cancel the Option and provide a new Award in its place, provided that the Award so replaced will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect the Option to the extent then exercisable.

Plan Governs

Wherever a conflict may arise between the terms of this Grant Agreement and the terms of the Plan, the terms of the Plan will control. The Committee may adjust the number of Option Shares and the Exercise Price and other terms of the Option from time to time as the Plan provides.

2014 BOARD OF DIRECTOR RSU AGREEMENT

Congratulations, you have been awarded restricted stock units ("RSUs") in recognition of your contributions to the success of HMS Holdings Corp. (the "Company") and its Affiliates. A restricted stock unit entitles you to receive a share of the Company's common stock at a future date, assuming that you satisfy conditions of the Company's Fourth Amended and Restated 2006 Stock Plan (the "Plan") and the implementing agreement. We would like you to have an opportunity to share in the continued success of the Company through these RSUs under the Plan. The following represents a brief description of your grant. Additional details regarding your award are provided in the attached Restricted Stock Unit Agreement (the "Grant Agreement") and in the Plan.

Restricted Stock Unit Grant Summary:

Date of Grant RSU Shares Vesting Schedule November 12, 2014

One-quarter of the RSU Shares on December 31 of the year in which the Grant is made and an additional one-quarter on the last day of each of the first three quarters of the following calendar year.

Each of those dates is a "Vesting Date."

- You have been granted RSUs for Shares of the Company's common stock for the total number of Shares specified under "RSU Shares" in the chart above.
- The potential value of your RSUs increases if the price of the Company's stock increases, but you also have to continue to provide services to the Company (except as the Grant Agreement provides) to actually receive such value. Of course, the value of the stock may go up and down over time.
- You will not receive the Shares represented by the RSUs unless and until the RSUs vest. Your RSUs vest as provided in the chart above under "Vesting," assuming you remain a member of the Board of Directors of the Company and subject to the terms in the Grant Agreement.
- Once you have received the Shares, you will own them and may decide whether to hold the stock, sell the stock or give the stock to someone as a gift.

You can access the Merrill Lynch portal updates and information: https://www.benefits.ml.com. Please email IR@hms.com with any questions.

HMS HOLDINGS CORP. RESTRICTED STOCK UNIT GRANT AGREEMENT FOR BOARD OF DIRECTORS

HMS Holdings Corp. (the "Company") has granted you restricted stock units (the "RSUs") under the HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan (as it may be amended from time to time) (the "Plan"). Each RSU lets you receive a Share (an "RSU Share") of the Company's common stock, upon satisfaction of the conditions to receipt.

The individualized communication you received (the "Cover Letter") provides the details for your RSUs. It specifies the number of RSU Shares, the Date of Grant, and the schedule for vesting, with the related vesting dates ("Vesting Dates").

The RSUs are subject in all respects to the applicable provisions of the Plan. This Grant Agreement does not cover all of the rules that apply to the RSUs under the Plan; please refer to the Plan document. Capitalized terms are defined either further below in this grant agreement (the "*Grant Agreement*") or in the Plan.

The Plan document is available on the Merrill Lynch website. The Prospectus for the Plan, the Company's S-8, Annual Report on Form 10-K, and other filings the Company makes with the Securities and Exchange Commission are available for your review under the Investor Relations tab on the Company's web site. You may also obtain paper copies of these documents upon request to the Company's Investor Relations department (IR@HMS.com).

Neither the Company nor anyone else is making any representations or promises regarding the duration of your service, vesting of the RSUs, the value of the Company's stock or of these RSUs, or the Company's prospects. The Company is not providing any advice regarding tax consequences to you or regarding your decisions regarding the RSUs; you agree to rely only upon your own personal advisors.

NO ONE MAY SELL, TRANSFER, OR DISTRIBUTE THE RSUS OR THE SECURITIES THAT MAY BE RECEIVED UNDER THEM WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATING THERETO OR AN OPINION OF COUNSEL SATISFACTORY TO HMS HOLDINGS CORP. OR OTHER INFORMATION AND REPRESENTATIONS SATISFACTORY TO IT THAT SUCH REGISTRATION IS NOT REQUIRED.

In addition to the Plan's terms and restrictions, the following terms and restrictions apply:

Vesting Schedule

Your RSUs become nonforfeitable (" *Vested*") as provided in the Cover Letter to this Grant Agreement, assuming that through each Vesting Date, (i) if you received the RSUs in your capacity as an employee of the Company, you continue in service as an employee or (ii) if you received the RSUs in your capacity as a member of the Company's Board, you continue in service as a member of the Company's Board. Any fractional shares will be carried forward to the following Vesting Date, unless the Committee selects a different treatment. For purposes of this Grant Agreement, employment with the Company will include employment with any Affiliate whose employees are then eligible to receive Awards under the Plan. Unless the Committee determines otherwise, if an entity employing you ceases to be an Affiliate, your employment with the Company will be treated as ended even though you continue to be employed by that entity.

Vesting will accelerate fully on your disability or death. For this purpose, "disability" means permanent and total disability as defined by Section 22(e)(3) of the Code.

If your employment or service ends as a result of Retirement, you will be treated as continuing in service for vesting purposes until the earlier to occur of (x) the second anniversary of your Retirement and (y) the last of the applicable Vesting Dates. "*Retirement*" for this purpose means cessation of employment or service on or after attaining age 60 and completing five years of service with the Company.

Change in Control

If a Change in Control occurs, your RSUs will be treated as provided in Section 11 of the Plan if, within 24 months following the Change in Control, your employment or service ends on (i) a termination without cause (as determined by the Committee or the Board) or (ii) Retirement.

Termination for Cause

If the Company terminates your employment or service for cause or if you violate any then applicable restrictive covenant agreement (such as agreements pertaining to confidentiality, intellectual property, nonsolicitation, and/or noncompetition), the RSUs will immediately terminate without regard to whether they are then Vested in whole or in part.

Distribution Date

Subject to any overriding provisions in the Plan, you will receive a distribution of the Shares equivalent to your Vested RSU Shares as soon as practicable following the date(s) on which you become Vested (with the actual date being the "*Distribution Date*") and, in any event, no later than 30 days following an applicable Vesting Date, unless the Committee determines that you may make a timely deferral election to defer distribution to a later date and you have made such an election (in which case the deferred date will be the "*Distribution Date*").

Vesting that accelerates after a Change in Control will only accelerate the Distribution Date if and to the extent permitted under Section 409A of the Code.

Restrictions and Forfeiture

You may not sell, assign, pledge, encumber, or otherwise transfer any interest ("*Transfer*") in the RSU Shares until the RSU Shares are distributed to you. Any attempted Transfer that precedes the Distribution Date is invalid.

Unless the Committee determines otherwise or the Grant Agreement provides otherwise, if your employment or service with the Company terminates for any reason before your RSUs are Vested, then you will forfeit the unvested RSUs (and the Shares to which they relate) to the extent that the RSUs do not otherwise vest as a result of the termination, pursuant to the rules in the **Vesting Schedule** section. The forfeited RSUs will then immediately revert to the Company. You will receive no payment for the RSUs if you forfeit them.

Taxes and Withholding

The RSUs provide tax deferral, meaning that the RSU Shares are not taxable until you actually receive the RSU Shares on or around the Distribution Date. You will then owe taxes at ordinary income tax rates as of the Distribution Date at the Shares' value. If you are an employee of the Company, you may owe FICA and HI (Social Security and Medicare) taxes *before* the Distribution Date.

Issuing the Shares under the RSUs is contingent on satisfaction of all obligations with respect to required tax or other required withholdings (for example, in the U.S., Federal, state, and local taxes). The Company may take any action permitted under Section 14(c) of the Plan to satisfy such obligation, including satisfying the tax obligations by (i) reducing the number of RSU Shares to be issued to you by that number of RSU Shares (valued at their Fair Market Value on the date of distribution) that would equal all taxes required to be withheld (at their minimum withholding levels), (ii) accepting payment of the withholdings from a broker in connection with a sale of the RSU Shares or directly from you, or (iii) taking any other action under Section 14(c) of the Plan. If a fractional share remains after deduction for required withholding, the Company will pay you the value of the fraction in cash.

Compliance with Law

The Company will not issue the RSU Shares if doing so would violate any applicable Federal or state securities laws or other laws or regulations. You may not sell or otherwise dispose of the RSU Shares in violation of applicable law.

Additional Conditions to Receipt

The Company may postpone issuing and delivering any RSU Shares for so long as the Company determines to be advisable to satisfy the following:

its completing or amending any securities registration or qualification of the RSU Shares *or* its or your satisfying any exemption from registration under any Federal or state law, rule, or regulation;

its receiving proof it considers satisfactory that a person seeking to receive the RSU Shares after your death is entitled to do so:

your complying with any requests for representations under the Plan; and

your complying with any Federal, state, or local tax withholding obligations.

Additional Representations from You

If the vesting provisions of the RSUs are satisfied and you are entitled to receive RSU Shares at a time when the Company does not have a current registration statement (generally on Form S-8) under the Securities Act of 1933 (the "*Act*") that covers issuances of shares to you, you must comply with the following before the Company will issue the RSU Shares to you. You must —

represent to the Company, in a manner satisfactory to the Company's counsel, that you are acquiring the RSU Shares for your own account and not with a view to reselling or distributing the RSU Shares; and

agree that you will not sell, transfer, or otherwise dispose of the RSU Shares unless:

a registration statement under the Act is effective at the time of disposition with respect to the RSU Shares you propose to sell, transfer, or otherwise dispose of; or

the Company has received an opinion of counsel or other information and representations it considers satisfactory to the effect that, because of Rule 144 under the Act or otherwise, no registration under the Act is required.

No Effect on Employment or Other Relationship Nothing in this Grant Agreement restricts the Company's rights or those of any of its Affiliates to terminate your employment or other relationship at any time and for any or no reason. The termination of employment or other relationship, whether by the Company or any of its Affiliates or otherwise, and regardless of the reason for such termination, has the consequences provided for under the Plan and any applicable employment or severance agreement or plan.

Limited Status

You understand and agree that the Company will not consider you a shareholder for any purpose with respect to the RSU Shares, unless and until the RSU Shares have been issued to you on the Distribution Date. You will not receive dividends with respect to the RSUs, but the Company will credit additional whole or fractional RSUs to this Grant equal to the result of dividing (i) the product of the total number of RSUs credited to you under this Grant on the record date for such dividend (and not yet distributed in Shares) and the per share amount of such dividend by (ii) the Fair Market Value of one Share on the date such dividend is paid by the Company to shareholders. The additional RSUs will be or become Vested to the same extent as the RSUs that resulted in the crediting of such additional Units and may be paid out in cash or Shares under the timing rules provided in Section 8(e) of the Plan.

Voting

You may not vote the RSUs. You may not vote the RSU Shares unless and until the Shares are distributed to you.

No Effect on Running Business You understand and agree that the existence of the RSUs will not affect in any way the right or power of the Company or its shareholders to make or authorize any adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or other stock, with preference ahead of or convertible into, or otherwise affecting the Company's common stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether or not of a similar character to those described above.

Section 409A

The RSUs are intended to comply with the requirements of Section 409A and must be construed consistently with that section. Notwithstanding anything in the Plan or this Grant Agreement to the contrary, if the RSUs Vest in connection with

your "separation from service" within the meaning of Section 409A, as determined by the Company), and if (x) you are then a "specified employee" within the meaning of Section 409A at the time of such separation from service (as determined by the Company, by which determination you agree you are bound) and (y) the distribution of RSU Shares under such RSUs will result in the imposition of additional tax under Section 409A if distributed to you within the six month period following your separation from service, then the distribution under such accelerated RSUs will not be made until the earlier of (i) the date six months and one day following the date of your separation from service or (ii) the 10 th day after your date of death. Neither the Company nor you shall have the right to accelerate or defer the delivery of any such RSU Shares or benefits except to the extent specifically permitted or required by Section 409A. In no event may the Company or you defer the delivery of the RSU Shares beyond the date specified in the **Distribution Date** section, unless such deferral complies in all respects with Treasury Regulation Section 1.409A-2(b) related to subsequent changes in the time or form of payment of nonqualified deferred compensation arrangements, or any successor regulation. *In any event, the Company makes no representations or warranty and shall have no liability to you or any other person, if any provisions of or distributions under this Grant Agreement are determined to constitute deferred compensation subject to Section 409A but not to satisfy the conditions of that section.*

Unsecured Creditor

The RSUs create a contractual obligation on the part of the Company to make a distribution of the RSU Shares at the time provided for in this Grant Agreement. Neither you nor any other party claiming an interest in deferred compensation hereunder shall have any interest whatsoever in any specific assets of the Company. Your right to receive distributions hereunder is that of an unsecured general creditor of Company.

Governing Law

The laws of the State of New York will govern all matters relating to the RSUs, without regard to the principles of conflict of laws.

Notices

Any notice you give to the Company must follow the procedures then in effect. If no other procedures apply, you must send your notice in writing by hand or by mail to the office of the Company's Secretary (or to the Chair of the Committee if you are then serving as the sole Secretary). If mailed, you should address it to the Company's Secretary (or the Chair of the Committee) at the Company's then corporate headquarters, unless the Company directs Plan participants to send notices to another corporate department or to a third party administrator or specifies another method of transmitting notice. The Company and the Committee will address any notices to you using its standard electronic communications methods or at your office or home address as reflected on the Company's personnel or other business records. You and the Company may change the address for notice by like notice to the other, and the Company can also change the address for notice by general announcements to Plan participants.

Amendment

Subject to any required action by the Committee or the shareholders of the Company, the Company may cancel the RSUs and provide a new Award in its place, provided that the Award so replaced will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect the RSUs to the extent then Vested.

Plan Governs

Wherever a conflict may arise between the terms of this Grant Agreement and the terms of the Plan, the terms of the Plan will control. The Committee may adjust the number of RSU Shares and other terms of the RSUs from time to time as the Plan provides.

[REMAINDER OF PAGE LEFT BLANK]

<Participant Full Name>

Dear < Participant First Name>

Congratulations, you have been awarded a stock option grant in recognition of your contributions to the success of HMS Holdings Corp. (the " *Company*") and its Affiliates. A stock option grant gives you the right to purchase a specific number of shares of the Company's common stock at a fixed price, assuming that you satisfy conditions of the Company's Fourth Amended and Restated 2006 Stock Plan (the "*Plan*") and the implementing agreement. We would like you to have an opportunity to share in the continued success of the Company through this stock option grant under the Plan. The following represents a brief description of your grant. Additional details regarding your award are provided in the attached Nonqualified Stock Option Agreement (the "*Grant Agreement*") and in the Plan.

Stock Option Grant Summary:

Date of Grant November 12, 2014

Option Shares < Number of Shares Granted>

Exercise Price per Share

Exercisability One-sixth of the Option Shares on each of the first, second and third anniversaries of the

Date of Grant, with the remainder becoming exercisable as provided in Exhibit A to the

Grant Agreement. Each of those dates is an "Exercisability Date."

Term Expiration Date

- You have been granted a nonqualified stock option to purchase Shares of the Company's common stock. The total number of Shares under your grant is in the chart above under "Option Shares" and the price per share is under "Exercise Price per Share."
- The potential value of your stock option grant increases if the price of the Company's stock increases, but you also have to continue to provide services to the Company (except as the Grant Agreement provides) to actually receive such value. Of course, the value of the stock may go up and down over time.
- You can't exercise the stock option (actually purchase the shares) until it becomes exercisable. Your stock option becomes exercisable as provided in the chart above under Exercisability, assuming you remain an employee of or member of the Board of Directors of the Company and subject to the terms in the Grant Agreement.
- Whether or not you decide to exercise your stock option and purchase the stock is your decision, and, you have until the stock option expires (which will be no later than the *seventh* anniversary of the Date of Grant but can end earlier in various situations) to make that decision.
- Once you have purchased the Shares, you will own them and may decide whether to hold the stock, sell the stock or give the stock to someone as a gift.

You can access the Merrill Lynch portal updates and information: https://www29.benefits.ml.com/login/login.aspx. Please email IR@hms.com with any questions.

HMS HOLDINGS CORP. NONQUALIFIED STOCK OPTION GRANT AGREEMENT FOR EXECUTIVES

HMS Holdings Corp. (the "Company") has granted you an option (the "Option") under the HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan (as it may be amended from time to time) (the "Plan"). The Option lets you purchase a specified number (the "Option Shares") of Shares of the Company's common stock, at a specified price per Share (the "Exercise Price").

The individualized communication you received (the "*Cover Letter*") provides the details for your Option. It specifies the number of Option Shares, the Exercise Price, the Date of Grant, the schedule for exercisability, and the latest date the Option will expire (the "*Term Expiration Date*").

The Option is subject in all respects to the applicable provisions of the Plan. This Grant Agreement does not cover all of the rules that apply to the Option under the Plan; please refer to the Plan document. Capitalized terms are defined either further below in this grant agreement (the "*Grant Agreement*") or in the Plan.

The Plan document is available on the Merrill Lynch website. The Prospectus for the Plan, the Company's S-8, Annual Report on Form 10-K, and other filings the Company makes with the Securities and Exchange Commission are available for your review under the Investor Relations tab on the Company's web site. You may also obtain paper copies of these documents upon request to the Company's Investor Relations department (IR@HMS.com).

Neither the Company nor anyone else is making any representations or promises regarding the duration of your service, exercisability of the Option, the value of the Company's stock or of this Option, or the Company's prospects. The Company is not providing any advice regarding tax consequences to you or regarding your decisions regarding the Option; you agree to rely only upon your own personal advisors.

NO ONE MAY SELL, TRANSFER, OR DISTRIBUTE THE OPTION OR THE SECURITIES THAT MAY BE PURCHASED UPON EXERCISING THE OPTION WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATING THERETO OR AN OPINION OF COUNSEL SATISFACTORY TO HMS HOLDINGS CORP. OR OTHER INFORMATION AND REPRESENTATIONS SATISFACTORY TO IT THAT SUCH REGISTRATION IS NOT REQUIRED.

In addition to the Plan's terms and restrictions, the following terms and restrictions apply:

Option Exercisability

While your Option remains in effect under the **Option Expiration** section, you may exercise any exercisable portions of the Option (and buy the Option Shares) under the timing rules of this section, provided that you may not exercise the Option for fewer than 100 full shares at any particular time unless fewer than 100 remain unexercised.

The Option will become exercisable on the schedule provided in the Cover Letter to this Grant Agreement assuming that through each Exercisability Date, (i) if you received the Option in your capacity as an employee of the Company, you remain an employee or (ii) if you received the Option in your capacity as a member of the Company's Board, you remain a member of the Company's Board. Any fractional shares will be carried forward to the following Exercisability Date, unless the Committee selects a different treatment. For purposes of this Grant Agreement, employment with the Company will include employment with any Affiliate whose employees are then eligible to receive Awards under the Plan. Unless the Committee determines otherwise, if an entity employing you ceases to be an Affiliate, your employment with the Company will be treated as ended even though you continue to be employed by that entity.

Exercisability will accelerate fully on your disability or death, including with respect to the Performance Option Shares (as defined below). For this purpose, "disability" means permanent and total disability as defined by Section 22(e)(3) of the Code. Exercisability will continue and increase (until fully exercisable) over the two years following your date of Retirement. "Retirement" for this purpose means cessation of service on or after attaining age 60 and completing five years of service with the Company.

Change in Control

If a Change in Control occurs, your Option will be treated as provided in Section 11 of the Plan if, within 24 months following the Change in Control, your employment or service ends on a termination without cause (as determined by the Committee or the Board), provided also that the Option will remain outstanding for 12 months following such termination but not beyond the Term Expiration Date.

Option Expiration

The Option will expire no later than the close of business on the Term Expiration Date. Unexercisable portions of the Option expire immediately when you cease to be employed (unless you are concurrently remaining or becoming a member of the Board, or, for a Board member, concurrently remaining or becoming an employee of the Company). If the Company terminates your employment or service for cause, the Option will immediately expire without regard to whether it is then exercisable.

Exercisable portions of the Option remain exercisable until the first to occur of the following (the "Final Exercise Date"), each as defined further in the Plan or the Grant Agreement:

• Three months (measured to the corresponding date in the month) after your employment (or directorship) ends if you resign or if the Company terminates your employment or service without cause (as determined under the Plan), except as provided above under **Change in Control**

- For death or Disability, the first anniversary of the date employment or service ends
- For Retirement, the end of the second year following your date of Retirement
- The Term Expiration Date

The Committee can override the expiration provisions of this Grant Agreement.

Method of Exercise and Payment for Shares

Subject to this Grant Agreement and the Plan, you may exercise the Option only by providing a written notice (or notice through another previously approved method, which could include a web-based or voice- or e-mail system) to the Secretary of the Company or to whomever the Committee designates, received on or before the date the Option expires. Each such notice must satisfy whatever then-current procedures apply to that Option and must contain such representations (statements from you about your situation) as the Company requires. You must, at the same time, pay the Exercise Price using one or more of the following methods:

Cash/Check

cash or check in the amount of the Exercise Price payable to the order of the Company;

Cashless Exercise

an approved cashless exercise method, including directing the Company to send the stock certificates (or other acceptable evidence of ownership) to be issued under the Option to a licensed broker acceptable to the Company as your agent in exchange for the broker's tendering to the Company cash (or acceptable cash equivalents) equal to the Exercise Price and, if you so elect, any required tax withholdings;

Net Exercise

by delivery of a notice of "net exercise" to or as directed by the Company, as a result of which you will receive (i) the number of shares underlying the portion of the Option being exercised less (ii) such number of shares as is equal to (A) the aggregate Exercise Price for the portion of the Option being exercised divided by (B) the Fair Market Value on the date of exercise;

Stock

if permitted by the Committee, by delivery of Shares owned by you, valued at their Fair Market Value, provided (i) applicable law then permits such method of payment, (ii) you owned such Shares, if acquired directly from the Company, for such minimum period of time, if any, as the Committee may establish in its discretion, and (iii) the Shares are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar restrictions; or

any combination of the above permitted forms for payment.

Withholding

Issuing the Option Shares is contingent on satisfaction of all obligations with respect to required tax or other required withholdings (for example, in the U.S., Federal, state, and local taxes). The Company may take any action permitted under Section 14(c) of the Plan to satisfy such obligation, including satisfying the tax obligations by (i) reducing the number of Option Shares to be issued to you in connection with any exercise of the Option by that number of Option Shares (valued at their Fair Market Value on the date of exercise) that would equal all taxes required to be withheld (at their minimum withholding levels), (ii) accepting payment of the withholdings from a broker in connection with a Cashless

Exercise of the Option or directly from you, or (iii) taking any other action under Section 14(c) of the Plan. If a fractional share remains after deduction for required withholding, the Company will pay you the value of the fraction in cash.

Compliance with Law

You may not exercise the Option if the Company's issuing stock upon such exercise would violate any applicable Federal or state securities laws or other laws or regulations. You may not sell or otherwise dispose of the Option Shares in violation of applicable law. As part of this prohibition, you may not use the Cashless Exercise methods if the Company's insider trading policy then prohibits you from selling to the market.

Additional Conditions to Exercise

The Company may postpone issuing and delivering any Option Shares for so long as the Company determines to be advisable to satisfy the following:

its completing or amending any securities registration or qualification of the Option Shares *or* its or your satisfying any exemption from registration under any Federal or state law, rule, or regulation;

its receiving proof it considers satisfactory that a person seeking to exercise the Option after your death is entitled to do so;

your complying with any requests for representations under the Plan; and

your complying with any Federal, state, or local tax withholding obligations.

Additional Representations from You

If you exercise the Option at a time when the Company does not have a current registration statement (generally on Form S-8) under the Securities Act of 1933 (the "*Act*") that covers issuances of shares to you, you must comply with the following before the Company will issue the Option Shares to you. You must —

represent to the Company, in a manner satisfactory to the Company's counsel, that you are acquiring the Option Shares for your own account and not with a view to reselling or distributing the Option Shares; and

agree that you will not sell, transfer, or otherwise dispose of the Option Shares unless:

a registration statement under the Act is effective at the time of disposition with respect to the Option Shares you propose to sell, transfer, or otherwise dispose of; or

the Company has received an opinion of counsel or other information and representations it considers satisfactory to the effect that, because of Rule 144 under the Act or otherwise, no registration under the Act is required.

No Effect on Employment or Other Relationship Nothing in this Grant Agreement restricts the Company's rights or those of any of its Affiliates to terminate your employment or other relationship at any time and for any or no reason. The termination of employment or other relationship, whether by the Company or any of its Affiliates or otherwise, and regardless of the reason for such termination, has the consequences provided for under the Plan and any applicable employment or severance agreement or plan.

Not a Shareholder

You understand and agree that the Company will not consider you a shareholder for any purpose with respect to any of the Option Shares until you have exercised the Option, paid for the shares, and received evidence of ownership.

No Effect on Running Business You understand and agree that the existence of the Option will not affect in any way the right or power of the Company or its shareholders to make or authorize any adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or other stock, with preference ahead of or convertible into, or otherwise affecting the Company's common stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether or not of a similar character to those described above.

Governing Law

The laws of the State of New York will govern all matters relating to the Option, without regard to the principles of conflict of laws.

Restrictive Covenants Clawback If the Board or the Committee determines, in its sole discretion, that you violated or are violating any of the Restrictive Covenants set forth below under the section titled "Restrictive Covenants," the Option will immediately terminate without regard to whether it is then Vested in whole or in part. In addition, the Board or the Committee may, in its sole discretion, require from you payment or transfer to the Company of the Gain from the Option, where the "Gain" consists of the greatest of (i) the value of the Option Shares on the date, within the Recovery Measurement Period, on which you exercised the Option with respect to such Option Shares, (ii) the value of the Option Shares received upon exercise during the Recovery Measurement Period, as determined on the date of the request by the Committee to pay or transfer, (iii) the gross (before tax) proceeds you received from any sale of the Option Shares during the Recovery Measurement Period, and (iv) if transferred without sale during the Recovery Measurement Period, the value of the Option Shares when so transferred. The Board or the Committee may determine the recoupment method in its sole discretion for any portion of the Option transferred (where permitted) before being exercised. The "Recovery Measurement Period" means the 12 months before the date of the determination of violation. The provisions in this section are essential economic conditions to the Company's grant of the Option to you. By acknowledging receipt of the grant of the Option hereunder, you agree that the Company may deduct from any amounts it owes you from time to time (such as any severance or other payments owed following a termination of employment, as well as any other amounts owed to you by the Company, as permitted by applicable law) to the extent of any amounts you owe the Company under this Restrictive Covenants Clawback section.

You acknowledge that you would not be receiving the Option described herein but for your agreement to comply with the Restrictive Covenants. Likewise, you acknowledge that you would be unjustly enriched if you violate the Restrictive

Covenants, while being able to retain some or all of the Option Shares or the gain associated with them. Furthermore, you acknowledge and agree that the damages for your breach of the Restrictive Covenants are not subject to calculation and that the remedies set forth in this **Restrictive Covenants Clawback** section, therefore, will only reimburse the Company for a portion of the damage done. For this reason, the Company shall be entitled to recover from you any and all damages Company has suffered and, in addition, Company will be entitled to injunctive relief. The parties agree that the forfeiture of the Option and payments described in this section are expressly not Company's exclusive or sole remedy.

This remedy is in addition to any other remedies that the Company may have available in law or equity with respect to breaches of the Restrictive Covenants below. It is also in addition to, and not in substitution for, any other clawback policies that may be adopted from time to time, including any required by Federal law, such as under Section 304 of the Sarbanes-Oxley Act of 2002 or the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Payment is due in cash or cash equivalents within 10 days after the Board or the Committee provides notice to you that it is enforcing this clawback. Payment will be calculated on a gross basis, without reduction for taxes or commissions. The Company may, but is not required to, accept retransfer of shares in lieu of cash payments.

In consideration of the terms of this Option and your access to Proprietary Information (as defined below), you agree to the Restrictive Covenants set forth below.

Restrictive Covenants

Confidential Information

You have or will be given access to and provided with sensitive, confidential, proprietary and/or trade secret information (collectively, "*Proprietary Information*") in the course of your employment. Examples of Proprietary Information include inventions, new product or marketing plans, business strategies and plans, merger and acquisition targets, financial and pricing information, software of the Company in various stages of development, including computer programs in source code and binary code form, software designs, specifications, programming aids (including "library subroutines" and productivity tools), programming languages, interfaces, visual displays, technical documentation, user manuals, data files and databases of the Company, analytical models, customer/client lists and information, and supplier and vendor lists and information. You agree not to disclose or use Proprietary Information, either during or after your employment with the Company, except as necessary to perform your duties or as the Company may consent in writing.

Noncompetition and Nonsolicitation You agree that while the Company employs you and for a period of 12 months after your employment ends for any reason, you will not directly or indirectly (whether as an owner, partner, officer, employee, director, investor, lender, consultant, independent contractor or otherwise) do any of the following:

(i) *Compete*. In the geographical area where the Company does business or, at the time your employment ends, plans to do business, you will not engage or assist others in engaging in any business or enterprise that competes with the

Company's business, including any business or enterprise that develops, designs, produces, manufactures, markets, licenses, sells, renders, or provides any product or service that competes with any product or service actually or planned to be developed, designed, produced, manufactured, marketed, licensed, sold, rendered, or provided by the Company while you are or were employed by the Company; provided that your passive ownership of not more than 1% of the outstanding stock of a publicly-held company will not, by itself, violate this provision. For purposes of this Grant Agreement, you agree that the Company does business throughout and plans to do business throughout the United States;

- (ii) Solicit Clients, Customers, or Accounts . You will not, either alone or in association with others, actually or attempt to solicit, divert, or take away the business or patronage of any of the Company's clients, customers, or accounts, or prospective clients, customers, or accounts, that the Company contacted, solicited, or served while you were employed by the Company or about which you have Proprietary Information, provided that this provision does not prevent you from soliciting clients, customers, or accounts (if you are not using Proprietary Information to do so) for purposes that are not in actual or potential competition with the Company;
- (iii) Solicit or Hire Company Employees and Independent Contractors . You will not, either alone or in association with others, actually or attempt to (x) solicit, recruit or induce any Company employee or independent contractor to leave the Company's service or (y) solicit, recruit, hire, or engage as an employee or independent contractor any individual whom the Company employed or engaged at any time while you were employed by the Company, except for an individual whose employment or other service relationship with the Company ended at least six months before the date of your action; and/or
- (iv) Disclose or Utilize Product Development. You will not, either alone or in association with others, disclose to, or utilize for the benefit of, any entity other than the Company, any systems or product development ideas, concepts, or strategies that you or others in communication with you explored, generated, initiated, or discussed for potential implementation during your employment with the Company, even if the Company has not implemented such ideas, concepts, or strategies by the time your employment with the Company ends.

For the purposes of subsection (ii) "Solicit Clients, Customers, or Accounts", the terms "customer," "client," or "account" as applied to governmental agencies will mean the agency or department for which any of the products or services of the Company are sold or performed during the applicable period, any related program office, and any agency, department, or office that succeeds to the functions of any agency, department, or office to which the Company then provides or within the preceding 12 months provided goods or services (to the extent that the successor replaces part or all of the customer or client to which the Company provided goods or services).

General

To the extent that you and the Company agree at any time to enter into separate agreements containing restrictive covenants with

different or inconsistent terms than those contained herein, you and the Company acknowledge and agree that such different or inconsistent terms shall not in any way affect or have relevance to the Restrictive Covenants contained herein, and the terms of these Restrictive Covenants do not supersede or amend any others currently or in the future in place.

By accepting this Option grant, you agree that the provisions of this Restrictive Covenants section (and the related Restrictive Covenants Clawback section) are reasonable and necessary to protect the legitimate interests of the Company.

Notices

Any notice you give to the Company must follow the procedures then in effect. If no other procedures apply, you must send your notice in writing by hand or by mail to the office of the Company's Secretary (or to the Chair of the Committee if you are then serving as the sole Secretary). If mailed, you should address it to the Company's Secretary (or the Chair of the Committee) at the Company's then corporate headquarters, unless the Company directs optionees to send notices to another corporate department or to a third party administrator or specifies another method of transmitting notice. The Company and the Committee will address any notices to you using its standard electronic communications methods or at your office or home address as reflected on the Company's personnel or other business records. You and the Company may change the address for notice by like notice to the other, and the Company can also change the address for notice by general announcements to optionees.

Amendment

Subject to any required action by the Committee or the shareholders of the Company, the Company may cancel the Option and provide a new Award in its place, provided that the Award so replaced will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect the Option to the extent then exercisable.

Plan Governs

Wherever a conflict may arise between the terms of this Grant Agreement and the terms of the Plan, the terms of the Plan will control. The Committee may adjust the number of Option Shares and the Exercise Price and other terms of the Option from time to time as the Plan provides.

C

EXHIBIT A

The exercisability of 50% of the Shares covered by the Option (the "*Performance Option Shares*") is subject to the following conditions:

A. Service Condition

The Performance Option Shares will become exercisable according to the applicable schedule described in Paragraph C below, provided you remain employed by the Company as of each applicable exercisability date set forth below.

B. <u>Performance Conditions</u>

- 1. The Company's average closing price per Share as reported on the NASDAQ Global Select Market during at least one measurement period (as described below) must be at least 25% higher than the Exercise Price per Share specified in the Stock Option Grant Summary.
- 2. The measurement period will consist of the applicable trading days in any consecutive 30 (thirty) calendar day period preceding the first, second and/or third anniversaries of the Date of Grant.
- 3. On each anniversary of the Date of Grant (or as promptly as practicable thereafter), the Company will calculate the average closing price for the applicable measurement periods preceding such date in order to determine if the performance condition has been satisfied.

C. Exercisability

1. **Performance Condition Achieved prior to First Anniversary of Date of Grant**. If the performance condition is achieved prior to the first anniversary of the Date of Grant, the Performance Option Shares will become exercisable in equal installments pursuant to the following schedule:

Exercisability Date	of the Exercisability Date
1 st anniversary of Date of Grant	One-third of the Performance Option Shares
2 nd anniversary of Date of Grant	One-third of the Performance Option Shares
3 rd anniversary of Date of Grant	One-third of the Performance Option Shares

Proportion of Parformance Option Shares Evercisable as

2. Performance Condition Achieved after First Anniversary but before Second Anniversary of the Date of Grant. If the performance condition is achieved after the first anniversary but before the second anniversary of the Date of Grant, the Performance Option Shares will become exercisable pursuant to the following schedule:

Proportion of Performance Option Shares Exercisable as	
of the Exercisability Date	
-0-	
Two-thirds of the Performance Option Shares	

One-third of the Performance Option Shares

3. **Performance Condition Achieved after Second Anniversary but before Third Anniversary of the Date of Grant**. If the performance condition is achieved after the second anniversary but before the third anniversary of the Date of Grant, the Performance Option Shares will become fully exercisable as of such third anniversary pursuant to the following schedule:

Exercisability Date

1 st anniversary of Date of Grant 2 nd anniversary of Date of Grant

3 rd anniversary of Date of Grant

Exercisability Date	of the Exercisability Date
1 st anniversary of Date of Grant	-0-
2 nd anniversary of Date of Grant	-0-
3 rd anniversary of Date of Grant	100% of the Performance Option Shares

Proportion of Porformance Option Shares Evereisable as

Performance Condition Not Achieved before the Third Anniversary of the Date of Grant. Except in the event of death, Disability or a Change of Control prior to the third anniversary of the Date of Grant (in which case the terms set forth in the Grant Agreement will apply and, for the avoidance of doubt, the performance condition will no longer be applicable), if the performance condition is not achieved by the third anniversary of the Date of Grant, no portion of the Performance Option Shares will become exercisable and the Performance Option Shares shall be forfeited.

2014 SENIOR VICE PRESIDENT RSU AGREEMENT

<Participant Full Name>

Dear < Participant First Name>

Congratulations, you have been awarded restricted stock units ("RSUs") in recognition of your contributions to the success of HMS Holdings Corp. (the "Company") and its Affiliates. A restricted stock unit entitles you to receive a share of the Company's common stock at a future date, assuming that you satisfy conditions of the Company's Fourth Amended and Restated 2006 Stock Plan (the "Plan") and the implementing agreement. We would like you to have an opportunity to share in the continued success of the Company through these RSUs under the Plan. The following represents a brief description of your grant. Additional details regarding your award are provided in the attached Restricted Stock Unit Agreement (the "Grant Agreement") and in the Plan.

Restricted Stock Unit Grant Summary:

Date of Grant RSU Shares Vesting Schedule November 12, 2014

<Number of Shares Granted>

One-sixth of the RSU Shares shall vest on the first, second and third anniversaries of the date of the Grant, with the remainder vesting as provided in <u>Exhibit A</u> to the Grant Agreement. Each of those dates is a "*Vesting Date*."

- You have been granted RSUs for Shares of the Company's common stock for the total number of Shares specified under "RSU Shares" in the chart above.
- The potential value of your RSUs increases if the price of the Company's stock increases, but you also have to continue to provide services
 to the Company (except as the Grant Agreement provides) to actually receive such value. Of course, the value of the stock may go up and
 down over time.
- You will not receive the Shares represented by the RSUs unless and until the RSUs vest. Your RSUs vest as provided in the chart above under "Vesting," assuming you remain an employee of the Company and subject to the terms in the Grant Agreement.
- Once you have received the Shares, you will own them and may decide whether to hold the stock, sell the stock or give the stock to someone as a gift.

You can access the Merrill Lynch portal updates and information: https://www29.benefits.ml.com/login/login.aspx. Please email IR@hms.com with any questions.

HMS HOLDINGS CORP. RESTRICTED STOCK UNIT GRANT AGREEMENT FOR SENIOR VICE PRESIDENTS

HMS Holdings Corp. (the "Company") has granted you restricted stock units (the "RSUs") under the HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan (as it may b4e amended from time to time) (the "Plan"). Each RSU lets you receive a Share (an "RSU Share") of the Company's common stock, upon satisfaction of the conditions to receipt.

The individualized communication you received (the "Cover Letter") provides the details for your RSUs. It specifies the number of RSU Shares, the Date of Grant, and the schedule for vesting, with the related vesting dates ("Vesting Dates").

The RSUs are subject in all respects to the applicable provisions of the Plan. This Grant Agreement does not cover all of the rules that apply to the RSUs under the Plan; please refer to the Plan document. Capitalized terms are defined either further below in this grant agreement (the "*Grant Agreement*") or in the Plan.

The Plan document is available on the Merrill Lynch website. The Prospectus for the Plan, the Company's S-8, Annual Report on Form 10-K, and other filings the Company makes with the Securities and Exchange Commission are available for your review under the Investor Relations tab on the Company's web site. You may also obtain paper copies of these documents upon request to the Company's Investor Relations department (IR@HMS.com).

Neither the Company nor anyone else is making any representations or promises regarding the duration of your service, vesting of the RSUs, the value of the Company's stock or of these RSUs, or the Company's prospects. The Company is not providing any advice regarding tax consequences to you or regarding your decisions regarding the RSUs; you agree to rely only upon your own personal advisors.

NO ONE MAY SELL, TRANSFER, OR DISTRIBUTE THE RSUS OR THE SECURITIES THAT MAY BE RECEIVED UNDER THEM WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATING THERETO OR AN OPINION OF COUNSEL SATISFACTORY TO HMS HOLDINGS CORP. OR OTHER INFORMATION AND REPRESENTATIONS SATISFACTORY TO IT THAT SUCH REGISTRATION IS NOT REQUIRED.

In addition to the Plan's terms and restrictions, the following terms and restrictions apply:

Vesting Schedule

Your RSUs become nonforfeitable (" *Vested*") as provided in the Cover Letter to this Grant Agreement, assuming that through each Vesting Date, (i) if you received the RSUs in your capacity as an employee of the Company, you continue in service as an employee or (ii) if you received the RSUs in your capacity as a member of the Company's Board, you continue in service as a member of the Company's Board. Any fractional shares will be carried forward to the following Vesting Date, unless the Committee selects a different treatment. For purposes of this Grant Agreement, employment with the Company will include employment with any Affiliate whose employees are then eligible to receive Awards under the Plan. Unless the Committee determines otherwise, if an entity employing you ceases to be an Affiliate, your employment with the Company will be treated as ended even though you continue to be employed by that entity.

Vesting will accelerate fully on your disability or death, including with respect to the Performance RSU Shares (as defined below). For this purpose, "disability" means permanent and total disability as defined by Section 22(e)(3) of the Code.

If your employment or service ends as a result of Retirement, you will be treated as continuing in service for vesting purposes until the earlier to occur of (x) the second anniversary of your Retirement and (y) the last of the applicable Vesting Dates. "*Retirement*" for this purpose means cessation of employment or service on or after attaining age 60 and completing five years of service with the Company.

Change in Control

If a Change in Control occurs, your RSUs will be treated as provided in Section 11 of the Plan if, within 24 months following the Change in Control, your employment or service ends on (i) a termination without cause (as determined by the Committee or the Board) or (ii) Retirement.

Termination for Cause

If the Company terminates your employment or service for cause, the RSUs will immediately terminate without regard to whether they are then Vested in whole or in part.

Distribution Date

Subject to any overriding provisions in the Plan, you will receive a distribution of the Shares equivalent to your Vested RSU Shares as soon as practicable following the date(s) on which you become Vested (with the actual date being the "*Distribution Date*") and, in any event, no later than 30 days following an applicable Vesting Date, unless the Committee determines that you may make a timely deferral election to defer distribution to a later date and you have made such an election (in which case the deferred date will be the "*Distribution Date*").

Vesting that accelerates after a Change in Control will only accelerate the Distribution Date if and to the extent permitted under Section 409A of the Code.

Restrictions and Forfeiture

You may not sell, assign, pledge, encumber, or otherwise transfer any interest (" *Transfer*") in the RSU Shares until the RSU Shares are distributed to you. Any attempted Transfer that precedes the Distribution Date is invalid.

Unless the Committee determines otherwise or the Grant Agreement provides otherwise, if your employment or service with the Company terminates for any

reason before your RSUs are Vested, then you will forfeit the unvested RSUs (and the Shares to which they relate) to the extent that the RSUs do not otherwise vest as a result of the termination, pursuant to the rules in the **Vesting Schedule** section. The forfeited RSUs will then immediately revert to the Company. You will receive no payment for the RSUs if you forfeit them.

Taxes and Withholding

The RSUs provide tax deferral, meaning that the RSU Shares are not taxable until you actually receive the RSU Shares on or around the Distribution Date. You will then owe taxes at ordinary income tax rates as of the Distribution Date at the Shares' value. If you are an employee of the Company, you may owe FICA and HI (Social Security and Medicare) taxes *before* the Distribution Date.

Issuing the Shares under the RSUs is contingent on satisfaction of all obligations with respect to required tax or other required withholdings (for example, in the U.S., Federal, state, and local taxes). The Company may take any action permitted under Section 14(c) of the Plan to satisfy such obligation, including satisfying the tax obligations by (i) reducing the number of RSU Shares to be issued to you by that number of RSU Shares (valued at their Fair Market Value on the date of distribution) that would equal all taxes required to be withheld (at their minimum withholding levels), (ii) accepting payment of the withholdings from a broker in connection with a sale of the RSU Shares or directly from you, or (iii) taking any other action under Section 14(c) of the Plan. If a fractional share remains after deduction for required withholding, the Company will pay you the value of the fraction in cash.

Compliance with Law

The Company will not issue the RSU Shares if doing so would violate any applicable Federal or state securities laws or other laws or regulations. You may not sell or otherwise dispose of the RSU Shares in violation of applicable law.

Additional Conditions to Receipt

The Company may postpone issuing and delivering any RSU Shares for so long as the Company determines to be advisable to satisfy the following:

its completing or amending any securities registration or qualification of the RSU Shares *or* its or your satisfying any exemption from registration under any Federal or state law, rule, or regulation;

its receiving proof it considers satisfactory that a person seeking to receive the RSU Shares after your death is entitled to do so;

your complying with any requests for representations under the Plan; and

your complying with any Federal, state, or local tax withholding obligations.

Additional Representations from You

If the vesting provisions of the RSUs are satisfied and you are entitled to receive RSU Shares at a time when the Company does not have a current registration statement (generally on Form S-8) under the Securities Act of 1933 (the "Act") that covers issuances of shares to you, you must comply with the following before the Company will issue the RSU Shares to you. You must —

represent to the Company, in a manner satisfactory to the Company's counsel, that you are acquiring the RSU Shares for your own account and not with a view to reselling or distributing the RSU Shares; and

agree that you will not sell, transfer, or otherwise dispose of the RSU Shares unless:

a registration statement under the Act is effective at the time of disposition with respect to the RSU Shares you propose to sell, transfer, or otherwise dispose of; or

the Company has received an opinion of counsel or other information and representations it considers satisfactory to the effect that, because of Rule 144 under the Act or otherwise, no registration under the Act is required.

No Effect on Employment or Other Relationship Nothing in this Grant Agreement restricts the Company's rights or those of any of its Affiliates to terminate your employment or other relationship at any time and for any or no reason. The termination of employment or other relationship, whether by the Company or any of its Affiliates or otherwise, and regardless of the reason for such termination, has the consequences provided for under the Plan and any applicable employment or severance agreement or plan.

Limited Status

You understand and agree that the Company will not consider you a shareholder for any purpose with respect to the RSU Shares, unless and until the RSU Shares have been issued to you on the Distribution Date. You will not receive dividends with respect to the RSUs, but the Company will credit additional whole or fractional RSUs to this Grant equal to the result of dividing (i) the product of the total number of RSUs credited to you under this Grant on the record date for such dividend (and not yet distributed in Shares) and the per share amount of such dividend by (ii) the Fair Market Value of one Share on the date such dividend is paid by the Company to shareholders. The additional RSUs will be or become Vested to the same extent as the RSUs that resulted in the crediting of such additional Units and may be paid out in cash or Shares under the timing rules provided in Section 8(e) of the Plan.

Voting

You may not vote the RSUs. You may not vote the RSU Shares unless and until the Shares are distributed to you.

No Effect on Running Business You understand and agree that the existence of the RSUs will not affect in any way the right or power of the Company or its shareholders to make or authorize any adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or other stock, with preference ahead of or convertible into, or otherwise affecting the Company's common stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether or not of a similar character to those described above.

Section 409A

The RSUs are intended to comply with the requirements of Section 409A and must be construed consistently with that section. Notwithstanding anything in the Plan or this Grant Agreement to the contrary, if the RSUs Vest in connection with your "separation from service" within the meaning of Section 409A, as

determined by the Company), and if (x) you are then a "specified employee" within the meaning of Section 409A at the time of such separation from service (as determined by the Company, by which determination you agree you are bound) and (y) the distribution of RSU Shares under such RSUs will result in the imposition of additional tax under Section 409A if distributed to you within the six month period following your separation from service, then the distribution under such accelerated RSUs will not be made until the earlier of (i) the date six months and one day following the date of your separation from service or (ii) the 10 th day after your date of death. Neither the Company nor you shall have the right to accelerate or defer the delivery of any such RSU Shares or benefits except to the extent specifically permitted or required by Section 409A. In no event may the Company or you defer the delivery of the RSU Shares beyond the date specified in the **Distribution Date** section, unless such deferral complies in all respects with Treasury Regulation Section 1.409A-2(b) related to subsequent changes in the time or form of payment of nonqualified deferred compensation arrangements, or any successor regulation. *In any event, the Company makes no representations or warranty and shall have no liability to you or any other person, if any provisions of or distributions under this Grant Agreement are determined to constitute deferred compensation subject to Section 409A but not to satisfy the conditions of that section.*

Unsecured Creditor

The RSUs create a contractual obligation on the part of the Company to make a distribution of the RSU Shares at the time provided for in this Grant Agreement. Neither you nor any other party claiming an interest in deferred compensation hereunder shall have any interest whatsoever in any specific assets of the Company. Your right to receive distributions hereunder is that of an unsecured general creditor of Company.

Governing Law

The laws of the State of New York will govern all matters relating to the RSUs, without regard to the principles of conflict of laws.

Restrictive Covenants Clawback

If the Board or the Committee determines, in its sole discretion, that you violated or are violating any of the Restrictive Covenants set forth below under the section titled "Restrictive Covenants," the RSUs will immediately terminate without regard to whether they are then Vested in whole or in part. In addition, the Board or the Committee may, in its sole discretion, require from you payment or transfer to the Company of the Gain from the RSUs, where the "Gain" consists of the greatest of (i) the value of the RSU Shares on the applicable Distribution Date on which you received them within the Recovery Measurement Period, (ii) the value of the RSU Shares received during the Recovery Measurement Period, as determined on the date of the request by the Committee to pay or transfer, (iii) the gross (before tax) proceeds you received from any sale of the RSU Shares during the Recovery Measurement Period, and (iv) if transferred without sale during the Recovery Measurement Period, the value of the RSU Shares when so transferred. The "Recovery Measurement Period" means the 12 months before the date of the determination of violation. The provisions in this section are essential economic conditions to the Company's grant of RSUs to you. By receiving the grant of RSUs hereunder, you agree that the Company may deduct from any amounts it owes you from time to time (such as any severance or other payments owed following a termination of employment, as well as any other amounts owed to you by the Company, as permitted by applicable law) to the extent of any amounts you owe the Company under this Restrictive Covenants Clawback section.

You acknowledge that you would not be receiving the RSUs described herein but for your agreement to comply with the Restrictive Covenants. Likewise, you acknowledge that you would be unjustly enriched if you violate the Restrictive Covenants, while being able to retain some or all of the RSUs or the gain associated with them. Furthermore, you acknowledge and agree that the damages for your breach of the Restrictive Covenants are not subject to calculation and that the remedies set forth in this **Restrictive Covenants Clawback** section, therefore, will only reimburse the Company for a portion of the damage done. For this reason, the Company shall be entitled to recover from you any and all damages Company has suffered and, in addition, Company will be entitled to injunctive relief. The parties agree that the forfeiture of the RSUs and payments described in this section are expressly not Company's exclusive or sole remedy.

This remedy is in addition to any other remedies that the Company may have available in law or equity with respect to breaches of the Restrictive Covenants below. It is also in addition to, and not in substitution for, any other clawback policies that may be adopted from time to time, including any required by Federal law, such as under Section 304 of the Sarbanes-Oxley Act of 2002 or the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Payment is due in cash or cash equivalents within 10 days after the Board or the Committee provides notice to you that it is enforcing this clawback. Payment will be calculated on a gross basis, without reduction for taxes or commissions. The Company may, but is not required to, accept retransfer of shares in lieu of cash payments.

In consideration of the terms of this RSU award and your access to Proprietary Information (as defined below), you agree to the Restrictive Covenants set forth below.

Confidential Information

Restrictive

Covenants

You have or will be given access to and provided with sensitive, confidential, proprietary and/or trade secret information (collectively, "*Proprietary Information*") in the course of your employment. Examples of Proprietary Information include inventions, new product or marketing plans, business strategies and plans, merger and acquisition targets, financial and pricing information, software of the Company in various stages of development, including computer programs in source code and binary code form, software designs, specifications, programming aids (including "library subroutines" and productivity tools), programming languages, interfaces, visual displays, technical documentation, user manuals, data files and databases of the Company, analytical models, customer/client lists and information, and supplier and vendor lists and information. You agree not to disclose or use Proprietary Information, either during or after your employment with the Company, except as necessary to perform your duties or as the Company may consent in writing.

Noncompetition and Non solicitation You agree that while the Company employs you and for a period of 12 months after your employment ends for any reason, you will not directly or indirectly (whether as an owner, partner, officer, employee, director, investor, lender, consultant, independent contractor or otherwise) do any of the following:

- (i) Compete. In the geographical area where the Company does business or, at the time your employment ends, plans to do business, you will not engage or assist others in engaging in any business or enterprise that competes with the Company's business, including any business or enterprise that develops, designs, produces, manufactures, markets, licenses, sells, renders, or provides any product or service that competes with any product or service actually or planned to be developed, designed, produced, manufactured, marketed, licensed, sold, rendered, or provided by the Company while you are or were employed by the Company; provided that your passive ownership of not more than 1% of the outstanding stock of a publicly-held company will not, by itself, violate this provision. For purposes of this Grant Agreement, you agree that the Company does business throughout and plans to do business throughout the United States;
- (ii) Solicit Clients, Customers, or Accounts. You will not, either alone or in association with others, actually or attempt to solicit, divert, or take away the business or patronage of any of the Company's clients, customers, or accounts, or prospective clients, customers, or accounts, that the Company contacted, solicited, or served while you were employed by the Company or about which you have Proprietary Information, provided that this provision does not prevent you from soliciting clients, customers, or accounts (if you are not using Proprietary Information to do so) for purposes that are not in actual or potential competition with the Company;
- (iii) Solicit or Hire Company Employees and Independent Contractors . You will not, either alone or in association with others, actually or attempt to (x) solicit, recruit or induce any Company employee or independent contractor to leave the Company's service or (y) solicit, recruit, hire, or engage as an employee or independent contractor any individual whom the Company employed or engaged at any time while you were employed by the Company, except for an individual whose employment or other service relationship with the Company ended at least six months before the date of your action; and/or
- (iv) Disclose or Utilize Product Development. You will not, either alone or in association with others, disclose to, or utilize for the benefit of, any entity other than the Company, any systems or product development ideas, concepts, or strategies that you or others in communication with you explored, generated, initiated, or discussed for potential implementation during your employment with the Company, even if the Company has not implemented such ideas, concepts, or strategies by the time your employment with the Company ends.

For the purposes of subsection (ii) "Solicit Clients, Customers, or Accounts", the terms "customer," "client," or "account" as applied to governmental agencies will mean the agency or department for which any of the products or services of the Company are sold or performed during the applicable period, any related program office, and any agency, department, or office that succeeds to the functions of any agency, department, or office to which the Company then provides or within the preceding 12 months provided goods or services (to the extent that the successor replaces part or all of the customer or client to which the Company provided goods or

services).

General

To the extent that you and the Company agree at any time to enter into separate agreements containing restrictive covenants with different or inconsistent terms than those contained herein, you and the Company acknowledge and agree that such different or inconsistent terms shall not in any way affect or have relevance to the Restrictive Covenants contained herein, and the terms of these Restrictive Covenants do not supersede or amend any others currently or in the future in place.

By accepting this RSU award, you agree that the provisions of this Restrictive Covenants section (and the related Restrictive Covenants Clawback section) are reasonable and necessary to protect the legitimate interests of the Company.

Notices

Any notice you give to the Company must follow the procedures then in effect. If no other procedures apply, you must send your notice in writing by hand or by mail to the office of the Company's Secretary (or to the Chair of the Committee if you are then serving as the sole Secretary). If mailed, you should address it to the Company's Secretary (or the Chair of the Committee) at the Company's then corporate headquarters, unless the Company directs Plan participants to send notices to another corporate department or to a third party administrator or specifies another method of transmitting notice. The Company and the Committee will address any notices to you using its standard electronic communications methods or at your office or home address as reflected on the Company's personnel or other business records. You and the Company may change the address for notice by like notice to the other, and the Company can also change the address for notice by general announcements to Plan participants.

Amendment

Subject to any required action by the Committee or the shareholders of the Company, the Company may cancel the RSUs and provide a new Award in its place, provided that the Award so replaced will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect the RSUs to the extent then Vested.

Plan Governs

Wherever a conflict may arise between the terms of this Grant Agreement and the terms of the Plan, the terms of the Plan will control. The Committee may adjust the number of RSU Shares and other terms of the RSUs from time to time as the Plan provides.

(

EXHIBIT A

The vesting of 50% of the RSUs (the "*Performance RSUs*") is subject to the following conditions:

A. Service Condition

The Performance RSUs will vest according to the applicable schedule described in Paragraph C below, provided you remain employed by the Company as of each applicable vesting date set forth below.

B. <u>Performance Conditions</u>

- 1. The Company's average closing price per Share as reported on the NASDAQ Global Select Market during at least one measurement period (as described below) must be at least 25% higher than the closing price per Share as reported on the NASDAQ Global Select Market on the Date of Grant.
- 2. The measurement period will consist of the applicable trading days in any consecutive 30 (thirty) calendar day period preceding the first, second and/or third anniversaries of the Date of Grant.
- 3. On each anniversary of the Date of Grant (or as promptly as practicable thereafter), the Company will calculate the average closing price for the applicable measurement periods preceding such date in order to determine if the performance condition has been satisfied.

C. Vesting

1. **Performance Condition Achieved prior to First Anniversary of Date of Grant**. If the performance condition is achieved prior to the first anniversary of the Date of Grant, the Performance RSUs will vest in equal installments pursuant to the following schedule:

	Proportion of Performance RSUs that will vest as of
Vesting Date	the Vesting Date
1 st anniversary of Date of Grant	One-third of the Performance RSUs
2 nd anniversary of Date of Grant	One-third of the Performance RSUs
3 rd anniversary of Date of Grant	One-third of the Performance RSUs

2. Performance Condition Achieved after First Anniversary but before Second Anniversary of the Date of Grant . If the performance

condition is achieved after the first anniversary but before the second anniversary of the Date of Grant, the Performance RSUs will vest pursuant to the following schedule:

Vesting Date	Proportion of Performance RSUs that will vest as of the Vesting Date
1 st anniversary of Date of Grant	- 0 -
2 nd anniversary of Date of Grant	Two-thirds of the Performance RSUs
3 rd anniversary of Date of Grant	One-third of the Performance RSUs

3. **Performance Condition Achieved after Second Anniversary but before Third Anniversary of the Date of Grant**. If the performance condition is achieved after the second anniversary but before the third anniversary of the Date of Grant, the Performance RSUs will become fully vested as of such third anniversary pursuant to the following schedule:

Vesting Date	Proportion of Performance RSUs that will vest as of the Vesting Date
1 st anniversary of Date of Grant	- 0 -
2 nd anniversary of Date of Grant	- 0 -
3 rd anniversary of Date of Grant	100% of the Performance RSUs

4. **Performance Condition Not Achieved before the Third Anniversary of the Date of Grant.** Except in the event of death, Disability or a Change of Control prior to the third anniversary of the Date of Grant (in which case the terms set forth in the Grant Agreement will apply and, for the avoidance of doubt, the performance condition will no longer be applicable), if the performance condition is not achieved by the third anniversary of the Date of Grant, no portion of the Performance RSUs will vest and the Performance RSUs shall be forfeited.

2014 SENIOR VICE PRESIDENT NOSO AGREEMENT

<Participant Full Name>

Dear < Participant First Name>

Congratulations, you have been awarded a stock option grant in recognition of your contributions to the success of HMS Holdings Corp. (the " *Company*") and its Affiliates. A stock option grant gives you the right to purchase a specific number of shares of the Company's common stock at a fixed price, assuming that you satisfy conditions of the Company's Fourth Amended and Restated 2006 Stock Plan (the "*Plan*") and the implementing agreement. We would like you to have an opportunity to share in the continued success of the Company through this stock option grant under the Plan. The following represents a brief description of your grant. Additional details regarding your award are provided in the attached Nonqualified Stock Option Agreement (the "*Grant Agreement*") and in the Plan.

Stock Option Grant Summary:

Date of Grant November 12, 2014

Option Shares < Number of Shares Granted>

Exercise Price per Share

Exercisability One-sixth of the Option Shares on each of the first, second and third

anniversaries of the Date of Grant, with the remainder becoming exercisable as provided in Exhibit A to the Grant Agreement. Each of those dates is an "

Every is ability Date "

Exercisability Date ."

Term Expiration Date

- You have been granted a nonqualified stock option to purchase Shares of the Company's common stock. The total number of Shares under your grant is in the chart above under "Option Shares" and the price per share is under "Exercise Price per Share."
- The potential value of your stock option grant increases if the price of the Company's stock increases, but you also have to continue to provide services to the Company (except as the Grant Agreement provides) to actually receive such value. Of course, the value of the stock may go up and down over time.
- You can't exercise the stock option (actually purchase the shares) until it becomes exercisable. Your stock option becomes exercisable as
 provided in the chart above under Exercisability, assuming you remain an employee of or member of the Board of Directors of the Company
 and subject to the terms in the Grant Agreement.
- Whether or not you decide to exercise your stock option and purchase the stock is your decision, and, you have until the stock option expires (which will be no later than the *seventh* anniversary of the Date of Grant but can end earlier in various situations) to make that decision.
- Once you have purchased the Shares, you will own them and may decide whether to hold the stock, sell the stock or give the stock to someone as a gift.

 $You\ can\ access \ the\ Merrill\ Lynch\ portal\ updates\ and\ information:\ https://www29.benefits.ml.com/login/login.aspx.\ Please\ email\ IR@hms.com\ with\ any\ questions.$

HMS HOLDINGS CORP. NONOUALIFIED STOCK OPTION GRANT AGREEMENT FOR SENIOR VICE PRESIDENTS

HMS Holdings Corp. (the "Company") has granted you an option (the "Option") under the HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan (as it may be amended from time to time) (the "Plan"). The Option lets you purchase a specified number (the "Option Shares") of Shares of the Company's common stock, at a specified price per Share (the "Exercise Price").

The individualized communication you received (the "*Cover Letter*") provides the details for your Option. It specifies the number of Option Shares, the Exercise Price, the Date of Grant, the schedule for exercisability, and the latest date the Option will expire (the "*Term Expiration Date*").

The Option is subject in all respects to the applicable provisions of the Plan. This Grant Agreement does not cover all of the rules that apply to the Option under the Plan; please refer to the Plan document. Capitalized terms are defined either further below in this grant agreement (the "*Grant Agreement*") or in the Plan.

The Plan document is available on the Merrill Lynch website. The Prospectus for the Plan, the Company's S-8, Annual Report on Form 10-K, and other filings the Company makes with the Securities and Exchange Commission are available for your review under the Investor Relations tab on the Company's web site. You may also obtain paper copies of these documents upon request to the Company's Investor Relations department (IR@HMS.com).

Neither the Company nor anyone else is making any representations or promises regarding the duration of your service, exercisability of the Option, the value of the Company's stock or of this Option, or the Company's prospects. The Company is not providing any advice regarding tax consequences to you or regarding your decisions regarding the Option; you agree to rely only upon your own personal advisors.

NO ONE MAY SELL, TRANSFER, OR DISTRIBUTE THE OPTION OR THE SECURITIES THAT MAY BE PURCHASED UPON EXERCISING THE OPTION WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATING THERETO OR AN OPINION OF COUNSEL SATISFACTORY TO HMS HOLDINGS CORP. OR OTHER INFORMATION AND REPRESENTATIONS SATISFACTORY TO IT THAT SUCH REGISTRATION IS NOT REQUIRED.

In addition to the Plan's terms and restrictions, the following terms and restrictions apply:

Option Exercisability

While your Option remains in effect under the **Option Expiration** section, you may exercise any exercisable portions of the Option (and buy the Option Shares) under the timing rules of this section, provided that you may not exercise the Option for fewer than 100 full shares at any particular time unless fewer than 100 remain unexercised.

The Option will become exercisable on the schedule provided in the Cover Letter to this Grant Agreement assuming that through each Exercisability Date, (i) if you received the Option in your capacity as an employee of the Company, you remain an employee or (ii) if you received the Option in your capacity as a member of the Company's Board, you remain a member of the Company's Board. Any fractional shares will be carried forward to the following Exercisability Date, unless the Committee selects a different treatment. For purposes of this Grant Agreement, employment with the Company will include employment with any Affiliate whose employees are then eligible to receive Awards under the Plan. Unless the Committee determines otherwise, if an entity employing you ceases to be an Affiliate, your employment with the Company will be treated as ended even though you continue to be employed by that entity.

Exercisability will accelerate fully on your disability or death, including with respect to the Performance Option Shares (as defined below). For this purpose, "disability" means permanent and total disability as defined by Section 22(e)(3) of the Code. Exercisability will continue and increase (until fully exercisable) over the two years following your date of Retirement. "Retirement" for this purpose means cessation of service on or after attaining age 60 and completing five years of service with the Company.

Change in Control

If a Change in Control occurs, your Option will be treated as provided in Section 11 of the Plan if, within 24 months following the Change in Control, your employment or service ends on a termination without cause (as determined by the Committee or the Board), provided also that the Option will remain outstanding for 12 months following such termination but not beyond the Term Expiration Date.

Option Expiration

The Option will expire no later than the close of business on the Term Expiration Date. Unexercisable portions of the Option expire immediately when you cease to be employed (unless you are concurrently remaining or becoming a member of the Board, or, for a Board member, concurrently remaining or becoming an employee of the Company). If the Company terminates your employment or service for cause, the Option will immediately expire without regard to whether it is then exercisable.

Exercisable portions of the Option remain exercisable until the first to occur of the following (the "Final Exercise Date"), each as defined further in the Plan or the Grant Agreement:

• Three months (measured to the corresponding date in the month) after your employment (or directorship) ends if you resign or if the Company terminates your employment or service without cause (as determined under the Plan), except as provided above under **Change in Control**

- For death or Disability, the first anniversary of the date employment or service ends
- For Retirement, the end of the second year following your date of Retirement
- The Term Expiration Date

The Committee can override the expiration provisions of this Grant Agreement.

Method of Exercise and Payment for Shares

Subject to this Grant Agreement and the Plan, you may exercise the Option only by providing a written notice (or notice through another previously approved method, which could include a web-based or voice- or e-mail system) to the Secretary of the Company or to whomever the Committee designates, received on or before the date the Option expires. Each such notice must satisfy whatever then-current procedures apply to that Option and must contain such representations (statements from you about your situation) as the Company requires. You must, at the same time, pay the Exercise Price using one or more of the following methods:

Cash/Check

cash or check in the amount of the Exercise Price payable to the order of the Company;

Cashless Exercise

an approved cashless exercise method, including directing the Company to send the stock certificates (or other acceptable evidence of ownership) to be issued under the Option to a licensed broker acceptable to the Company as your agent in exchange for the broker's tendering to the Company cash (or acceptable cash equivalents) equal to the Exercise Price and, if you so elect, any required tax withholdings;

Net Exercise

by delivery of a notice of "net exercise" to or as directed by the Company, as a result of which you will receive (i) the number of shares underlying the portion of the Option being exercised less (ii) such number of shares as is equal to (A) the aggregate Exercise Price for the portion of the Option being exercised divided by (B) the Fair Market Value on the date of exercise;

Stock

if permitted by the Committee, by delivery of Shares owned by you, valued at their Fair Market Value, provided (i) applicable law then permits such method of payment, (ii) you owned such Shares, if acquired directly from the Company, for such minimum period of time, if any, as the Committee may establish in its discretion, and (iii) the Shares are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar restrictions; or

any combination of the above permitted forms for payment.

Withholding

Issuing the Option Shares is contingent on satisfaction of all obligations with respect to required tax or other required withholdings (for example, in the U.S., Federal, state, and local taxes). The Company may take any action permitted under Section 14(c) of the Plan to satisfy such obligation, including satisfying the tax obligations by (i) reducing the number of Option Shares to be issued to you in connection with any exercise of the Option by that number of Option Shares (valued at their Fair Market Value on the date of exercise) that would equal all taxes required to be withheld (at their minimum withholding levels), (ii) accepting payment of the withholdings from a broker in connection with a Cashless

Exercise of the Option or directly from you, or (iii) taking any other action under Section 14(c) of the Plan. If a fractional share remains after deduction for required withholding, the Company will pay you the value of the fraction in cash.

Compliance with Law

You may not exercise the Option if the Company's issuing stock upon such exercise would violate any applicable Federal or state securities laws or other laws or regulations. You may not sell or otherwise dispose of the Option Shares in violation of applicable law. As part of this prohibition, you may not use the Cashless Exercise methods if the Company's insider trading policy then prohibits you from selling to the market.

Additional Conditions to Exercise

The Company may postpone issuing and delivering any Option Shares for so long as the Company determines to be advisable to satisfy the following:

its completing or amending any securities registration or qualification of the Option Shares *or* its or your satisfying any exemption from registration under any Federal or state law, rule, or regulation;

its receiving proof it considers satisfactory that a person seeking to exercise the Option after your death is entitled to do so;

your complying with any requests for representations under the Plan; and

your complying with any Federal, state, or local tax withholding obligations.

Additional Representations from You

If you exercise the Option at a time when the Company does not have a current registration statement (generally on Form S-8) under the Securities Act of 1933 (the "*Act*") that covers issuances of shares to you, you must comply with the following before the Company will issue the Option Shares to you. You must —

represent to the Company, in a manner satisfactory to the Company's counsel, that you are acquiring the Option Shares for your own account and not with a view to reselling or distributing the Option Shares; and

agree that you will not sell, transfer, or otherwise dispose of the Option Shares unless:

a registration statement under the Act is effective at the time of disposition with respect to the Option Shares you propose to sell, transfer, or otherwise dispose of; or

the Company has received an opinion of counsel or other information and representations it considers satisfactory to the effect that, because of Rule 144 under the Act or otherwise, no registration under the Act is required.

No Effect on Employment or Other Relationship Nothing in this Grant Agreement restricts the Company's rights or those of any of its Affiliates to terminate your employment or other relationship at any time and for any or no reason. The termination of employment or other relationship, whether by the Company or any of its Affiliates or otherwise, and regardless of the reason for such termination, has the consequences provided for under the Plan and any applicable employment or severance agreement or plan.

Not a Shareholder

You understand and agree that the Company will not consider you a shareholder for any purpose with respect to any of the Option Shares until you have exercised the Option, paid for the shares, and received evidence of ownership.

No Effect on Running Business You understand and agree that the existence of the Option will not affect in any way the right or power of the Company or its shareholders to make or authorize any adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or other stock, with preference ahead of or convertible into, or otherwise affecting the Company's common stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether or not of a similar character to those described above.

Governing Law

The laws of the State of New York will govern all matters relating to the Option, without regard to the principles of conflict of laws.

Restrictive Covenants Clawback If the Board or the Committee determines, in its sole discretion, that you violated or are violating any of the Restrictive Covenants set forth below under the section titled "Restrictive Covenants," the Option will immediately terminate without regard to whether it is then Vested in whole or in part. In addition, the Board or the Committee may, in its sole discretion, require from you payment or transfer to the Company of the Gain from the Option, where the "Gain" consists of the greatest of (i) the value of the Option Shares on the date, within the Recovery Measurement Period, on which you exercised the Option with respect to such Option Shares, (ii) the value of the Option Shares received upon exercise during the Recovery Measurement Period, as determined on the date of the request by the Committee to pay or transfer, (iii) the gross (before tax) proceeds you received from any sale of the Option Shares during the Recovery Measurement Period, and (iv) if transferred without sale during the Recovery Measurement Period, the value of the Option Shares when so transferred. The Board or the Committee may determine the recoupment method in its sole discretion for any portion of the Option transferred (where permitted) before being exercised. The "Recovery **Measurement Period** " means the 12 months before the date of the determination of violation. The provisions in this section are essential economic conditions to the Company's grant of the Option to you. By acknowledging receipt of the grant of the Option hereunder, you agree that the Company may deduct from any amounts it owes you from time to time (such as any severance or other payments owed following a termination of employment, as well as any other amounts owed to you by the Company, as permitted by applicable law) to the extent of any amounts you owe the Company under this Restrictive Covenants Clawback section.

You acknowledge that you would not be receiving the Option described herein but for your agreement to comply with the Restrictive Covenants. Likewise, you

acknowledge that you would be unjustly enriched if you violate the Restrictive Covenants, while being able to retain some or all of the Option Shares or the gain associated with them. Furthermore, you acknowledge and agree that the damages for your breach of the Restrictive Covenants are not subject to calculation and that the remedies set forth in this **Restrictive Covenants Clawback** section, therefore, will only reimburse the Company for a portion of the damage done. For this reason, the Company shall be entitled to recover from you any and all damages Company has suffered and, in addition, Company will be entitled to injunctive relief. The parties agree that the forfeiture of the Option and payments described in this section are expressly not Company's exclusive or sole remedy.

This remedy is in addition to any other remedies that the Company may have available in law or equity with respect to breaches of the Restrictive Covenants below. It is also in addition to, and not in substitution for, any other clawback policies that may be adopted from time to time, including any required by Federal law, such as under Section 304 of the Sarbanes-Oxley Act of 2002 or the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Payment is due in cash or cash equivalents within 10 days after the Board or the Committee provides notice to you that it is enforcing this clawback. Payment will be calculated on a gross basis, without reduction for taxes or commissions. The Company may, but is not required to, accept retransfer of shares in lieu of cash payments.

Restrictive Covenants

In consideration of the terms of this Option and your access to Proprietary Information (as defined below), you agree to the Restrictive Covenants set forth below.

Confidential Information

You have or will be given access to and provided with sensitive, confidential, proprietary and/or trade secret information (collectively, "*Proprietary Information*") in the course of your employment. Examples of Proprietary Information include inventions, new product or marketing plans, business strategies and plans, merger and acquisition targets, financial and pricing information, software of the Company in various stages of development, including computer programs in source code and binary code form, software designs, specifications, programming aids (including "library subroutines" and productivity tools), programming languages, interfaces, visual displays, technical documentation, user manuals, data files and databases of the Company, analytical models, customer/client lists and information, and supplier and vendor lists and information. You agree not to disclose or use Proprietary Information, either during or after your employment with the Company, except as necessary to perform your duties or as the Company may consent in writing.

Non-competition and Non-solicitation

You agree that while the Company employs you and for a period of 12 months after your employment ends for any reason, you will not directly or indirectly (whether as an owner, partner, officer, employee, director, investor, lender, consultant, independent contractor or otherwise) do any of the following:

(i) *Compete.* In the geographical area where the Company does business or, at the time your employment ends, plans to do business, you will not engage or assist others in

engaging in any business or enterprise that competes with the Company's business, including any business or enterprise that develops, designs, produces, manufactures, markets, licenses, sells, renders, or provides any product or service that competes with any product or service actually or planned to be developed, designed, produced, manufactured, marketed, licensed, sold, rendered, or provided by the Company while you are or were employed by the Company; provided that your passive ownership of not more than 1% of the outstanding stock of a publicly-held company will not, by itself, violate this provision. For purposes of this Grant Agreement, you agree that the Company does business throughout and plans to do business throughout the United States;

- (ii) Solicit Clients, Customers, or Accounts . You will not, either alone or in association with others, actually or attempt to solicit, divert, or take away the business or patronage of any of the Company's clients, customers, or accounts, or prospective clients, customers, or accounts, that the Company contacted, solicited, or served while you were employed by the Company or about which you have Proprietary Information, provided that this provision does not prevent you from soliciting clients, customers, or accounts (if you are not using Proprietary Information to do so) for purposes that are not in actual or potential competition with the Company;
- (iii) Solicit or Hire Company Employees and Independent Contractors. You will not, either alone or in association with others, actually or attempt to (x) solicit, recruit or induce any Company employee or independent contractor to leave the Company's service or (y) solicit, recruit, hire, or engage as an employee or independent contractor any individual whom the Company employed or engaged at any time while you were employed by the Company, except for an individual whose employment or other service relationship with the Company ended at least six months before the date of your action; and/or
- (iv) Disclose or Utilize Product Development. You will not, either alone or in association with others, disclose to, or utilize for the benefit of, any entity other than the Company, any systems or product development ideas, concepts, or strategies that you or others in communication with you explored, generated, initiated, or discussed for potential implementation during your employment with the Company, even if the Company has not implemented such ideas, concepts, or strategies by the time your employment with the Company ends.

For the purposes of subsection (ii) "Solicit Clients, Customers, or Accounts", the terms "customer," "client," or "account" as applied to governmental agencies will mean the agency or department for which any of the products or services of the Company are sold or performed during the applicable period, any related program office, and any agency, department, or office that succeeds to the functions of any agency, department, or office to which the Company then provides or within the preceding 12 months provided goods or services (to the extent that the successor replaces part or all of the customer or client to which the Company provided goods or services).

General

To the extent that you and the Company agree at any time to enter into separate agreements containing restrictive covenants with different or inconsistent terms than those contained herein, you and the Company acknowledge and agree that such different or inconsistent terms shall not in any way affect or have relevance to the Restrictive Covenants contained herein, and the terms of these Restrictive Covenants do not supersede or amend any others currently or in the future in place.

By accepting this Option grant, you agree that the provisions of this Restrictive Covenants section (and the related Restrictive Covenants Clawback section) are reasonable and necessary to protect the legitimate interests of the Company.

Notices

Any notice you give to the Company must follow the procedures then in effect. If no other procedures apply, you must send your notice in writing by hand or by mail to the office of the Company's Secretary (or to the Chair of the Committee if you are then serving as the sole Secretary). If mailed, you should address it to the Company's Secretary (or the Chair of the Committee) at the Company's then corporate headquarters, unless the Company directs optionees to send notices to another corporate department or to a third party administrator or specifies another method of transmitting notice. The Company and the Committee will address any notices to you using its standard electronic communications methods or at your office or home address as reflected on the Company's personnel or other business records. You and the Company may change the address for notice by like notice to the other, and the Company can also change the address for notice by general announcements to optionees.

Amendment

Subject to any required action by the Committee or the shareholders of the Company, the Company may cancel the Option and provide a new Award in its place, provided that the Award so replaced will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect the Option to the extent then exercisable.

Plan Governs

Wherever a conflict may arise between the terms of this Grant Agreement and the terms of the Plan, the terms of the Plan will control. The Committee may adjust the number of Option Shares and the Exercise Price and other terms of the Option from time to time as the Plan provides.

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EXHIBIT A

The exercisability of 50% of the Shares covered by the Option (the "*Performance Option Shares*") is subject to the following conditions:

A. Service Condition

The Performance Option Shares will become exercisable according to the applicable schedule described in Paragraph C below, provided you remain employed by the Company as of each applicable exercisability date set forth below.

B. Performance Conditions

- 1. The Company's average closing price per Share as reported on the NASDAQ Global Select Market during at least one measurement period (as described below) must be at least 25% higher than the Exercise Price per Share specified in the Stock Option Grant Summary.
- 2. The measurement period will consist of the applicable trading days in any consecutive 30 (thirty) calendar day period preceding the first, second and/or third anniversaries of the Date of Grant.
- 3. On each anniversary of the Date of Grant (or as promptly as practicable thereafter), the Company will calculate the average closing price for the applicable measurement periods preceding such date in order to determine if the performance condition has been satisfied.

C. Exercisability

1. Performance Condition Achieved prior to First Anniversary of Date of Grant. If the performance condition is achieved prior to the first anniversary of the Date of Grant, the Performance Option Shares will become exercisable in equal installments pursuant to the following schedule:

Exercisability Date	Proportion of Performance Option Shares Exercisable as of the Exercisability Date
1 st anniversary of Date of Grant	One-third of the Performance Option Shares
2 nd anniversary of Date of Grant	One -third of the Performance Option Shares
3 rd anniversary of Date of Grant	One-third of the Performance Option Shares

2. Performance Condition Achieved after First Anniversary but before Second Anniversary of the Date of Grant. If the performance condition is achieved after the first anniversary but before the second anniversary of the Date of Grant, the Performance Option Shares will become exercisable pursuant to the following schedule:

Exercisability Date	Proportion of Performance Option Shares Exercisable as of the Exercisability Date
1 st anniversary of Date of Grant	-0-
2 nd anniversary of Date of Grant	Two-thirds of the Performance Option Shares
3 rd anniversary of Date of Grant	One-third of the Performance Option Shares

3. Performance Condition Achieved after Second Anniversary but before Third Anniversary of the Date of Grant. If the performance condition is achieved after the second anniversary but before the third anniversary of the Date of Grant, the Performance Option Shares will become fully exercisable as of such third anniversary pursuant to the following schedule:

Exercisability Date	Proportion of Performance Option Shares Exercisable as of the Exercisability Date
1 st anniversary of Date of Grant	-0-
2 nd anniversary of Date of Grant	-()-
3 rd anniversary of Date of Grant	100% of the Performance Ontion Shares

4. *Performance Condition Not Achieved before the Third Anniversary of the Date of Grant.* Except in the event of death, Disability or a Change of Control prior to the third anniversary of the Date of Grant (in which case the terms set forth in the Grant Agreement will apply and, for the avoidance of doubt, the performance condition will no longer be applicable), if the performance condition is not achieved by the third anniversary of the Date of Grant, no portion of the Performance Option Shares will become exercisable and the Performance Option Shares shall be forfeited.

HMS Holdings Corp. Code of Conduct

HMS Holdings Corp. 5651 High Point Drive, Irving TX 75038 Telephone 214.453.3000



Important Contact Information —Inside Cover

Email Drop Boxes corporate.compliance.@hms.com

Hotline Convercent

1-800-461-9330

Intranet Website (Requires VPN and password to access)

http://intranet.hms.com/Compliance/default.aspx

• Code of Conduct, Compliance Policies, Compliance Resources

Training Site HMS Learning Management System

Corp. Compliance Alexandra Holt; Chief Compliance Officer

360 Park Avenue South, 17 th Floor

New York, NY 10010 Email: Direct Line:

HMS Federal Kimberly J. Hornik; Federal Compliance Officer

Direct Line:

HDI Jennifer Drucker; HDI Compliance Officer

Email: Direct Line:

Security Scott Pettigrew; Chief Security Officer

5615 High Point Drive Irving TX 75038

Direct Line: Email:

Legal Gene DeFelice; EVP, General Counsel & Secretary

5615 High Point Drive

Irving, TX 75038 Email:

HR Tracy A. South; CAO and EVP, Human Resources

5615 High Point Drive Irving TX 75038

Email:

HMS Code of Conduct, Last Updated July 2014

CEO'S MESSAGE





Our reputation as an industry leader is based on delivering outstanding customer service while upholding the highest standards of integrity. Our business relationships are built on trust, and are sustained by our Core Values of Service, Excellence, Innovation and Integrity.

This Code of Conduct highlights certain requirements for all HMS employees and business affiliates. It's not a collection of Company policies and procedures, but rather an overview of key principles and certain laws. It includes references to other resources—Handbooks, Policies and Procedures and Training—where legal requirements and procedural details are spelled out in detail. I expect each of you to read, understand and follow our Code of Conduct; please consult it throughout the year as you need to. You are obligated to uphold our standards of behavior, and report immediately any violation of the Code. If you have questions along the way, use the resources listed on the inside cover of this book and on our Intranet. Each year, you will be asked to complete a Form pledging you will comply with this Code, take training to refresh your familiarity with the guidance given here, and communicate candidly about any concerns you have.

Great companies are judged by their actions—great and small. The Code of Conduct outlines our path. Please unite with me in living our commitment to do the right thing for the right reasons as we pursue our vision to power the healthcare system with integrity.

William C. Lucia Chief Executive Officer and President HMS Holdings Corp.

HMS Code of Conduct, Last Updated July 2014

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OUR RESPONSIBILITIES

Introduction

The HMS Code of Conduct is applicable to HMS Holdings Corp. and all of its subsidiaries' (collectively "HMS"), employees, officers, directors, contractors, contingent workers and business affiliates. Doing business with integrity is a core value for HMS—we provide world-class service to our clients through innovation and ethical business practices. You must act with honesty, candor and trustworthiness in all Company dealings. This means you are expected to comply with all laws, rules and regulations that govern our business, maintain an ethical and professional work environment, and proactively support company policies. We believe that ethical behavior is promoted by full and open disclosure. You are responsible for asking questions if something is unclear, and speaking up immediately if you suspect unethical or illegal behavior. Our policies forbid any form of retaliation against you for fulfilling this obligation in good faith. Although the Code is a general reference, and can't cover every situation, it does provide you with clear guidelines. Also included is a list of contacts for you to use in seeking advice or reporting concerns.

Certifying Code Acceptance

You must review this Code and annually recertify in writing that you have read, understood, and will comply with it. You are required to take

annual training on the subject matter within the Code. Managers must communicate the Code of Conduct and relevant HMS policies to your teams, and ensure staff complete annual training. Managers must never neglect to address or report a violation of the Code, law or regulation committed by someone you manage.

Disciplinary Action

Whether you are an employee, manager, officer or contractor, you may be disciplined or lose your job, if you:

- Do not follow this Code or other HMS policies
- Break any laws or regulations that apply to HMS
- Tell an employee to violate the Code, an HMS policy, a law or a regulation
- Fail to provide required information, or provide false information in connection with an investigation, about a violation of the Code, a law or a regulation
- Retaliate against a person who reports a suspected violation in good faith (regardless of whether the report is made within HMS or to an outside law enforcement or government agency) or who cooperates or helps in good faith with an investigation
- Neglect to address or report a violation of the Code, or a law or regulation, committed by someone you manage or of which you have been made aware

Reporting

Open Door Policy

Our standards are founded on the principles of candor and open access within HMS. Many issues can be resolved before they become problems for the company, employees, or the public. Our Open Door Policy encourages you to present ideas, report concerns and ask questions. All managers are responsible for supporting this policy by maintaining an "open door" for those reporting matters, and treating such reports and discussions with respect. In our commitment to open communication, we provide different avenues for you to raise issues in good faith, while being protected from any retaliation for doing that. They are listed on the inside cover of this document and referenced throughout.

Retaliation Prohibited

HMS prohibits retaliation against anyone who in good faith:

- Makes a complaint or reports a violation to HMS or any law enforcement or government agency
- Cooperates or helps with a government or internal investigation
- Provides information to the government or HMS about a breach of law or HMS policy

If you believe that you have experienced wrongful retaliation, you should report the issue immediately by contacting the Hotline or the Chief Compliance Officer.

Confidentiality

Sensitivity to confidentiality is a priority, and every effort will be made to protect your identity (if you wish) when reporting an issue. However, in some cases it may be impossible to protect your privacy, due to demands of conducting an investigation or certain legal requirements. If you want to report your concern anonymously, place a call or go online to the Corporate Hotline.

Anonymous Reporting—THE HOTLINE

The Corporate Hotline provides a direct way to report a compliance or Code of Conduct concern. The Hotline is managed by an independent third party—Convercent—and is available 24 hours a day, 7 days a week, 365 days a year. **To reach the Hotline, call toll-free 1-800-461-9330 or visit the Convercent website at www.convercent.com to report your issue or concern.** The Hotline is operated by specially trained third-party Representatives from Convercent. Calls to the Hotline will not be traced or recorded. Hotline representatives will log information given by you in the Convercent System. Your matter is then referred to the appropriate department for investigation and handling. You can remain updated regarding your issue by accessing it via a unique ID number in the system.

Waivers and Amendments

The Company may waive application of this Code of Conduct, on a case-by-case basis, with approval by the General Counsel or Chief Compliance Officer. Nothing herein shall constitute a contractual commitment to any employee. Amendments are subject to the approval of the Board of Directors.

Preventing Fraud, Dishonesty & Criminal Conduct

Each of us has a responsibility to do our job honestly and in compliance with applicable laws, regulations and this Code. Fraud, dishonesty or criminal conduct by anyone doing work for, or business with, HMS is not permitted.

Examples of such conduct may include:

- Stealing property or information, including intellectual property
- Misusing a company or client computer, telephone, e-mail or other resource
- Making false records or reports, such as signing another person's name, altering a document or recording activities which have not been performed, falsifying any report such as a government report, or falsifying expenses.
- Destroying, changing, falsifying or hiding evidence of any activity that violates this Code of Conduct

If you see or suspect fraud, dishonesty or criminal conduct, you must immediately report the situation to the Corporate Compliance Officer or the Hotline. In conjunction with this obligation, you must cooperate with and be truthful during any HMS investigation.

If law enforcement or another government agency contacts you about possible fraud or criminal conduct, immediately refer the

contact to the Chief Compliance Officer or General Counsel.

COMPETING FAIRLY

At HMS, we are committed to ensuring we compete within the boundaries of the law.. This means, among other things, abiding by all laws that apply to our sales and contracting activities in all locales in which HMS does business. We do not use unfair methods of competition, or unfair or deceptive acts or practices in commerce. Among other things:

We will:

- Compete fairly and honestly for business
- Deal fairly with clients and business partners
- Describe our products and services accurately
- Be truthful and accurate in proposals, bids, contracts and other certifications

We will not:

- Disparage our competitors' products and services.
- Wrongfully use confidential or propriety information belonging to a third party.
- Accept, solicit, or provide kickbacks or illegal payments to anyone.
- Mislead customers through false statements or other deceptive practices.

Antitrust and Competition

Antitrust and competition laws protect free competition and consumers. While these laws are complex, they would, for example, prohibit agreements between HMS and competitors that unreasonably restrain trade which can include agreements that concern prices, terms of sales, costs, profits or margins, sales volumes, capacity, market shares or territories, rigging bids or boycotts (e.g. of a customer or supplier). The antitrust and competition laws also prohibit conduct to monopolize markets by unfair or illegal means.

Below are examples of certain areas in which antitrust and competition laws may limit permissible conduct and you should consult with the Legal Department for guidance in advance in any area (not just these) where there are potential antitrust concerns:

- Discussions or other contacts with competitors
- Refusals to do business with others
- Tying of services or other products (i.e. where the sale of one type is conditioned on the purchase of a second type)
- Selling below cost
- Practices that could foreclose competition in areas where HMS has significant market share
- Price discrimination (i.e. selling to two or more purchasers at different prices)
- Conduct or arrangements that may make it difficult for competitors to obtain needed inputs or sell their own services or other products.

If you are responsible for sales, contracting and other areas of the business where antitrust and competition laws may apply, you must be aware of them and their implications. Ask for advice of the Legal Department if you are unsure about appropriate conduct in a particular situation.

Business Intelligence

In today's environment, there is ready access to public information about other companies and their services. It's not unethical or illegal to have and make use of public information in conducting business. You are free to gather intelligence about companies from public sources such as web sites, published articles, advertisements, brochures, public presentations and the like. Information from outside vendors and consultants can also be a useful business tool, however, care must be taken not to receive from or provide to such persons inappropriate competitively sensitive information. Please consult with the Legal Department for appropriate guidelines when dealing with such third party information sources. You may contract with an outside vendor to gather business information, if the contracting process and scope of engagement is approved. But you may only accept business information about other companies when the receipt and use of it are lawful and ethical, and do not violate anyone's confidentiality obligations. You must never use, or ask any third party to use, unlawful or unethical means such as misrepresentation, deception, theft, spying, or bribery to gather business intelligence.

Trade Associations

Trade association meetings and other such gatherings serve legitimate and worthwhile purposes. However, when such meetings bring together competitors, care must be taken to discuss only permissible subjects. Even comments made in jest about impermissible topics must be avoided as such comments can be misinterpreted and misreported. If a conversation in a trade association meeting context should turn to any kind of potentially anti-competitive discussion, you should politely refuse to discuss the matter and leave the conversation immediately.

Bribery and Corruption

HMS forbids payments of any kind to any person either to obtain advantage in selling goods and services, or to advance our interests with government authorities. Any such payment, made anywhere, violates HMS's policies and procedures.

Governmental

Most places where we do business have laws forbidding the making, offering, or promise of any payment or anything of value—directly or indirectly— to a government official, if such payment is intended to influence an official act, or decision to award or retain business. For this reason, no payments, gifts, or services intended to influence, or even appearing to influence, a government official's actions may be given.

Further Note on the Foreign Corrupt Practices Act (FCPA)

The FCPA prohibits knowingly offering, promising, or authorizing to pay money or "anything of value" directly or indirectly to any non-U.S. government official, political party or official of a political party, or candidate for political office with the intention of corruptly influencing such official to obtain or retain business or to otherwise secure any improper business advantage. A non-U.S government official may include a person acting in an official capacity for or on behalf of a government agency, department, instrumentality, or public organization. This includes an entity that is owned or controlled by the government or any entity hired to review and accept bids for a government agency. Further, payments made to non-U.S. government officials as a means of illegally or improperly influencing regulatory or other government action, including reducing customs duties, income taxes, sales taxes, or to collect an outstanding debt, are prohibited. Therefore, each

business originator should perform thorough due diligence when considering agents or third parties to represent HMS's interests outside the United States. We have approval requirements for such consultants and for related contract terms. Please contact the Legal Department with any questions about the FCPA or about contracting with offshore entities.

Commercial

HMS also prohibits "commercial bribery." Commercial bribery refers to the furnishing of something of value to an intermediary (e.g., an employee of a customer), with the intent to influence an entity's commercial conduct. HMS prohibits any employee, consultant, middleman, or other agent acting on such individual's behalf or on behalf of the Company from directly or indirectly engaging in commercial bribery.

Personal

You should never offer, pay, or receive bribes or kickbacks from anyone; to do so will subject you to civil or criminal penalties. You should immediately notify the Chief Compliance Officer about any payment or gift that is offered to or requested from you in conjunction with doing business, or that you believe may be a bribe, kickback, or otherwise improper. Never offer or accept personal loans or guarantees (e.g., preferences or discounts not offered widely) to or from clients, business providers or our competitors.

Gifts & Business Courtesies

While the exchange of business courtesies can help build business relationships, accepting or providing gifts under certain circumstances can harm your reputation and the reputation of HMS. You must seek guidance from Compliance or the Legal Department to distinguish between appropriate situations that build relationships and inappropriate situations that create or appear to create conflicts of interest or violate applicable law.

Governmental Employees

All governmental employees are subject to strict limitations on what they are allowed to accept in the nature of "gifts" from contractors such as HMS. The definition of what constitutes a prohibited gift or promise is often broad, but usually covers entertainment, food or beverages, attendance at corporate events where free food and drink are available, tickets to shows or sporting events, offers of employment, and a wide range of other items that have a monetary value. Because HMS does business with so many governmental entities, it is HMS policy that no gifts, entertainment, meals, lodging or travel may be provided to a government official or employee or to any other person because of that person's relationship to the governmental official or employee. Also you must avoid making or discussing any promise or offer of anything that might benefit that person as an individual. Discussions or communications regarding any consideration of employing a government employee by HMS should only be undertaken after approval by the Chief Compliance Officer.

Others (other than government employees)

The safest course of action is not to give or receive any gifts at all. However, circumstances may arise where that's not possible. If you must give or receive a gift, inexpensive or promotional items are appropriate if the item is widely available to others and if the exchange is legal. Even inexpensive gifts should not be given or accepted if they are intended as, or could be perceived to be, a bribe or an attempt to influence business decisions. Ask the Chief Compliance Officer for help any time you are unsure about giving or receiving a gift.

Generally, gifts valued at more than \$25.00 to or from one person are not appropriate. Group gifts — those meant for, or received on behalf of, multiple people, e.g., a unit, office, department, etc.—can exceed this limit, but must be reasonable in relation to the size of the group and purpose for the gift. Also, you may not accept or give gifts of cash or cash equivalents, such as gift certificates or gift cards regardless of the amount. If you are offered or receive an expensive or inappropriate gift, politely refuse by explaining HMS's policy on accepting gifts.

Any gifts given must be accurately and fully disclosed in the appropriate expense report with enough detail to reflect the true nature of the expense and the full names and business affiliations of those involved.

If you believe an exception to this policy is warranted in a particular circumstance, you must discuss the situation with, and obtain approval from, the Chief Compliance Officer.

Political Activities

HMS encourages everyone as individuals to participate in the political process. But in so doing you may not give the impression that you speak or act on behalf of the company. Never use HMS resources—such as work time, email, phone systems, or personnel—to engage in personal political activities.

Political contributions

Federal law allows federal candidates, political parties and political action committees (PACs) to receive contributions from a company-sponsored PAC. HMS has established a PAC, which raises voluntary contributions from HMS associates at the Director level and above. All donations to the company-sponsored PAC must be voluntary. No action—favorable or unfavorable— may be taken by the company based on an associate's decision to donate or not to donate, or the amount of the donation. Furthermore, it is inappropriate for any supervisor to pressure an employee to make a donation to the PAC.

Federal law allows HMS's corporate resources to be used to support the administration of the HMS PAC, but prohibits HMS resources from being used to make contributions to any candidate, party or PAC in connection with a federal election. Some states and localities allow political contributions by corporations. The company makes political contributions in some of the states where corporate contributions are permitted. Any political contribution made by the HMS PAC must fall within the limits and restrictions of all applicable laws and must be properly reported. Any other corporate political contribution must be approved in advance by the Chief Compliance Officer. Making an illegal contribution, or failing to properly report a legitimate contribution, is a violation of HMS policy.

"Pay To Play" Prohibition

HMS has adopted a pay to play policy that, among other things, bans any individual or related party political contributions which might be made in an attempt to influence the award of business in violation of applicable law. All employees are required to read and understand any HMS policies including any of those relating to pay to play. This also includes a specific pre-clearance requirement for any contributions to a state or local office holder by employees (or related parties as specified and defined by the policy) employed in government sales who are client facing, employees with the title of VP or above, all government relations employees, and Board members. Such preclearance will be made to and by the Chief Compliance Officer.

Lobbying

Lobbying is the practice of communicating with government officials about matters that are important to HMS. Lobbying is strictly regulated by Federal, State, and local government rules and our own policies. Be aware that:

- Only the VP of Government Relations may hire lobbyists using forms approved in advance by the legal department. No contingent fee payments to lobbyists are permitted. It is the responsibility of the VP of Government Relations to manage those relationships to ensure compliance with applicable law, including registration and reporting obligations incurred by individual lobbyists, company employees, and the company.
- There are specific, detailed federal, state, and local rules regarding the use of corporate funds to procure or lobby for a government contract
- HMS does not use resources to lobby for, or influence the award of, any government business

You may not conduct illegal lobbying activities, or fail to properly report legitimate efforts to influence policy making. If you have questions, please contact the VP of Government Relations, the Chief Compliance Officer, or the General Counsel.

Conflicts of Interest

It is the policy of HMS that its employees, officers, directors, contractors, and contingent workers avoid conflicts of interest, except those fully disclosed in advance to the Chief Compliance Officer (with all relevant information) and formally waived in writing. The waiver may include conditions such as mitigations.

A conflict of interest is any situation where the interests of HMS are adverse to the interests of the employee, officer, director, contractor, or contingent worker where that individual's personal or financial interests conflict with HMS's. The term HMS' interest should be construed very broadly and include customers and prospects, potential market opportunities, and other business interests. We expect our employees, officers, directors, contractors, and contingent workers to avoid real or apparent conflicts of interests.

Examples of a conflict of interest

Examples of a possible conflict of interest include, but are not limited to the following. You may have a conflict of interest if you, a family member, or a member of your household:

- Has a financial interest in any business or government entity that is a customer or supplier, or that otherwise does business with HMS, or is a competitor of HMS
- Performs work (as an employee, officer, director, consultant or agent) for any of the above entities
- Works, or serves as an officer, director or advisor, for a nonprofit or political organization whose interests intersect with HMS's businesses or with our position on a public policy
- Benefits personally from opportunities or resources that came to you as a result of your work at HMS
- Has an outside job or interest that interferes with your ability to do your job
- Acquires a significant ownership interest (more than one-tenth of 1%) in any business other than a privately held family business.

You may not assume a position as a director, officer or related position with another for-profit business while still employed at HMS without prior approval. Before seeking or accepting such a position,

you must report the proposed affiliation to the Chief Compliance Officer.

If you believe you have an actual or possible conflict of interest, report it with all relevant information to the Chief Compliance Officer.

In addition (and as discussed under the "Business Opportunities" section of the Code, you must present all corporate opportunities to the Company.

Directors and Section 16 officers should report possible conflicts in advance to the General Counsel (along with relevant information). The General Counsel will consult with the Chairman of the Board or other members of the Board of Directors, as appropriate, and formally respond.

Governmental Contracting and Procurement

HMS is a responsible and reputable governmental contractor. We conduct our government contracting obligations in a manner compliant with all laws, regulations and ethics rules governing this business arena. We hold ourselves to high standards of business conduct and integrity, and we hold any subcontractors involved in government contracts to the same standards. It is HMS's policy to use consultants, agents or other professional service independent contractors only for legitimate, legal purposes. HMS will enter into agreements only with business partners, companies, consultants or other agents believed to have a record of, and commitment to, integrity. Contractors and consultants engaged on U.S. government projects are required to undergo background checks to verify that they are not suspended or debarred or otherwise excluded from performing government contracting work or on a list of suspected terrorists.

In government procurement processes, we do not improperly obtain, use or disclose government source selection or non-public proprietary information, such as bid or proposal prices, technical evaluation plans, competitive range determinations or ranking of proposals.

It is also HMS policy to:

- Follow the laws, rules, regulations and requirements of contractor conduct in the Federal Employees Health Benefits Program (FEHBP), Medicare, Medicaid and other U.S. government programs
- Adhere to laws that apply to government contracting and procurement in the states and locales where we do business. This includes, for example, the Federal Acquisition Regulations (FAR), the Procurement Integrity Act, federal and state employment, equal opportunity and affirmative action laws, the False Claims Act (FCA) and anti-corruption laws such as the U.S. Foreign Corrupt Practices Act. Laws, regulations and ethics rules vary by state and locality. Consult the General Counsel with any questions.
- Require provision of current, and accurate and complete information for all government contracts.
- Never give or agree to give anything of value to government customers, employees or third parties to influence the award or renewal of a government contract.
- Protect procurement integrity processes and confidential information associated with same.

Attestations

Some government contracts require HMS to certify that we did not violate procurement laws or regulations in winning the contract. If you are asked to sign a certificate or disclosure related to a government contract, you must be authorized to do so. Consult the General Counsel if you have any questions regarding certifications and disclosure requirements.

Notification Requirements

- Promptly contact the General Counsel if any part of a government, including a U.S. or State Inspector General, Department of Justice, or the Office of Civil Rights contacts you regarding a situation or matter.
- Notify the Chief Compliance Officer immediately if you have been suspended, debarred, or excluded from working with any government funded or sponsored program or contract. This includes Medicare and Medicaid. You must also tell the Chief Compliance Officer if you know of any other reason why you might not be permitted to perform work related directly or indirectly to a government funded or sponsored program or contract, or if you know of anyone who works for or is affiliated with HMS who is in this situation.

Accurate Representations

Correspondence, reports and other documents that contain substantive opinions, conclusions or determinations or that legally bind HMS or its subsidiaries must be signed by or under the control of HMS leadership with legal authority to bind the company. HMS staff and business partners such as subcontractors must represent their titles, roles, professional qualifications and certifications accurately.

Mandatory Obligation to Disclose Certain Misconduct in Governmental Contracting

The Federal Acquisition Regulation (FAR) requires the mandatory disclosure of credible evidence of federal criminal law violations involving fraud, conflict of interest, bribery or gratuity violations, as well as claims under the Civil False Claims Act, and significant overpayments. This mandatory disclosure obligation continues up to three years after contract end.

In order to comply with these obligations, you must immediately report any issues that could potentially constitute a violation of criminal or civil law, or significant overpayment on a government contract to the Chief Compliance Officer and/or the General Counsel, or the Hotline.

OUR COMPANY

Respect in the Workplace

HMS seeks to create a workplace that is inclusive and safe for our employees, officers, directors, contractors, contingent workers and business partners. Our policies and programs are designed to promote fairness for all individuals and foster an organization where diversity and inclusion are valued. We endeavor to treat one another with courtesy and collaborate to achieve results. We do not tolerate unlawful discrimination, unlawful harassment, or unlawful retaliation.

Fair Employment Practices

We base employment decisions, including selection, development and compensation decisions, on an individual's qualifications, skills and performance. We do not base these decisions on personal characteristics or status, such as sex, genetic information, pregnancy (including childbirth, breastfeeding, and related medical conditions), disability, predisposing genetic characteristics, sexual orientation, gender identity, gender expression, race, color, religion (including religious dress and grooming practice), creed, national origin, citizenship, ancestry, age, ethnicity, marital or familial status, HIV/AIDS status, political affiliation, military or veteran status, domestic violence victim status, or any other legally protected status ("Personal Characteristic"). Discrimination based on Personal Characteristics is against company policy.

Unlawful Harassment-free workplace

We require a workplace that is free from unlawful harassment. We do not tolerate inappropriate behavior or harassment involving employees, officers, directors, contractors, contingent workers or business partners, including when it is based on the characteristics or statuses described above.

Unlawful harassment is any behavior that relates to a protected Personal Characteristic such as those outlined above and that unreasonably interferes with a person's job performance or creates a workplace that is unreasonably intimidating, hostile or offensive.

We refrain from unwelcome or potentially offensive conduct which may include, but is not limited to, offensive jokes, slurs, epithets or name calling, physical assaults or threats, intimidation, ridicule or mockery, insults or put-downs, offensive objects or pictures, and interference with work performance.

<u>In addition, we do not tolerate sexual harassment</u> which includes a broad spectrum of conduct including harassment based on gender, transgender and sexual orientation (meaning one's heterosexuality, homosexuality, or bisexuality). Sexual harassment is defined as "unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature" when:

- Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment.
- Submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual.
- Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

Harassment on the basis of sex may also include the following types of conduct:

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- 1. Threatening negative employment action if sexual favors are not granted, or promising preferential treatment for submitting to sexual favors (often called "quid pro quo" sexual harassment).
- 2. Unwanted sexual advances, whether or not they involve physical touching; propositions; comments about a person's sexuality or sexual experiences; sexual gestures, noises, remarks, or jokes; or comments about a person's body.
- 3. Intentional physical conduct which is sexual in nature, such as touching, pinching, patting, grabbing or brushing against someone else's body; or blocking the movement of another employee with one's body.
- 4. Displaying or publicizing in the workplace any materials that are sexually overt, demeaning or pornographic.
- 5. Demeaning language, graphics or conduct directed at a person or persons because of gender, regardless of whether such language, graphics or conduct is sexual in nature.

In the event that you have suffered from unlawful harassment or witness or are aware of unlawful harassment against others occurring anywhere within the Company, you are encouraged to report it the Hotline or to the Corporate Compliance Officer.

For additional information, please refer to the HMS Employee Handbook.

Security and workplace violence

Security is everyone's concern at HMS. We do not allow unauthorized or unwanted persons to trespass on HMS property. Each of us must be aware of specific security concerns that may exist at our workplace and report any suspicious persons or activities.

It is against HMS policy to bring weapons, firearms, ammunition, explosive devices and dangerous or illegal substances onto HMS property. We do not tolerate acts or threats of violence, either verbal or physical. Report any danger or threat immediately to Corporate Security and/or to your local police.

Healthy and Safe Environment

We are committed to employee health and safety at all of our facilities. It is each of our responsibility to follow the rules and procedures established at our facilities to ensure a healthy and safe working environment. These include always complying with all relevant environmental and safety laws and avoiding unsafe activities and conditions. If you are a manager, you must ensure that your direct employees are trained on the safety and environmental practices applicable to their jobs and implement and enforce all applicable regulations and policies. You must investigate all safety, health and environmental issues that come to your attention, and refer any issues of potential noncompliance to your manager or Corporate Security.

Alcohol and drugs

You must come to work free from the negative effects of drugs or alcohol, capable of performing your job duties. HMS's Alcohol and Drug policy does not allow you to abuse or to unlawfully make, distribute, dispense, possess, use, transfer, solicit, purchase or sell:

- Alcoholic beverages
- Controlled substances
- Illegal or prescription drugs

This policy applies while you are on HMS property and while you are doing HMS business anywhere. You can review this policy and HMS's Drug Screening Policy in the HMS Employee Handbook.

Proper Use of HMS Resources

HMS's resources are intended for HMS business only. Their use must be legal and proper. Resources include time, equipment and supplies, documents, and the information in our computing and communications systems.

HMS may monitor or inspect information systems, e-mail, Internet use, computer files, or anything kept on company property. HMS may do this at any time for any company purpose. Employees have no expectation of privacy regarding these systems, email, Internet use, computer files, telephone voicemail, computers, information maintained, stored or transmitted on them, or anything that is maintained on company property.

Electronic communications

Electronic communications—e-mail, the Internet, social media applications—can be useful business tools. You are to use these electronic communications tools legally, wisely and responsibly, and do so in a professional and respectful manner. We obey all applicable laws concerning copyright, trademarks, privacy, and financial disclosures. In addition, your electronic communications must comply with the Company's Fair Employment and Unlawful Harassment policies.

You are responsible for all of your company communications — this includes e-mail or contact via social media websites, such as LinkedIn®, Twitter, or Facebook. Whenever you are identified as an HMS employee make sure you don't make statements that anyone could interpret as being HMS's corporate statement — you should use a disclaimer such as: "The views expressed in this post are my own and are not endorsed by or on behalf of HMS." Always protect HMS's confidential or proprietary information. For additional guidance, see HMS's Social Media Policy.

Business opportunities

Business opportunities that come to you through access to HMS property or information, or through your position at HMS, belong to HMS. They may not be used for your benefit or the benefit of a friend or family member. You may not compete with HMS. If you leave or are no longer affiliated with HMS, company property, resources and confidential information remain with HMS and HMS' property.

Honoraria and fees from others

You may be asked to participate in professional activities, professional fora or surveys that are related to HMS or our business interests. For example, you may be asked to serve on a committee or make a speech. You may not be paid a fee (often referred to as an honorarium) for this work. In general, you may accept an offer to cover reasonable travel and lodging costs as long as other committee members or speakers who are not HMS employees are treated equally. Such activities must be approved in advance by your supervisor and scheduled at times so as not to interfere with company business.

Public Speaking and Published Works

Public speeches and published works, such as books and magazine articles, offer excellent opportunities for HMS to present topics and ideas of interest to business and professional audiences. Any speech or published work on a professional topic by an HMS employee could be perceived to represent HMS' position. Therefore, such speeches and published works must be pre-approved before any company time or resources are committed to them and

before they are released. Pre-approval must be obtained from Corporate Communications.

Charities and Community Service

HMS is dedicated to helping people in need in our communities where we live and work. You may make contributions of personal time or financial resources to charitable, educational and community-service organizations and HMS supports such efforts through Volunteer Paid Time Off and HMS Helps. If, however, an organization you are involved with seeks to do business with HMS — for example, a charity that is contemplating retaining HMS' services — you must make full disclosure to your manager or one of the resources in this Code. You may be required to excuse yourself from making or participating in any decision on behalf of HMS that concerns or impacts the charity.

Business hospitality, entertainment, travel and meals

HMS pays your travel and related expenses, as permitted by our Travel and Entertainment Reimbursement Policy. In general, others should not pay for these costs. You may occasionally offer or accept meals or entertainment offered in conjunction with meetings to discuss HMS business; provided nothing may be offered to any government employee. At least one HMS employee must be present at each such event. Lavish, expensive, or exclusive meals and entertainment are not acceptable.

Proper Use of Intellectual Property

You must respect the proprietary rights of others by complying with all applicable laws and agreements that govern such matters. The products, services, ideas, concepts, and other information we produce on a daily basis are proprietary assets of HMS. Various laws, and good intellectual property practices regarding maintaining confidential information, enable HMS to protect these assets. Examples of confidential or proprietary information include marketing plans, sales and marketing data, customer and employee records, operations information, and processes, personnel information, research and technical data, technical processing techniques, pricing information, strategies, and information pertaining to new products and services. You are expected to protect HMS's intellectual property — including its patents, trade secrets, copyrights, trademarks, scientific and technical knowledge, know-how, and the experience developed in the course of the Company's activities.

Unless you obtain the intellectual property owner's specific prior consent, you may not copy, distribute, display, perform, or modify third-party copyrighted or trade secret materials or conduct peer-to-peer or other file sharing of copyrighted materials. A work may be protected by a copyright even if there is no notice on the work.

You are prohibited from disclosing to the Company or using during your employment any proprietary and confidential information you obtained from a prior employer.

Safeguarding Information

We keep confidential and proprietary information about HMS, its business, products and services, as well as our vendors, customers and employees, and all those who do business with us, confidential. You are expected to maintain it safe from inappropriate access, use or disclosure. We comply with applicable national, state, local and municipal privacy, data protection and security laws.

• Confidential information is any nonpublic information that is gathered,

- developed or produced by or for or in the possession of HMS.
- Nonpublic information is any information that is not known by or available to the general public.
- **Proprietary** information is nonpublic information that is created, recorded, or used in support of HMS business or the business of another company. This information is owned by HMS or the other company.

Examples of Confidential and Proprietary Information

- Personal information, including—Name, address, date of birth, gender, Social Security or ID number, member ID number, cardholder data and other nonpublic personal information. Or, financial, health or other information about a person that is not public.
- Proprietary and nonpublic information about anyone who does business with HMS, such as employees, clients, subcontractors, providers and shareholders.
- Any information that could help or harm our ability to meet our business goals.
- Information that is owned or provided by a third party and made known to HMS under a non-disclosure, confidentiality or data use
 agreement.

Guidelines for Safeguarding

You are responsible for the protection and privacy of any HMS confidential and proprietary information under your control. Failure to do so may result in discipline, including the loss of your job.

We:

- Access, use, view or send confidential information only if authorized, and there is a valid business reason to do so
- Do not reveal proprietary or confidential information to anyone outside HMS unless authorized
- Respect the confidential information and trade secret information of other companies. Never accept, keep or use improperly obtained information
- Do not ask another person to improperly disclose information
- Never post or reference confidential or nonpublic information on any social media site
- Comply with HMS's HIPAA Privacy and Security Policies
- Properly dispose of HMS information.
- Never destroy a document that could be relevant to an anticipated or pending lawsuit or investigation. If you have questions about these issues, seek direction from internal legal counsel.

When you leave HMS

When your HMS job or affiliation ends, you must immediately return any HMS confidential or proprietary information (including all copies regardless of media). You may not use or disclose this information to an unauthorized entity, such as a different employer or company. HMS may ask to inspect any materials you have when you leave, to prevent unauthorized removal of information. If you have signed an agreement with HMS requiring continued cooperation, confidentiality, or non-solicitation of employees, you will need to honor those obligations after leaving HMS.

SHAREHOLDERS AND THE PUBLIC

Record keeping & Accounting Controls

It is HMS policy to keep books, records and accounts in a way that shows a fair, complete and accurate accounting of all business transactions and use of assets. Our records must reflect reasonable detail to show the true nature of expenses and other transactions, who was involved, and any affiliation to HMS or third parties, such as government entities.

We will never alter or falsify an HMS company record. Unless permitted by applicable law or regulation, we do not execute off-balance sheet transactions, arrangements and obligations or maintain unrecorded funds or assets. If such transactions are allowed, we disclose them as required by the U.S. Securities and Exchange Commission or other applicable rules or regulations.

Officers and managers are expected to build and maintain an internal accounting system with controls that prevent unauthorized, unrecorded or inaccurately recorded transactions, and result in preparation of financial statements based on generally accepted accounting principles.

Managers also must ensure that third parties who create or update HMS records follow the same rules, where appropriate.

Money Laundering & Accounting Fraud

Money laundering is defined as the process of converting illegal proceeds so that funds are made to appear legitimate and can thereby enter the stream of commerce. It is not limited to cash transactions. HMS forbids engaging in or knowingly assisting in money laundering

It is your responsibility to report any unrecorded funds or assets or false or artificial entries in the books and records of the Company if you become aware of them. If you learn of or suspect accounting fraud, report it immediately.

Company Records Management

HMS has records retention and disposal policies and procedures to ensure that Company Records are maintained, stored, and, when appropriate, destroyed in accordance with HMS's and/or client policies, and in compliance with applicable legal, regulatory, environmental, tax, employment, and trade requirements. You are expected to be familiar with the specific requirements of your business and location, as well as with applicable corporate procedures. You must preserve all relevant documents, regardless of typical document destruction practices (which must cease relating to such documents) if you are aware of a threatened or actual legal claim, lawsuit, or government investigation, or a legal request for such documents, or if an executive of the Company has requested that you stop. In this context, the term "document" is to be construed very broadly and includes both paper copies, email and electronic, notes, calendars, and other media. Such documents are to be preserved unless authorized in writing by the General Counsel.

Improper Influence on Conduct of Auditors

You are prohibited from directly or indirectly taking any action to coerce, manipulate, mislead or fraudulently influence the Company's independent auditors for the purpose of rendering the financial statements of the Company materially misleading. Prohibited actions include but are not limited to those actions taken to coerce, manipulate, mislead or fraudulently influence an auditor: (1) to

issue or reissue a report on the Company's financial statements that is not warranted in the circumstances (due to material violations of generally accepted accounting principles, generally accepted auditing standards or other professional or regulatory standards); (2) not to perform audit, review or other procedures required by generally accepted auditing practices or other professional standards; (3) to withdraw an issued report; or (4) not to communicate material matters to the Company's Audit Committee of the Board of Directors.

Insider Trading

Insider trading refers to the illegal practice of trading securities while possessing "material nonpublic information" about a company. Related illegal acts include tipping others to trade based on material non-public information.

"Material" information is information that a reasonable investor would think is important when making a decision about buying, holding or selling a company's securities. Information that affects the price of HMS's or another company's stock may be "material."

Insider trading is unethical and illegal under U.S. federal and other local securities laws. It is generally illegal for any person who possesses "material nonpublic" information about a company to buy or sell stock, options or bonds or other debt instruments of that company, or to tell or "tip" anyone else by communicating the nonpublic information to them.

You must follow all insider trading and securities laws, regulations and policies (including HMS's "blackout policy" which prohibits trading in HMS's securities during specified time periods) applicable to securities transactions and nonpublic information. Insider trading will be dealt with firmly by HMS, and both you and HMS could face civil and criminal penalties for insider trading.

For questions, employees and officers and Directors should contact the General Counsel.

Some Examples of What May Constitute "Material" Information

- Financial results or expected results for the quarter or the year
- Possible mergers or acquisitions or financing transactions
- Major changes in customer relationships
- Winning or losing an important contract
- Information about new products
- Changes in senior management
- Major lawsuit or regulatory developments, including fines or sanctions

Whether or not information is "material" may depend on the facts and circumstances. If you are unsure, contact the General Counsel for guidance.

Media & Public Inquiries

It is HMS policy to deliver accurate and reliable information to the media, financial analysts, investors, brokers, and other members of the public. All public disclosures, including forecasts, press releases, speeches, and other communications, will be honest, accurate, timely, and representative of the facts. To ensure consistent, accurate delivery of Company information, employees are not authorized to answer questions from the news media, securities analysts, investors, or other members of the public regarding Company activities. If approached for information, you must record the name of the person making the inquiry and immediately notify Corporate Communications.

Code of Ethics for Senior Financial Officers

Under the Sarbanes-Oxley Act of 2002 and related Securities and Exchange Commission (SEC) rules, HMS is required to disclose whether it has adopted a written Code of Ethics for its Senior Financial Officers and the Chief Executive Officer (CEO), Any amendments to, or implicit or explicit waiver of, the Code of Ethics for Senior Financial Officers and the CEO must be publicly disclosed as required by SEC rules. "Senior Financial Officers" means HMS's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and such other personnel of HMS or its wholly owned subsidiaries as may be designated from time to time by the Chairman of the Audit Committee. The Code must be reasonably designed to deter wrongdoing and to promote: honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely and understandable SEC filings and submissions and other public communications by the Company; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of violations of the Code; and accountability for adherence to the Code. The CEO and all Senior Financial Officers are bound by all provisions of this Code of Conduct and particularly those provisions relating to ethical conduct, conflicts of interest, compliance with law, and internal reporting of violations of the Code. The CEO and all Senior Financial Officers also have responsibility for full, fair, accurate, timely and understandable disclosure in the periodic reports and submissions filed by the Company with the SEC as well as in other public communications made by the Company ("Public Communications"). Accordingly, it is the responsibility of the CEO and each Senior Financial Officer promptly to bring to the attention of the Audit Committee of the Board of Directors any information of which he or she may become aware that materially affects the disclosures made by the Company in its Public Communications. The CEO and each Senior Financial Officer also shall bring promptly to the attention of the Audit Committee of the Board of Directors any information he or she may have concerning significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarize and report financial data; or any fraud, whether or not material, that involves management or other employees who have a significant role in HMS's financial reporting, disclosures or internal controls. The Audit Committee shall determine appropriate actions to be taken in the event of violations of the Code by the CEO and the Company's Senior Financial Officers. The Audit Committee must report periodically any actions taken pursuant to this paragraph to the Board of Directors. Any waiver of or amendments to the Code of Ethics for Senior Financial Officers and the CEO must be approved by the Audit Committee of the Board of Directors.

Changes in this Code of Ethics for Senior Financial Officers may be made only by the Company's Audit Committee or the full Board of Directors, which also must approve waivers of these obligations for directors, executive officers and all senior accounting personnel. All substantive changes as well as waivers to this Code of Ethics for directors, executive officers and all senior accounting personnel must be properly disclosed to the extent required pursuant to applicable laws and regulations.

CODE OF CONDUCT ATTESTATION

The HMS Code of Conduct is applicable to HMS Holdings Corp. and all of its subsidiaries (collectively "HMS"; the "company"), employees, officers, directors, contractors, contingent workers and business affiliates. I understand, as a member of one or more of the above groups, that it is my obligation to comply with the law, this Code, and all applicable company policies and contractual obligations. By signing this form or clicking on the attestation button, I attest that I have read, understand, and will abide by the HMS Holdings Corp. Code of Conduct.

I accept I have an affirmative duty to report all suspected illegal or unethical conduct, including violations of law, this Code, company policies and contractual obligations. I am aware of my anonymous reporting option through the Compliance Hotline at 1-800-461-9330 or convercent.com. I understand the company maintains a strict non-retaliation policy for good-faith reporting of actual or potential illegal or unethical conduct in violation of the Code.

I will carry out my personal responsibilities for the company in accordance with this Code, the applicable laws and regulations and the company's policies and contracts.

I attest that I am not aware at this time of any violation of the company's Code of Conduct or of law which I have not previously reported. I affirm I have met my personal obligations regarding accurate and timely reporting of (but not limited to) potential or actual personal conflicts of interest, professional credential changes, exclusions, political campaign contributions and/or company stock activity as mandated in the Code and applicable to me.

BY SIGNING/CLICKING BELOW, I CERTIFY THAT I AM IN COMPLIANCE WITH ALL HMS POLICIES AND PROCEDURES, INCLUDING THOSE THAT REQUIRE ME TO REPORT ANY SUSPECTED OR ACTUAL NON-COMPLIANCE.

Name	Date	
Signature		
	HMS Holdings Corp. Compliance Group	
	Alexandra Holt, Chief Compliance Officer Email: Phone:	
	Kimberly Hornik, Federal Compliance Officer Email: Phone:	
	Jennifer Drucker, HDI Compliance Officer Email: Phone:	
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HMS HOLDINGS CORP. LIST OF SUBSIDIARIES

Subsidiary	State of Incorporation
Health Management Systems, Inc.	New York
HMS Business Services, Inc.(1)	New York
Permedion, Inc.(1)	New York
Reimbursement Services Group Inc.	New York
IntegriGuard, LLC (DBA — HMS Federal)	Delaware
HealthDataInsights, Inc.	Nevada
Allied Management Group Special Investigations Unit, Inc.	California

⁽¹⁾ Wholly-owned by Health Management Systems, Inc.

Consent of the Independent Registered Public Accounting Firm

The Board of Directors HMS Holdings Corp.:

We consent to the incorporation by reference in the Registration Statements (Nos. 333-161415, 333-149836, 333-108436, 333-108445, 333-139025, 333-178752 and 333-183361) on Form S-8 and in the Registration Statement (No. 333-138875) on Form S-3 of HMS Holdings Corp. of our reports dated March 2, 2015, with respect to the consolidated balance sheets of HMS Holdings Corp. as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2014, which reports appear in the December 31, 2014 annual report on Form 10-K of HMS Holdings Corp.

/s/ KPMG LLP

KPMG LLP New York, New York March 2, 2015

Certification

- I, William C. Lucia, certify that:
- 1. I have reviewed this Annual Report on Form 10-K of HMS Holdings Corp.;
- 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 officers 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 officers 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 2, 2015 /S/ WILLIAM C. LUCIA

William C. Lucia Chief Executive Officer (Principal Executive Officer)

Certification

- I, Jeffrey S. Sherman, certify that:
- 1. I have reviewed this Annual Report on Form 10-K of HMS Holdings Corp.;
- 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 officers 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 officers 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 2, 2015 /S/ JEFFREY S. SHERMAN

Jeffrey S. Sherman Chief Financial Officer (Principal Financial Officer)

Certification

- I, Joseph M. Donabauer, certify that:
- 1. I have reviewed this Annual Report on Form 10-K of HMS Holdings Corp.;
- 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 officers 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 officers 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 2, 2015 /S/ JOSEPH M. DONABAUER

Joseph M. Donabauer Senior Vice President and Controller (Principal Accounting Officer)

Certification Pursuant To 18 U.S.C. Section 1350 As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of HMS Holdings Corp. (the "*Company*") on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission (the "*Report*"), I, William C. Lucia, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

/S/ WILLIAM C. LUCIA

William C. Lucia Chief Executive Officer (Principal Executive Officer) March 2, 2015

A signed original of this written statement required by Section 906 has been provided to HMS Holdings Corp. and will be retained by HMS Holdings Corp. and furnished to the Securities and Exchange Commission or its staff upon request. This written statement accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and will not be incorporated by reference into any filing of HMS Holdings Corp. under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language contained in such filing.

Certification Pursuant To 18 U.S.C. Section 1350 As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of HMS Holdings Corp. (the "Company") on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission (the "Report"), I, Jeffrey S. Sherman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

/S/ JEFFREY S. SHERMAN

Jeffrey S. Sherman Chief Financial Officer (Principal Financial Officer) March 2, 2015

A signed original of this written statement required by Section 906 has been provided to HMS Holdings Corp. and will be retained by HMS Holdings Corp. and furnished to the Securities and Exchange Commission or its staff upon request. This written statement accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and will not be incorporated by reference into any filing of HMS Holdings Corp. under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language contained in such filing.

Certification Pursuant To 18 U.S.C. Section 1350 As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of HMS Holdings Corp. (the "Company") on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission (the "Report"), I, Joseph M. Donabauer, Senior Vice President and Controller of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

/S/ JOSEPH M. DONBAUER

Joseph M. Donabauer Senior Vice President and Controller (Principal Accounting Officer) March 2, 2015

A signed original of this written statement required by Section 906 has been provided to HMS Holdings Corp. and will be retained by HMS Holdings Corp. and furnished to the Securities and Exchange Commission or its staff upon request. This written statement accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and will not be incorporated by reference into any filing of HMS Holdings Corp. under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language contained in such filing.



HMS HOLDINGS CORP

FORM 10-K/A (Amended Annual Report)

Filed 04/30/15 for the Period Ending 12/31/14

Address 5615 HIGH POINT DRIVE

IRVING, TX 75038

Telephone 214-453-3000

CIK 0001196501

Symbol HMSY

SIC Code 7374 - Computer Processing and Data Preparation and Processing Services

Industry Computer Services

Sector Technology

Fiscal Year 12/31



UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

Amendment No. 1

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

For the fiscal year ended December 31, 2014

Or

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

For the transition period from

Commission File Number 000-50194

HMS HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

Delaware11-3656261(State or other jurisdiction of incorporation or organization)(I.R.S. Employer Identification No.)

5615 High Point Drive, Irving, TX 75038 (Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code) (214) 453-3000

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

Title of each class
Common Stock \$0.01 par value

Name of each exchange on which registered
NASDAQ Global Select Market

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 🗆

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

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 \square No \square

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive

Data File required to be submitted and posted 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 and post such files). Yes \blacksquare No \square					
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. \square					
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or 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 Accelerated Filer Non-Accelerated Filer ☐ Smaller reporting Filer ☑ ☐ (Do not check if a company) ☐ Company ☐					
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No No					
The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2014, the last business day of the registrant's most recently completed second quarter was \$1.8 billion based on the last reported sale price of the registrant's Common Stock on the NASDAQ Global Select Market on that date.					
There were 88,540,272 shares of common stock outstanding as of April 15, 2015.					
Documents Incorporated by Reference					
None.					

HMS HOLDINGS CORP. AND SUBSIDIARIES AMENDMENT NO. 1 TO THE ANNUAL REPORT ON FORM 10-K

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EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K/A (the "Amendment") amends the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 (the "Annual Report"), as filed by the Registrant with the Securities and Exchange Commission ("SEC") on March 2, 2015 (the "Original Filing"), and is being filed solely to replace Part III, Items 10 through Item 14 and to include additional exhibits to the Exhibit Index referenced in Item 15 of the Original Filing, which includes the Certifications to the Amendment. The reference in the Original Filing to the incorporation by reference of the Registrant's definitive proxy statement into Part III of the Annual Report on Form 10-K is hereby deleted.

For purposes of this Amendment, and in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (i) Items 10 through 14 in the Original Filing have been amended and restated in their entirety and (ii) the Exhibit Index in the Original Filing has been amended to include the new exhibits set forth herein. Except as specifically provided herein, this Amendment does not reflect events occurring after the filing of the Original Filing and no attempt has been made in this Amendment to modify or update other disclosures as presented in the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and any filings with the SEC made thereafter.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Board of Directors

The following table sets forth information with respect to our Board of Directors, including the composition of our four standing Committees: Audit, Compensation, Compliance and Nominating & Governance.

Name	Age	Position	Committee Memberships
Craig R. Callen	59	Class I Director	Compensation Nominating & Governance
Robert M. Holster (2)	68	Chairman and Class I Director	
William C. Lucia (2)	57	President, Chief Executive Officer and Class I Director	
Daniel N. Mendelson ⁽³⁾	50	Class II Director	Compensation Compliance Nominating & Governance
William F. Miller III	65	Class II Director	
Ellen A. Rudnick	64	Class II Director	Audit ⁽¹⁾ Compliance Nominating & Governance
Bart M. Schwartz	68	Class I Director	Audit Compliance (1) Nominating & Governance
Richard H. Stowe ⁽³⁾	71	Class II Director	Compensation ⁽¹⁾ Nominating & Governance ⁽¹⁾
Cora M. Tellez ⁽⁴⁾	65	Class II Director	Audit Nominating & Governance

- (1) Current Committee Chair
- (2) In April 2015, and effective as of the date of the 2015 Annual Meeting of Stockholders (the "2015 Annual Meeting"), Mr. Holster stepped down as Chairman of the Board and the Board of Directors appointed Mr. Lucia as Chairman, President and Chief Executive Officer, also effective as of the date of the 2015 Annual Meeting.
- (3) In April 2015, the Board of Directors appointed Mr. Mendelson as Chair of the Nominating & Governance Committee, with Mr. Stowe continuing to serve as a member of the committee, effective as of the date of the 2015 Annual Meeting, subject to their re-election as a Class II director. In addition, in April 2015, the Board of Directors appointed Mr. Stowe as Lead Independent Director, effective as of the date of the 2015 Annual Meeting, subject to his re-election as a Class II director.
- (4) In April 2015, the Board of Directors appointed Ms. Tellez as an additional member of the Compliance Committee, effective as of the date of the 2015 Annual Meeting, subject to her re-election as a Class II director.

The Board of Directors believes that the combination of the business and professional experience of our directors and the diversity of their areas of expertise has been a contributing factor to its effectiveness and provides a valuable resource to management. The majority of our Board has over five years of service with us and four of our non-employee directors, Ms. Rudnick and Messrs. Holster, Miller and Stowe, have each served on our Board for more than ten years. During their tenure, our directors have gained considerable institutional knowledge about the Company and its operations. Given the growth of our

business and the rapidly changing healthcare environment, this continuity of service and development of institutional knowledge enables our Board to be more efficient and more effective in developing strategy and long-term plans for the Company.

A description of the specific experience, qualifications, attributes and skills that led our Board of Directors to conclude that each member of the Board of Directors should serve as a director follows the biographical information of each director below.

Class II: Directors Whose Terms Expire in 2015

William F. Miller III has served as one of our directors since October 2000. In 2013, Mr. Miller joined KKR Advisors, a global investment firm, as healthcare industry advisor. From 2006 to 2013, Mr. Miller was a partner at Highlander Partners, a private equity group in Dallas, Texas focused on investments in healthcare products, services and technology. From October 2000 to April 2005, Mr. Miller served as our Chief Executive Officer and from December 2000 to April 2006, Mr. Miller served as our Chairman. From 1983 to 1999, Mr. Miller served as President and Chief Operating Officer of EmCare Holdings, Inc., a national healthcare services firm focused on the provision of emergency physician medical services. From 1980 to 1983, Mr. Miller served as Administrator/Chief Operating Officer of Vail Mountain Medical. Mr. Miller also serves as a director of several private companies. From 1997 to 2012, Mr. Miller served as a director of Lincare Holdings, Inc.

Mr. Miller brings to the Board of Directors both a thorough understanding of our business and the healthcare industry and extensive experience in the financial markets. His significant operational experience, both at HMS and at EmCare Holdings, makes him well-positioned to provide the Company with insight on financial, operational and strategic issues.

Daniel N. Mendelson has served as one of our directors since February 2013. Mr. Mendelson is the Chief Executive Officer and Chairman of Avalere Health, a strategic advisory company which he founded in 2000. From 1998 to 2000, Mr. Mendelson served as Associate Director for Health at the White House Office of Management and Budget (OMB) in Washington, D.C. Prior to joining OMB, Mr. Mendelson served as Senior Vice President and Director of the Medical Technology practice at The Lewin Group. He is also on faculty at the Wharton School of Business at the University of Pennsylvania and serves as a director of Champions Oncology. From 2005 to 2013, Mr. Mendelson served as a director of Coventry Healthcare and from 2007 to 2011 he served as a director of PharMerica Corporation.

Mr. Mendelson brings over 20 years of experience with government healthcare programs, healthcare policy and business to the Board and is a recognized leader in healthcare policy. This expertise is complemented by his extensive operational and public company board experience, which make him well-positioned to serve as the Chair of the Nominating & Governance Committee and as a member of the Compensation and Compliance Committees. In addition, given that healthcare in the United States is continuously evolving, Mr. Mendelson's background and expertise is very valuable as we adapt our business to meet these changes.

Ellen A. Rudnick has served as one of our directors since 1997. Since 1999, Ms. Rudnick has served as Executive Director and Clinical Professor of the Polsky Center for Entrepreneurship, University of Chicago Booth School of Business. From 1993 to 1999, Ms. Rudnick served as Chairman of Pacific Biometrics, Inc., a publicly held healthcare biodiagnostics company and its predecessor, Bioquant, which she co-founded. From 1990 to 1992, she served as President and Chief Executive Officer of Healthcare Knowledge Resources (HKR), a privately held healthcare information technology corporation and subsequently served as President of HCIA, Inc. (HCIA) following the acquisition of HKR by HCIA. From 1975 to 1990, Ms. Rudnick served in various positions at Baxter Health Care Corporation, including Corporate Vice President and President of its Management Services Division. Ms. Rudnick also serves as a director of Patterson Companies, Inc. and First Midwest Bancorp, Inc.

Ms. Rudnick brings to the Board of Directors extensive business understanding and demonstrated management expertise, having served in key leadership positions at a number of healthcare companies. Ms. Rudnick has a comprehensive understanding of the operational, financial and strategic challenges facing companies and knows how to make businesses work effectively and efficiently. Her management experience and service on other public company boards has provided her with a thorough understanding of the financial and other issues facing large companies, making her particularly valuable as the Chair of our Audit Committee and as a member of our Compliance and Nominating & Governance Committees.

Richard H. Stowe has served as one of our directors since 1989. Mr. Stowe is a general partner of Health Enterprise Partners LP, a private equity firm. From 1999 to 2005, Mr. Stowe was a private investor, a senior advisor to the predecessor funds to Health Enterprise Partners, and a senior advisor to Capital Counsel LLC, an asset management firm. From 1979 until 1998, Mr. Stowe was a general partner of Welsh, Carson, Anderson & Stowe. Prior to 1979, he was a Vice President in the venture capital and corporate finance groups of New Court Securities Corporation (now Rothschild, Inc.). Mr. Stowe is also a director of several private and not-for-profit companies and educational institutions.

Mr. Stowe brings 40 years of financial, capital markets and investment experience to our Board of Directors. Mr. Stowe's background and extensive experience make him well-positioned to serve as the Chair of the Compensation Committee, a member of the Nominating & Governance Committee and as our Lead Independent Director. Mr. Stowe has effectively carried out his responsibilities as Chair for several of our Board committees and is well-respected by the independent directors. The Board believes that Mr. Stowe is highly qualified and will be successful as our Lead Independent Director.

Cora M. Tellez has served as one of our directors since October 2012. Ms. Tellez is the President and Chief Executive Officer of Sterling HSA, an independent health savings accounts administrator which she founded in 2004. Prior to starting Sterling HSA, Ms. Tellez served as President of the health plans division of Health Net, Inc., an insurance provider. She later served as President of Prudential's western health care operations, CEO of Blue Shield of California, Bay Region and Regional Manager for Kaiser Permanente of Hawaii. Ms. Tellez serves on the board of directors of several private and not-for-profit companies. From 2004 to 2007, Ms. Tellez served as a director of First Consulting Group.

Ms. Tellez brings over 25 years of healthcare policy and operations experience to the Board. Her public company operational, financial and corporate governance experience is a valuable resource for our Board and makes her well-positioned to serve as a member of the Audit, Compliance and Nominating & Governance Committees and as our Audit Committee Financial Expert.

Class I: Directors Whose Terms Expire in 2016

Craig R. Callen has served as one of our directors since October 2013. Mr. Callen is a Senior Advisor at Crestview Partners, a private equity firm with over \$4.0 billion under management. From 2004 to 2007, Mr. Callen was Senior Vice President and Head of Strategic Planning and Business Development and a member of the Executive Committee for Aetna, Inc. In his role at Aetna, Mr. Callen reported directly to the Chairman and CEO and was responsible for oversight and development of Aetna's corporate strategy, including mergers and acquisitions. During his tenure, Mr. Callen and his team led the acquisitions of seven companies, investing over \$2.0 billion, broadening Aetna's revenue, global presence, product line, targeted markets and participation in government programs. Prior to joining Aetna, Mr. Callen was a Managing Director and Head of U.S. Healthcare Investment Banking at Credit Suisse First Boston and Co-Head of Healthcare Investment Banking at Donaldson, Lufkin & Jenrette. Mr. Callen serves on the board of directors of Omega Healthcare Investors, Inc. and Symbion, Inc., a Crestview portfolio company. Previously he served on the boards of Sunrise Senior Living Inc. and Kinetic Concepts Inc. Mr. Callen holds a B.S./B.A. from Boston University and an MBA from Harvard Business School.

Mr. Callen brings 20 years of healthcare investment banking experience and corporate development expertise to our Board, which are invaluable to us as we evaluate, develop and implement new solutions for

clients. His extensive experience in a corporate setting and as an advisor to public/private healthcare companies positions him well to serve on the Compensation and Nominating & Governance Committees.

Robert M. Holster has served as one of our directors since May 2005, as Non-Executive Chairman from March 2009 to December 2010, and as Chairman of our Board from April 2006 to July 2015. Since 2001, Mr. Holster has held senior executive level positions with us, including serving as our Chief Executive Officer from May 2005 to February 2009 and as our President and Chief Operating Officer from April 2001 to May 2005. In March 2009, Mr. Holster stepped down as our Chief Executive Officer but remained an employee of the Company through December 2010. Previously, Mr. Holster served as our Executive Vice President from 1982 through 1993 and as one of our directors from 1989 through 1996. Mr. Holster previously served in a number of executive positions including Chief Executive Officer of HHL Financial Services, Inc., Chief Financial Officer of Macmillan, Inc. and Controller of Pfizer Laboratories, a division of Pfizer, Inc.

Mr. Holster served as a member of our management team and that of our predecessor, Health Management Systems, Inc., for an aggregate of over 20 years, including serving as our Chief Executive Officer for four years and as our President and Chief Operating Officer for four years. On April 24, 2015, Mr. Holster stepped down from his role as Chairman, effective as of the date of the 2015 Annual Meeting. Mr. Holster will remain on our Board and continue to work closely with Mr. Lucia to ensure a seamless transition of board leadership to Mr. Lucia. As a director who has served in the combined role as the Chairman and Chief Executive Officer of our Company, Mr. Holster will be able to provide guidance to Mr. Lucia on matters such as the Company's risk profile, long-term strategy and potential growth opportunities while offering the Board a unique insight into the Company's challenges, operations, and strategic opportunities. Given his extensive history with the Company and past experience as the Company's former Chairman and Chief Executive Officer, Mr. Holster brings an unmatched depth of industry and Company-specific experience to our Board.

William C. Lucia has served as our President and Chief Executive Officer since March 2009 and as one of our directors since May 2008. On April, 24, 2015, Mr. Lucia was appointed Chairman of the Board, to replace Mr. Holster effective as of the date of the 2015 Annual Meeting. From May 2005 to March 2009, Mr. Lucia served as our President and Chief Operating Officer, gaining critical insights into how to manage and grow our business in a complex and dynamic healthcare environment. Since joining us in 1996, Mr. Lucia has held several positions with us, including: President of our subsidiary, Health Management Systems, Inc., from 2002 to 2009; President of our Payor Services Division from 2001 to 2002; Vice President and General Manager of our Payor Services Division from 2000 to 2001; Vice President of our Business Office Services from 1999 to 2000; Chief Operating Officer of our former subsidiary Quality Medical Adjudication, Incorporated (QMA) and Vice President of West Coast Operations from 1998 to 1999; Vice President and General Manager of QMA from 1997 to 1998; and Director of Information Systems for QMA from 1996 to 1997. Prior to joining us, Mr. Lucia served in various executive positions including Senior Vice President, Operations and Chief Information Officer for Celtic Life Insurance Company and Senior Vice President, Insurance Operations for North American Company for Life and Health Insurance. Mr. Lucia is a Fellow of the Life Management Institute Program through LOMA, an international association through which insurance and financial services companies around the world engage in research and educational activities to improve company operations.

With over 19 years of experience with the Company working across multiple divisions and his prior experience in the insurance industry, Mr. Lucia brings to our Board in-depth knowledge of the Company and the healthcare and insurance industries, the evolving healthcare landscape and the array of challenges to be faced and demonstrates an ability to formulate and implement key strategic initiatives, making him well-positioned to lead our management team and provide essential insight and guidance to the Board as our Chairman.

Bart M. Schwartz has served as one of our directors since July 2010. Mr. Schwartz currently serves as the Chairman and Chief Executive Officer of SolutionPoint International, LLC, which provides an integrated array of business intelligence, security and compliance, identity assurance and situational awareness solutions. In 2003, Mr. Schwartz founded his own law firm, which specializes in, among other areas, conducting independent investigations, monitoring and Independent Private Sector Inspector General engagements and developing, auditing and implementing compliance programs. From 1991 to 2003, Mr. Schwartz served as the Chief Executive Officer of Decision Strategies, an internationally recognized investigative and security firm, which was sold to SPX Corporation in 2001. Mr. Schwartz has over 30 years' experience managing domestic and international investigations, prosecutions and assessments for clients in both the public and private sectors.

Mr. Schwartz brings extensive legal and compliance experience to our Board, which is particularly valuable as we continue to expand our business. Mr. Schwartz's background makes him well-positioned to serve as the Chair of the Compliance Committee and as a member of the Audit and Nominating & Governance Committees.

Audit Committee and Audit Committee Financial Expert

We have a separately-designated standing Audit Committee which consists of Ms. Rudnick (Chair), Mr. Schwartz and Ms. Tellez. The Board of Directors has determined that each member of the Audit Committee is an independent director, as defined in the NASDAQ Stock Market, Inc. Marketplace Rules (the "NASDAQ Marketplace Rules") and the independence requirements contemplated by Rule 10A-3 under the Exchange Act, and meets NASDAQ's financial knowledge and sophistication requirements. In addition, the Board has determined that Ms. Tellez qualifies as an "audit committee financial expert," as such term is defined in Item 407(d)(5)(ii) of Regulation S-K.

Material Changes to the Procedures for Recommending Nominees to the Board of Directors

There have been no material changes to the procedures described by which security holders may recommend nominees to our Board of Directors as described in our Proxy Statement for our 2014 Annual Meeting, filed with the SEC on April 30, 2014 (the "2014 Proxy Statement").

Executive Officers

The following table sets forth certain information with respect to each person who currently serves as one of our executive officers as of the date of this Amendment. Our executive officers are elected annually by our Board of Directors and generally serve at the discretion of our Board of Directors. There are no arrangements or understandings between any of our executive officers and any other person pursuant to which they were selected as an officer. None of our directors and/or executive officers is related to any other director and/or executive officer of HMS or any of its subsidiaries by blood, marriage or adoption.

Name	Age	Position
William C. Lucia	57	President and Chief Executive Officer
Eugene V. DeFelice	56	Executive Vice President, General Counsel and Corporate Secretary
Cynthia Nustad	44	Executive Vice President and Chief Information Officer
Jeffrey S. Sherman	49	Executive Vice President, Chief Financial Officer and Treasurer
Tracy A. South	56	Chief Administrative Officer and Executive Vice President, Human
		Resources
Semone Wagner	51	Executive Vice President, Operations
Douglas M. Williams	56	Division President, Markets

The principal occupations for the last five years, as well as certain other biographical information, for each of our current executive officers are set forth below.

William C. Lucia has served as our President and Chief Executive Officer since March 2009 and as one of our directors since May 2008. In addition, Mr. Lucia has been appointed by the Board of Directors to serve as Chairman of the Board, effective as of the date of the 2015 Annual Meeting. From May 2005 to March 2009, Mr. Lucia served as our President and Chief Operating Officer. Since joining us in 1996, Mr. Lucia has held several positions with us, including: President of our subsidiary, Health Management Systems, Inc. from 2002 to 2009; President of our Payor Services Division from 2001 to 2002; Vice President and General Manager of our Payor Services Division from 2000 to 2001; Vice President of our Business Office Services from 1999 to 2000; Chief Operating Officer of our former subsidiary Quality Medical Adjudication, Incorporated (QMA) and Vice President of West Coast Operations from 1998 to 1999; Vice President and General Manager of QMA from 1997 to 1998; and Director of Information Systems for QMA from 1996 to 1997. Prior to joining us, Mr. Lucia served in various executive positions including Senior Vice President, Operations and Chief Information Officer for Celtic Life Insurance Company, and Senior Vice President, Insurance Operations for North American Company for Life and Health Insurance. Mr. Lucia is a Fellow of the Life Management Institute Program through LOMA, an international association through which insurance and financial services companies around the world engage in research and educational activities to improve company operations.

Eugene V. DeFelice has served as our Executive Vice President, General Counsel and Corporate Secretary since March 2014. Mr. DeFelice has more than 30 years of legal experience, 20 years of which has been in corporate healthcare and technology. From September 2010 to March 2014, Mr. DeFelice served as Vice President, General Counsel and Corporate Secretary for Barnes & Noble, Inc. and was responsible for all legal matters. From November 2006 to August 2010, he served as Senior Vice President, General Counsel and Corporate Secretary of Savvis Inc., a global information technology service provider. Prior to Savvis, he held various general counsel and other legal positions, as well as operational roles, in several healthcare and technology companies, and also spent approximately nine years at Hoffmann-LaRoche in progressively senior positions.

Cynthia Nustad has served as our Executive Vice President and Chief Information Officer since February 2011. Ms. Nustad has over 17 years of management experience in the healthcare information technology industry. From January 2005 to January 2011, Ms. Nustad served as Vice President of Architecture and Technology for Regence (Blue Cross Blue Shield), where she was responsible for servicing a large corporation across multiple sites and states. From May 2002 to December 2004, Ms. Nustad served as the Vice President of Software Development and Product Management for OAO Healthcare Solutions, Inc. (OAO). During her tenure at OAO, Ms. Nustad managed, from inception to commercialization, the strategic development of a flagship platform and database-independent managed care benefits and claims processing system designed for healthcare plans, self-insured employer groups and government agencies—among others. Prior to OAO, Ms. Nustad held leadership roles at e-MedSoft.com and WellPoint Health Networks.

Jeffrey S. Sherman has served as our Executive Vice President, Chief Financial Officer and Treasurer since September 2014. Mr. Sherman has over 25 years of experience in healthcare operations, strategic planning and financial performance in senior financial executive positions. Prior to joining HMS, Mr. Sherman served as Executive Vice President and Chief Financial Officer of AccentCare, a healthcare delivery organization, from September 2013 to August 2014. From April 2009 to September 2013, he served as Executive Vice President and Chief Financial Officer of Lifepoint Hospitals, Inc. From September 2005 until April 2009, Mr. Sherman served as Vice President and Treasurer of Tenet Healthcare, where he managed all aspects of corporate finance, including cash flow management and capital structure, and was responsible for risk management. Mr. Sherman served in various capacities for Tenet and its predecessor company since 1990, including as a hospital chief financial officer and regional vice president.

Tracy A. South has served as our Chief Administrative Officer and Executive Vice President, Human Resources, since May 2014. She served as our Senior Vice President of Human Resources from December

2011 to May 2014. Ms. South has over 20 years of executive-level human resources experience, including at national healthcare organizations. From 2003 to 2011, Ms. South served as the Senior Vice President, Chief Human Resources Officer at Mosaic Sales Solutions, a privately-held full-service marketing agency in Irving, Texas. She built that company's North America Human Resources department, focusing on attracting and training a dispersed workforce of over 10,000 employees hired to represent world-class brands at retail, in the community and online. In her role, Ms. South oversaw Talent Acquisition, HR Services and Organizational Effectiveness. Ms. South also served as Vice President of Human Resources for Tenet Healthcare, initially for the Central Northeast Division, which included 38 hospitals and over 40,000 employees, and subsequently at the corporate level. Prior to Tenet, she led the Human Resources department for Aetna US Healthcare, where she oversaw a broad range of functions and designed human resources strategies to align with business practice areas.

Semone Wagner has served as our Executive Vice President of Operations since April 2013, responsible for our core operations, including the coordination of benefits service line. Ms. Wagner has extensive experience in healthcare claims processing, operations and reengineering. She has a track record for leading change, driving quality performance and reducing unit costs in complex operating environments. Prior to joining HMS, Ms. Wagner served as Senior Vice President of Claim Operations at United HealthCare (UHC), where she oversaw the operations for all business lines and major platforms processing over 500 million claims annually. Under her leadership, the company achieved industry-leading performance levels, earning the American Medical Association designation for the industry's best claim operation in 2011 and 2012.

Douglas M. Williams has served as our Division President of Markets since January 2015, responsible for leading the state and federal government and commercial markets, sales and marketing. From December 2013 to January 2015, he served as our Division President of Commercial Solutions, responsible for leading our commercial product and business development strategy. Mr. Williams has over 25 years of experience in healthcare information technology, sales, and operations. From 2010 to 2013, Mr. Williams served as Chief Information Officer of Aveta, which was acquired by Optum Inc. in 2012. From 2008 to 2010, he served as a Healthcare Partner with Protiviti, Inc., where he built a healthcare consulting practice. From 2006 to 2008, he served as Senior Vice President of the Payer Business Unit at MedeAnalytics, where he was responsible for building the sales team and significantly expanding the company's sales pipeline. Mr. Williams' healthcare consulting background also includes serving as a Global Healthcare Partner for IBM, where he was responsible for developing and managing IBM's global healthcare practice.

Section 16(A) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Exchange Act, as amended, our executive officers, directors and persons owning more than 10% of a registered class of our equity securities are required to file reports of ownership and changes in ownership of common stock with the SEC. Copies of such reports are required to be furnished to us.

Based solely on a review of the copies of such reports furnished to us, or written representations that no other reports were required, we believe that during fiscal year 2014, all of our executive officers and directors complied with the requirements of Section 16(a), except that (i) due to administrative error, 1 report covering 1 transaction was not timely reported by each of Mr. Donabauer and Ms. Wagner, and (ii) 5 late reports from 2009 through 2013, covering an aggregate of 14 transactions involving a change in beneficial ownership from direct holdings to indirect holdings through a series of gifts of shares to a revocable family trust for which Mr. Lucia serves as trustee were not timely reported by Mr. Lucia. All of such reports were promptly filed on behalf of the respective officers upon learning of the unreported transactions.

Code of Ethics

As previously disclosed, on July 31, 2014, our Board of Directors approved certain amendments to the Company's Code of Conduct, Code of Conduct for Designated Senior Financial Managers and Code of Ethics to harmonize the codes and integrate them into one document (the "Amended Code of Conduct") applicable to all of our directors, officers and employees, including all of the Company's subsidiaries' employees, officers, directors, contractors, contingent workers and business affiliates. No substantive amendment to any element of the "code of ethics" definition enumerated in Item 406(b) of Regulation S-K was effectuated as a result of these amendments. A copy of the Amended Code of website under the "Investor Relations"/"Corporate Conduct is publicly available on our Governance" http://investor.hms.com/governance.cfm and can also be obtained free of charge by sending a request to our Corporate Secretary at 5615 High Point Drive, Irving, Texas 75038. We intend to disclose any future amendments or waivers to the provisions of the Amended Code of Conduct that relate to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions by filing such information on a Current Report on Form 8-K with the SEC within four business days, to the extent such filing is required by the NASDAQ Marketplace Rules; otherwise, we will disclose such amendments or waivers by posting such information on our website.

Item 11. Executive Compensation.

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis ("CD&A"), describes our 2014 executive compensation program and should be read in conjunction with the compensation tables and related narrative descriptions that follow those tables. In particular, this CD&A explains how the Compensation Committee of the Board of Directors made its compensation decisions for our named executive officers for 2014.

For 2014, our named executive officers are:

- William C. Lucia, President and Chief Executive Officer;
- Jeffrey S. Sherman, Executive Vice President, Chief Financial Officer and Treasurer;
- Eugene V. DeFelice, Executive Vice President, General Counsel and Corporate Secretary;
- Cynthia Nustad, Executive Vice President and Chief Information Officer;
- Semone Wagner, Executive Vice President, Operations;
- Walter D. Hosp, former Executive Vice President, Chief Financial Officer and Chief Administrative Officer; and
- Joseph M. Donabauer, Senior Vice President and Controller and former interim Principal Financial Officer and interim Treasurer.

On March 10, 2014, Mr. Hosp tendered his resignation as our Executive Vice President, Chief Financial and Administrative Officer, which was effective June 6, 2014. Mr. Donabauer served as interim Principal Financial Officer and interim Treasurer from June 6, 2014 through September 8, 2014, the date that Mr. Sherman joined the Company.

2014 Say-on-Pay Vote

At the Company's 2014 Annual Meeting of Stockholders, approximately 99% of the votes cast on the say-on-pay proposal were in favor of our executive compensation program described in our 2014 Proxy Statement. The Compensation Committee believes that this vote affirms stockholders' support of the Company's general approach to executive compensation, and therefore, did not change its compensation

philosophy as it made decisions for 2014. As market practices on executive compensation policies evolve, the Compensation Committee will continue to evaluate and, if needed, make changes to our executive compensation program to ensure that the program continues to reflect our pay-for-performance compensation philosophy and objectives. The Compensation Committee will also continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for executive officers.

Executive Summary

2014 Financial Performance Overview

The following is an overview of our financial performance for the year ended December 31, 2014.

- For the full year ended December 31, 2014, we reported revenue of \$443.2 million, a 9.9% decrease compared to 2013 revenue of \$491.8 million due primarily to an \$86.0 million decline in our Medicare Recovery Audit Contractor (RAC) business. Excluding RAC revenue, revenue for the year increased by \$37.4 million, or 9.7%, to \$421.2 million.
- Our 2014 commercial revenue was \$170.9 million, a 14.6% increase over 2013 commercial revenue of \$149.1 million, and our 2014 state government revenue was \$225.9 million, an 8.9% increase over 2013 state government revenue of \$207.5 million.
- We reported adjusted earnings before interest, taxes, depreciation, amortization and stock-based compensation expense (adjusted EBITDA) of \$101.2 million for the full year 2014, which represented a decrease of 30.2% compared to adjusted EBITDA of \$145.0 million for the prior year.
- Our stock price declined by 6.9% for the one-year period ending December 31, 2014 and declined 33.9% for the three-year period ended December 31, 2014.

A reconciliation of the non-GAAP measure adjusted EBITDA is set forth on Annex A of this Amendment.

Key Compensation Actions

The following highlights key decisions and actions during 2014 and early 2015 regarding our executive compensation practices and program. These decisions and actions were made with the advice of the Compensation Committee's independent consultant, Frederic W. Cook & Co., Inc. ("F.W. Cook") (see "Role of Compensation Consultant" below) and are discussed in greater detail elsewhere in this CD&A.

- Changes to the Short-Term (Cash) Incentive Program. In February 2014, we introduced certain corporate strategic objectives as a performance measure under the 2014 Short-Term Incentive Program in addition to financial objectives, such as EBITDA and revenue. We believe that the addition of strategic objectives better balances the achievement of short-term financial goals with other leading indicators of the Company's success.
- New Executive Talent. In order to attract and retain top executive talent in 2014, in connection with the commencement of employment of Messrs. DeFelice and Sherman, we approved, among other things, a sign-on bonus, subject to certain conditions, and an initial equity grant, subject to certain conditions and restrictions, for each of Messrs. DeFelice and Sherman, pursuant to their respective employment agreements with the Company. A discussion regarding these actions and decisions follows later in this CD&A.
- **Introduction of Stock Ownership Guidelines and Clawback Policy.** In October 2014, to better align the interests of our directors and executives officers with the interests of our stockholders and further promote our commitment to sound corporate governance and executive compensation

practices, the Board adopted stock ownership guidelines, as well as a "clawback" policy applicable to certain cash and equity compensation, to help protect against malfeasance risk.

- Changes in Equity Mix of Long-Term Incentive Awards. On October 20, 2014, with the advice of our independent consultant F.W. Cook., we approved changes in the equity mix of the long-term incentive awards granted annually in the fourth quarter to our senior executives. Consistent with the market practice of our peers, we changed the mix of long-term incentive awards to our senior executives, including the named executive officers, from 100% non-qualified stock options to 50% non-qualified stock options and 50% restricted stock units. Fifty percent of both the stock option and restricted stock unit awards are subject to stock price performance conditions.
- **Updated Peer Group.** In November 2014, we modified our executive compensation peer group by adding one company and removing one company. These changes were made to ensure that our peer group continues to provide an appropriate benchmark for competitive pay analyses.
- Extension of President and Chief Executive Officer's Employment Agreement. In January 2015, we amended our employment agreement with Mr. Lucia on substantially the same terms as his prior agreement, in order to extend Mr. Lucia's employment with us for an additional three year term.
- Combination of Two Annual Long-Term Incentive Awards into One Annual Award. We determined in October 2014 that, effective beginning in 2015, the two long-term incentive awards historically granted in the first and fourth quarters of each year will be combined instead into one annual grant in the first quarter of each year. This change better aligns us with peer group practice and simplifies our equity plan administration. We also believe that a single long-term incentive grant is more retentive and motivational than two smaller grants.

Philosophy, Objectives and Principles of Our Executive Compensation Program

Our mission is to work passionately to increase the value of the healthcare system so healthcare dollars can benefit more people. To support this mission and other strategic objectives as approved by the Board and to provide adequate returns to stockholders, we must compete for, attract, develop, motivate and retain top quality executive talent at the corporate and operating business unit levels during periods of both favorable and unfavorable business conditions.

Our executive compensation program is a critical management tool in achieving this goal. "Pay for performance" is the underlying philosophy for our executive compensation program. The program is designed and administered to:

- reward performance that drives the achievement of our short and long-term goals;
- align the interests of our senior executives with the interests of our stockholders, thus rewarding individual and team achievements that contribute to the attainment of our business goals;
- foster teamwork and encourage our senior executives to work together with key personnel in the interest of company performance;
- attract, develop, motivate and retain high-performing senior executives by providing a balance of total compensation opportunities, including salary and short and long-term incentives that are competitive with similarly situated companies and reflective of our performance;
- help ensure that costs are appropriately supported by performance in a manner consistent with our intention that, where practicable, short and long-term incentive compensation payouts qualify as performance-based compensation that is tax deductible under Code Section 162(m); and
- motivate our senior executives to pursue objectives that create long-term stockholder value and discourage behavior that could lead to excessive risk, by balancing our fixed and at-risk pay (both

short and long-term incentives) and choosing financial metrics that we believe drive long-term stockholder value.

Pay-For-Performance

We design our compensation programs to make a meaningful amount of target total direct compensation (salary, plus target annual incentive compensation, plus long-term incentives) dependent on the achievement of performance objectives. In the tables that follow, we compare the target total direct compensation for our Chief Executive Officer in each of the last three fiscal years (Table 1) to the corresponding amounts that were paid or that may be considered realizable (based on the methodology described below) as of December 31, 2014 (Table 2).

Table 1 below presents our President and Chief Executive Officer's salary, incentive bonus opportunity at the target level, stock awards and option awards for each of the last three fiscal years. In Table 1, the stock award and option award amounts reflect the grant date fair value of each such award (at the target level with respect to the stock awards for 2013 and 2014, which were subject to performance-vesting criteria), the same value at which such awards are required, under applicable SEC regulations, to be reflected in the Summary Compensation Table included in this Amendment.

Table 1—Target Total Direct Compensation—Chief Executive Officer

Fiscal Year	Salary (\$)	Short-Term (Cash) Incentive (STIP) Opportunity at Target (\$)	Stock Awards (\$)	Option Awards (\$)	Target Total Direct Compensation (\$)
2014	650,000	650,000	1,412,490	737,497	3,449,987
2013	650,000	650,000	674,988	1,200,000	3,174,988
2012	650,000	650,000	_	1,200,000	2,500,000
3-Year Totals	1,950,000	1,950,000	2,087,478	3,137,497	9,124,975

Table 2 below illustrates how our performance affected payouts and realization of the target total direct compensation that was available to our President and Chief Executive Officer.

Table 2—Total Direct Compensation That May Be Considered Realizable at 12/31/2014 as a Percentage of Target Total Direct Compensation—Chief Executive Officer

Fiscal Year	Salary (\$)	Short- Term (Cash) Incentive (STIP) Payout (\$) (1)	Value of Stock Awards at 12/31/2014 (\$) (2)	Intrinsic Value of Option Awards at 12/31/2014 (\$) (3)	Total Direct Compensation at 12/31/2014 (\$)	Total Direct Compensation at 12/31/2014 as a percentage of Target Total Direct Compensation (%)
2014	650,000	468,000	1,426,844	_	2,544,844	74
2013	650,000	_	496,494	_	1,146,494	36
2012	650,000	_	_	_	650,000	26
3-Year Totals	1,950,000	468,000	1,923,338		4,341,338	
Percent of Corresponding Amount in Table 1	100%	24%	92%	0%	48%	48%
Tavie I	100%	24%	92%	U%	40%	40%

⁽¹⁾ This column shows the portion of the target-level STIP in Table 1 that was actually paid to our President and Chief Executive Officer in each of the last three fiscal years. Due to the level of

- achievement in comparison to the performance objectives that were part of our annual incentive compensation program, payouts to our President and Chief Executive Officer over the past three fiscal years amounted to approximately 24% of the aggregate target short-term cash incentive compensation for such period.
- (2) Stock awards for fiscal 2014 and 2013 are valued based on the closing market price per share of our common stock on December 31, 2014 of \$21.14 per share. There were no stock awards in 2012.
- (3) For purposes of this table, option awards are valued at zero because each such award has an exercise price that is greater than the closing market price for a share of our common stock on December 31, 2014. While our President and Chief Executive Officer may realize value on such option awards in the future, the value realized, if any, will depend on the extent to which there is appreciation in the market price of our common stock.

The foregoing tables illustrate that our annual and long-term incentive programs over the past three fiscal years have been designed to make a meaningful amount of our President and Chief Executive Officer's target total direct compensation dependent on the achievement of performance objectives and have resulted in actual compensation significantly less than the target amount.

Key Governance Features of Our Executive Compensation Program

Our executive compensation programs reflect a number of best practices implemented by the Compensation Committee and the Board of Directors in recent years, including:

- No tax gross-ups on perquisites and no change-in-control-related excise tax gross-ups in employment agreements;
- No history of option repricing or cash buyouts of underwater options;
- Employees and directors are prohibited from pledging our securities as collateral for a loan and entering into hedging and derivative transactions with respect to our securities;
- Equity plans do not have evergreen share authorizations and do not allow for liberal share recycling;
- Salary increases and short-term incentive compensation are not guaranteed;
- Retention by our Compensation Committee of an independent compensation consultant;
- No pensions or supplemental executive retirement plans;
- Limited use of executive perquisites;
- Significant stock ownership guidelines pursuant to which the Chief Executive Officer is required to hold five times his base salary in our common stock and all other executive officers are required to hold two times their base salary in our common stock; and
- Adoption of a clawback policy that permits the Company to recover from any current or former Company executive officer such executive officer's incentive bonus and equity compensation gains attributable to such executive officer's misconduct occurring after January 1, 2015, that causes a subsequent restatement of our financial statements.

Management and the Compensation Committee

Role of Management

Our President and Chief Executive Officer together with our Chief Financial Officer and Executive Vice President of Human Resources develop recommendations regarding the design of our executive compensation program. In addition, they are involved in setting the financial and strategic objectives that,

subject to the approval of the Board and the Compensation Committee, are used as the performance measures for the short and long-term incentive plans. Our Chief Financial Officer provides the Compensation Committee with financial information relevant to determining the achievement of performance objectives and related annual cash incentive compensation. As part of its review process, the Compensation Committee receives from our President and Chief Executive Officer a compensation recommendation and assessment of performance against individual objectives, for each other named executive officer and recommendations regarding base salary and short and long-term incentives.

Role of Compensation Committee

Our executive compensation program is administered by the Compensation Committee. The Compensation Committee determines and approves total executive remuneration based on its review and evaluation of recommendations presented by our President and Chief Executive Officer and the advice of F.W. Cook. Our President and Chief Executive Officer does not participate in the Compensation Committee's deliberations or decisions with regard to his own compensation.

Compensation Consultant and Peer Group Analysis

Role of Compensation Consultant

The Compensation Committee has retained F.W. Cook as its independent compensation consultant to provide advice and guidance with respect to executive compensation. F.W. Cook reports directly to the Compensation Committee and the Compensation Committee oversees the fees paid for F.W. Cook's services. The Compensation Committee uses F.W. Cook to review management's executive compensation recommendations with the instruction that F.W. Cook is to advise the Compensation Committee independent of management and to provide such advice for the benefit of the Company and its stockholders. F.W. Cook does not provide any consulting services to the Company beyond its role as a consultant to the Compensation Committee. The Compensation Committee has assessed the independence of F.W. Cook pursuant to SEC rules and concluded that no conflict of interest exists that would prevent F.W. Cook from serving as an independent consultant to the Compensation Committee.

F.W. Cook provided the following services to the Compensation Committee in 2014:

- assisted in the design and development of all elements of the 2014 executive compensation program;
- assisted with the review of the amendment to Mr. Lucia's employment agreement;
- provided competitive benchmarking and market data analysis;
- provided analyses and industry trends relating to the compensation of our President and Chief Executive Officer and our other named executive officers;
- aided the evaluation of modifications to long-term incentive grant practices, including changes to timing of equity grants, equity mix, performance conditions, and allocation of equity amounts;
- provided updates with regard to emerging trends and best practices in executive compensation; and
- reviewed and provided advice on the Company's executive compensation-related disclosures in this Amendment.

Peer Group Compensation Analysis

When evaluating our executive compensation program, our Compensation Committee measures our program against that of a peer group of public companies that is developed with guidance from F.W. Cook. This peer group, which is reviewed annually by the Compensation Committee, consists of companies the Compensation Committee believes are generally comparable to us in size, financial profile and scope of operations and, in certain cases, against which the Compensation Committee believes we compete for executive talent.

Certain executive compensation decisions for 2014 were based in part on benchmarking data from the peer group established by the Compensation Committee in October 2013. Companies included in this peer group for purposes of establishing 2014 executive compensation levels through October 2014 were: Accretive Health, Inc., Acxiom Corp, Allscripts-Misys Healthcare Solutions Inc., AthenaHealth, Inc., Bottomline Technologies (de), Inc., DealerTrack Technologies, Inc., ExlService Holdings, Inc., Fair Isaac Corp, MAXIMUS, Inc., MedAssets, Inc., Medidata Solutions, Inc., NeuStar, Inc., Quality Systems, Inc., Tyler Technologies, Inc. and WEX, Inc. (collectively, the "2013 Peer Group"). This peer group reflects (relative to the Company's prior year peer group) the removal of Concur Technologies, Inc. and MICROS Systems, Inc. because of their difference in size relative to us.

The chart below compares HMS's revenue, net income, EBITDA and market capitalization to the median of our 2013 Peer Group at the time the 2013 Peer Group was established. Note that although our revenue and market capitalization are below the peer median, our net income and EBITDA are above the peer median.

(in millions) (1)	HMS	(013 Peer Group Median
Revenue	\$ 489	\$	671
Net Income ⁽²⁾	\$ 48	\$	38
EBITDA	\$ 151	\$	109
Market Capitalization (3)	\$ 1,887	\$	2,103

- (1) Revenue, Net Income and EBITDA based on most recently available four quarters as of October 21, 2013.
- (2) Before extraordinary items and discontinued operations.
- (3) As of September 30, 2013.

In November 2014, the Committee, with guidance from F.W. Cook, reviewed the Company's peer group and determined that a majority of the peer group generally continues to be reasonable from both size and business model perspectives. Based on its annual review, the Committee updated the Company's peer group to include the following companies: Acxiom Corp, Allscripts-Misys Healthcare Solutions Inc., AthenaHealth, Inc., Bottomline Technologies (de), Inc., DealerTrack Technologies, Inc., ExlService Holdings, Inc., Fair Isaac Corp, MAXIMUS, Inc., MedAssets, Inc., Medidata Solutions, Inc., NeuStar, Inc., Omnicell, Inc., Quality Systems, Inc., Tyler Technologies, Inc. and WEX, Inc. (collectively, the "2014 Peer Group"). This peer group reflects (relative to the Company's prior peer group) the addition of Omnicell, Inc., a comparably-sized health care technology company, and the removal of Accretive Health because of its delisiting from the New York Stock Exchange in March 2014. We believe these changes maintain the Company's size positioning against the peer group within the median range, consistent with our overall total direct target compensation philosophy.

The chart below compares HMS's revenue, net income, EBITDA and market capitalization to the median revenue, net income, EBITDA and market capitalization for our 2014 Peer Group. Note that

although our revenue and market capitalization are below the median, our net income and EBITDA are above the peer median.

(in millions) (1)	 HMS_	(014 Peer Group Median
Revenue	\$ 467	\$	672
Net Income (2)	\$ 32	\$	29
EBITDA	\$ 117	\$	107
Market Capitalization (3)	\$ 1,654	\$	1,946

- (1) Revenue, Net Income and EBITDA based on most recently available four quarters as of October 6, 2014.
- (2) Before extraordinary items and discontinued operations.
- (3) As of September 30, 2014.

2014 Competitive Review

During the fourth quarter of 2014, the Compensation Committee retained F.W. Cook to conduct a competitive review of the overall compensation packages of our named executive officers (the "2014 Competitive Review"). The analysis was based on a review of the compensation of our named executive officers to similarly situated executives in the 2014 Peer Group. While we generally aim to set each named executive officer's target total direct compensation between the median and 75 th percentile of the levels paid to similarly situated executives in our peer group, such data is intended to serve as one of several reference points to assist the Compensation Committee in its discussions and deliberation. The Compensation Committee reserves flexibility to vary from this positioning based on a variety of factors including prior year compensation targets, the named executive officer's overall performance, changes in roles or responsibilities, and prior year short- and long-term incentive payments.

As part of the 2014 Competitive Review, the Compensation Committee reviewed (i) a competitive analysis of the target total direct compensation of the named executive officers, including base salary and short and long-term incentives, (ii) an analysis of our 2013 actual compensation levels for the named executive officers and our performance relative to the peer group companies and (iii) a competitive assessment of our aggregate long-term incentive grant practices, including a review of share usage (shares granted in equity plans as a percentage of weighted average shares outstanding), potential dilution relative to peer group practice and fair value transfer that measures the aggregate value of long-term incentives in absolute dollars and as a percent of market capitalization.

2014 Executive Compensation Elements

The primary elements of our executive compensation program are as follows:

Element	Туре	Objective
Annual Base Salary	Fixed cash compensation for performing day-to-day responsibilities	Recognizes skills, experience and responsibilities
Annual Short-Term Incentive Compensation	Cash compensation awards based on the achievement of short-term financial goals and other strategic objectives measured over a specific year	Promotes and rewards short-term corporate performance and achievement of our strategic objectives
Annual Long-Term Incentive Compensation	Restricted stock units Nonqualified stock options	Builds executive stock ownership, retains executives and aligns compensation with the achievement of our long-term financial goals of creating stockholder value and our strategic objectives as measured over multi-year periods

In addition, we generally also provide salary and benefit continuation payments that are only payable if an executive officer's employment is terminated under specific circumstances. These benefits, which provide reasonable income protection in the event an executive officer's employment is terminated without cause or, following a change in control, an executive officer resigns for good reason, support our executive retention goal and encourages executive independence and objectivity in considering a potential change in control transaction.

The Compensation Committee does not have a formal or informal policy or target for allocating compensation between cash and non-cash compensation, or among the different forms of non-cash compensation. In allocating compensation between cash and non-cash forms, we, after reviewing information provided by F.W. Cook, determine what we believe in our business judgment is the appropriate level with respect to each of the various compensation components.

For 2014, the Compensation Committee re-evaluated the structure of our short-term (cash) incentive program and long-term incentive compensation and determined to implement a number of changes to establish increased linkage between metrics, goal-setting and incentive payouts and the Company's overall strategic goals, increase participant accountability, and balance annual and long-term results. These changes include modifying the Company's annual short-term (cash) incentive plan to include a portion based on the Company's achievement of non-financial strategic objectives and revising the equity mix of long-term incentive compensation.

Base Salary

Base salary is used to recognize the experience, skills, knowledge and responsibilities of our employees, including our named executive officers. The key factors in determining base salary are the competitive rate among our peers for positions of like responsibility and the level of the named executive officer's salary in relation to other employees within the Company with similar responsibilities and tenure.

The Compensation Committee reviews base salaries annually and, if appropriate, makes adjustments to reflect market levels generally every two years after taking into account individual responsibilities, performance and experience and the recommendations of the Chief Executive Officer. For 2014, the base salaries for Messrs. Lucia and Hosp and Ms. Nustad remained at \$650,000, \$450,000 and \$425,000, respectively. With respect to Ms. Wagner, the Committee increased her base salary in March 2014, from \$450,000 to \$475,000 based on her significant contributions and increased scope of responsibilities as Executive Vice President of Operations, the recommendation of the Chief Executive Officer and the benchmarking data provided by F.W. Cook. In March 2014, Mr. Donabauer received a merit increase from \$245,000 to \$252,350 to recognize his performance, contributions and achievements in 2013. Both Mr. DeFelice and Mr. Sherman joined the Company during 2014, and their base salaries were established at \$425,000 and \$500,000, respectively.

Annual Short-Term (Cash) Incentive Compensation

The Compensation Committee awards annual short-term cash incentive compensation to our named executive officers in accordance with specific performance criteria established each year and based on the extent to which those criteria were achieved. The Compensation Committee believes that this element of our executive compensation program promotes the Company's performance-based compensation philosophy by providing named executive officers with direct financial incentives for achieving specific short-term performance goals. Performance criteria for the annual short-term cash incentive awards are established and awards are ultimately made in a manner intended to reward both overall corporate performance and an individual's participation in attaining such performance. Our annual short-term cash incentive awards are paid in cash, ordinarily in a single payment in the first quarter following the completion of the fiscal year.

Our Board of Directors has adopted, and our stockholders have approved, the HMS Holdings Corp. Annual Incentive Compensation Plan ("AIP") to provide key executives incentive awards that are intended to qualify as performance-based compensation and that are intended to be deductible for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). The AIP is entirely objective. Participants in the AIP are eligible to receive a maximum bonus award of \$2,000,000, subject to the Compensation Committee's authority to use negative discretion, if the predetermined objective goal for the fiscal year is met. EBITDA was selected as the performance metric under the AIP for fiscal year 2014 because it is a primary reporting metric for the Company. EBITDA is calculated based on generally accepted accounting principles (GAAP) income before income taxes to exclude the effects of interest, depreciation and amortization of intangible assets, as reported in our financial statements for the year ended December 31, 2014. All of the named executive officers other than Mr. Donabauer were participants under the AIP for fiscal 2014.

In February 2014, the Compensation Committee established the 2014 Short-Term (Cash) Incentive Plan ("2014 STIP"). The 2014 STIP operates as a sub plan under our stockholder approved AIP. This plan within a plan structure is designed to preserve deductibility under Section 162(m) of the Code, while giving the Compensation Committee the flexibility to grant awards that reflect financial and strategic achievements based on both objective and subjective criteria. The Compensation Committee established performance goals for each executive officer under the 2014 STIP that were used to determine actual bonus amounts that were paid in 2015, which are below the officers' maximum award under the AIP, if applicable.

Awards under the 2014 STIP were made from a bonus pool sized based on the aggregate target incentive opportunity for all eligible employees. Generally, an employee's target annual incentive opportunity is established based on the employees' management level within the Company and is

expressed as a percentage of annual base salary. The target annual incentive opportunities approved by the Compensation Committee for our named executive officers are as follows:

	Target Incentive Opportunity (as
Named Executive Officer	a % of base salary)
W. Lucia	100%
J. Sherman	65%
E. DeFelice	65%
K. Wagner	65%
C. Nustad	65%
W. Hosp ⁽¹⁾	65%
J. Donabauer	50%

(1) Mr. Hosp resigned as our Executive Vice President, Chief Financial Officer and Treasurer, effective as of June 6, 2014.

2014 Performance Goals

For 2014, with input from F.W. Cook, the Compensation Committee determined to redesign the short-term (cash) incentive program, which was historically funded based solely on achievement of financial objectives, to include both financial and non-financial objectives. The Compensation Committee established revenue and adjusted EBITDA as the financial metrics under the 2014 STIP. We believe that revenue and adjusted EBITDA are strong indicators of our overall financial performance and are key indicators used by industry analysts to evaluate our operating performance. We define adjusted EBITDA, which is a non-GAAP measure, as earnings before interest, taxes, depreciation, amortization, and stock based compensation. In addition to the financial objectives, the Compensation Committee established certain strategic objectives under the 2014 STIP in order to motivate participants to achieve the overall short-term strategic goals of the Company. Weightings then were established for each of the three performance metrics for 2014—50% for adjusted EBITDA, 25% for revenue and 25% for strategic objectives, as well as specific performance targets for revenue and adjusted EBITDA. The adjusted EBITDA target for 2014 was \$123.0 million. The revenue target for 2014 was \$443.0 million.

The bonus pool under the 2014 STIP was funded based on the level of achievement of each of the performance objectives. As illustrated in the charts below, the applicable percentage of the bonus target to be paid varies with the Company's level of achievement of its adjusted EBITDA target and revenue target. Payout levels for the portions of the incentive award subject to achievement of these financial objectives were limited to 200% of target.

Adjusted EBITDA

Percent of Target Achieved	Bonus Multiple
<85%	_
85%	0.5
86% - 99%	Payout is a straight line from 0.5 to 1.0
100%	1.0
101% - 130% ⁽¹⁾	Payout is a straight line from 1.0 to 2.0

(1) Payouts above 100% are subject to a limit of 20% of incremental adjusted EBITDA above budget.

Revenue

Percent of Target Achieved	Bonus Multiple
<90%	_
90%	0.5
90% - 99%	Payout is a straight line from 0.5 to 1.0
100%	1.0
101% - 120% ⁽¹⁾	Payout is a straight line from 1.0 to 2.0

(1) Payouts above 100% are subject to a limit of 20% of incremental adjusted EBITDA above budget.

In addition to financial objectives, the following strategic objectives were established for 2014 to align our objectives with those of our customers, stockholders and employees:

- Build increased sales competency: Establish a sales organization and formal sales process and develop a sales incentive plan focused on accelerating profitable growth.
- Drive operational effectiveness/margin improvement: Increase revenue per employee and product yield.
- Rationalize product portfolio: Establish a Product Management function and exit or improve the profitability of underperforming products.
- Improve customer satisfaction: Improve Voice of the Customer participation and scores.
- Enhance employee engagement: Improve engagement scores in 2014 survey.

The level of achievement of the strategic objectives is determined in the Compensation Committee's sole discretion.

When considering whether the Company has achieved its goals for payouts under the pre-existing terms of the short-term (cash) incentive program, the Compensation Committee may determine to exclude certain significant unplanned items that may distort the Company's performance and that were largely out of the control of management. This practice helps ensure that our senior executives will be fairly treated and remain engaged and motivated and will not be unduly influenced in their day-to-day decision-making because they would neither benefit nor be penalized as a result of certain unexpected and uncontrollable or strategic events that may positively or negatively affect the performance goals in the short-term.

2014 Short-Term (Cash) Incentive Compensation Calculation

The named executive officers' 2014 incentive awards generally were determined by applying the predefined financial and strategic objectives weightings in the following formula:



For 2014, the Company had adjusted EBITDA of \$101.2 million and revenue of \$443.2 million. In determining the cash bonus amounts to be paid to the named executive officers for services performed in 2014, the Compensation Committee approved adjustments to the 2014 financial targets to exclude the Medicare RAC revenue due to the significant uncertainty with the related procurement and award process, which was substantially beyond the control of management, and an adjustment to the adjusted EBITDA

calculation to exclude the impact of 2014 legal fees incurred in connection with Public Consulting Group, Inc. ("PCG") litigation. The Compensation Committee determined that the facts giving rise to the PCG litigation were substantially outside of the control of current management and that the facts and circumstances underlying the litigation occurred in the past, prior to the employment of the management team (other than Mr. Lucia), and were related to the intervening wrongful acts of third parties. Additional considerations included fairness to the Company's management and employees and employee morale. These adjustments resulted in adjusted EBITDA of \$107.4 million and adjusted revenue of \$421.2 million, or 87.1% and 95.0% achievement of the respective financial objectives. In addition, the Compensation Committee determined that 100.0% of the strategic objectives for 2014 were met. Based on the Company's achievement level of each of the pre-determined performance objectives, the bonus pool under the 2014 STIP was funded at 72% of the target bonus pool.

Performance Objectives	Performance Objective Weighting	Bonus Pool at Target (in thousands)	Achievement of Performance Objective	Computed Bonus Pool (in thousands)
Adjusted EBITDA	50%\$	5,677	87.1%	\$ 3,234
Revenue	25%\$	2,838	95.0%	\$ 2,141
Strategic Objectives	25%\$	2,838	100.0%	\$ 2,838
Totals	100%\$	11,353		\$ 8,213
% of Bonus Payout				72% of target

Below is a comparison of target bonus amounts to actual bonus amounts paid to the named executive officers under the 2014 STIP.

Named Executive Officer	_Ta	arget Bonus	Actual Percentage of Target Bonus Paid	Actua	al Bonus ⁽¹⁾
W. Lucia	\$	650,000	72	2%\$	468,000
J. Sherman	\$	325,000	48	3%\$	155,000
E. DeFelice	\$	276,250	72	2%\$	198,000
K. Wagner	\$	308,750	86	5%\$	265,000
C. Nustad	\$	276,250	72	2%\$	200,000
J. Donabauer	\$	126,175	75	5%\$	95,000
W. Hosp ⁽²⁾	\$	292,500	_	-	_

- (1) The amounts in this column do not exceed the AIP maximum amounts of \$2.0 million for any named executive officer.
- (2) Mr. Hosp resigned as our Executive Vice President, Chief Financial Officer and Treasurer, effective as of June 6, 2014.

The actual bonus amounts for each of Messrs. Lucia and DeFelice and Ms. Nustad were determined by multiplying each officer's target bonus by 72%, the percentage of bonus payout calculated above. Mr. DeFelice's bonus was not pro-rated for a partial year of employment, pursuant to his employment agreement with the Company. Mr. Sherman joined the Company in September 2014 and was guaranteed a minimum bonus for the 2014 plan year of \$150,000, pursuant to his employment agreement with the Company. Taking into consideration the recommendation of the President and Chief Executive Officer, the Compensation Committee approved a bonus of \$155,000 for Mr. Sherman. In determining the amount of Ms. Wagner's bonus for 2014, the Compensation Committee considered her contribution to the Company's achievement of its overall strategic plan, and her individual contributions to the operations unit relative to the Company's other business areas, which, among other achievements, include increasing

operational efficiency and improving employee engagement scores for 2014, in addition to the pre-established financial and strategic objectives, and determined to increase her award payment above the 72% payout level by \$42,700. The amount of Mr. Donabauer's bonus for 2014 was determined in the President and Chief Executive Officer's discretion, pursuant to delegated authority by the Compensation Committee. The President and Chief Executive Officer determined to increase Mr. Donabauer's bonus payment above the 72% payout level based on his roles as interim Principal Financial Officer and interim Treasurer during part of 2014. Mr. Hosp was not eligible to receive a bonus for 2014 because he was not employed by the Company on the date the bonuses were paid.

Annual Long-Term Incentive Compensation

We believe that equity grants provide our named executive officers with a strong link to our long-term performance in order to create an ownership culture and help to align their interests with those of our stockholders.

In accordance with our Fourth Amended and Restated 2006 Stock Plan (the "2006 Stock Plan"), we set the exercise price of all stock options equal to the closing price of our common stock on the NASDAQ Global Select Market on the day of the grant. Accordingly, a stock option grant will provide a return to the executive officer only in the following circumstances, outside of a change in control: (i) the executive officer remains employed during the vesting period, (ii) the performance conditions (which relate to 50% of the stock option grant) are achieved, and (iii) the market price of our common stock appreciates from the option's exercise price. As a result, stock options strongly support our objective of ensuring that pay is aligned with changes in stockholder value.

In addition to stock options, we previously have issued restricted stock awards and in more recent years, restricted stock unit awards, under the 2006 Stock Plan to support the goal of retaining our named executive officers and to further align the interests of our executives with stockholders by increasing their stock ownership. Because restricted stock and restricted stock units awarded to executives generally vest in installments over time, these awards will provide a return to the executive only if the executive remains employed during the vesting period. We also align pay with performance by establishing performance conditions with respect to all or a portion of the awards. With respect to any portion of an award subject to performance conditions, the award will provide a return to the executive only if the Company achieves its objectives. The value of the restricted stock awards and restricted stock unit awards granted to the executive increases or decreases as the market price of our common stock increases or decreases, further supporting our objective of ensuring that pay is aligned with changes in stockholder value.

How Awards Are Granted

The Compensation Committee historically has awarded two annual grants of equity at its regularly scheduled meetings held during the first and fourth quarters of the year. The dates of the regularly scheduled meetings are determined in advance, typically during the fourth quarter of the preceding year. At these regularly scheduled meetings, the Committee will meet with management and F.W. Cook to discuss and consider award determination, and if approved, the Committee will establish a grant date that is two business days after the date that the Company will file its next quarterly report on Form 10-Q or annual report on Form 10-K, as applicable, as well as the award amounts and terms of the awards for the executive officers.

For purposes of determining equity awards for our other named executive officers, our President and Chief Executive Officer presents the Compensation Committee with his recommendations for the other executive officers. With respect to our President and Chief Executive Officer, the Committee considers the Company's performance and relative stockholder return and the awards given to the President and Chief Executive Officer in past years. The Committee also seeks guidance from F.W. Cook as to appropriateness of grant amounts, vesting schedules and performance conditions in light of market practices based on

benchmarking data from our peer group companies. These equity awards are granted based upon the Compensation Committee's subjective evaluation of the appropriate grant depending upon the level of responsibility of each named executive officer and competitive positioning among our peer group companies.

In addition to grants that are approved at the regularly scheduled meetings, the Compensation Committee approves off-cycle initial equity grants to attract and retain key new hires based on management's negotiations with the new hire candidate. These off-cycle grants are generally effective as of the date the new hire commences employment with the Company and are subject to time-based vesting.

2014 Competitive Review

In October 2014, the Compensation Committee evaluated the long-term incentive compensation component of the executive compensation program. With the guidance of F.W. Cook, the Committee reviewed the Company's long-term incentive grant practices, including a review of share usage (shares granted in equity plans as a percentage of weighted average shares outstanding), potential dilution relative to peer group practice and fair value transfer that measures the aggregate value of long-term incentives in absolute dollars and as a percent of market capitalization.

Taking into consideration F.W. Cook's recommendations, the Committee established a target amount for total long-term compensation at a slightly higher level than previous years in order to maintain competitive market levels for recently recruited management with more experience to help the Company achieve its growth objectives and to encourage retention in light of the uncertainty of the Medicare RAC contract award process and volatility in the Company's stock price.

2014 Long-Term Incentive Compensation

For the 2014 fiscal year, in making its determinations with respect to granting annual long-term incentives, the Compensation Committee considered F.W. Cook's recommendations based on the 2014 Competitive Review (with respect to the fourth quarter 2014 grants) and peer group benchmarking data and the recommendations of the President and Chief Executive Officer (other than with respect to his own incentives), in addition to several objective factors, including comparative share ownership of similarly-situated executives, the Company's financial performance, the amount of equity previously awarded, the vesting of such awards and the retention value of the award. In determining amounts of long-term incentive compensation to be awarded, no fixed or specific mathematical weighting was applied to the subjective or the objective assessment of the named executive officers' individual achievements.

For 2014, the Committee continued its prior year practice of awarding an annual grant of restricted stock units in the first fiscal quarter and an annual equity grant in the fourth fiscal quarter.

First Quarter 2014 Grants. On March 5, 2014, the Committee awarded an equity grant to (i) Mr. Lucia 33,399 of restricted stock units, (ii) Mr. Hosp 17,318 of restricted stock units, (iii) Mr. Donabauer 7,422 of restricted stock units, (iv) Ms. Wagner 24,740 of restricted stock units, and (v) Ms. Nustad 19,792 of restricted stock units, based on the closing price of our common stock of \$20.21 on the NASDAQ Global Select Market on that date, provided that the Company achieved positive operating income before taxes for the fiscal year ending December 31, 2014. The vesting period of restricted stock units for the first quarter 2014 grant was reduced from five years to four years from the date of the grant to align with the market practices of our peer group companies and to match the period after which stock option awards are fully vested and exercisable.

Fourth Quarter 2014 Grants. In November 2014, with advice from F.W. Cook, the Committee determined to make certain changes to the mix of equity for the fourth quarter annual equity award. Specifically, the Committee shifted from an award of 100 percent stock options to an equal value weighting of non-qualified stock options and restricted stock units. The Committee believes that the mix of stock

options and restricted stock units is appropriate because the two forms of awards together represent a balanced approach that reinforces our emphasis on pay for performance because the numbers of shares earned depends on the performance against pre-defined goals and the value of the shares fluctuates based on the stock price.

In addition, in November 2014 the Committee determined that 50% of the value of their fourth quarter annual long-term incentive awards would be time-based and 50% would be performance-based with vesting tied solely to our stock price. The Committee believes that this mix of vesting supports several important objectives, including compensating named executive officers for achievement of long-term goals tied to business strategy through the use of performance-based vesting, rewarding named executive officers for sustained increases in stock price and ensuring the overall cost of the program is aligned with compensation realized by named executive officers and performance delivered to stockholders. The Committee believes that restricted stock units provide a retention incentive, enhance executive stock ownership, and align the interests of our executives with the interests of our stockholders. However, the Committee believes that allocating a portion of restricted stock units to performance goals would continue to offer a strong retention incentive while reinforcing the Company's long-term focus.

On November 12, 2014, the following named executive officers received restricted stock unit awards as follows: (i) Mr. Lucia was awarded 34,096 restricted stock units, (ii) Mr. Sherman was awarded 15,603 restricted stock units, (iii) Mr. DeFelice was awarded 9,246 restricted stock units, (iv) Ms. Wagner was awarded 13,291 restricted stock units, (v) Ms. Nustad was awarded 11,558 restricted stock units, and (vi) Mr. Donabauer was awarded 2,080 restricted stock units, based on the closing price of our common stock of \$21.63 on the NASDAQ Global Select Market on that date.

On November 12, 2014, the following named executive officers received an award of non-qualified stock options to purchase shares of our common stock as follows: (i) Mr. Lucia was awarded 97,231 non-qualified stock options, (ii) Mr. Sherman was awarded 44,495 non-qualified stock options, (iii) Mr. DeFelice was awarded 26,367 non-qualified stock options, (iv) Ms. Wagner was awarded 37,903 non-qualified stock options, (v) Ms. Nustad was awarded 32,959 non-qualified stock options and (vi) Mr. Donabauer was awarded 5,932 non-qualified stock options.

Early 2015 Compensation Actions

Combination of Annual Long-Term Incentive Grants into One Annual Grant

In the past, we granted long-term incentive compensation in two annual grants during the first and fourth quarters. Beginning in 2015, we determined instead to combine the two annual equity grants made during the first and fourth fiscal quarters into one annual grant during the first fiscal quarter in order to align the timing of annual grants to follow the determination and review of the prior year's financial results. This timing allows us to evaluate an executive's total compensation for the full year at one time while simplifying the annual equity award process.

Limited New Executive Perquisites

In order to enhance the Company's ability to recruit and retain highly qualified executive talent, on February 6, 2015, and based on input from F.W. Cook, we determined to offer Guaranteed Standard Issue, or individual disability income insurance, to employees of the Company earning more than \$300,000 in annualized base salary, as well as financial counseling services to the President and Chief Executive Officer and any officers of the Company who report directly to the President and Chief Executive Officer. We believe these benefits are comparable to benefits offered by companies of a similar size to ours. Each of the named executive officers, other than Mr. Donabauer, is eligible to receive these benefits.

Other Elements of Compensation Available to all Employees

Benefits and Other Compensation

We maintain broad-based benefits that are provided to all employees, including health and dental insurance, life and disability insurance and a 401(k) plan. Our named executive officers are eligible to participate in all of our employee benefit plans, in each case on the same basis as other employees. The Company matches 100% of participant contributions to our 401(k) plan up to 3% of their eligible compensation and 50% of the next 2% of their eligible compensation contributed to the 401(k) plan, up to a maximum of \$10,200 per annum for 2014.

Severance and Change-in-Control Benefits

To enable us to offer competitive total compensation packages to our senior executives, as well as to ensure the ongoing retention of these individuals when considering transactions that may create uncertainty as to their future employment with us, in 2011, the Compensation Committee approved standardizing the terms of employment of our senior executives, which included providing consistent separation and change-in-control protection.

Based on information provided by F.W. Cook, the Committee believes that the protection afforded by the revised terms of employment described above provides a level of benefits that are estimated to be within a reasonable range based on competitive practices with respect to comparable positions. We believe that the benefits provided under these agreements are consistent with the Company's objective of attracting and retaining highly qualified executives and provide reasonable assurance so that our senior executives are not distracted from their duties during the uncertainty that may accompany a possible change in control.

We have provided detailed information about Mr. Lucia's employment agreement and our agreements with the other named executive officers and the benefits provided to Mr. Lucia and the other named executive officers under their respective agreements, along with estimates of the value of such benefits under various circumstances, under the caption "Potential Payments upon Termination of Employment or Change-in-Control" below.

Stock Ownership Guidelines for Executive Officers

With the Board's approval, in October 2014, we adopted stock ownership guidelines for our directors and executive officers to help ensure that they each maintain an equity stake in the Company, and by doing so, appropriately link their interests with those of other stockholders. The guidelines for executive officers are based on a multiple of the executive's base salary.

<u>Title</u>	Value of Shares to be Owned
Chief Executive Officer	5 X Base Salary
Other Executive Officers	2 X Base Salary

Each executive has five years from the date he or she becomes subject to these guidelines to meet his or her target. Shares that satisfy the stock ownership guidelines include stock owned outright, directly or indirectly, restricted stock or restricted stock units, and deferred stock units. Management monitors compliance with these guidelines on an annual basis.

Clawback Policy

In October 2014, the Board adopted a clawback policy that covers each current and former executive officer of the Company and applies to all forms of executive incentive compensation. Our clawback policy provides that the Board (or a Board committee) is authorized to recover from any current or former

executive officer any bonus, incentive compensation or equity-based compensation gains resulting from certain misconduct occurring after January 1, 2015 that causes a restatement of our Company's financial statements. The Board is required to review all circumstances and actions causing such restatement and to take action as it deems appropriate. We are monitoring this policy to ensure that it is consistent with applicable laws, and to the extent that the SEC adopts rules for clawback policies, we will revise our policy to reflect any necessary changes.

Prohibition on Hedging and Pledging

Our Insider Trading Policy prohibits our employees and directors from, among many other actions, purchasing our securities on margin, borrowing against our securities held in a margin account, pledging our securities as collateral for a loan and entering into hedging and derivative transactions with respect to our securities.

Tax Considerations

Code Section 162(m) prohibits us from deducting from taxable income any compensation in excess of \$1 million paid to our President and Chief Executive Officer and the three other most highly compensated named executive officers employed at the end of the year (other than our Chief Financial Officer), except to the extent that such compensation is paid pursuant to a stockholder approved plan upon the attainment of specified performance objectives. The Compensation Committee believes that tax deductibility is an important factor, but not the sole factor, to be considered in setting executive compensation policy. Accordingly, the Compensation Committee periodically reviews the potential consequences of Section 162(m) and generally intends to take such reasonable steps as are required to avoid the loss of a tax deduction due to Section 162(m). However, the Compensation Committee may, in its judgment, authorize compensation payments or arrangements that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

Summary Compensation Table

The following table sets forth the cash and non-cash compensation awarded to or earned by our named executive officers for the fiscal years ended December 31, 2014, 2013 and 2012. Information for 2013 and 2012 is not provided for Messrs. Sherman and DeFelice because they were not employed by the Company until 2014, and information for 2012 is not provided for Ms. Wagner because she was not employed by the Company until 2013. In accordance with the rules of the SEC, information for 2013 and 2012 is not provided for Mr. Donabauer because he did not serve as an executive officer of the Company during any part of those years.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (1)	Option Awards (2)	Non- Equity Incentive Plan Compensation (\$)	All Other Compensation (3) (\$)	Total Compensation (\$)
William C. Lucia President and Chief Executive Officer	2014 2013 2012	650,000 650,000 650,000	_ _ _	1,412,490 674,988 —	737,497 1,200,000 1,200,000	468,000 — —	10,400 10,200 10,000	3,278,387 2,535,188 1,860,000
Jeffrey S. Sherman EVP, Chief Financial Officer and Treasurer	2014 2013 2012	136,538 ⁽⁴⁾	355,000	337,493	1,087,493	_ _	_ _	1,916,524
Eugene V. DeFelice EVP, General Counsel and Corporate Secretary	2014 2013 2012	312,211 ⁽⁵⁾ — —	50,000	399,990	399,992 —	198,000 —	178,189 ⁽⁶⁾ — —	1,538,382
Cynthia Nustad EVP and Chief Information Officer	2014 2013 2012	421,731 378,413 350,000	_ _ _	649,996 524,020 31,236	249,994 469,327 93,743	200,000	10,400 10,200	1,532,121 1,381,960 474,979
Semone Wagner EVP, Operations	2014 2013 2012	470,192 337,500 ⁽⁷⁾	50,000 —	787,480 499,981	287,494 450,000	265,000 — —	13,677 6,923	1,823,843 1,344,404
Walter D. Hosp Former EVP and Chief Financial	2014 2013	205,962 ⁽⁸⁾ 445,833	_	349,997 ⁽¹⁰⁾ 499,990	425,000	_	234,979 ⁽⁹⁾ 7,337	1,378,160
Officer Joseph M. Donabauer SVP and Controller and Former Interim Principal Financial Officer	2012 2014 2013 2012	425,000 248,025 — —	63,087	194,989 — —	424,995 44,994 —	95,000 — —	10,000 10,505 —	859,995 656,600 —
and Interim Treasurer								

- (1) The amounts in this column represent the aggregate grant date fair value of the restricted stock unit awards computed in accordance with Financial Accounting Standards Board (FASB) guidance on stock-based compensation. The relevant assumptions made in the valuations may be found in Note 11 of the Notes to the Consolidated Financial Statements in our Annual Report. The grant date fair value of restricted stock units is determined based on the number of units awarded and the fair value of our common stock on the grant date, which is the closing sales price per share of our common stock reported on The NASDAQ Global Select Market on that date.
- (2) The amounts in this column represent the aggregate grant date fair value of the stock option awards computed in accordance with FASB guidance on stock-based compensation. The relevant assumptions made in the valuations for the 2014, 2013 and 2012 stock option awards may be found in Note 11 of the Notes to the Consolidated Financial Statements in (i) our 2014 Annual Report on Form 10-K (ii) our 2013 Annual Report on Form 10-K, respectively. The grant date fair value of stock options is determined based on the number of options awarded and the fair value of the stock option on the grant date, which is the Black Scholes value of closing sales price per share of our common stock reported on The NASDAQ Global Select Market on that date.
- (3) The amounts in this column consist of 401(k) Savings Plan employer matching contributions and, as applicable, the other items specified in the footnotes in this column.
- (4) The amount reported consists of base salary earned by Mr. Sherman, prorated from his date of employment on September 8, 2014.
- (5) The amount reported consists of base salary earned by Mr. DeFelice from his date of employment on March 24, 2014.
- (6) The amount reported consists of 401(k) Savings Plan employer matching contributions of \$7,192 and relocation expenses of \$170,997 reimbursed by the Company pursuant to Mr. DeFelice's employment agreement with the Company.

- (7) The amount reported consists of base salary earned by Ms. Wagner from her date of employment on April 1, 2013.
- (8) The amount reported consists of base salary earned by Mr. Hosp through his date of termination of employment on June 6, 2014.
- (9) The amount reported consists of 401(k) Savings Plan employer matching contributions of \$9,979 and severance payments of \$225,000 pursuant to the Letter Agreement with Mr. Hosp dated March 10, 2014.
- (10) The amount reported represents the value of a stock award granted on March 5, 2014, which was cancelled on June 6, 2014, pursuant to the terms of Mr. Hosp's Letter Agreement with the Company.

Narrative Discussions to Summary Compensation Table and Grants of Plan-Based Awards Table

The following discussion supplements the information provided in the Summary Compensation Table that precedes this discussion and the Grants of Plan Based Awards Table that follows this discussion.

Salary

The amounts reported in the "Salary" column in the Summary Compensation Table consist of base salary earned in the respective fiscal year. Annual base salaries for 2014 for each of the named executive officers other than Ms. Wagner and Mr. Donabauer were as follows: \$650,000 for Mr. Lucia; \$500,000 for Mr. Sherman; \$425,000 for Mr. DeFelice; \$425,000 for Ms. Nustad; and \$450,000 for Mr. Hosp. In March 2014, Ms. Wagner's annual base salary was increased from \$450,000 to \$475,000 and Mr. Donabauer's annual base salary was increased from \$245,000 to \$252,350.

Bonus

The amounts reported in the "Bonus" column in the Summary Compensation Table for 2014 are based on the following factors.

Jeffrey S. Sherman. Mr. Sherman was guaranteed a minimum bonus payment for 2014 of \$150,000, pursuant to his employment agreement with the Company. In February 2015, the Compensation Committee awarded Mr. Sherman a bonus for 2014 of \$155,000. In addition, Mr. Sherman received a sign-on bonus of \$200,000 in 2014, pursuant to the terms of his employment agreement.

Eugene V. DeFelice. Mr. DeFelice received a sign-on bonus of \$50,000 in 2014, pursuant to the terms of his employment agreement with the Company.

Joseph M. Donabauer. Mr. Donabauer entered into a Retention Agreement with the Company in April 2014, pursuant to which Mr. Donabauer is entitled to receive, among other things, \$126,175 in two equal installments, subject to certain conditions. Mr. Donabauer received the first installment of \$63,087 in 2014.

Stock and Option Awards

First Quarter 2014 Awards. On March 5, 2014, the Compensation Committee awarded a grant pursuant to the 2006 Stock Plan to (i) Mr. Lucia 33,399 of restricted stock units, (ii) Mr. Hosp 17,318 of restricted stock units, (iii) Mr. Donabauer 7,422 of restricted stock units, (iv) Ms. Wagner 24,740 of restricted stock units, and (v) Ms. Nustad 19,792 of restricted stock units, based on the closing price of our common stock of \$20.21 on the NASDAQ Global Select Market on that date, provided that the Company achieved positive operating income before taxes for the fiscal year ending December 31, 2014. Based on the Company's audited financial statements included in its Annual Report for the fiscal year ending December 31, 2014, the Company achieved the performance condition and, as a result, the restricted stock units will vest in 25% increments, with the first 25% vesting on the first anniversary of the grant date and the remainder vesting ratably on the second, third, and fourth anniversaries of the grant date.

Fourth Quarter 2014 Awards. On November 12, 2014, the following named executive officers received restricted stock unit awards pursuant to the 2006 Stock Plan as follows: (i) Mr. Lucia was awarded 34,096

restricted stock units, (ii) Mr. Sherman was awarded 15,603 restricted stock units, (iii) Mr. DeFelice was awarded 9,246 restricted stock units, (iv) Ms. Wagner was awarded 13,291 restricted stock units, (v) Ms. Nustad was awarded 11,558 restricted stock units, and (vi) Mr. Donabauer was awarded 2,080 restricted stock units, based on the closing price of our common stock of \$21.63 on the NASDAQ Global Select Market on that date. The restricted stock units vest as follows: 50% vests ratably over a three year period beginning on November 12, 2015, and the remaining 50% vests upon the Company's achievement of the following performance condition: the Company's average closing price per share must be at least 25% higher than the closing price on the grant date for a period of 30 consecutive trading days preceding the first, second or third anniversaries of the grant date. If the performance condition is met prior to the first anniversary of the grant date, one-third of the performance RSUs will vest in three equal installments on the first, second and third anniversaries of the grant date; if the performance condition is met after the first anniversary but prior to the second anniversary of the grant date, two-thirds of the performance RSUs will vest on the second anniversary of the grant date; if the performance condition is met after the second anniversary but prior to the third anniversary of the grant date; if the performance condition is met after the grant date. If the performance condition is not achieved before the third anniversary of the grant date, the performance RSUs will be forfeited. The named executive officer must remain employed by the Company as of each exercise date.

On November 12, 2014, the following named executive officers received an award of non-qualified stock options to purchase shares of our common stock pursuant to the 2006 Stock Plan as follows: (i) Mr. Lucia was awarded 97,231 non-qualified stock options, (ii) Mr. Sherman was awarded 44,495 non-qualified stock options, (iii) Mr. DeFelice was awarded 26,367 non-qualified stock options, (iv) Ms. Wagner was awarded 37,903 non-qualified stock options, (v) Ms. Nustad was awarded 32,959 non-qualified stock options and (vi) Mr. Donabauer was awarded 5,932 non-qualified stock options. The exercise price for these stock options was \$21.63 per share. These stock options are exercisable over seven years and vest as follows: 50% vests ratably over a three-year period beginning on November 12, 2015, and the remaining 50% vests upon the Company's achievement of the following performance condition: the Company's average closing price per share must be at least 25% higher than the exercise price for a period of 30 consecutive trading days preceding the first, second or third anniversaries of the grant date. If the performance condition is achieved prior to the first anniversary of the grant date. If the performance condition is achieved after the first anniversary but prior to the second anniversary, two-thirds of the performance option shares vest on the second anniversary of the grant date and the remainder vests on the third anniversary of the grant date. If the performance condition is met after the second anniversary but prior to the third anniversary of the grant date, then 100% of the performance option shares vest on the third anniversary of the grant date. If the performance condition is not achieved before the third anniversary of the grant date, the performance option shares will be forfeited. The named executive officer must remain employed by the Company as of each exercise date.

New Hire Grants

The Compensation Committee approved initial equity grants under the 2006 Stock Plan to Messrs. DeFelice and Sherman upon commencement of their employment, pursuant to their respective employment agreements with the Company. On March 24, 2014, Mr. DeFelice was granted an equity award valued at \$400,000 on the date of grant, consisting of 29,078 non-qualified stock options valued at \$200,000 on the date of grant. On September 8, 2014, Mr. Sherman was granted an equity award consisting of 103,591 non-qualified stock options valued at \$750,000 on the date of grant. Assuming continued employment, the options have a seven-year term and the options and RSUs will vest annually over a four year period beginning on the first anniversary of the date of grant.

See "Grants of Plan Based Awards, for the year ended December 31, 2014" for information regarding the stock and option awards granted in 2014 and "Potential Payments upon Employment Termination and Change-in-Control" for additional information regarding matters that could affect the vesting of such stock and option awards.

Non-Equity Incentive Plan Compensation

The amounts set forth in this column reflect the amounts paid to our named executive officers as part of their annual short-term (cash) incentive compensation, as discussed above under the heading "Compensation Discussion and Analysis," which precedes the Summary Compensation Table. Each named executive officer has a targeted annual short-term (cash) incentive award opportunity that is based on a percentage of his/her base salary for the fiscal year and which is earned based on the achievement of pre-determined short-term financial and non-financial goals measured over the year. Mr. DeFelice's annual short-term cash incentive award for 2014 was not pro-rated for a partial year of service, pursuant to the terms of his employment agreement with the Company.

Post-Employment Payments

On March 10, 2014, in connection with accepting Mr. Hosp's resignation, the Company entered into a Letter Agreement with him regarding his transition and separation from the Company (the "Letter Agreement"). The Letter Agreement supersedes Mr. Hosp's employment agreement with the Company, dated April 30, 2012. Under the terms of the Letter Agreement and subject to certain conditions, Mr. Hosp was eligible to receive, among other things: (i) severance of six months of his current base salary of \$450,000, to be paid in equal installments over a six month period in accordance with the Company's normal payroll practices, and (ii) a lump sum equal to six months of the difference between the COBRA coverage premium for the same type of medical, dental and vision coverage he is receiving and his employee contribution. Mr. Hosp was paid a severance payment of \$225,000 in 2014, pursuant to the Letter Agreement.

Grants of Plan-Based Awards for the Year Ended December 31, 2014

The following table provides information concerning each grant of an award made to our named executive officers in fiscal year 2014 under our AIP, 2014 STIP, and 2006 Stock Plan.

		Compensation	Estimate Under No Pla		Incentive	Estimated Future Payouts Under Equity Incentive Plan Awards (2)		All Other Option Awards: Number of Securities Underlying	Exercise or Base Price of	Grant Date Fair Value of Stock and Option
Name	Grant Date	Committee Approval Date	Threshold (\$)	(\$)	Maximum (\$)	Target (#)	or Units ⁽³⁾ (#)	Options (4) (#)	(5) (\$/Sh)	(6) (\$)
W. Lucia	3/5/2014 11/12/2014 11/12/2014	3/3/2014 11/3/2014 11/3/2014	_	650,000	2,000,000	33,399 17,048 48,616	17,048	48,615	21.63	674,994 737,496 737,497
J. Sherman	9/8/2014 11/12/2014 11/12/2014	7/29/2014 11/3/2014 11/3/2014	_	325,000	2,000,000	7,802 22,248	7,801	103,591 22,247	20.71 21.63	749,999 337,493 337,495
C. Nustad	3/5/2014 11/12/2014 11/12/2014	3/3/2014 11/3/2014 11/3/2014	_	276,250	2,000,000	19,792 5,779 16,480	5,779	16,479	21.63	399,996 250,000 249,994
S. Wagner	3/5/2014 11/12/2014 11/12/2014	3/3/2014 11/3/2014 11/3/2014	_	308,750	2,000,000	24,740 6,646 18,952	6,645	18,951	21.63	499,995 287,484 287,494
E. DeFelice	3/24/2014 3/24/2014 11/12/2014 11/12/2014	3/3/2014 3/3/2014 11/3/2014 11/3/2014	_	276,250	2,000,000	4,623 13,184	9,980 4,623	29,078 13,183	20.04	199,998 199,999 199,991 199,994
J. Donabau	er 3/5/2014 11/12/2014 11/12/2014	3/3/2014 11/3/2014 11/3/2014	_	126,175	_	7,422 1,040 2,966	1,040	2,966	21.63	149,999 44,990 44,994
W. Hosp	3/5/2014	3/3/2014	_	292,500	2,000,000	17,318				349,997 ⁽⁷⁾

Amounts represent the target and maximum short-term (cash) incentive compensation payouts that could be earned by the named executive officers for 2014. The target amount shown is 100% of the individual's target annual award opportunity and assumes that the named executive officer achieves all related predetermined financial and non-financial objectives. The maximum amount shown is the stockholder-approved maximum payout under the AIP, except with respect to Mr. Donabauer, who was not a participant in the AIP. There are no threshold amounts under the 2014 STIP or the AIP. The actual short-term (cash) incentive compensation paid for 2014 is shown in the Summary Compensation Table in the "Non-Equity Incentive Plan Compensation" column. Our 2014 STIP is described in the Compensation Discussion and Analysis, under the heading "Annual Short-Term (Cash) Incentive Compensation." For 2014, Mr. Lucia's target award opportunity was 100% of his base salary. The target award opportunity for Messrs. Sherman, DeFelice and Hosp and Mses. Nustad and Wagner was 65% of his/her base salary. Mr. Donabauer's target award opportunity was 50% of his base salary.

⁽²⁾ Amounts represent the portion of the grant made to each named executive officer in 2014 that is dependent on certain pre-defined performance conditions. These grants and their vesting schedule are described in the Compensation Discussion and Analysis under the heading "Long Term Incentive Compensation."

⁽³⁾ Amounts represent the portion of the restricted stock unit grant made to each named executive officer in 2014 that is conditioned on continued service. These restricted stock unit grants and their vesting schedule are described in the Compensation Discussion and Analysis under the heading "Long Term Incentive Compensation."

⁽⁴⁾ Amounts represent the portion of the non-qualified stock option grant made to the named executive officers in 2014 that is conditioned on continued service. The vesting schedule for these grants are described in the Compensation Discussion and Analysis under the heading "Long Term Incentive Compensation" and in the Narrative Discussion to the Summary Compensation Table and Grants of Plan-Based Awards Table.

- (5) The exercise price equals the closing price of our common stock on the date of the grant.
- (6) The amounts in this column represent the grant date fair value of each stock option grant and each restricted stock unit grant computed in accordance with FASB guidance on stock-based compensation, assuming all performance and service conditions are met. The relevant assumptions made in the valuations may be found in Note 11 of the Notes to the Consolidated Financial Statements in our Annual Report.
- (7) The amount reported represents the grant date fair value of a restricted stock unit award granted on March 5, 2014, which was cancelled on June 6, 2014, pursuant to the terms of Mr. Hosp's Letter Agreement with the Company.

Outstanding Equity Awards at December 31, 2014

		Optio	on Awards				Stock	Awards	
Name	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	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (1) (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market of Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
W. Lucia	23,990			3.15	5/4/2016	(2)	579,088	<u>/</u>	
W. Edela	289,005	_		3.66	6/26/2016	23,486 ⁽³⁾	496,494		
	60,000			12.61	10/1/2016	(4)	706,055		
	30,000			19.77	9/30/2017	17,048 ⁽⁵⁾	360,395	17,048 ⁽⁵⁾	360,395
	71,628	_	_	22.95	9/30/2017	17,040	300,373	17,040	300,373
	42,733	21,367 ⁽⁶⁾	_	27.79	10/4/2019				
	28,694	57,389 ⁽⁷⁾	86,083 ⁽⁷⁾	21.36	11/14/2020				
	_	48,615 ⁽⁸⁾	48,616 ⁽⁸⁾	21.63	11/11/2021				
J.									
Sherman	_	103,591 ⁽⁹⁾	_	20.71	9/8/2021	7,801 ⁽⁵⁾	164,913	7,802 ⁽⁵⁾	164,934
	_	22,247 ⁽⁸⁾	22,248 ⁽⁸⁾	21.63	11/11/2021				
E.									
DeFelice	_	29,078 ⁽¹¹⁾	_	20.04	3/23/2021	9,980 ⁽¹⁰⁾	210,977		
	_	13,183 ⁽⁸⁾	13,184 ⁽⁸⁾	21.63	11/11/2021	4,623 ⁽⁵⁾	97,730	4,623 ⁽⁵⁾	97,730
G 1777	10 5 60	21,521 ⁽⁷⁾	32,281 ⁽⁷⁾		11/11/2020	13,651 ⁽¹²⁾			
S. Wagner	10,760	18,951 ⁽⁸⁾	18,952 ⁽⁸⁾		11/14/2020	24,740 ⁽⁴⁾			
	_	18,951	18,952	21.63	11/11/2021	6,645 ⁽⁵⁾	523,004	6,646 ⁽⁵⁾	1 10 10 5
						6,645	140,475	6,646	140,496
C. Nustad	8,435	2,812 ⁽¹⁵⁾	_	22.47	2/8/2018	375 ⁽¹³⁾	7,928		
	22,384	_	_	22.95	9/30/2018	17,397 ⁽³⁾	367,773		
	6,676	3,339 ⁽⁶⁾	_	27.79	10/4/2019	375 ⁽¹⁴⁾	7,928		
	6,678	3,338 ⁽⁷⁾	_	27.79	10/4/2019	19,792 ⁽⁴⁾	418,403		
	9,564	19,130 ⁽⁷⁾	28,694 ⁽⁷⁾	21.36	11/14/2020	(5)	122,168	5,779 ⁽⁵⁾	122,168
	_	16,479 ⁽⁸⁾	16,480 ⁽⁸⁾	21.63	11/11/2021				
W. Hoon									
W. Hosp (16)	180,000			6.37	3/1/2015	18,263 ⁽²⁾	386,080		
	75,000	_	_	8.00	5/30/2015	(2)	367,773		
	48,000		_	12.61	5/30/2015	17,397	301,113		
	24,000 25,369	_	_	19.77 22.95	5/30/2015 5/30/2015				
	15,134	7,568 ⁽⁶⁾	_	27.79	5/30/2015				
	10,162	20,325 ⁽⁷⁾	30,488 ⁽⁷⁾		5/30/2015				
	10,102	20,020	20,.00	21.00	2, 2 3, 2010				
J. Donabaı	1,322	_	_	19.77	9/30/2017	375	7,928		
	5,596	_		22.95	9/30/2018	(2)	39,236		
	6,676	3,339 ⁽⁶⁾		27.79	10/4/2019	1,170 ⁽¹⁴⁾			
	5,380	10,760 ⁽⁷⁾	(7)		11/14/2020	7,422 ⁽⁴⁾	156,901		
		2,966 ⁽⁸⁾	2,966 ⁽⁸⁾		11/11/2021	1,040 ⁽⁵⁾	21,986	1,040 ⁽⁵⁾	21,986
		2,700	2,700	21.03	11,11,2021	2,010	21,700	1,010	21,700

⁽¹⁾ Market value of shares or units of stock that have not vested is calculated by multiplying the closing sales price per share of our common stock on The NASDAQ Global Select Market on December 31, 2014 (\$21.14) by the number of shares of stock that have not vested.

⁽²⁾ Represents restricted stock units granted on February 18, 2011, which vested in one quarter increments on the second and third anniversaries of the grant date. The

- (3) Represents restricted stock units granted on February 27, 2013, of which one quarter will vest on the second anniversary of the grant date. The remaining three quarters will vest ratably on the third, fourth and fifth anniversaries of the grant date, subject to the named executive officer's continued employment.
- (4) Represents restricted stock units granted on March 5, 2014, of which one quarter will vest on the first anniversary of the grant date. The remaining three quarters will vest ratably on the second, third and fourth anniversaries of the grant date, subject to the named executive officer's continued employment.
- (5) Represents restricted stock units granted on November 12, 2014, with the following vesting schedule: 50% vests in one-third increments on November 12, 2015, 2016 and 2017 and 50% vests ratably on November 12, 2015, 2016 and 2017 to the extent that certain pre-defined performance and service conditions are satisfied.
- (6) Represents stock options granted on October 5, 2012, of which one-third increments vested on both December 31, 2013 and December 31, 2014. Subject to the named executive officer's continued employment, the remainder will vest ratably on December 31, 2015.
- (7) Represents stock options granted on November 15, 2013, with the following vesting schedule: 50% vests in one-third increments on November 15, 2014, 2015 and 2016 and 50% vests ratably on November 15, 2014, 2015 and 2016 to the extent that certain pre-defined performance and service conditions are satisfied. One-third (related to the service condition) vested on November 15, 2014.
- (8) Represents stock options granted on November 12, 2014, with the following vesting schedule: 50% vests in one-third increments on November 12, 2015, 2016 and 2017 and 50% vests ratably on November 12, 2015, 2016 and 2017 to the extent that certain pre-defined performance and service conditions are satisfied.
- (9) Represents stock options granted on September 8, 2014, which will vest in one quarter increments on the first, second, third and fourth anniversary of the grant date, subject to Mr. Sherman's continued employment.
- (10) Represents stock options granted on March 24, 2014, which vest in one quarter increments on the first, second, third and fourth anniversary of the grant date, subject to Mr. DeFelice's continued employment.
- (11) Represents restricted stock units granted on March 24, 2014, which vest in one quarter increments on the first, second, third and fourth anniversary of the grant date, subject to Mr. DeFelice's continued employment.
- (12) Represents restricted stock units granted on April 1, 2013, one quarter of which vested on the first anniversary of the grant date, and subject to Ms. Wagner's continued employment, the remainder will vest ratably on the second, third and fourth anniversaries of the grant date.
- (13) Represents restricted stock units granted on October 5, 2012, of which one third vested on December 31, 2013 and December 31, 2014. Subject to the named executive officer's continued employment, the remainder will vest ratably on December 31, 2015.
- (14) Represents restricted stock units granted on November 15, 2013, of which one third vested on December 31, 2014. Subject to the named executive officer's continued employment, the remainder will vest ratably on December 31, 2015.
- (15) Represents stock options granted on February 9, 2011, which vested in one quarter increments on the first, second and third anniversary of the grant date. The remaining quarter will vest ratably on the fourth anniversary of the grant date, subject to the named executive officer's continued employment.
- Pursuant to the Letter Agreement between the Company and Mr. Hosp dated March 10, 2014, any outstanding, but not fully vested options and restricted stock units granted to Mr. Hosp prior to January 1, 2014, continued to vest through February 28, 2015, and his then-vested options will remain exercisable through May 29, 2015. The restricted stock unit award granted to Mr. Hosp on March 5, 2014 was canceled on June 6, 2014, pursuant to the Letter Agreement.

2014 Option Exercises and Stock Vested

The following table sets forth certain information concerning the stock options exercised and stock awards that vested for our named executive officers during the year ended December 31, 2014.

	Option A	wards	Stock Awards			
	Number of Shares Acquired on Exercise	Value Realized on Exercise (1)	Number of Shares Acquired on Vesting	Value Realized on Vesting (2)		
Name	(#)	(\$)	(#)	(\$)		
W. Lucia	94,668	1,721,411	37,682	821,907		
J. Sherman	_	_	_	_		
C. Nustad	_	_	1,658	35,050		
S. Wagner	_	_	4,550	87,406		
E. DeFelice	_	_	_	_		
J. Donabauer	_	_	2,114	44,221		
W. Hosp	_	_	28,319	616,464		

- (1) The value realized on the exercise of stock options is based on the difference between the exercise price and the market price (used for tax purposes) of our common stock on the date of exercise.
- (2) The value realized on vesting represents the number of shares acquired on vesting multiplied by the market value of the shares of our common stock on the vesting date, which is the closing price of our common stock on: (i) February 18, 2014 of \$22.48 (for Messrs. Lucia (13,697 shares) and Hosp (9,131 shares)), (ii) February 19, 2014 of \$21.43 (for Mr. Lucia (23,985 shares) and Mr. Hosp (19,188)), (iii) February 27, 2014 of \$20.47 for Mr. Donabauer (927 shares), (iv) April 1, 2014 of \$19.21 for Ms. Wagner (4,550 shares), (v) November 15, 2014 of \$21.40 for Mr. Donabauer (585 shares), and (vi) December 31, 2014 of \$21.14 (for Ms. Nustad (1,658) and Mr. Donabauer (602)).

Potential Payments Upon Termination of Employment or Change in Control

The following information and table set forth the additional amounts payable to each of our named executive officers in the event of a termination of employment as a result of involuntary termination, resignation for Good Reason (as defined below), resignation for Good Reason following a Change in Control (as defined below) and involuntary termination following a Change in Control. Given that Mr. Hosp, our former Executive Vice President and Chief Financial and Administrative Officer, resigned effective June 6, 2014, he is not included in the table.

Assumptions and General Principles

Set forth below are the assumptions and general principles used to calculate the amounts payable to each named executive officer in each circumstance set forth in the table. The actual amounts to be paid to the named executive officer can only be determined at the time the named executive officer's employment terminates or upon a Change in Control.

• The amounts shown in the table are based on the assumption that each named executive officer was terminated on December 31, 2014. Accordingly, the table reflects amounts earned as of December 31, 2014 and includes estimates of amounts that would be paid to the named executive officer upon the occurrence of a termination or Change in Control. The table also reflects the targeted annual short-term (cash) incentive award that the named executive officers would have been entitled to receive for 2014 and not the amount that the Compensation Committee

determined to pay (as set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table).

- Regardless of the manner in which the named executive officer's employment is terminated, a named executive officer is entitled to receive any earned but unpaid salary and accrued but unused paid time off through the date of termination. In addition, each named executive officer, with the exception of Mr. Donabauer, is entitled to receive any earned bonus for the calendar year preceding the calendar year in which his/her employment ends if the named executive officer's employment is terminated, unless such termination is for Cause (as described below). Amounts due for unused paid time off for 2014 are not shown in the table.
- Under the terms of our 2006 Stock Plan, upon a named executive officer's termination of employment (for any reason other than gross misconduct, which causes the options to immediately expire), stock option exercises will be limited to the portions of the stock options that were immediately exercisable at the date of such termination. The amounts shown in the table do not include the value of such immediately exercisable stock options.

In addition, we have entered into a Nonsolicitation, Proprietary and Confidential Information and Developments Agreement (the "Restrictive Covenants Agreement") with each of our named executive officers. Under the terms of the Restrictive Covenants Agreements, in Mr. Lucia's case, for the 24 months following the termination of his employment for any reason, and in the case of the other named executive officers, for the 12 months following the termination of his/her employment for any reason, the named executive officer is generally prohibited from: (i) engaging or assisting others in engaging in any business or enterprise in the United States that competes with the Company's business, products or services, (ii) soliciting or diverting or attempting to solicit or divert the business of any of the Company's current or prospective clients, (iii) soliciting, recruiting or inducing or attempting to solicit, recruit or induce any Company employee or independent contractor to leave the Company's employ (or, in some situations, hire), and (iv) disclosing or utilizing for the benefit of any entity other than the Company, any system or product development ideas discussed/explored, even if not implemented, during the named executive officer's employment with the Company. The Restrictive Covenants Agreement also sets forth certain obligations with respect to proprietary and confidential information and developments and inventions.

Definitions from Award Agreements/2006 Stock Plan

- Under our Non-qualified Stock Option Agreements and Restricted Stock Unit Agreements, "cause" is determined by the Compensation Committee or the Board of Directors. Under the 2006 Stock Plan, "cause" is equated with "gross misconduct," as determined by the Compensation Committee or Board of Directors.
- Under the terms of the 2006 Stock Plan, a "Change of Control" shall mean the occurrence of any of the following events: (i) at least a majority of the Board shall cease to consist of directors of the Company who served in such capacity at the time the 2006 Stock Plan was adopted or during each subsequent renewal term or were approved by a then majority of continuing directors for addition to Board; (ii) any "person" or "group" shall have acquired beneficial ownership (as defined in Regulation 13d-3) of shares having 30% or more of the voting power of all outstanding shares, unless such acquisition is preapproved by the Board; (iii) a merger or consolidation occurs in which the outstanding shares are converted into shares of another company, or other securities, or cash or other property and the pre-transaction stockholders cease to hold at least 55% of the post-change voting power, (iv) the sale of all, or substantially all, of the Company's assets occurs; or (v) the Company's stockholders approve a plan of complete liquidation of the Company, with the definition subject to further limitations if necessary to conform to Section 409A of the Code.

Definitions from Employment Agreements

- "Cause" means: (i) fraud with respect to the Company or any of its subsidiaries and affiliates; (ii) material misrepresentation to any regulatory agency, governmental authority, outside or internal auditors, internal or external Company counsel, or the Board concerning the operation or financial status of the Company or of any of its subsidiaries and affiliates; (iii) theft or embezzlement of assets of the Company or any of its subsidiaries or affiliates; (iv) conviction, or plea of guilty or nolo contendere to any felony (or to a felony charge reduced to a misdemeanor), or, with respect to the named executive officer's employment, to any misdemeanor (other than a traffic violation); (v) material failure to follow the Company's conduct and ethics policies that have been provided or made available to the named executive officer; (vi) a material breach of the named executive officer's employment agreement or Restrictive Covenants Agreement; and/or (vii) continued failure to attempt in good faith to perform his/her duties as reasonably assigned by the Board. Certain of the foregoing definitions permit the named executive officer to attempt to cure the grounds for cause.
- "Good Reason" means, the occurrence, without the named executive officer's prior written consent, of any of the following events: (i) a material diminution in his/her authority, duties or responsibilities (in Mr. Lucia's case, other than in connection with a portion of his authority, duties or responsibilities being assigned to or carried out by a President); (ii) a requirement that, in Mr. Lucia's case, he reports to an officer rather than to the Board and in the case of the other named executive officers, that they report to a new supervisor who has materially diminished authority, duties or responsibilities in comparison to his/her previous supervisor (and in the case of Mr. DeFelice, that he report to a new supervisor other than the CEO); (iii) a material reduction in the named executive officer's base salary (and in the case of Mr. DeFelice, a reduction in his base salary or his target bonus percentage); (iv) the Company's requiring, (a) in the case of Messrs. Lucia and Sherman, that they perform their principal services in a geographic area more than 50 miles from the Company's offices in Irving, Texas, or such other place at which they have agreed to provide such services, (b) in Mr. DeFelice's case, that he performs his principal services more than 50 miles from the Company's offices in Dallas, Texas or such other place at which he has agreed to provide such services and (c) in the case of Mses. Nustad and Wagner, that they perform their principal services primarily in a geographic area more than 50 miles from both the Company's offices in Dallas, Texas and its offices in New York, New York or such other place of primary employment at which they have agreed to provide such services; or (v) a material breach by the Company of any material provision of the named executive officer's employment agreement. Good Reason is also subject to certain timing restrictions and our ability to cure the proposed Good Reason.

• "Change in Control" means:

- the acquisition by an individual, entity or group (a "Person") of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns 50.01% or more of either (x) the then-outstanding shares of Company common stock or (y) the combined voting power of the then-outstanding Company securities entitled to vote in the election of directors; provided, however, that an acquisition from the Company or pursuant to a Business Combination (as defined below) that complies with subclauses (x) and (y) of clause (ii) will not be a Change in Control;
- the consummation of a merger, consolidation, reorganization, recapitalization or share exchange involving the Company or a sale or other disposition of all or substantially all (i.e., in excess of 85%), of its assets (a "Business Combination"), unless, immediately thereafter (x) all or substantially all of the beneficial owners immediately prior to such Business Combination beneficially own more than 50% of the then-outstanding shares of common stock and the

combined voting power of the then-outstanding securities entitled to vote in the election of directors, respectively, of the resulting or acquiring corporation in substantially the same proportions as their initial ownership and (y) no Person beneficially owns 50.01%, or more, of the then-outstanding shares of common stock of the acquiring corporation, or of the combined voting power of the then-outstanding securities of such corporation entitled to vote in the election of directors (except if such ownership existed prior to the Business Combination); or

a change in the composition of the Board that results, during any one year period, in the current directors (including
directors subsequently elected by at least a majority of the Board, but excluding directors whose initial assumption of
office occurred as a result of an actual or threatened election contest or similar circumstance) no longer constituting a
majority of the Board, or the Board of a successor corporation.

With the definitions subject to further limitations if necessary to conform to Section 409A of the Code.

W. Lucia, President & Chief Executive Officer (1)(2) Cash severance \$ 1,300,000 \$ 1,300,000 \$ 1,300,000 Bonus payment \$ 1,300,000 \$ 1,300,000 \$ 1,300,000 Continued health insurance coverage (3) \$ 17,497 \$ 17,497 \$ 17,497 Restricted Stock (4) \$ 2,502,426 \$ 2,502,426 \$ 2,502,426 Stock Options (5) — — — Total \$ 5,119,923 \$ 5,119,923 \$ 5,119,923	0 \$ 7 \$ 6 \$	1,300,000 1,300,000 17,497 2,502,426 — 5,119,923
Cash severance \$ 1,300,000 \$ 1,300,000 \$ 1,300,000 Bonus payment \$ 1,300,000 \$ 1,300,000 \$ 1,300,000 Continued health insurance coverage (3) \$ 17,497 \$ 17,497 \$ 17,497 Restricted Stock (4) \$ 2,502,426 \$ 2,502,426 \$ 2,502,426 Stock Options (5) — — —	0 \$ 7 \$ 6 \$	1,300,000 17,497 2,502,426
Bonus payment \$ 1,300,000 \$ 1,300,000 \$ 1,300,000 Continued health insurance coverage (3) \$ 17,497 \$ 17,497 \$ 17,497 Stock Options (5) \$ 2,502,426 \$ 2,502,426 \$ 2,502,426 Stock Options (5) — — — —————————————————————————————	0 \$ 7 \$ 6 \$	1,300,000 17,497 2,502,426
Continued health insurance coverage (3) \$ 17,497 \$ 17,497 \$ 17,497 Restricted Stock (4) \$ 2,502,426 \$ 2,502,426 \$ 2,502,426 Stock Options (5) — — —	7 \$ 6 \$ -	17,497 2,502,426 —
Restricted Stock ⁽⁴⁾ \$ 2,502,426 \$ 2,502,426 \$ 2,502,426 Stock Options ⁽⁵⁾ — — — — — — — — — — — — — — — — — — —	6 \$ -	2,502,426
Stock Options (5) — — — —	_	<u> </u>
·	3 \$	5,119,923
Total \$ 5,119,923 \$ 5,119,923 \$ 5,119,92	3 \$	5,119,923
J. Sherman, EVP, Chief Financial Officer and Treasurer ⁽⁶⁾⁽⁷⁾		
Cash severance \$ 500,000 \$ 500,000 -	- \$	500,000
Continued health insurance coverage (8) \$ 12,069 \$ 12,069 -	- \$	12,069
Restricted Stock ⁽⁴⁾ — \$ 329,69	1 \$	329,691
Stock Options (5) — \$ 44,54	4 \$	44,544
1		,.
Total \$ 512,069 \$ 512,069 \$ 374,23	5 \$	886,304
E. DeFelice, EVP, General Counsel and Corporate Secretary (6)(7)(9)		
Cash severance \$ 425,000 \$ 425,000 \$ 425,000	0 \$	425,000
Continued health insurance coverage (8) \$ 12,837 \$ 12,837 \$ 12,83	7 \$	12,837
Restricted Stock ⁽⁴⁾ — \$ 406,24	5 \$	406,245
Stock Options (5) — \$ 31,98		ŕ
Total \$ 437,837 \$ 437,837 \$ 876,06		
S. Wagner, EVP, Operations (6)(9)		
Cash severance \$ 475,000 — \$ 475,00	0 \$	475,000
Continued health insurance coverage (8) \$ 3,691 — \$ 3,69	1 \$	3,691
Restricted Stock ⁽⁴⁾ — \$ 1,092,04	0 \$	1,092,040
Stock Options (5)		_
Total \$ 478,691 — \$ 1,570,73	1 \$	1,570,731

Named Executive Officer and Type of Payment	avoluntary ermination	Resignation For Good Reason	Resignation For Good Reason Following a Change in Control	1	Involuntary Cermination Following a Change in Control
C. Nustad, EVP and Chief Information Officer (6)(9)					
Cash severance	\$ 425,000	_	\$ 425,000	\$	425,000
Continued health insurance coverage (8)	\$ 12,069	_	\$ 12,069	\$	12,069
Restricted Stock (4)	_	_	\$ 1,045,871	\$	1,045,871
Stock Options (5)	_	_	_		_
Total J. Donabauer, SVP, Controller, Assistance Treasurer and Interim Principal Financial Officer and Interim Treasurer (6)	\$ 437,069	_	\$ 1,482,940	\$	1,482,940
Cash severance (10)	\$ 378,525	_	_		_
Continued health insurance coverage (8)	\$ 12,069	_	_		_
Restricted Stock (4)	_	_	\$ 272,640	\$	272,640
Stock Options (5)	_	_	_		_
Total	\$ 390,594	_	\$ 272,640	\$	272,640

- (1) If we terminate Mr. Lucia's employment without Cause, or if his employment ceases because of his disability or if he terminates his employment with Good Reason, then, provided Mr. Lucia executes a separation agreement and release and complies with certain restrictive covenants (as described under "Executive Employment Agreements") and confidentiality provisions contained in his employment agreement and Restrictive Covenants Agreement, he will be entitled to receive cash severance in an amount equal to (i) 24 times his monthly base salary paid ratably in equal installments over a 24 month period, (ii) twice a bonus component that will vary depending upon whether the bonus for the year of termination is intended to be "performance-based" compensation and the performance is satisfied, in which case it will be paid when bonuses are paid to the Company's executive officers, or whether the bonus is under a different program, in which case it will be his target bonus and will be paid on the same schedule as (i) above, and (iii) continued health coverage for 24 months or until he becomes eligible for health coverage from another employer, whichever is earlier.
- (2) If within 24 months following a Change in Control, Mr. Lucia's employment is terminated without Cause or he resigns for Good Reason, provided he executes a separation agreement and release and complies with certain restrictive covenants and confidentiality provisions contained in his employment agreement, he will receive the amounts set forth in (1)(i) and (1)(ii) above in a single lump sum payment, rather than in installments as applies outside of a Change in Control.
- (3) If we terminate Mr. Lucia's employment without Cause, or if his employment ceases because of his disability or if he terminates his employment with Good Reason, then provided he executes and does not revoke a severance agreement and release, the Company will provide him with continued health coverage for 24 months or until he becomes eligible for health coverage from another employer, whichever is earlier.
- (4) Under the terms of our Restricted Stock Unit Agreements, in the event a named executive officer ceases to be employed by the Company by reason of death, disability or involuntarily by the Company other than for "cause" within 24 months following a Change in Control, all of the restricted stock units held by such named executive officer shall become fully vested. The amounts presented in the table represent the market value of outstanding restricted stock units, which is determined based on the number of shares/units granted and the fair value of our common stock on December 31, 2014,

- which is the closing sales price per share of our common stock reported on The NASDAQ Global Select Market on that date (\$21.14), less the consideration paid by the recipient for the award (\$0.01 per share).
- (5) Under the 2006 Stock Plan (assuming no contrary provisions in the award agreements/the 2006 Stock Plan), if a named executive officer ceases to be employed by the Company by reason of involuntary termination without "cause" by the Company during the 24-month period following a Change of Control, the named executive officer's outstanding options, which are not then exercisable and vested, shall become fully vested and exercisable. The numbers included in the table represent the value of the unvested portion of the named executive officer's stock options, assuming accelerated vesting (calculated based on the excess of the closing market price of our common stock on December 31, 2014, over the exercise prices of such options).
- (6) If we terminate the named executive officer's employment without Cause, in connection with a Change in Control or otherwise, then provided he/she executes and does not revoke a separation agreement and release and complies with the Restrictive Covenants Agreement, he/she will be entitled to receive cash severance in an amount equal to 12 times his/her monthly base salary paid ratably in equal installments over a 12 month period.
- (7) If the named executive officer terminates his employment with Good Reason, then, provided the named executive officer executes a separation agreement and release and complies with certain restrictive covenants and confidentiality provisions contained in their employment agreements and Restrictive Covenants Agreements, the named executive officer will be entitled to receive cash severance in an amount equal to (i) 12 times their monthly base salary paid ratably in equal installments over a 12 month period.
- (8) In the event a named executive officer is involuntarily terminated or involuntarily terminated following a Change of Control, provided he/she executes and does not revoke a severance agreement and release, the Company will pay him/her a lump sum amount equal to 12 times the difference between the monthly COBRA coverage premium for the same type of medical and dental coverage (single, family, or other) he/she is receiving as of the date his/her employment ends and his/her then monthly employee contribution.
- (9) If within 24 months following a Change in Control, the named executive officer's employment is terminated without Cause or he/she resigns for Good Reason, provided he/she executes a separation agreement and release and complies with the Restrictive Covenant Agreement, he/she will receive the amounts set forth in (6) above in a single lump sum payment, rather than in installments as applies outside of a Change in Control.
- (10) Under the terms of Mr. Donabauer's Retention Agreement (as described under "Executive Employment Agreements"), if we eliminate or relocate Mr. Donabauer's position as Vice President/Controller to the Dallas, Texas area and he is unable to continue in that position due to the relocation, Mr. Donabauer would receive a cash severance in an amount equal to six times his monthly base salary in addition to the amount set forth in (6) above.

Executive Employment Agreements

See "Potential Payments Upon Termination of Employment or Change in Control" above for definitions of capitalized terms used below.

Employment Agreement with William C. Lucia—President and Chief Executive Officer

Effective March 1, 2015, we entered into a second amendment to the Executive Employment Agreement (which was first amended on April 30, 2013) with William C. Lucia, our President and Chief Executive Officer on substantially the same terms as his prior agreement which expired on February 28, 2015. Unless earlier terminated, this agreement will terminate on February 28, 2018. Mr. Lucia is eligible to receive bonus compensation from us in respect of each fiscal year (or portion thereof) during the term of his employment, in each case as may be determined by our Compensation Committee in its sole discretion on the basis of performance or such other criteria as may be established from time to time by the Compensation Committee in its sole discretion. Mr. Lucia's annualized base salary remains at \$650,000 and his target bonus remains at 100% of his base salary.

If we terminate Mr. Lucia's employment without Cause, in connection with a Change in Control (as defined in the agreement) or otherwise, or if his employment ceases because of his disability or if he terminates his employment with Good Reason (as defined in the agreement), then provided Mr. Lucia executes and does not revoke a separation agreement and release and complies with the Restrictive Covenants Agreement, he will be entitled to receive cash severance in an amount equal to (i) 24 times his monthly base salary paid ratably in equal installments over a 24 month period (unless his termination/resignation is in connection with a Change in Control, in which case the payment will be in a single lump sum), (ii) twice a bonus component that will vary depending upon whether the bonus for the year of termination is intended to be "performance-based" compensation and the performance is satisfied or whether the bonus is under a different program, in which case it will be his target bonus and will be paid on the same schedule as (i) above (unless his termination/resignation is in connection with a Change in Control, in which case the payment will be in a single lump sum), (iii) continued health coverage for 24 months or until he becomes eligible for health coverage from another employer, whichever is earlier, and (iv) Mr. Lucia will be treated as continuing in service for purposes of the vesting of any equity award until the earliest of: (x) the end of the Noncompetition Period (as defined in Mr. Lucia's Restrictive Covenants Agreement), (y) the last of the applicable vesting dates under such awards, or (z) the termination or violation of the Restrictive Covenants Agreement.

In addition, under the amended terms of Mr. Lucia's agreement, if we terminate Mr. Lucia's employment without Cause or Mr. Lucia resigns for Good Reason, and such termination occurs within a six-month period before a Change in Control, Mr. Lucia will receive a cash payment equal to the excess of the amount he would have received for such equity awards if he were continuing in service as of the date of the Change in Control and terminated immediately thereafter over the amount actually received, paid in a single lump sum payment at the time provided in the agreement. In the event that any payments and benefits, including any benefits provided to Mr. Lucia or for Mr. Lucia's benefit under the agreement or any other Company plan or agreement, become subject to the excise tax under Section 4999 of the Code, such payments and benefits will be "cut-back" to an amount that is less than such amount that would cause the excise tax to the extent that such reduction would result in Mr. Lucia retaining a larger amount on an after-tax basis.

Employment Agreements with Other Named Executive Officers

We have employment agreements that are at-will, subject to certain notice and/or severance provisions, with Messrs. Sherman, DeFelice and Donabauer and Mses. Nustad and Wagner.

On March 10, 2014, Mr. Hosp tendered his resignation as our Executive Vice President, Chief Financial Officer. Mr. Hosp remained in his position through a transition period and the effective date of

his resignation was June 6, 2014. We entered into a Letter Agreement with Mr. Hosp in connection with his separation from the Company, which is described in more detail below. The Letter Agreement supersedes Mr. Hosp's employment agreement.

Our employment agreements with the other named executive officer sets forth his/her initial annualized base salary as follows: (i) Mr. Sherman at \$500,000, (ii) Mr. DeFelice at \$425,000, (iii) Ms. Nustad at \$350,000, (iv) Ms. Wagner at \$450,000, and (v) Mr. Donabauer at \$252,350, subject to increase from time to time by the Board or the Compensation Committee. In addition, under the terms of these agreements, these named executive officers are eligible to receive bonus compensation from us in respect of each fiscal year (or portion thereof) during the term of their employment, in each case as may be determined by our Compensation Committee in its sole discretion on the basis of such performance-based or other criteria as it determines appropriate. For 2014, the targeted annual short-term (cash) incentive award opportunity for Messrs. Sherman and DeFelice and Mses. Nustad and Wagner were 65% of his/her base salary and Mr. Donabauer's target was 50% of his base salary.

If we terminate either Messrs. Sherman's or DeFelice's or Mses. Nustad's or Wagner's employment without Cause, in connection with a Change in Control or otherwise, then provided he/she executes and does not revoke a separation agreement and release and complies with the Restrictive Covenants Agreement, the executive will be entitled to receive (i) cash severance in an amount equal to 12 times his/her monthly base salary paid ratably in equal installments over a 12 month period, (ii) a lump sum amount equal to 12 times the difference between the monthly COBRA coverage premium for the same type of medical and dental coverage the executive is receiving as of the date his/her employment ends and his/her then monthly employee contribution, which amount may be used for any purpose and (iii) any earned but unpaid annual bonus for the calendar year preceding the calendar year in which his/her employment ends. If within 24 months following a Change in Control, Mr. DeFelice's or Mses. Nustad's or Wagner's employment is terminated without Cause or he/she resigns for Good Reason (as defined under the terms of their employment agreements), provided he/she executes a separation agreement and release and complies with the Restrictive Covenants Agreement, he/she will receive the amounts set forth in (i) above in a single lump sum payment, rather than in installments as applies outside of a Change in Control.

Letter Agreement with Walter D. Hosp—Former Executive Vice President and Chief Financial Officer

In connection with Mr. Hosp's resignation, we entered into a Letter Agreement with him dated March 10, 2014. Under the terms of the Letter Agreement and in exchange for remaining an employee through June 6, 2014 and complying with the requirements of the Letter Agreement, including performing certain transition duties and providing a full release of claims, we paid Mr. Hosp: (i) severance of six months of his current base salary of \$450,000, to be paid in equal installments over a six month period in accordance with our normal payroll practices, and (ii) a lump sum equal to six months of the difference between the COBRA coverage premium for the same type of medical, dental and vision coverage he is receiving and his employee contribution (collectively, the "Separation Payments"). In addition, based upon our receipt and non-revocation of a release from Mr. Hosp, any outstanding, but not fully vested options and restricted stock units granted to him prior to January 1, 2014, continued to vest through February 28, 2015 and his then-vested options remain exercisable through May 29, 2015.

Retention Agreement with Joseph M. Donabauer—Senior Vice President, Controller, and Former Interim Principal Financial Officer and Interim Treasurer

In light of certain organizational changes to the Finance Department, in April 2014, we entered into a Retention Agreement with Mr. Donabauer in his capacity as Vice President and Controller. We entered into this agreement to secure Mr. Donabauer's employment and to retain his services during the reorganization. Under the terms of the Retention Agreement, Mr. Donabauer received a total retention amount of \$126,175. Provided that Mr. Donabauer's employment continued through certain qualifying

dates and the Company had not terminated his employment for cause and Mr. Donabauer had not voluntarily resigned his employment, one-half of the retention amount was payable on September 12, 2014 and the remaining one-half was payable on March 13, 2015. In addition, in the event that we eliminate or relocate Mr. Donabauer's position as Vice President/Controller to the Dallas, Texas area and Mr. Donabauer is unable to continue his employment due to the relocation, Mr. Donabauer would receive additional cash severance in an amount equal to six times his monthly base salary, thereby qualifying as a termination without Cause under his employment agreement. The explicit purpose of this Retention Agreement is to identify the conditions of Mr. Donabauer's separation from the Company. As such, all other terms and conditions in Mr. Donabauer's Employment Agreement and Restrictive Covenants Agreement remain the same.

Compensation Committee Report

The Compensation Committee of the Board of Directors (the "Board") of HMS Holdings Corp. (the "Company") has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Amendment and in the Company's Proxy Statement for its 2015 Annual Stockholders' Meeting, as applicable.

By the Compensation Committee of the Board of Directors of HMS Holdings Corp.

Richard H. Stowe, Chair Craig R. Callen Daniel N. Mendelson

The information contained in the Compensation Committee Report shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference in such filing.

Director Compensation

The Compensation Committee has the responsibility for recommending to the Board of Directors the form and amount of compensation for directors, which are subject to review and adjustment by the Board of Directors from time to time. Directors who are employed by the Company do not receive compensation for their service on the Board of Directors. Directors who are not our employees (non-employee directors) receive cash and equity-based compensation for their services as a director. All of our directors are reimbursed for reasonable expenses incurred in connection with attendance at meetings of the Board of Directors or its committees.

Standard Compensation Arrangements for Non-Employee Directors

Effective from September 2012 through March 2015, non-employee directors received the following compensation for their service on the Board of Directors.

Cash Compensation

We provided our non-employee directors with the following annual cash compensation:

- Non-employee director cash retainer of \$50,000;
- Audit Committee chair additional cash retainer of \$20,000;

- Compensation Committee chair additional cash retainer of \$15,000;
- Nominating & Governance Committee chair additional cash retainer of \$15,000; and
- Compliance Committee chair additional cash retainer of \$15,000.

All cash compensation, unless deferred by a director pursuant to the Director Deferred Compensation Plan, is paid in quarterly installments in arrears.

Equity-Based Compensation

We provided our non-employee directors an annual equity award under the 2006 Stock Plan consisting of an equal number of non-qualified stock options and restricted stock units, with an aggregate value of \$100,000 on the date of grant. The number of stock options and restricted stock units awarded is calculated based on the grant date fair value as computed in accordance with FASB guidance on stock-based compensation, except that no assumption for forfeitures would be included. Annual equity awards to our non-employee directors are made in the fourth quarter of the fiscal year and vest quarterly in equal installments over a one year period.

Compensation of our Non-Employee Chairman of the Board

Mr. Holster, in his capacity as Chairman of the Board, also received (i) an annual cash retainer of \$41,000 and (ii) annual equity compensation consisting of an equal number of non-qualified stock options and restricted stock units with an aggregate value of \$94,000 on the date of grant, which vest quarterly in equal installments over a one year period commencing on December 31 of the year of the grant. The number of stock options and restricted stock units awarded is calculated based on the grant date fair value computed in accordance with FASB guidance on stock-based compensation, except that no assumption for forfeitures would be included.

Director Deferred Compensation Plan

Each of our non-employee directors is eligible to participate in our Director Deferred Compensation Plan, under which the non-employee director may elect to defer all or part of his or her cash retainer fees and annual restricted stock unit grants until the termination of his or her service as a member of the Board for any reason. The amount of any cash compensation deferred by a non-employee director is converted into a number of deferred stock units, determined based upon the closing price of our common stock on the NASDAQ Global Select Market on the date such fees would otherwise have been payable, and credited to a deferred compensation account maintained in his or her name. Deferred restricted stock unit grants are converted on a share-for-share basis into deferred stock units on the date such restricted stock units would otherwise have been payable and also credited to the non-employee director's account. The account will be credited with additional deferred stock units, also based on such average market value, upon the payment date for any dividends declared on our common stock. On January 10th of the year following a director's termination of service, the amounts accumulated in the deferred compensation account will be distributed in the form of common stock under the 2006 Stock Plan equal to the number of whole deferred stock units in the account and cash in lieu of any fractional shares.

The following table sets forth the deferred stock units held by our non-employee directors as of December 31, 2014.

Name	Deferred Stock Units
Craig R. Callen	6,952
Robert M. Holster	27,208
Daniel N. Mendelson	2,600
William F. Miller III	4,058
Ellen A. Rudnick	7,534
Bart M. Schwartz	12,473
Richard H. Stowe	26,060
Cora M. Tellez	14,270

April 2015 Non-Employee Director Compensation Changes

In February 2015, the Compensation Committee reviewed the design and competitive positions of non-employee director compensation with the assistance of its independent compensation consultant, F.W. Cook. After reviewing peer company market data supplied by F.W. Cook, the Compensation Committee recommended and the Board approved certain changes to the cash and equity-based compensation for non-employee directors based on competitive and evolving governance practices. Taking into account these changes, our total non-employee director compensation, on a "per director" basis and excluding chair and lead independent director retainers, remains below the median level of our peer group companies. In particular, the Board approved the following changes, effective on April 1, 2015:

- an increase to the amount of the annual equity award to non-employee directors by \$30,000 to \$130,000 (in the form of non-qualified stock options and restricted stock units on an equal number of options/units basis);
- an additional \$2,000 fee for each Board meeting attended in excess of eight Board meetings during the fiscal year;
- an additional \$7,000 cash retainer annually for non-chair Audit Committee members and an additional \$5,000 cash retainer annually for non-chair members of the Compliance, Compensation and Nominating & Governance Committees; and
- an annual cash retainer of \$25,000 for the Lead Independent Director, if applicable.

Stock Ownership Guidelines for Directors

In October 2014, the Board established significant stock ownership guidelines for our directors upon the recommendation of the Compensation Committee's independent compensation consultant, F.W. Cook. The Board believes the guidelines will encourage directors to accumulate a meaningful ownership stake in the Company over time to strengthen alignment of their interests with the long-term interests of stockholders. Non-employee directors are expected to own shares of Company common stock that have a market value of at least five times their annual cash retainer. For purposes of complying with the guidelines, a director's holdings include shares owned outright, directly or indirectly, restricted stock or restricted stock units, and deferred stock units. Each director is required to satisfy the stock ownership guidelines applicable to them by October 30, 2019 or within five years after first becoming subject to the guidelines.

2014 Director Compensation

The following table sets forth compensation earned by each of our non-employee directors for services as a director during 2014.

Name (1)	Fees Earned or Paid in Cash ⁽²⁾ (\$)	Stock Awards ⁽³⁾ (\$)	Option Awards (4) (\$)	Total
Craig R. Callen	50,000	74,018	25,956	(\$)
Robert M. Holster	91,000	143,602	50,357	284,959
Daniel N. Mendelson	50,000	74,018	25,956	149,974
William F. Miller III	50,000	74,018	25,956	149,974
Ellen A. Rudnick	70,000	74,018	25,956	169,974
Bart M. Schwartz	65,000	74,018	25,956	164,974
Richard H. Stowe	80,000	74,018	25,956	179,974
Cora M. Tellez	50,000	74,018	25,956	149,974

- (1) The number of unexercised stock options held by the directors named in the above table as of December 31, 2014 was as follows: Mr. Callen (4,385), Mr. Holster (31,528), Mr. Mendelson (6,985), Mr. Miller (39,354), Ms. Rudnick (59,304), Mr. Schwartz (12,504), Mr. Stowe (104,304), and Ms. Tellez (7,069). The number of restricted stock units outstanding as of December 31, 2014, which includes restricted stock units that the directors have deferred under the Director Deferred Compensation Plan, held by the directors named in the above table was as follows: Mr. Callen (6,952), Mr. Holster (27,208), Mr. Mendelson (5,167), Mr. Miller (6,625), Ms. Rudnick (7,420), Mr. Schwartz (13,757), Mr. Stowe (26,060) and Ms. Tellez (14,270). See footnote 2 for information regarding the deferral of these restricted stock units by some of our directors.
- (2) Includes the value of fully vested deferred stock units received under our Director Deferred Compensation Plan in lieu of all or a specified portion of the non-employee director's cash retainer fees based on the fair market value of the underlying shares on the dates the cash retainer fees would otherwise have been paid. For the year ended December 31, 2014, each of Messrs. Schwartz and Stowe and Ms. Tellez elected to defer all or a portion of their cash retainer, and as a result Mr. Schwartz received 1,640 deferred stock units with a value of \$32,500, Mr. Stowe received 4,037 deferred stock units with a value of \$80,000, and Ms. Tellez received 2,523 deferred stock units with a value of \$50,000.
- On November 12, 2014, Mr. Holster was granted 6,639 restricted stock units, which he elected to defer under the Director Deferred Compensation Plan. Each of Messrs. Callen, Mendelson, Miller, Schwartz, and Stowe, and Mses. Rudnick and Tellez were granted 3,422 restricted stock units. Ms. Rudnick and Mr. Schwartz each elected to defer 1,711 restricted stock units, and Messrs. Callen and Stowe and Ms. Tellez each elected to defer 3,422 restricted stock units. The restricted stock units vest quarterly, with the first quarter vesting on December 31, 2014. The amounts in this column represent the grant date fair value of the restricted stock units granted on November 12, 2014 computed in accordance with FASB guidance on stock-based compensation. The relevant assumptions made in the valuations may be found in Note 11 of the Notes to the Consolidated Financial Statements in our Annual Report. These amounts do not correspond to the actual value that may be realized by the directors with respect to these awards.
- (4) On November 12, 2014, Mr. Holster was granted a non-qualified stock option to purchase 6,639 shares of common stock. Each of Messrs. Callen, Mendelson, Miller, Schwartz and Stowe, and Mses. Rudnick and Tellez were granted a non-qualified stock option to purchase 3,422 shares of common stock. The stock options vest quarterly, with the first quarter vesting on December 31, 2014. The

amounts in this column represent the grant date fair value of that stock option grant computed in accordance with FASB guidance on stock-based compensation. The relevant assumptions made in the valuations may be found in Note 11 of the Notes to the Consolidated Financial Statements in our Annual Report. These amounts do not correspond to the actual value that may be realized by the directors with respect to these awards.

Compensation Committee Interlocks and Insider Participation

During 2014, the members of our Compensation Committee were Richard H. Stowe, Craig R. Callen and Daniel N. Mendelson. None of Messrs. Stowe, Callen or Mendelson has ever been an officer or employee of the Company. None of the current or prior members of the Compensation Committee had a related person transaction involving the Company during the year ended December 31, 2014. During 2014, none of our executive officers (i) served as a member of the board of directors or compensation committee (or equivalent entity) of any other entity that had one or more of its executive officers serving as a member of our Compensation Committee or (ii) served as a member of our Board of Directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

The following table summarizes information about our equity compensation plans as of December 31, 2014. For additional information about our equity compensation plans see Note 11—"Stock-Based Compensation" " in our Notes to the Consolidated Financial Statements in Item 8 of our Annual Report.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	ou Ou	eighted- average exercise price of tstanding potions, varrants nd rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	Ф	(b)	(c)
Equity compensation plans approved by stockholders (1)	4,599,635	\$	15.35	5,945,337
Equity compensation plans not approved by				
stockholders (2)	180,000	\$	6.37	_
HDI plans not approved by stockholders (3)	230,447	\$	21.86	251,214
Total	5,010,082			

- (1) This includes stock options to purchase common stock granted under our 1999 Plan and the 2006 Stock Plan and restricted stock awards and restricted stock units granted under the 2006 Stock Plan.
- (2) Stock options outstanding under plans not approved by the stockholders include 180,000 options granted in July 2007 to Walter D. Hosp, our former Chief Financial Officer, under the terms of his employment agreement.
- (3) Includes stock options to purchase common stock granted under the HDI 2011 Stock Plan, which was assumed in connection with our acquisition of HDI.

Security Ownership of Certain Beneficial Owners and Management

The following tables set forth information known to us with respect to the beneficial ownership of our common stock as of April 15, 2015 by (i) each of our directors and nominees for Class II director, (ii) Messrs. Lucia, Sherman, DeFelice, Hosp and Donabauer and Mses. Nustad and Wagner, whom we refer to in this Amendment as our named executive officers, (iii) all of our directors and current executive officers as a group and (iv) each person (or group of affiliated persons) known by us to be the beneficial owner of more than 5% of our common stock.

The tables are based upon information supplied to us by directors, executive officers and principal stockholders and filings under the Exchange Act, as amended. We have based our calculation of the percentage of beneficial ownership on 88,540,272 shares of our common stock outstanding as of April 15, 2015, unless otherwise noted. The beneficial ownership reported in the following tables is determined in accordance with the applicable rules of the SEC and does not necessarily indicate beneficial ownership for any other purpose. For purposes of the following tables, an entity or individual is considered the beneficial owner of shares of common stock if he or she has the right to acquire within 60 days of April 15, 2015, such common stock and directly or indirectly has or shares voting power or investment power, as defined in the rules of the SEC, with respect to such shares.

Unless otherwise noted and subject to applicable community property laws, to our knowledge each stockholder named in the following table possesses sole voting and investment power over the shares listed. The address of each person listed in the table is c/o HMS Holdings Corp., 5615 High Point Drive, Irving, TX 75038. To our knowledge, as of April 15, 2015, none of our officers or directors has pledged any of the shares that they respectively beneficially own as security.

Security Ownership of Management

Name of Beneficial Owner	Number of Outstanding Shares of Common Stock	Number of Shares of Common Stock Acquirable Within 60 Days (1)	Percent of Class
Directors and Nominees for Director			
(who are not Officers):			
Craig R. Callen	7,000	10,480	*
Robert M. Holster	364,974 ⁽²⁾	57,074	*
Daniel N. Mendelson	5,240	10,440	*
William F. Miller	135,636 ⁽³⁾	44,267	*
Ellen A. Rudnick	15,680	66,836	*
Bart M. Schwartz	11,928	25,501	*
Richard H. Stowe	75,000	85,801	*
Cora M. Tellez	580	21,292	*
Named Executive Officers:			
Eugene V. DeFelice	2,680	7,269	*
Joseph M. Donabauer	3,365	18,974	*
Walter D. Hosp	$12,750^{(4)}$	74,665	*
William C. Lucia	$282,275^{(5)}$	527,383	*
Cynthia Nustad	7,611	56,549	*
Jeffrey S. Sherman	0	0	*
Semone Wagner	9,436	10,760	*
All current directors and executive			
officers as a group (15 persons) (6)	925,874	963,388	2.1%

- (*) Less than 1% of outstanding shares
- (1) Includes the number of shares that could be purchased by exercise of options exercisable at April 15, 2015 or within 60 days thereafter under the Company's 2006 Stock Plan and the number of shares underlying restricted stock units that are not subject to outstanding performance conditions and vest within 60 days of April 15, 2015, whether or not deferred pursuant to the Company's Director Deferred Compensation Plan. Restricted stock units do not have voting power and are payable solely in shares of Company common stock. The amounts reported in this column are excluded from the amounts reported under the column "Number of Outstanding Shares of Common Stock."
- (2) Includes 6,000 shares of common stock held by Mr. Holster's spouse and 175,000 shares held in an irrevocable trust for the benefit of Mr. Holster's children and grandchildren. Mr. Holster's spouse is trustee of the trust. Mr. Holster disclaims beneficial ownership of the shares held by the trust.
- (3) Includes 9,000 shares of common stock held in trusts for the benefit of Mr. Miller's family. Mr. Miller disclaims beneficial ownership of the shares of common stock held by the trusts.
- (4) Based on information supplied to us by Mr. Hosp as of January 1, 2015. Includes 1,750 shares of common stock held by Mr. Hosp's spouse. Mr. Hosp disclaims beneficial ownership of the shares held by his spouse. Mr. Hosp resigned as our Executive Vice President, Chief Financial Officer and Treasurer, effective as of June 6, 2014.
- (5) Includes 282,275 shares of common stock held by the William C. Lucia Family Trust, a revocable trust for which Mr. Lucia serves as trustee.
- (6) Includes the named executive officers other than Messrs. Donabauer and Hosp, the current directors and Ms. South and Mr. Williams.

Based on review of filings with the SEC and review of stockholders of record, the following entities hold more than 5% of our outstanding shares of common stock.

Security Ownership of Certain Beneficial Owners

Name and Address of Beneficial Owner	Number of Outstanding Shares of Common Stock	Percent of Class
BlackRock, Inc. (1)	7,322,870	8.3%
Clifton Park Capital Management, LLC (2)	5,930,000	6.8%
Franklin Resources, Inc. (3)	4,408,663	5.0%
RS Investment Management Co. LLC (4)	6,092,911	6.9%
T. Rowe Price Associates, Inc. (5)	4,903,069	5.5%
The Vanguard Group (6)	5,480,378	6.2%
William Blair & Company, LLC (7)	6,481,059	7.4%

- (1) Based solely on a Schedule 13G/A filed with the SEC on January 23, 2015. According to the Schedule 13G/A, BlackRock, Inc., in its capacity as a parent holding company or control person of subsidiaries that acquired the reported securities, has sole voting power over 7,133,650 shares and sole dispositive power over 7,322,870 shares. The Schedule 13G/A was filed on BlackRock's behalf and on behalf of its subsidiaries, BlackRock Advisors (UK) Limited; BlackRock Advisors, LLC; BlackRock Asset Management Canada Limited; BlackRock Asset Management Ireland Limited; BlackRock Fund Advisors; BlackRock Institutional Trust Company, N.A.; BlackRock Investment Management (Australia) Limited; BlackRock Investment Management (UK) Ltd and BlackRock Investment Management, LLC. BlackRock's principal business address is 55 East 52 nd Street, New York, NY 10022.
- (2) Based solely on a Schedule 13G filed with the SEC on February 13, 2015. According to the Schedule 13G, Clifton Park Capital Management, LLC has shared voting and dispositive power over 5,930,000 shares. Clifton Park's principal business address is 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808-1645.
- Based solely on a Schedule 13G filed with the SEC on February 9, 2015, by Franklin Resources, Inc. ("FRI"), Charles B. Johnson and Rupert H. Johnson, Jr. (collectively, the "FR Reporting Persons"). According to the Schedule 13G, certain investment management subsidiaries of FRI have sole investment and voting power over the shares, as follows: Franklin Advisers, Inc. ("FAI") has sole voting power over 4,074,607 shares, Fiduciary Trust Company International ("Fiduciary Trust") has sole voting power over 140,700 shares, Franklin Templeton Portfolio Advisors, Inc. ("FT Portfolio") has sole voting power over 128,914 shares and Franklin Templeton Investments (Asia) Ltd. ("FT Investments") has sole voting power over 1,642 shares. Additionally, FAI has sole dispositive power over 4,137,407 shares, Fiduciary Trust has sole dispositive power over 140,700 shares, FT Portfolio has sole dispositive power over 128,914 shares and FT Investments has sole dispositive power over 1,642 shares. Charles B. Johnson and Rupert H. Johnson, Jr. each own in excess of 10% of the outstanding stock of Franklin Resources, Inc. and are the principal stockholders of FRI. The FR Reporting Persons' principal business address is One Franklin Parkway, San Mateo, CA 94403-1906.
- (4) Based solely on a Schedule 13G filed with the SEC on February 12, 2015. According to the Schedule 13G, RS Investment Management Co. LLC, a registered investment advisor, has sole voting power over 5,799,945 shares and sole dispositive power over 6,092,911 shares.

According to the Schedule 13G, the clients of RS Investment Management Co., including investment companies registered under the Investment Company Act of 1940 and separately managed accounts, have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the common stock of HMS. To the knowledge of RS Investment Management Co., no individual client has an interest of more than five percent of the class of securities reported. RS Investment Management's principal business address is One Bush Street, Suite 900, San Francisco, CA 94104.

- (5) Based solely on a Schedule 13G/A filed with the SEC on February 13, 2015. According to the Schedule 13G/A, T. Rowe Price Associates, Inc., a registered investment adviser ("Price Associates"), has sole voting power over 582,702 shares and sole dispositive power over 4,903,069 shares. Price Associates does not serve as custodian of the assets of any of its clients; accordingly, in each instance only the client or the client's custodian or trustee bank has the right to receive dividends paid with respect to, and proceeds from the sale of, such securities. The ultimate power to direct the receipt of dividends paid with respect to, and the proceeds from the sale of, such securities, is vested in the individual and institutional clients for whom Price Associates serves as investment adviser. Any and all discretionary authority which has been delegated to Price Associates may be revoked in whole or in part at any time. Price Associates' principal business address is 100 E. Pratt Street, Baltimore, Maryland 21202.
- (6) Based solely on a Schedule 13G/A filed with the SEC on February 10, 2015. According to the Schedule 13G/A, The Vanguard Group, a registered investment advisor, has sole voting power over 116,537 shares, sole dispositive power over 5,370,241 shares and shared dispositive power over 110,137 shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 110,137 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 6,400 shares as a result of its serving as investment manager of Australian investment offerings. The Vanguard Group's principal business address is 100 Vanguard Blvd., Malvern, PA 19355.
- (7) Based solely on a Schedule 13G/A filed with the SEC on February 4, 2015. According to the Schedule 13G/A, William Blair & Company, LLC has sole voting and dispositive power over 6,481,059 shares. William Blair's principal business address is 222 W. Adams, Chicago, IL 60606.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Review, Approval and Ratification of Transactions with Related Persons

The Audit Committee's Charter provides that the Audit Committee shall review all transactions with related persons on an ongoing basis for potential conflict of interest situations and that all such transactions must be approved by the Audit Committee.

Our Board of Directors has adopted a written Related Person Transaction Policy (as amended and approved by the Board in October 2014) to assist the Board in reviewing proposed transactions between the Company and certain individuals deemed to be "related persons." The policy applies to our executive officers, directors, director nominees and 5% stockholders (and their immediate family members), each of whom we refer to as a "related person," and governs the review of any transaction, arrangement or relationship in which we are a participant, the amount involved exceeds \$120,000 and a related person has a direct or indirect material interest. We refer to such a transaction, arrangement or relationship as a "related person transaction."

A related person must notify the Corporate Secretary of any plan to enter into, extend or modify any transaction with the Company or its affiliate that could be a related person transaction. The policy calls for the proposed transaction with a related person to be reviewed and, if deemed appropriate, approved by the Audit Committee prior to entry into the transaction. Under the policy, any related person transactions that are ongoing in nature and previously approved by the Audit Committee will be reviewed annually.

A transaction with a related person reviewed under the policy will be considered approved or ratified if it is authorized by the Audit Committee after full disclosure of the related person's interest in the transaction. The Audit Committee will review and consider all relevant information regarding the transaction, including the impact on a director's independence or a Board committee's composition in the event the related person is a director, as it deems appropriate under the circumstances.

The Audit Committee may approve or ratify the transaction only if the Audit Committee determines that, under all of the circumstances, the transaction is in, or is not inconsistent with, the best interests of the Company. In connection with approving a transaction with a related person, the Audit Committee may impose any conditions on the transaction that it deems appropriate. All related person transactions will be disclosed in applicable SEC filings to the extent required by the Securities Act of 1933 and the Exchange Act and related rules and regulations.

Board Determination of Independence

A majority of our Board of Directors must be comprised of "independent directors" in accordance with the NASDAQ Marketplace Rules. Under Rule 5605(a)(2) of the NASDAQ Marketplace Rules, a director will only qualify as an "independent director" if, in the opinion of our Board of Directors, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Based on its review of the applicable independence standards and answers to annual questionnaires completed by the directors, our Board of Directors has determined that each of Messrs. Holster, Callen, Mendelson, Miller, Schwartz and Stowe and Mses. Rudnick and Tellez is an "independent director" as defined under the NASDAQ Marketplace Rules.

Item 14. Principal Accounting Fees and Services.

Fees of Independent Registered Public Accountants during Fiscal Years 2014 and 2013

In addition to retaining KPMG to audit our financial statements, from time to time, we engage KPMG to perform other services. The following table sets forth the aggregate fees billed by KPMG in connection with the services rendered during the past two fiscal years. All fees set forth below were pre-approved by the Audit Committee of the Board of Directors.

Type of Fee	2014	_	2013
Audit Fees (1)	\$ 940,000	\$	873,667
Tax Fees (2)	\$ 118,002	\$	60,594
Total Fees for Services Provided	\$ 1,058,002	\$	934,261

- (1) Audit fees represent fees for professional services rendered for the audit of our consolidated financial statements, review of interim financial statements and services normally provided by the independent registered public accounting firm in connection with regulatory filings, including registration statements.
- (2) Represents fees for tax services, including tax compliance, tax advice and tax planning provided during the ordinary course of operations.

Audit Committee Pre-Approval Policies and Procedures

In accordance with its Charter, the Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm.

Prior to the annual engagement of our independent registered public accounting firm, the Audit Committee pre-approves all services to be provided. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services. In such circumstances, our senior management seeks approval of the non-audit services that it recommends the Audit Committee engage the independent registered public accounting firm to provide for the fiscal year. A budget, estimating the specific non-audit service spending for the fiscal year, is provided to the Audit Committee along with the request. The Audit Committee will be regularly informed of the non-audit services actually provided by the independent auditor pursuant to this pre-approval process.

PART IV

Item 15. Exhibits.

The Exhibits are set forth on the Exhibit Index on page 58 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Registrant has duly caused this Amendment No. 1 to the Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

HMS Holdings Corp. (Registrant)

By: /s/ WILLIAM C. LUCIA

> William C. Lucia Chief Executive Officer (Principal Executive Officer and Duly Authorized Officer)

Date: April 30, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this Amendment No. 1 to the Annual Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	<u>Title</u>	Date
/s/ WILLIAM C. LUCIA	President, Chief Executive Officer and	A mril 20, 2015
William C. Lucia	Director (Principal Executive Officer)	April 30, 2015
/s/ JEFFREY S. SHERMAN	Executive Vice President, Chief Financial Officer and Treasurer	April 30, 2015
Jeffrey S. Sherman	(Principal Financial Officer)	April 30, 2013
	57	

HMS Holdings Corp. and Subsidiaries Exhibit Index

Exhibit Number	Description
10.47†*	Employment Agreement between Cynthia Nustad and HMS Business Services, Inc. dated May 15, 2012.
10.48†*	Employment Agreement between Eugene V. DeFelice and HMS Holdings Corp. dated February 26, 2014.
10.49†*	Employment Agreement between Joseph M. Donabauer and HMS Business Services, Inc. dated April 2, 2014.
10.50†*	Retention Agreement between Joseph M. Donabauer and HMS Holdings Corp. dated April 28, 2014.
31.4*	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer of HMS Holdings Corp., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.5*	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer of HMS Holdings Corp., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
	Corp., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

[†] Indicates a management contract or compensatory plan, contract or arrangement

^{*} Filed herewith

ANNEX A

HMS HOLDINGS CORP. AND SUBSIDIARIES

(in thousands) (unaudited)

Reconciliation of Net income to EBITDA and adjusted EBITDA

	Year Ended December 31,			
		2014		2013
Net income	\$	13,947	\$	39,997
Net interest expense		7,874		12,387
Income taxes		12,383		25,593
Depreciation and amortization, net of deferred financing				
costs, included in net interest expense		53,598		54,991
Earnings before interest, taxes, depreciation and				
amortization (EBITDA)		87,802		132,968
Stock-based compensation expense		13,356		11,997
Adjusted EBITDA	\$	101,158	\$	144,965

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made as of 5/15/2012 by and between HMS Business Services, Inc., a New York corporation ("HMS"), and Cynthia Nustad, an individual ("you") (and, together with HMS, the "Parties") to provide services as directed, to the entities comprising the "Company" (HMS Holdings Corp. ("HMS Holdings" and with HMS, and their respective subsidiaries and affiliates, the Company)). It replaces your offer letter of employment with the Company dated December 29, 2010.

WHEREAS, the Company wishes to continue to employ you and you wish to continue to be employed by the Company.

NOW THEREFORE, in consideration of your acceptance of continued employment under the revised terms set forth in this Agreement, the Parties agree to be bound by the terms contained in this Agreement as follows:

1. Engagement.

- (a) Effective April 23, 2012 (the "*Effective Date*"), the Company will continue to employ you as as Chief Information Officer of HMS Business Services, Inc. You will also serve as a Senior Vice President and Chief Information Officer of HMS Holdings Corp. You acknowledge that the Company organizes itself across multiple entities and that your being assigned to work directly for HMS Holdings or for one of its subsidiaries or affiliates will not, in and of itself, breach this Agreement.
- (b) You will report directly to the Chief Executive Officer of HMS Holdings or his or her designee ("Supervisor"). You will have the responsibilities, duties and authorities specified from time to time by your Supervisor which will generally be commensurate with executives at a similar level of entities of similar size and character to the Company. You also agree if so requested to serve as an officer and director of subsidiaries of HMS Holdings.
- 2. Commitment. During the Employment Period (as defined in Section 3 below), you must devote your full working time and attention to the Company. During the Employment Period, you must not engage in any employment, occupation, consulting or other similar activity without your Supervisor's prior written consent; provided, however, that you may (i) serve in any capacity with any professional, community, industry, civic (including governmental boards), educational, charitable, or other non-profit organization, (ii) serve on any for-profit entity board, with the prior written consent of your Supervisor, and (iii) subject to HMS Holdings' conflict of interest policies, make investments in other businesses and manage your and your family's personal investments and legal affairs; provided that any such activities described in clauses (i)-(iii) above do not materially interfere with the performance of your duties for the Company and do not otherwise violate this Agreement or any other written agreement between the Company and you. You will perform your services under this Agreement primarily at the Company's offices in Irving, Texas or at such place or places as you and the Company may agree. You understand and agree that your employment will require travel from time to time in a manner consistent with Company policy.
- **3.** *Employment Period*. HMS hereby agrees to continue to employ you and you hereby accept continued employment with HMS upon the revised terms set forth in this Agreement, for the period commencing on the Effective Date and ending when and as provided in Section 6 (the "*Employment Period*").

4. Cash and Bonus.

- (a) **Base Salary.** You will continue to receive a base salary at a monthly rate of \$29,166.66, annualizing to \$350,000.00 annualized (as may be adjusted under this Agreement, the "**Base Salary**"). The Company will pay your Base Salary periodically in arrears not less frequently than monthly in accordance with the Company's regular payroll practices as in effect from time to time (which currently provide for bi-weekly payments). The Board of Directors of HMS Holdings (the "**Holdings Board**") or its Compensation Committee (the "**Compensation Committee**") will review your Base Salary periodically and may adjust your Base Salary at that time.
- (b) **Bonus**. You will be eligible to receive bonus compensation (the "**Bonus**") from the Company in respect of each fiscal year (or portion thereof) during the Employment Period, in each case as the Compensation Committee may determine in its sole discretion on the basis of such performance based or other criteria as it determines appropriate. Your target bonus will equal 50% of your Base Salary. The Compensation Committee will review your target bonus periodically and may adjust your target bonus at that time. The Bonus, if any, will be paid when other executives receive their bonuses under comparable arrangements, but, in any event, between January 1 and March 15 of the year following the year with respect to which it is earned.

5. Employee Benefits.

- (a) *Employee Welfare and Retirement Plans.* You will, to the extent eligible, be entitled to participate at a level commensurate with your position in all employee welfare benefit and retirement plans and programs the Company provides to its executives in accordance with the terms thereof as in effect from time to time. The Company may change or terminate the benefits at any time.
- (b) **Business Expenses.** Upon submission of appropriate documentation in accordance with Company policies, the Company will promptly pay, or reimburse you for, all reasonable business expenses that you incur in performing your duties under this Agreement, including travel, entertainment, professional dues and subscriptions, as long as such expenses are reimbursable under the Company's policies. Any payments or expenses provided in this Section 5(b) will be paid in accordance with Section 7(c).
- (c) *Paid Time Off.* You will earn paid time off (PTO) at the rate of 18 hours per month (annualized to 27 days per year), or such greater number as the Company determines from time to time for its senior executive officers, provided that any carryover from year to year will be subject to the Company's generally applicable policies.

6. Termination of Employment.

(a) General. Subject in each case to the provisions of this Section 6 and the other provisions of this Agreement relating to our respective rights and obligations upon termination of your employment, nothing in this Agreement interferes with or limits in any way the Company's or your right to terminate your employment at any time, for any reason or no reason, and nothing in this Agreement confers on you any right or obligation to continue in the Company's employ. The Company, in its sole discretion, may elect to terminate your employment immediately at any time subject to compliance with any obligations it has under this Section 6. If your employment ceases for any or no reason, you (or your estate, as applicable) will be entitled to receive (in addition to any compensation and benefits you are entitled to receive under Section 6(b) or 6(c) below): (i) any earned but unpaid Base Salary and, to the extent consistent with general Company policy, accrued but unused paid time off through and including the date of termination of your employment to be paid in accordance with the Company's regular payroll practices and with applicable law but no later than the next regularly scheduled pay period, (ii) except as provided in Section 6(d), any earned but unpaid annual Bonus for the calendar year preceding the calendar year in which your employment ends, to be paid on the date such annual Bonus otherwise would

have been paid if your employment had continued, (iii) unreimbursed business expenses in accordance with the Company's policies for which expenses you have provided appropriate documentation, to be paid in accordance with Section 7(c), and (iv) any amounts or benefits to which you are then entitled under the terms of the benefit plans then sponsored by the Company in accordance with their terms (and not accelerated to the extent acceleration does not satisfy Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A" of the "Code")). Notwithstanding any other provision in this Agreement to the contrary, you will be entitled to severance, if any, solely through the terms of this Section 6, unless another Holdings Board approved written agreement between you and the Company expressly provides otherwise.

- (b) *Termination Without Cause*. If during the employment period the Company terminates your employment without Cause (defined below) in addition to the amounts described in Section 6(a), the Company will pay to you the following, subject to compliance with Section 6(b)(iii):
 - (i) Cash Severance. The Company will pay to you in cash an amount equal to 12 times your monthly Base Salary, paid ratably in equal installments over a 12 month period beginning in the first payroll period following the Release Effective Date (as defined below) (or such later date required by Section 7) in accordance with the Company's standard payroll policies and procedures and in a manner consistent with Section 7;
 - (ii) *Benefits*. The Company will pay you a lump sum amount equal to 12 times the difference between the monthly COBRA coverage premium for the same type of medical and dental coverage (single, family, or other) you are receiving as of the date your employment ends and your then monthly employee contribution. This payment will be taxable and subject to withholding. You may use the amount received for any purpose.
 - deliver to the Company a separation agreement and general release of claims on the form the Company provides (releasing all releasable claims other than to payments under Section 6 or outstanding equity and including obligations to cooperate with the Company and reaffirming your obligations under the Restrictive Covenants Agreement (as defined below)), which agreement and release must become irrevocable within 60 days (or such earlier date as the release provides) following the date of your termination of employment. Benefits under Section 6(b)(i) and (ii) will be paid or commence in the first regular payroll beginning after the release becomes effective, subject to any delays required by Section 7; provided, however, that if the last day of the 60 day period for an effective release falls in the calendar year following the year of your date of termination, the severance payments will be paid or begin no earlier than January 1 of such subsequent calendar year. The date on which your release of claims becomes effective is the "Release Effective Date". You must continue to comply with the Restrictive Covenants Agreement to continue to receive severance benefits.
- (c) *Change in Control*. If, within 24 months following a Change in Control, the Company terminates your employment without Cause or you resign for Good Reason, in addition to the benefits described in Section 6(b)(ii) above and subject to the release required under Section 6(b)(iii), you will receive the cash severance described in Section 6(b)(i), paid in a single lump sum on the Release Effective Date in accordance With the Company's standard payroll policies and procedures (or such later date as either Section 6(b)(iii) or 7(a) requires). For the purpose of this Agreement, "*Change in Control*" means:
 - (i) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "*Exchange Act*") (a "*Person*") of beneficial ownership of any capital stock of HMS Holdings if, after such

acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 under the Exchange Act) 50.01 % or more of either (x) the then-outstanding shares of common stock of HMS Holdings (the "Outstanding Company Common Stock") or (y) the combined voting power of the then-outstanding securities of HMS Holdings entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (A) any acquisition directly from the Company will not be a Change in Control, nor will any acquisition by any individual, entity, or group pursuant to a Business Combination (as defined below) that complies with subclauses (x) and (y) of clause (ii) of this definition;

- (ii) the consummation of a merger, consolidation, reorganization, recapitalization or share exchange involving HMS Holdings or a sale or other disposition of all or substantially all (i.e." in excess of 85%) of the assets of HMS Holdings (a "Business Combination"), unless, immediately following such Business Combination, each of the following two conditions is satisfied: (x) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include a corporation that as a result of such transaction owns HMS Holdings or substantially all of HMS Holdings' assets either directly or through one or more subsidiaries) (such resulting or acquiring corporation is referred to herein as the "Acquiring Corporation") in substantially the same proportions as their ownership of the Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, immediately prior to such Business Combination and (y) no Person beneficially owns, directly or indirectly, 50.01 % or more of the then-outstanding shares of common stock of the Acquiring Corporation, or of the combined voting power of the then-outstanding securities of such corporation entitled to vote generally in the election of directors (except to the extent that such ownership existed prior to the Business Combination); or
- (iii) a change in the composition of the Holdings Board that results, during any one year period, in the Continuing Directors (as defined below) no longer constituting a majority of the Holdings Board (or, if applicable, the Board of Directors of a successor corporation to HMS Holdings), where the term "Continuing Director" means at any date a member of the Holdings Board (x) who was a member of the Holdings Board on the Effective Date or (y) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Holdings Board was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election; provided, however, that there shall be excluded from this clause (y) any individual whose initial assumption of office after the Effective Date occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Holdings Board;

provided that, where required by Section 409A, the event that occurs is also a "change in the ownership or effective control of a corporation, or a change in the ownership of a substantial

portion of the assets of a corporation" as defined in Treasury Reg. § 1.409A-3(i)(5).

(d) Termination for Cause, Voluntary Resignation.

(i) General. If, during the Employment Period, the Company terminates your employment for Cause, or you resign from your employment (other than for Good Reason as and when provided in Section 6(c) above), you will be entitled only to the payments described in Section 6(a) (excluding on a termination for Cause, clause (ii) of Section 6(a)), unless applicable law otherwise requires payment. You may resign, other than for Good Reason, at any time and for any reason, by giving at least 30 days' prior written notice to the Company. The Company may choose to respond to such notice of resignation by ending your active employment during the Notice Period, in which event you would remain an employee of the Company through the remainder of the Notice Period and continue to receive your Base Salary, less applicable deductions, and continue vesting under any outstanding equity grants through the end of the Notice Period. You will have no further right to receive any other compensation or benefits after such termination or resignation of employment, except as determined in accordance with the terms of the employee benefit plans or programs of the Company or as required by law.

(ii) Definitions.

- (I) <u>Cause</u>. For purposes of this Agreement, "*Cause*" means any of the following: your (i) fraud with respect to the Company; (ii) material misrepresentation to any regulatory agency, governmental authority, outside or internal auditors, internal or external Company counsel, or the Holdings Board concerning the operation or financial status of the Company; (iii) theft or embezzlement of assets of the Company; (iv) your conviction, or plea of guilty or nolo contendere to any felony (or to a felony charge reduced to a misdemeanor), or, with respect to your employment, to any misdemeanor (other than a traffic violation); (v) material failure to follow the Company's conduct and ethics policies that have been provided or made available to you; (vi) material breach of this Agreement or the Restrictive Covenants Agreement; and/or (vii) continued failure to attempt in good faith to perform your duties as reasonably assigned by your Supervisor at the time. Before terminating your employment for Cause under clauses (v) (vii) above, the Company will specify in writing to you the nature of the act, omission, refusal, or failure that it deems to constitute Cause and, if the Company reasonably considers the situation to be correctable, give you 30 days after you receive such notice to correct the situation (and thus avoid termination for Cause), unless the Holdings Board agrees to further extend the time for correction. You agree that the Company will have discretion exercised in a reasonable manner to determine whether your correction is sufficient. Nothing in this definition prevents the Company from removing you from your position with the Company at any time and for any reason.
- (II) <u>Good Reason</u>. For purposes of this Agreement, "Good Reason" means, the occurrence, without your prior written consent, of any of the following events: (i) any material diminution in your authority, duties or responsibilities with the Company; (ii) a requirement that you report to an officer other than your then current Supervisor if the result is that your new Supervisor has materially diminished authority, duties, or responsibilities in comparison with your prior supervisor; (iii) a material reduction in your Base Salary; (iv) the Company's requiring you to perform your principal services primarily in a geographic area more than 50 miles from both the Company's offices in Dallas, Texas and its principal headquarters in New York, New York (or such other place of primary employment for you at which you have agreed to provide such services); or (v) a material breach by the Company of any material provision of this Agreement. No

resignation will be treated as resignation for Good Reason unless (x) you have given written notice to the Company of your intention to terminate your employment for Good Reason, describing the grounds for such action, no later than 90 days after the first occurrence of such circumstances, (y) you have provided the Company with at least 30 days in which to cure the circumstances, and (z) if the Company is not successful in curing the circumstance, you end your employment within 30 days following the cure period in (y). If the Company informs you that it will not treat your resignation as for Good Reason, you may withdraw the resignation and remain employed (provided that you do so before the original notice of resignation becomes effective) or may proceed and dispute the Company's decision.

- (e) **Death or Disability.** Your employment hereunder will terminate immediately upon your death or Disability. " **Disability**" means the Company based upon appropriate medical evidence, determines you have become physically or mentally incapacitated so as to render you incapable of performing your usual and customary duties, with or without a reasonable accommodation, for 180 or more days, whether or not consecutive, during any 12 month period. You are also disabled if you are found to be disabled within the meaning of the Company's long-term disability insurance coverage as then in effect (or would be so found if you applied for the coverage or benefits). Employment termination under this subsection is not covered by Section 6(b) or 6(c), and you or your heirs will receive only the benefits and compensation in Section 6(a) (together, as applicable, with any life or disability insurance payments). Nothing in this Section 6(e) prevents the Company from removing you from your position with the Company or, under Section 6(b),6(c) or 6(d), from terminating your employment at any time, subject to compliance with those subsections.
- (f) Further Effect of Termination on Board and Officer Positions . If your employment ends for any reason, you agree that you will cease immediately to hold any and all officer or director positions you then have with the Company, absent a contrary direction from the Holdings Board (which may include either a request to continue such service or a direction to cease serving upon notice). You hereby irrevocably appoint the Company to be your attorney-in-fact to execute any documents and do anything in your name to effect your ceasing to serve as a director and officer of the Company, should you fail to resign following a request from the Company to do so. You will not be required to sign, and the Company will not sign on your behalf without your consent, documents effecting your ceasing to serve as a director that characterize your cessation of employment differently than the manner in which it is effected through Section 6 above. A written notification signed by a director or duly authorized officer of the Company that any instrument, document or act falls within the authority conferred by this subsection will be conclusive evidence that it does so. The Company will prepare any documents, pay any filing fees, and bear any other expenses related to this Section.

7. Effect of Section 409A of the Code.

(a) Six Month Delay. If and to the extent any portion of any payment, compensation or other benefit provided to you in connection with your employment termination is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and you are a specified employee as defined in Section 409A(a)(2)(B)(i), as determined by the Company in accordance with its procedures, by which determination you hereby agree that you are bound, such portion of the payment, compensation or other benefit shall not be paid before the earlier of (i) the expiration of the six month period measured from the date of your "separation from service" (as determined under Section 409A) or (ii) the tenth day following the date of your death following such separation from service (the "New Payment Date"). The aggregate of any payments that otherwise would have been paid to you during the period between the date of separation from service and the New Payment Date shall be paid to

you in a lump sum in the first payroll period beginning after such New Payment Date, and any remaining payments will be paid on their original schedule.

- (b) General 409A Principles. For purposes of this Agreement, a termination of employment will mean a "separation from service" as defined in Section 409A. For purposes of this Agreement, each amount to be paid or benefit to be provided will be construed as a separate identified payment for purposes of Section 409A, and any payments that are due within the "short term deferral period" as defined in Section 409A or are paid in a manner covered by Treas. Reg. Section 1.409A-1(b)(9)(iii) will not be treated as deferred compensation unless applicable law requires otherwise. Neither the Company nor you will have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A. This Agreement is intended to comply with the provisions of Section 409A and this Agreement shall, to the extent practicable, be construed in accordance therewith. Terms defined in this Agreement will have the meanings given such terms under Section 409A if and to the extent required to comply with Section 409A. In any event, the Company makes no representations or warranty and will have no liability to you or any other person if any provisions of or payments under this Agreement are determined to constitute deferred compensation subject to Code Section 409A but not to satisfy the conditions of that section.
- (c) Expense Timing. Payments with respect to reimbursements of business expenses will be made in the ordinary course in accordance with the Company's procedures (generally within 45 days after you have submitted appropriate documentation) and, in any case, on or before the last day of the calendar year following the calendar year in which the relevant expense is incurred. The amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year. The right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.
- **8.** Restrictive Covenants. In connection with signing this Agreement, you are signing a Noncompetition, Nonsolicitation, Proprietary and Confidential Information and Developments Agreement (the "Restrictive Covenants Agreement"), which addresses your responsibilities to the Company in connection with confidentiality, transfer and protection of intellectual property, noncompetition, nonsolicitation of employees and customers, and nondisparagement.

9. Miscellaneous.

- Notices. All notices required or permitted under this Agreement must be in writing and will be deemed effective upon personal delivery or three business days following deposit in a United States Post Office, by certified mail, postage prepaid, or one business day after it is sent for next-business day delivery via a reputable nationwide overnight courier service in the case of notice to the Company at its then principal headquarters, and in the case of notice to you to the current address on file with the Company. Notice to the Company must include a separate notice to the General Counsel of HMS Holdings. Either Party may change the address to which notices are to be delivered by giving notice of such change to the other Party in the manner set forth in this Section 9(a).
- (b) **No Mitigation**. You are not required to seek other employment or otherwise mitigate the value of any severance benefits contemplated by this Agreement, nor will any such benefits be reduced by any earnings or benefits that you may receive from any other source. Notwithstanding any other provision of this Agreement, any sum or sums paid under this Agreement will be in lieu of any amounts to which you may otherwise be entitled under the terms of any severance plan, policy, program, agreement or other arrangement sponsored by the Company or an affiliate of the Company.
- (c) Waiver of Jury Trial . TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HEREBY WAIVE, AND

COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR OTHER PROCEEDING ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE RELEASE IT CONTEMPLATES, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, THE PARTIES AGREE THAT ANY PARTY MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE THEIR RIGHTS TO TRIAL BY JURY IN ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR TO ANY OF THE MATTERS CONTEMPLATED UNDER THIS AGREEMENT, RELATING TO YOUR EMPLOYMENT, OR COVERED BY THE CONTEMPLATED RELEASE.

- (d) Severability. Each provision of this Agreement must be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. Moreover, if an arbitrator or a court of competent jurisdiction determines any of the provisions contained in this Agreement to be unenforceable because the provision is excessively broad in scope, whether as to duration, activity, geographic application, subject or otherwise, it will be construed, by limiting or reducing it to the extent legally permitted, so as to be enforceable to the extent compatible with then applicable law to achieve the intent of the Parties.
- (e) Assignment. This Agreement will be binding upon and will inure to the benefit of (i) your heirs, beneficiaries, executors and legal representatives upon your death and (ii) any successor of the Company. Any such successor of the Company will be treated as substituted for the Company under the terms of this Agreement for all purposes. The Company may assign this Agreement without your consent, and such an assignment will not terminate your employment for purposes of triggering your entitlement to severance; provided, however, that if such an assignment provides a basis for you to resign for Good Reason after a Change in Control, you may resign for Good Reason, and you will be entitled to severance, if any, subject to the terms of Section 6. You specifically agree that any assignment may include rights under the Restrictive Covenants Agreement without requiring your consent; provided, however, that an assignment that occurs after the termination of your employment will not expand in any manner the scope of the Restrictive Covenants Agreement. As used herein, "successor" will mean any person, firm, corporation or other business entity that at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company.

None of your rights to receive any form of compensation payable under this Agreement will be assignable or transferable except through a testamentary disposition or by the laws of descent and distribution upon your death or as provided in Section 9(k). Any attempted assignment, transfer, conveyance or other disposition (other than as aforesaid) of any interest in your rights to receive any form of compensation hereunder will be null and void: provided, however, that notwithstanding the foregoing, you will be allowed to transfer vested shares subject to stock options (other than incentive stock options within the meaning of Section 422 of the Code) or the vested portion of other equity awards consistent with the rules for transfers to "family members" as defined in Securities Act Form S-8. Any other attempted assignment, transfer, conveyance or other disposition of any interest in your rights to receive any form of compensation hereunder will be null and void.

(f) *No Oral Modification, Waiver, Cancellation or Discharge.* This Agreement may only be amended, canceled or discharged or any obligations thereunder waived through a writing signed by you and the Chair of the Compensation Committee or any executive officer of the Company (other than you) duly authorized either by the Holdings Board or the Compensation Committee.

- (g) No Conflict of Interest. You confirm that you have fully disclosed to HMS Holdings and the other entities in the Company, to the best of your knowledge, all circumstances under which you, your immediate family and other persons who reside in your household have or may have a conflict of interest with the Company. You further agree to fully disclose to the Company any such circumstances that might arise during your employment upon your becoming aware of such circumstances.
- (h) *Other Agreements*. You hereby represent that your performance of all the terms of this Agreement and the performance of your duties as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by you in confidence or in trust prior to your employment with the Company. You also represent that you are not a party to or subject to any restrictive covenants, legal restrictions, policies, commitments or other agreements in favor of any entity or person that would in any way preclude, inhibit, impair or limit your ability to perform your obligations under this Agreement, including noncompetition agreements or nonsolicitation agreements, and you further represent that your performance of the duties and obligations under this Agreement does not violate the terms of any agreement to which you are a party. You agree that you will not enter into any agreement or commitment or agree to any policy that would prevent or hinder your performance of duties and obligations under this Agreement.
- (i) **Disclosure of this Agreement**. You acknowledge that the Company may provide persons or entities who may employ or engage you with a copy of the Restrictive Covenants Agreement (or portions thereof) to highlight your continuing obligations to the Company. You also acknowledge that the Company may be obligated to disclose the entire Agreement or any portion thereof to satisfy applicable laws and regulations.
- (j) *Survivorship.* The respective rights and obligations of the Company and you hereunder will survive any termination of your employment to the extent necessary to preserve the intent of such rights and obligations.
- (k) *Beneficiaries*. You will be entitled, to the extent applicable law permits, to select and change the beneficiary or beneficiaries to receive any compensation or benefit payable hereunder upon your death by giving the Company written notice thereof in a manner consistent with the terms of any applicable plan documents. If you die, severance then due or other amounts due hereunder will be paid to your designated beneficiary or beneficiaries or, if none are designated or none survive you, your estate.
- (1) **Withholding.** The Company will be entitled to withhold, or cause to be withheld, any amount of federal, state, city or other withholding taxes or other amounts either required by law or authorized by you with respect to payments made to you in connection with your employment.
- (m) *Company Policies* . References in this Agreement to Company policies and procedures are to those policies and procedures in effect at the Effective Date, as the Company may amend them from time to time.
- (n) Governing Law; Dispute Resolution. This Agreement must be construed, interpreted, and governed in accordance with the laws of the State of Texas without reference to rules relating to conflict of law. In case of any controversy or claim arising out of or related to this Agreement or relating to your employment (including claims relating to employment discrimination), except as expressly excluded herein, each Party agrees to give the other Party notice of an intent to seek arbitration under this Agreement and 10 days to reach a resolution. Should resolution of any controversy or claim not be reached following provision of notice and a reasonable opportunity to cure, then the dispute shall be settled by arbitration under the American Arbitration Association's National Rules for the Resolution of Employment Disputes (the "National Rules"). A single arbitrator shall be selected in accordance with

the National Rules and the costs of such arbitration shall be shared equally between the parties. The dispute will be arbitrated in Dallas, Texas, absent mutual agreement of the Parties to another venue. Any claim or controversy not submitted to arbitration in accordance with this Section 9 (n) (other than as provided under the Restrictive Covenants Agreement) will be waived, and thereafter no arbitrator, arbitration panel, tribunal, or court will have the power to rule or make any award on any such claim or controversy. In determining a claim or controversy under this Agreement and in making an award, the arbitrator must consider the terms and provisions of this Agreement, as well as all applicable federal, state, or local laws. The award rendered in any arbitration proceeding held under this Section 9(n) shall be final and binding and judgment upon the award may be entered in any court having jurisdiction thereof. Claims for workers' compensation or unemployment compensation benefits are not covered by this Section 9(n). Also not covered by this Section 9(n) are claims by the Company or by you for temporary restraining orders, preliminary injunctions or permanent injunctions ("equitable relief") in cases in which such equitable relief would be otherwise authorized by law or pursuant to the Restrictive Covenants Agreement. The Company will be responsible for paying any filing fee of the sponsoring organization and the fees and costs of the arbitrator; provided, however, that if you initiate the claim, you will contribute an amount equal to the filing fee you would have incurred to initiate a claim in the court of general jurisdiction in the State of Texas. Each party will pay for its own costs and attorneys' fees, if any. Without limiting the provisions of this Section 9(n), the Company and you agree that the decision as to whether a party is the prevailing party in an arbitration, or a legal proceeding that is commenced in connection therewith will be made in the sole discretion of the arbitrator or, if appli

Any action, suit or other legal proceeding with respect to equitable relief that is excluded from arbitration must be commenced only in a court of the State of Texas (or, if appropriate, a federal court located within the State of Texas), and the Company and you each consent to the jurisdiction of such a court. With respect to any such court action, the Parties hereto (a) submit to the personal jurisdiction of such courts; (b) consent to service of process by the means specified under Section 9(a); and (c) waive any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, inconvenient forum, or service of process.

- (o) *Interpretation.* The parties agree that this Agreement will be construed without regard to any presumption or rule requiring construction or interpretation against the drafting party. References in this Agreement to "include" or "including" should be read as though they said "without limitation" or equivalent forms.
- (p) *Entire Agreement.* This Agreement and any documents referred to herein represent the entire agreement of the Parties and will supersede any and all previous contracts, arrangements or understandings between the Company and you.

Signatures on Page Following

	HMS Business Services, Inc.
<u>05/01/2012</u> Date	By: /s/ WILLIAM C. LUCIA William C Lucia President
	Cynthia Nustad
04/23/2012 Date	/s/ CYNTHIA NUSTAD
1	11

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed and you have hereunto set your hand to be

effective as of the dates below.

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made as of February 26, 2014 by and between HMS Holdings Corp., a Delaware corporation ("HMS Holdings"), and Eugene DeFelice, an individual ("you") (and, together with HMS Holdings, the "Parties") to provide services, as directed, to the entities comprising the Company (HMS Holdings and its subsidiaries and affiliates, the "Company")).

WHEREAS, the Company wishes to employ you, and you wish to be employed by the Company.

NOW THEREFORE, in consideration of your acceptance of employment, the Parties agree to be bound by the terms contained in this Agreement as follows:

1. Engagement.

- (a) Effective March 24, 2014 (the "*Effective Date*"), the Company will employ you as Executive Vice President, General Counsel and Corporate Secretary. The Company may obtain background reports both pre-employment and from time to time during your employment with the Company, as necessary. (b) You will report directly to the Chief Executive Officer of HMS Holdings ("*Supervisor*"). You will have the responsibilities, duties and authorities specified from time to time by your Supervisor, which will generally be commensurate your title and executives, at a similar level, of entities of similar size and character to the Company. You also agree, if so requested, to serve as an officer and director of subsidiaries of HMS Holdings.
- **2.** *Commitment.* During the Employment Period (as defined in Section 3 below), you must devote your full working time and attention to the Company. During the Employment Period, you must not engage in any employment, occupation, consulting or other similar activity without your Supervisor's prior written consent; *provided*, *however*, that you may (i) serve in any capacity with any professional, community, industry, civic (including governmental boards), educational, charitable, or other non-profit organization, (ii) serve on any for-profit entity board, with the prior written consent of your Supervisor, and (iii) subject to HMS Holdings' conflict of interest policies, make investments in other businesses and manage your and your family's personal investments and legal affairs; *provided* that any such activities described in clauses (i)-(iii) above do not materially interfere with the performance of your duties for the Company and do not otherwise violate this Agreement or any other written agreement between the Company and you. You will perform your services under this Agreement primarily at the Company's offices in, Irving, TX or at such place or places as you and the Company may agree. You understand and agree that your employment will require travel from time to time in a manner consistent with Company policy.
- **3.** Employment Period. HMS Holdings hereby agrees to employ you and you hereby accept employment with HMS Holdings upon the terms set forth in this Agreement, for the period commencing on the Effective Date and ending when and as provided in Section 6 (the "Employment Period").

4. Cash, Bonus & Equity Compensation.

- (a) **Base Salary.** You will receive a base salary at a monthly rate of \$35,416.67, annualizing to \$425,000 (as may be increased under this Agreement, the "**Base Salary**"). The Company will pay your Base Salary periodically in arrears not less frequently than monthly in accordance with the Company's regular payroll practices as in effect from time to time (which currently provide for bi-weekly payments). The Board of Directors of HMS Holdings (the "**Holdings Board**") or its Compensation Committee (the "**Compensation Committee**") will review your Base Salary periodically and may increase your Base Salary at that time..
- (b) **Bonus**. You will be eligible to receive bonus compensation (the "**Bonus**") from the Company in respect of each fiscal year (or portion thereof) during the Employment Period, in each

case as the Compensation Committee may determine in its sole discretion on the basis of such performance based or other criteria as it determines appropriate. Your target bonus will equal 65% of your Base Salary. The Compensation Committee will review your target bonus periodically and may increase your target bonus at that time. The Bonus, if any, will be paid when other executives receive their bonuses under comparable arrangements but, in any event, between January 1 and March 15 of the year following the year with respect to which it is earned. The Bonus, if any, for 2014 shall not be pro-rated.

- (c) Initial Equity Grant . As soon as practicable after the Effective Date, and subject to Compensation Committee approval, HMS Holdings will grant you an equity award to be valued at \$400,000.00 on the date of grant, consisting of \$200,000.00 in the form of nonqualified stock options and \$200,000.00 in the form of restricted stock units ("RSUs"), each with respect to the HMS Holdings' common stock (the "Common Stock"). The value for the options will be determined using the HMS Holdings' standard Black-Scholes assumptions applied as of the date of grant and the value for the RSUs will be determined by dividing the target value for the RSUs by the HMS Holdings' fair market value on the date of grant, using the closing price of the HMS Holdings' common stock on the NASDAQ Global Market on the date of grant. The equity grants will be under and subject to the terms of the HMS Holdings Fourth Amended and Restated 2006 Stock Plan (the "2006 Plan") and will contain HMS Holdings' customary terms and conditions for such grants, subject to the express provisions in this subsection. Assuming continued employment, the options under the grant will have a seven year term and the options and RSUs will vest on an annual basis over a four year period following the date of grant (beginning with 25% of their respective grants on the first anniversary).
- (d) *Sign On Bonus*. On or around Ninety (90) days following the date your employment begins, you will also receive a special bonus of \$50,000 (the "*Sign On Bonus*"). You agree that you will repay a prorata portion of the Sign On Bonus within 10 days after your employment ends if your employment ends before the first anniversary of the Effective Date because of a termination for Cause or your resignation (other than a resignation for Good Reason) (as defined below). The proration will be determined based on reducing the amount owed by a proportionate part of the full 12 months as you complete each month of service.
- (e) **Relocation.** You will be provided relocation assistance through a Company-selected relocation firm to assist in your move (as well as the move of your family and personal property) from your current location to the Dallas-Fort Worth area by December 1, 2015. The Company will reimburse up to \$175,000.00 for reasonable costs and expenses related to or arising out of your relocation except as provided herein. This shall include, for example, house hunting, temporary living and storage, transportation of goods and personal property, closing costs, realtor commissions, and airfare. It shall not however include any reimbursement for loss on your home or mortgage origination fees associated with the purchase of a new home. Should your employment with the Company terminate for Cause or should you resign other than for Good Reason (each as defined below) within twelve (12) months of your receipt of the final reimbursement payment for the Move, you agree that you will repay the Company for the full amount of relocation assistance paid to you (the "**Repayment Amount**"), including through a deduction from your final paycheck or as otherwise permitted by applicable law. Your signature on this Agreement will serve as your authorization to the Company to deduct the Repayment Amount, if permitted by applicable law, from your final paycheck.

5. Employee Benefits.

(a) *Employee Welfare and Retirement Plans.* You will, to the extent eligible, be entitled to participate at a level commensurate with your position in all employee welfare benefit and retirement plans and programs the Company provides to its executives in accordance with the terms thereof as in effect from time to time. The Company may change or terminate the benefits at any time.

- (b) **Business Expenses.** Upon submission of appropriate documentation in accordance with Company policies, the Company will promptly pay, or reimburse you for, all reasonable business expenses that you incur in performing your duties under this Agreement, including travel, entertainment, professional dues and subscriptions, as long as such expenses are reimbursable under the Company's policies. Any payments or expenses provided in this Section 5(b) will be paid in accordance with Section 7(c).
- (c) *Paid Time Off.* You will earn paid time off (PTO) at the rate of 18 hours per month (annualized to 27 days per year), or such greater number as the Company determines from time to time for its senior executive officers, provided that any carryover from year to year will be subject to the Company's generally applicable policies. Additionally, you will be entitled to take the week vacation in July 2014.

6. Termination of Employment.

- General. Subject in each case to the provisions of this Section 6 and the other provisions of this Agreement relating to our respective rights and obligations upon termination of your employment, nothing in this Agreement interferes with or limits in any way the Company's or your right to terminate your employment at any time, for any reason or no reason, and nothing in this Agreement confers on you any right or obligation to continue in the Company's employ. The Company, in its sole discretion, may elect to terminate your employment immediately at any time subject to compliance with any obligations it has under this Section 6. If your employment ceases for any or no reason, you (or your estate, as applicable) will be entitled to receive (in addition to any compensation and benefits you are entitled to receive under Section 6(b) or 6(c) below): (i) any earned but unpaid Base Salary and, to the extent consistent with general Company policy, accrued but unused paid time off through and including the date of termination of your employment to be paid in accordance with the Company's regular payroll practices and with applicable law but no later than the next regularly scheduled pay period, (ii) except as provided in Section 6(d), any earned but unpaid annual Bonus for the calendar year preceding the calendar year in which your employment ends, to be paid on the date such annual Bonus otherwise would have been paid if your employment had continued, (iii) unreimbursed business expenses in accordance with the Company's policies for which expenses you have provided appropriate documentation, to be paid in accordance with Section 7(c), and (iv) any amounts or benefits to which you are then entitled under the terms of the benefit plans then sponsored by the Company in accordance with their terms (and not accelerated to the extent acceleration does not satisfy Section 409A of the Internal Revenue Code of 1986, as amended (" Section 409A" of the "Code")). Notwithstanding any other provision in this Agreement to the contrary, you will be entitled to severance, if any, solely through the terms of this Section 6, unless another Holdings Board-approved written agreement between you and the Company expressly provides otherwise.
- (b) **Termination Without Cause.** If, during the Employment Period, the Company terminates your employment without Cause or if you terminate for Good Reason (each as defined below), in addition to the amounts described in Section 6(a), the Company will pay to you the following, subject to compliance with Section 6(b)(iii):
 - (i) Cash Severance. The Company will pay to you in cash an amount equal to 12 times your monthly Base Salary, paid ratably in equal installments over a 12 month period beginning in the first payroll period following the Release Effective Date (as defined below) (or such later date required by Section 7) in accordance with the Company's standard payroll policies and procedures and in a manner consistent with Section 7;
 - (ii) Benefits. The Company will pay you a lump sum amount equal to 12 times the difference between the monthly COBRA coverage premium for the same type of medical and dental coverage (single, family, or other) you are receiving as of the date your

employment ends and your then monthly employee contribution. This payment will be taxable and subject to withholding. You may use the amount received for any purpose.

- (iii) Release. To receive any severance benefits provided for under this Agreement or otherwise, you must deliver to the Company a separation agreement and general release of claims on the form the Company provides (releasing all releasable claims other than to payments under Section 6 or outstanding equity and including obligations to cooperate with the Company and reaffirming your obligations under the Restrictive Covenants Agreement (as defined below)), which agreement and release must become irrevocable within 60 days (or such earlier date as the release provides) following the date of your termination of employment. Benefits under Section 6(b)(i) and (ii) will be paid or commence in the first regular payroll beginning after the release becomes effective, subject to any delays required by Section 7; provided, however, that if the last day of the 60 day period for an effective release falls in the calendar year following the year of your date of termination, the severance payments will be paid or begin no earlier than January 1 of such subsequent calendar year. The date on which your release of claims becomes effective is the "Release Effective Date". You must continue to comply with the Restrictive Covenants Agreement to continue to receive severance benefits.
- (c) Change in Control. If, within 24 months following a Change in Control, the Company terminates your employment without Cause or you resign for Good Reason, in addition to the benefits described in Section 6(b)(ii) above and subject to the release required under Section 6(b)(iii), you will receive the cash severance described in Section 6(b)(i), paid in a single lump sum on the Release Effective Date in accordance with the Company's standard payroll policies and procedures (or such later date as either Section 6(b)(iii) or 7(a) requires). For the purpose of this Agreement, "Change in Control" means:
 - (i) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "*Exchange Act*") (a "*Person*") of beneficial ownership of any capital stock of HMS Holdings if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 under the Exchange Act) 50.01% or more of either (x) the then-outstanding shares of common stock of HMS Holdings (the "*Outstanding Company Common Stock*") or (y) the combined voting power of the then-outstanding securities of HMS Holdings entitled to vote generally in the election of directors (the "*Outstanding Company Voting Securities*"); *provided, however*, that for purposes of this subsection (A) any acquisition directly from the Company will not be a Change in Control, nor will any acquisition by any individual, entity, or group pursuant to a Business Combination (as defined below) that complies with subclauses (x) and (y) of clause (ii) of this definition;
 - the consummation of a merger, consolidation, reorganization, recapitalization or share exchange involving HMS Holdings or a sale or other disposition of all or substantially all (i.e., in excess of 85%) of the assets of HMS Holdings (a " *Business Combination*"), unless, immediately following such Business Combination, each of the following two conditions is satisfied: (x) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include a corporation that as a result of such transaction owns HMS Holdings or substantially all of HMS Holdings' assets either directly or through one or more subsidiaries) (such resulting or acquiring corporation is referred to herein as the "Acquiring Corporation") in substantially the same proportions as their ownership of the Outstanding Company Common

Stock and Outstanding Company Voting Securities, respectively, immediately prior to such Business Combination and (y) no Person beneficially owns, directly or indirectly, 50.01% or more of the then-outstanding shares of common stock of the Acquiring Corporation, or of the combined voting power of the then-outstanding securities of such corporation entitled to vote generally in the election of directors (except to the extent that such ownership existed prior to the Business Combination); or

(iii) a change in the composition of the Holdings Board that results, during any one year period, in the Continuing Directors (as defined below) no longer constituting a majority of the Holdings Board (or, if applicable, the Board of Directors of a successor corporation to HMS Holdings), where the term "Continuing Director" means at any date a member of the Holdings Board (x) who was a member of the Holdings Board on the Effective Date or (y) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Holdings Board was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election; provided, however, that there shall be excluded from this clause (y) any individual whose initial assumption of office after the Effective Date occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Holdings Board;

provided that, where required by Section 409A, the event that occurs is also a "change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation" as defined in Treasury Reg. § 1.409A-3 (i)(5).

(d) Termination for Cause, Voluntary Resignation.

(i) General. If, during the Employment Period, the Company terminates your employment for Cause, or you resign from your employment (other than for Good Reason), you will be entitled only to the payments described in Section 6 (a) (excluding, on a termination for Cause, clause (ii) of Section 6(a)), unless applicable law otherwise requires payment. You may resign, other than for Good Reason, at any time and for any reason, by giving at least 30 days' prior written notice to the Company. The Company may choose to respond to such notice of resignation by ending your active employment during the Notice Period, in which event you would remain an employee of the Company through the remainder of the Notice Period and continue to receive your Base Salary, less applicable deductions, and continue vesting under any outstanding equity grants through the end of the Notice Period. You will have no further right to receive any other compensation or benefits after such termination or resignation of employment, except as determined in accordance with the terms of the employee benefit plans or programs of the Company or as required by law.

(ii) Definitions.

(I) <u>Cause</u>. For purposes of this Agreement, "*Cause*" means any of the following: your (i) fraud with respect to the Company; (ii) material misrepresentation to any regulatory agency, governmental authority, outside or internal auditors, internal or external Company counsel, or the Holdings Board concerning the operation or financial status of the Company; (iii) theft or embezzlement of assets of the Company; (iv) your conviction, or plea of guilty or nolo contendere to any felony (or to a felony charge reduced to a misdemeanor), or, with respect to your employment, to any misdemeanor (other than a traffic violation); (v) material failure to follow the Company's conduct and ethics policies that have been provided or made available to you; (vi) material breach of this Agreement or the Restrictive Covenants Agreement; and/or (vii) continued failure to

attempt in good faith to perform your duties as reasonably assigned by your Supervisor at the time. Before terminating your employment for Cause under clauses (v) — (vii) above, the Company will specify in writing to you the nature of the act, omission, refusal, or failure that it deems to constitute Cause and, if the Company reasonably considers the situation to be correctable, give you 30 days after you receive such notice to correct the situation (and thus avoid termination for Cause), unless the Holdings Board agrees to further extend the time for correction. You agree that the Company will have discretion exercised in a reasonable manner to determine whether your correction is sufficient. Nothing in this definition prevents the Company from removing you from your position with the Company at any time and for any reason.

- (II) Good Reason. For purposes of this Agreement, "Good Reason" means, the occurrence, without your prior written consent, of any of the following events: (i) any material diminution in your authority, duties or responsibilities with the Company; (ii) a requirement that you report to an officer other than your then current Supervisor if the result is that your new Supervisor has materially diminished authority, duties, or responsibilities in comparison with your prior supervisor; (iii) a material reduction in your Base Salary or Target Bonus percentage; (iv) the Company's requiring you to perform your principal services primarily in a geographic area more than 50 miles from the Company's offices in Dallas, Texas (or such other place of primary employment for you at which you have agreed to provide such services); or (v) a material breach by the Company of any material provision of this Agreement. No resignation will be treated as resignation for Good Reason unless (x) you have given written notice to the Company of your intention to terminate your employment for Good Reason, describing the grounds for such action, no later than 90 days after the first occurrence of such circumstances, (y) you have provided the Company with at least 30 days in which to cure the circumstances, and (z) if the Company is not successful in curing the circumstance, you end your employment within 30 days following the cure period in (y). If the Company informs you that it will not treat your resignation as for Good Reason, you may withdraw the resignation and remain employed (provided that you do so before the original notice of resignation becomes effective) or may proceed and dispute the Company's decision.
- (e) **Death or Disability.** Your employment hereunder will terminate immediately upon your death or Disability. " **Disability**" means the Company based upon appropriate medical evidence, determines you have become physically or mentally incapacitated so as to render you incapable of performing your usual and customary duties, with or without a reasonable accommodation, for 180 or more days, whether or not consecutive, during any 12 month period. You are also disabled if you are found to be disabled within the meaning of the Company's long-term disability insurance coverage as then in effect (or would be so found if you applied for the coverage or benefits). Employment termination under this subsection is not covered by Section 6(b) or 6(c), and you or your heirs will receive only the benefits and compensation in Section 6(a) (together, as applicable, with any life or disability insurance payments). Nothing in this Section 6(e) prevents the Company from removing you from your position with the Company or, under Section 6(b), 6(c), or 6(d), from terminating your employment at any time, subject to compliance with those subsections.
- (f) Further Effect of Termination on Board and Officer Positions. If your employment ends for any reason, you agree that you will cease immediately to hold any and all officer or director positions you then have with the Company, absent a contrary direction from the Holdings Board (which may include either a request to continue such service or a direction to cease serving upon notice). You hereby irrevocably appoint the Company to be your attorney-in-fact to execute any documents and do anything in your name to effect your ceasing to serve as a director and officer of the Company, should you fail to resign following a request from the Company to do so. You will not be required to sign, and

the Company will not sign on your behalf without your consent, documents effecting your ceasing to serve as a director that characterize your cessation of employment differently than the manner in which it is effected through Section 6 above. A written notification signed by a director or duly authorized officer of the Company that any instrument, document or act falls within the authority conferred by this subsection will be conclusive evidence that it does so. The Company will prepare any documents, pay any filing fees, and bear any other expenses related to this Section.

7. Effect of Section 409A of the Code .

- (a) Six Month Delay. If and to the extent any portion of any payment, compensation or other benefit provided to you in connection with your employment termination is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and you are a specified employee as defined in Section 409A(a)(2)(B)(i), as determined by the Company in accordance with its procedures, by which determination you hereby agree that you are bound, such portion of the payment, compensation or other benefit shall not be paid before the earlier of (i) the expiration of the six month period measured from the date of your "separation from service" (as determined under Section 409A) or (ii) the tenth day following the date of your death following such separation from service (the "New Payment Date"). The aggregate of any payments that otherwise would have been paid to you during the period between the date of separation from service and the New Payment Date shall be paid to you in a lump sum in the first payroll period beginning after such New Payment Date, and any remaining payments will be paid on their original schedule.
- (b) General 409A Principles. For purposes of this Agreement, a termination of employment will mean a "separation from service" as defined in Section 409A. For purposes of this Agreement, each amount to be paid or benefit to be provided will be construed as a separate identified payment for purposes of Section 409A, and any payments that are due within the "short term deferral period" as defined in Section 409A or are paid in a manner covered by Treas. Reg. Section 1.409A-1(b)(9)(iii) will not be treated as deferred compensation unless applicable law requires otherwise. Neither the Company nor you will have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A. This Agreement is intended to comply with the provisions of Section 409A and this Agreement shall, to the extent practicable, be construed in accordance therewith. Terms defined in this Agreement will have the meanings given such terms under Section 409A if and to the extent required to comply with Section 409A. In any event, the Company makes no representations or warranty and will have no liability to you or any other person if any provisions of or payments under this Agreement are determined to constitute deferred compensation subject to Code Section 409A but not to satisfy the conditions of that section.
- (c) Expense Timing. Payments with respect to reimbursements of business expenses will be made in the ordinary course in accordance with the Company's procedures (generally within 45 days after you have submitted appropriate documentation) and, in any case, on or before the last day of the calendar year following the calendar year in which the relevant expense is incurred. The amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year. The right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.
- **8.** Restrictive Covenants . In connection with signing this Agreement, you are signing a Noncompetition, Nonsolicitation, Proprietary and Confidential Information and Developments Agreement (the "Restrictive Covenants Agreement"), which addresses your responsibilities to the Company in connection with confidentiality, transfer and protection of intellectual property, noncompetition, nonsolicitation of employees and customers, and nondisparagement.

9. Miscellaneous.

- (a) *Notices*. All notices required or permitted under this Agreement must be in writing and will be deemed effective upon personal delivery or three business days following deposit in a United States Post Office, by certified mail, postage prepaid, or one business day after it is sent for next-business day delivery via a reputable nationwide overnight courier service in the case of notice to the Company at its then principal headquarters, and in the case of notice to you to the current address on file with the Company. Notice to the Company must include a separate notice to the General Counsel of HMS Holdings. Either Party may change the address to which notices are to be delivered by giving notice of such change to the other Party in the manner set forth in this Section 9(a).
- (b) **No Mitigation**. You are not required to seek other employment or otherwise mitigate the value of any severance benefits contemplated by this Agreement, nor will any such benefits be reduced by any earnings or benefits that you may receive from any other source. Notwithstanding any other provision of this Agreement, any sum or sums paid under this Agreement will be in lieu of any amounts to which you may otherwise be entitled under the terms of any severance plan, policy, program, agreement or other arrangement sponsored by the Company or an affiliate of the Company.
- (c) Waiver of Jury Trial . TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HEREBY WAIVE, AND COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR OTHER PROCEEDING ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE RELEASE IT CONTEMPLATES, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, THE PARTIES AGREE THAT ANY PARTY MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE THEIR RIGHTS TO TRIAL BY JURY IN ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR TO ANY OF THE MATTERS CONTEMPLATED UNDER THIS AGREEMENT, RELATING TO YOUR EMPLOYMENT, OR COVERED BY THE CONTEMPLATED RELEASE.
- (d) Severability. Each provision of this Agreement must be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. Moreover, if an arbitrator or a court of competent jurisdiction determines any of the provisions contained in this Agreement to be unenforceable because the provision is excessively broad in scope, whether as to duration, activity, geographic application, subject or otherwise, it will be construed, by limiting or reducing it to the extent legally permitted, so as to be enforceable to the extent compatible with then applicable law to achieve the intent of the Parties.
- (e) Assignment. This Agreement will be binding upon and will inure to the benefit of (i) your heirs, beneficiaries, executors and legal representatives upon your death and (ii) any successor of the Company. Any such successor of the Company will be treated as substituted for the Company under the terms of this Agreement for all purposes. The Company may assign this Agreement without your consent to a successor company in connection with a Change in Control, and such an assignment will not automatically terminate your employment for purposes of triggering your entitlement to severance; provided, however, that if such an assignment provides a basis for you to resign for Good Reason, you may resign for Good Reason, and you will be entitled to severance, if any, subject to the terms of Section 6. You specifically agree that any assignment may include rights under the Restrictive Covenants Agreement without requiring your consent; provided, however, that an assignment that occurs

after the termination of your employment will not expand in any manner the scope of the Restrictive Covenants Agreement. As used herein, "successor" will mean any person, firm, corporation or other business entity that at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company.

None of your rights to receive any form of compensation payable under this Agreement will be assignable or transferable except through a testamentary disposition or by the laws of descent and distribution upon your death or as provided in Section 9(k). Any attempted assignment, transfer, conveyance or other disposition (other than as aforesaid) of any interest in your rights to receive any form of compensation hereunder will be null and void; *provided*, *however*, that notwithstanding the foregoing, you will be allowed to transfer vested shares subject to stock options (other than incentive stock options within the meaning of Section 422 of the Code) or the vested portion of other equity awards consistent with the rules for transfers to "family members" as defined in Securities Act Form S-8. Any other attempted assignment, transfer, conveyance or other disposition of any interest in your rights to receive any form of compensation hereunder will be null and void.

- (f) *No Oral Modification, Waiver, Cancellation or Discharge.* This Agreement may only be amended, canceled or discharged or any obligations thereunder waived through a writing signed by you and the Chair of the Compensation Committee or any executive officer of the Company (other than you) duly authorized either by the Holdings Board or the Compensation Committee.
- (g) No Conflict of Interest. You confirm that you have fully disclosed to HMS Holdings and the other entities in the Company, to the best of your knowledge, all circumstances under which you, your immediate family and other persons who reside in your household have or may have a conflict of interest with the Company. You further agree to fully disclose to the Company any such circumstances that might arise during your employment upon your becoming aware of such circumstances.
- (h) *Other Agreements*. You hereby represent that your performance of all the terms of this Agreement and the performance of your duties as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by you in confidence or in trust prior to your employment with the Company. You also represent that you are not a party to or subject to any restrictive covenants, legal restrictions, policies, commitments or other agreements in favor of any entity or person that would in any way preclude, inhibit, impair or limit your ability to perform your obligations under this Agreement, including noncompetition agreements or nonsolicitation agreements, and you further represent that your performance of the duties and obligations under this Agreement does not violate the terms of any agreement to which you are a party. You agree that you will not enter into any agreement or commitment or agree to any policy that would prevent or hinder your performance of duties and obligations under this Agreement.
- (i) **Disclosure of this Agreement**. You acknowledge that the Company may provide persons or entities who may employ or engage you with a copy of the Restrictive Covenants Agreement (or portions thereof) to highlight your continuing obligations to the Company. You also acknowledge that the Company may be obligated to disclose the entire Agreement or any portion thereof to satisfy applicable laws and regulations.
- (j) *Survivorship.* The respective rights and obligations of the Company and you hereunder will survive any termination of your employment to the extent necessary to preserve the intent of such rights and obligations.
- (k) *Beneficiaries.* You will be entitled, to the extent applicable law permits, to select and change the beneficiary or beneficiaries to receive any compensation or benefit payable hereunder upon your death by giving the Company written notice thereof in a manner consistent with the terms of

any applicable plan documents. If you die, severance then due or other amounts due hereunder will be paid to your designated beneficiary or beneficiaries or, if none are designated or none survive you, your estate.

- (l) **Withholding.** The Company will be entitled to withhold, or cause to be withheld, any amount of federal, state, city or other withholding taxes or other amounts either required by law or authorized by you with respect to payments made to you in connection with your employment.
- (m) *Company Policies* . References in this Agreement to Company policies and procedures are to those policies and procedures in effect at the Effective Date, as the Company may amend them from time to time.
- Governing Law: Dispute Resolution. This Agreement must be construed, interpreted, and governed in accordance with the laws of the State of Texas without reference to rules relating to conflict of law. In case of any controversy or claim arising out of or related to this Agreement or relating to your employment (including claims relating to employment discrimination), except as expressly excluded herein, each Party agrees to give the other Party notice of an intent to seek arbitration under this Agreement and 10 days to reach a resolution. Should resolution of any controversy or claim not be reached following provision of notice and a reasonable opportunity to cure, then the dispute shall be settled by arbitration, under the American Arbitration Association's National Rules for the Resolution of Employment Disputes (the National Rules "). A single arbitrator shall be selected in accordance with the National Rules, and the costs of such arbitration shall be shared equally between the parties. The dispute will be arbitrated in Dallas, TX, absent mutual agreement of the Parties to another venue. Any claim or controversy not submitted to arbitration in accordance with this Section 9(n) (other than as provided under the Restrictive Covenants Agreement) will be waived, and thereafter no arbitrator, arbitration panel, tribunal, or court will have the power to rule or make any award on any such claim or controversy. In determining a claim or controversy under this Agreement and in making an award, the arbitrator must consider the terms and provisions of this Agreement, as well as all applicable federal, state, or local laws. The award rendered in any arbitration proceeding held under this Section 9(n) shall be final and binding and judgment upon the award may be entered in any court having jurisdiction thereof. Claims for workers' compensation or unemployment compensation benefits are not covered by this Section 9(n). Also not covered by this Section 9(n) are claims by the Company or by you for temporary restraining orders, preliminary injunctions or permanent injunctions ("equitable relief") in cases in which such equitable relief would be otherwise authorized by law or pursuant to the Restrictive Covenants Agreement. The Company will be responsible for paying any filing fee of the sponsoring organization and the fees and costs of the arbitrator; provided, however, that if you initiate the claim, you will contribute an amount equal to the filing fee you would have incurred to initiate a claim in the court of general jurisdiction in the State of Texas. Each party will pay for its own costs and attorneys' fees, if any. Without limiting the provisions of this Section 9(n), the Company and you agree that the decision as to whether a party is the prevailing party in an arbitration, or a legal proceeding that is commenced in connection therewith will be made in the sole discretion of the arbitrator or, if applicable, the court and the arbitrator or court may award reasonable attorneys' fees, costs and expenses.

Any action, suit or other legal proceeding with respect to equitable relief that is excluded from arbitration must be commenced only in a court of the State of Texas (or, if appropriate, a federal court located within the State of Texas), and the Company and you each consent to the jurisdiction of such a court. With respect to any such court action, the Parties hereto (a) submit to the personal jurisdiction of such courts; (b) consent to service of process by the means specified under Section 9(a); and (c) waive any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, inconvenient forum, or service of process.

(o) <i>Interpretation.</i> The parties agree that this Agreement will be construed without regard to any presumption or
rule requiring construction or interpretation against the drafting party. References in this Agreement to "include" or "including" should be read
as though they said "without limitation" or equivalent forms. The parties further agree that notwithstanding any provision in this or any other
agreement, including without limitation the Non-competition, Non-solicitation, Proprietary and Confidential Information and Developments
Agreement, that any post-employment non-competition provisions shall only be enforceable to the extent permitted (and to the extent the
signature of such an agreement is permitted) pursuant to Texas Rule 5.06 of the Texas Disciplinary Rules of Professional Conduct for attorney

(p) *Entire Agreement.* This Agreement and any documents referred to herein represent the entire agreement of the Parties and will supersede any and all previous contracts, arrangements or understandings between the Company and you.

Signatures on Page Following

	HMS Holdings Corp.	
02/27/2014 Date	By: /s/ WILLIAM C. LUCIA William C. Lucia President	
	Eugene DeFelice	
20/06/2014	/ ENGENE A DEED IGE	

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IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed and you have hereunto set your hand to be

effective as of the dates below.

Date

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "*Agreement*") is made as of April 2, 2014 by and between HMS Business Services Inc., a Delaware corporation ("*HMS*"), and Joseph Donabauer, an individual ("*you*") (and, together with HMS, the "*Parties*") to provide services, as directed, to the entities comprising the "*Company*" (HMS Holdings Corp. ("*HMS Holdings*" and with HMS, and their respective subsidiaries and affiliates)). It replaces your terms of employment with the Company dated August 1, 2012.

WHEREAS, the Company wishes to continue to employ you and you wish to continue to be employed by the Company.

NOW THEREFORE, in consideration of your acceptance of continued employment, under the revised terms set forth in this Agreement, the Parties agree to be bound by the terms contained in this Agreement as follows:

- **1.** Engagement. Effective March 31,, 2014 (the "Effective Date"), but subject to Section 9(1), the Company will continue to employ you as SVP, Corporate Controller of HMS. You acknowledge that the Company organizes itself across multiple entities and that your being assigned to work directly for HMS Holdings or for one of its subsidiaries or affiliates will not, in and of itself, breach this Agreement. You will report directly to the Chief Financial Officer (CFO) or his or her designee ("Supervisor").
- **2.** *Commitment.* During the Employment Period (as defined in Section 3 below), you must devote your full working time and attention to the Company. During the Employment Period, you must not engage in any employment, occupation, consulting or other similar activity without your Supervisor's prior written consent. You will perform your services under this Agreement primarily at the Company's offices in New York or at such place or places as you and the Company may agree. You understand and agree that your employment will require travel from time to time in a manner consistent with Company policy.
- **3.** *Employment Period*. HMS hereby agrees to continue to employ you and you hereby accept continued employment with HMS upon the revised terms set forth in this Agreement, for the period commencing on the Effective Date and ending when and as provided in Section 6 (the "*Employment Period*").

4. Cash and Bonus.

- (a) **Base Salary.** You will continue to receive a base salary at a monthly rate of \$21,029.16, annualizing to \$252,350.00 (as may be adjusted under this Agreement, the "**Base Salary**"). The Company will pay your Base Salary periodically in arrears not less frequently than monthly in accordance with the Company's regular payroll practices as in effect from time to time (which currently provide for bi-weekly payments). The Company will review your Base Salary periodically and may adjust your Base Salary at that time..
- (b) **Bonus**. You will be eligible to receive bonus compensation (the "**Bonus**") from the Company in respect of each fiscal year (or portion thereof) during the Employment Period, in each case as the Company may determine on the basis of such performance based or other criteria as it determines appropriate. The target bonus for your position is 50%.

5. Employee Benefits.

- (a) *Employee Welfare, Equity Compensation, and Retirement Plans.* You will, to the extent eligible, be entitled to participate at a level commensurate with your position in all employee equity compensation plans and welfare benefit and retirement plans and programs the Company provides to its employees in accordance with the terms thereof as in effect from time to time. The Company may change or terminate the benefits at any time.
- (b) *Business Expenses*. Upon submission of appropriate documentation in accordance with Company policies, the Company will promptly pay, or reimburse you for, all reasonable business expenses that you incur in performing your duties under this Agreement, including travel, entertainment, professional dues and subscriptions, as long as such expenses are reimbursable under the Company's policies. Any payments or expenses provided in this Section 5(b) will be paid in accordance with Section 7(c).
- (c) *Paid Time Off.* You will earn paid time off (PTO) at the rate of 18 hours per month (annualized to 27 days per year), or such greater number as the Company determines from time to time, provided that any carryover from year to year will be subject to the Company's generally applicable policies.

6. Termination of Employment.

- (a) General . Subject in each case to the provisions of this Section 6 and the other provisions of this Agreement relating to our respective rights and obligations upon termination of your employment, nothing in this Agreement interferes with or limits in any way the Company's or your right to terminate your employment at any time, for any reason or no reason, and nothing in this Agreement confers on you any right or obligation to continue in the Company's employ. The Company, in its sole discretion, may elect to terminate your employment immediately at any time subject to compliance with any obligations it has under this Section 6. If your employment ceases for any or no reason, you (or your estate, as applicable) will be entitled to receive (in addition to any compensation and benefits you are entitled to receive under Section 6(b) below): (i) any earned but unpaid Base Salary and, to the extent consistent with general Company policy, accrued but unused paid time off through and including the date of termination of your employment to be paid in accordance with the Company's regular payroll practices and with applicable law but no later than the next regularly scheduled pay period, (ii) unreimbursed business expenses in accordance with the Company's policies for which expenses you have provided appropriate documentation, to be paid in accordance with Section 7(c), and (iii) any amounts or benefits to which you are then entitled under the terms of the benefit plans then sponsored by the Company in accordance with their terms (and not accelerated to the extent acceleration does not satisfy Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"). Notwithstanding any other provision in this Agreement to the contrary, you will be entitled to severance, if any, solely through the terms of this Section 6, unless another written agreement between you and the Company (and approved by the head of the Company's Human Resources Department) expressly provides otherwise.
- (b) *Termination Without Cause.* If, during the Employment Period, the Company terminates your employment without Cause (defined below), in addition to the amounts described in Section 6(a), the Company will pay to you the following, subject to compliance with Section 6(b)(iii):
 - (i) Cash Severance. The Company will pay to you in cash an amount equal to twelve times your monthly Base Salary, paid ratably in equal installments over a twelve month period beginning in the first payroll period following the Release Effective Date (as defined below) (or such later date required by Section 7) in accordance with the Company's standard payroll policies and procedures and in a manner consistent with Section 7;

- (ii) *Benefits*. The Company will pay you a lump sum amount equal to twelve times the difference between the monthly COBRA coverage premium for the same type of medical and dental coverage (single, family, or other) you are receiving as of the date your employment ends and your then monthly employee contribution. This payment will be taxable and subject to withholding. You may use the amount received for any purpose.
- (iii) Release. To receive any severance benefits provided for under this Agreement or otherwise, you must deliver to the Company a separation agreement and general release of claims on the form the Company provides (releasing all releasable claims other than to payments under Section 6 or outstanding equity and including obligations to cooperate with the Company and reaffirming your obligations under the Restrictive Covenants Agreement (as defined below)), which agreement and release must become irrevocable within 60 days (or such earlier date as the release provides) following the date of your termination of employment. Benefits under Section 6(b)(i) and (ii) will be paid or commence in the first regular payroll beginning after the release becomes effective, subject to any delays required by Section 7; provided, however, that if the last day of the 60 day period for an effective release falls in the calendar year following the year of your date of termination, the severance payments will be paid or begin no earlier than January 1 of such subsequent calendar year. The date on which your release of claims becomes effective is the "Release Effective Date". You must continue to comply with the Restrictive Covenants Agreement to continue to receive severance benefits.

(c) Termination for Cause, Voluntary Resignation.

- (i) General. If, during the Employment Period, the Company terminates your employment for Cause, or you resign from your employment, you will be entitled only to the payments described in Section 6(a), unless applicable law otherwise requires payment. You may resign at any time and for any reason, by giving at least 30 days' prior written notice to the Company (the "Notice Period"). The Company may choose to respond to such notice of resignation by ending your employment (and any further compensation) during the Notice Period. You will have no further right to receive any other compensation or benefits after such termination or resignation of employment, except as determined in accordance with the terms of the employee benefit plans or programs of the Company or as required by law.
- (ii) Cause . For purposes of this Agreement, "Cause" means any of the following: your (i) fraud with respect to the Company; (ii) material misrepresentation to any regulatory agency, governmental authority, outside or internal auditors, internal or external Company counsel, or the HMS Holdings Board of Directors (the "HMS Holdings Board" concerning the operation or financial status of the Company; (iii) theft or embezzlement of assets of the Company; (iv) your conviction, or plea of guilty or nolo contendere to any felony (or to a felony charge reduced to a misdemeanor), or, with respect to your employment, to any misdemeanor (other than a traffic violation); (v) material failure to follow the Company's conduct and ethics policies that have been provided or made available to you; (vi) material breach of this Agreement or the Restrictive Covenants Agreement; and/or (vii) continued failure to attempt in good faith to perform your duties as reasonably assigned by your Supervisor at the time. Before terminating your employment for Cause under clauses (v) (vii) above, the Company will specify in writing to you the nature of the act, omission, refusal, or failure that it deems to constitute Cause and, if the Company reasonably considers the situation to be correctable, give you 30 days after you receive such notice to correct the situation (and thus avoid termination for Cause), unless the HMS Holdings Board agrees to further extend the time for correction. You agree that the Company will have discretion exercised in a reasonable manner to determine whether your correction is sufficient. Nothing in this definition prevents the Company from removing you from your position with the Company at any time and for any reason.

Disability "means the Company based upon appropriate medical evidence, determines you have become physically or mentally incapacitated so as to render you incapable of performing your usual and customary duties, with or without a reasonable accommodation, for 120 or more days, whether or not consecutive, during any 12 month period. You are also disabled if you are found to be disabled within the meaning of the Company's long-term disability insurance coverage as then in effect (or would be so found if you applied for the coverage or benefits). Employment termination under this subsection is not covered by Section 6(b), and you or your heirs will receive only the benefits and compensation in Section 6(a) (together, as applicable, with any life or disability insurance payments). Nothing in this Section 6(d) prevents the Company from removing you from your position with the Company or, under Section 6(b) or 6(c), from terminating your employment at any time, subject to compliance with those subsections.

7. Effect of Section 409A of the Code.

- (a) Six Month Delay. If and to the extent any portion of any payment, compensation or other benefit provided to you in connection with your employment termination is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and you are a specified employee as defined in Section 409A(a)(2)(B)(i), as determined by the Company in accordance with its procedures, by which determination you hereby agree that you are bound, such portion of the payment, compensation or other benefit shall not be paid before the earlier of (i) the expiration of the six month period measured from the date of your "separation from service" (as determined under Section 409A) or (ii) the tenth day following the date of your death following such separation from service (the "New Payment Date"). The aggregate of any payments that otherwise would have been paid to you during the period between the date of separation from service and the New Payment Date shall be paid to you in a lump sum in the first payroll period beginning after such New Payment Date, and any remaining payments will be paid on their original schedule.
- (b) General 409A Principles. For purposes of this Agreement, a termination of employment will mean a "separation from service" as defined in Section 409A. For purposes of this Agreement, each amount to be paid or benefit to be provided will be construed as a separate identified payment for purposes of Section 409A, and any payments that are due within the "short term deferral period" as defined in Section 409A or are paid in a manner covered by Treas. Reg. Section 1.409A-1(b)(9)(iii) will not be treated as deferred compensation unless applicable law requires otherwise. Neither the Company nor you will have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A. This Agreement is intended to comply with the provisions of Section 409A and this Agreement shall, to the extent practicable, be construed in accordance therewith. Terms defined in this Agreement will have the meanings given such terms under Section 409A if and to the extent required to comply with Section 409A. In any event, the Company makes no representations or warranty and will have no liability to you or any other person if any provisions of or payments under this Agreement are determined to constitute deferred compensation subject to Code Section 409A but not to satisfy the conditions of that section.
- (c) Expense Timing. Payments with respect to reimbursements of business expenses will be made in the ordinary course in accordance with the Company's procedures (generally within 45 days after you have submitted appropriate documentation) and, in any case, on or before the last day of the calendar year following the calendar year in which the relevant expense is incurred. The amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year. The right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

8. Restrictive Covenants. In connection with signing this Agreement, you are signing a Noncompetition, Nonsolicitation, Proprietary and Confidential Information and Developments Agreement (the "Restrictive Covenants Agreement"), which addresses your responsibilities to the Company in connection with confidentiality, transfer and protection of intellectual property, noncompetition, nonsolicitation of employees and customers, and nondisparagement.

9. Miscellaneous.

- (a) *Notices*. All notices required or permitted under this Agreement must be in writing and will be deemed effective upon personal delivery or three business days following deposit in a United States Post Office, by certified mail, postage prepaid, or one business day after it is sent for next-business day delivery via a reputable nationwide overnight courier service in the case of notice to the Company at its then principal headquarters, and in the case of notice to you to the current address on file with the Company. Notice to the Company must include a separate notice to the General Counsel of HMS Holdings. Either Party may change the address to which notices are to be delivered by giving notice of such change to the other Party in the manner set forth in this Section 9(a).
- (b) **No Mitigation**. You are not required to seek other employment or otherwise mitigate the value of any severance benefits contemplated by this Agreement, nor will any such benefits be reduced by any earnings or benefits that you may receive from any other source. Notwithstanding any other provision of this Agreement, any sum or sums paid under this Agreement will be in lieu of any amounts to which you may otherwise be entitled under the terms of any severance plan, policy, program, agreement or other arrangement sponsored by the Company or an affiliate of the Company.
- (c) Waiver of Jury Trial . TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HEREBY WAIVE, AND COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR OTHER PROCEEDING ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE RELEASE IT CONTEMPLATES, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, THE PARTIES AGREE THAT ANY PARTY MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE THEIR RIGHTS TO TRIAL BY JURY IN ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR TO ANY OF THE MATTERS CONTEMPLATED UNDER THIS AGREEMENT, RELATING TO YOUR EMPLOYMENT, OR COVERED BY THE CONTEMPLATED RELEASE.
- (d) Severability. Each provision of this Agreement must be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. Moreover, if an arbitrator or a court of competent jurisdiction determines any of the provisions contained in this Agreement to be unenforceable because the provision is excessively broad in scope, whether as to duration, activity, geographic application, subject or otherwise, it will be construed, by limiting or reducing it to the extent legally permitted, so as to be enforceable to the extent compatible with then applicable law to achieve the intent of the Parties.
- (e) Assignment. This Agreement will be binding upon and will inure to the benefit of (i) your heirs, beneficiaries, executors and legal representatives upon your death and (ii) any successor of the Company. Any such successor of the Company will be treated as substituted for the Company under the terms of this Agreement for all purposes. The Company may assign this Agreement without

your consent, and such an assignment will not terminate your employment for purposes of triggering your entitlement to severance. You specifically agree that any assignment may include rights under the Restrictive Covenants Agreement without requiring your consent; *provided*, *however*, that an assignment that occurs after the termination of your employment will not expand in any manner the scope of the Restrictive Covenants Agreement. As used herein, "successor" will mean any person, firm, corporation or other business entity that at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company. Any attempted assignment, transfer, conveyance or other disposition of any interest in your rights to receive any form of compensation hereunder will be null and void.

- (f) *No Oral Modification, Waiver, Cancellation or Discharge.* This Agreement may only be amended, canceled or discharged or any obligations thereunder waived through a writing signed by you and any duly authorized executive officer of the Company.
- (g) No Conflict of Interest. You confirm that you have fully disclosed to HMS Holdings and the other entities in the Company, to the best of your knowledge, all circumstances under which you, your immediate family and other persons who reside in your household have or may have a conflict of interest with the Company. You further agree to fully disclose to the Company any such circumstances that might arise during your employment upon your becoming aware of such circumstances.
- (h) *Other Agreements*. You hereby represent that your performance of all the terms of this Agreement and the performance of your duties as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by you in confidence or in trust prior to your employment with the Company. You also represent that you are not a party to or subject to any restrictive covenants, legal restrictions, policies, commitments or other agreements in favor of any entity or person that would in any way preclude, inhibit, impair or limit your ability to perform your obligations under this Agreement, including noncompetition agreements or nonsolicitation agreements, and you further represent that your performance of the duties and obligations under this Agreement does not violate the terms of any agreement to which you are a party. You agree that you will not enter into any agreement or commitment or agree to any policy that would prevent or hinder your performance of duties and obligations under this Agreement.
- (i) *Survivorship.* The respective rights and obligations of the Company and you hereunder will survive any termination of your employment to the extent necessary to preserve the intent of such rights and obligations.
- (j) **Withholding.** The Company will be entitled to withhold, or cause to be withheld, any amount of federal, state, city or other withholding taxes or other amounts either required by law or authorized by you with respect to payments made to you in connection with your employment.
- (k) *Company Policies*. References in this Agreement to Company policies and procedures are to those policies and procedures in effect at the Effective Date, as the Company may amend them from time to time.
- (l) **Background Checks.** The Company's offer of continued at-will employment is contingent upon your authorization and successful completion of background checks, reference checks, and drug testing. You may be required to execute authorizations for the Company and/or their third party vendor to obtain consumer reports and/or investigative consumer reports and use them in conducting background checks and drug testing as a condition to your ongoing employment.
- (m) *Governing Law; Dispute Resolution.* The Parties agree that the Federal Arbitration Act, 9 U.S.C. §1 et seq. and the National Rules (as defined below) shall apply to the

interpretation and enforcement of this Agreement. The laws of the State of Texas shall govern the substantive merits of any legal dispute set forth herein, without regard to conflicts of law provisions. In case of any controversy or claim arising out of or related to this Agreement or relating to your employment (including claims relating to employment discrimination), except as expressly excluded herein, each Party agrees to give the other Party notice of an intent to seek arbitration under this Agreement and 10 days to reach a resolution. Should resolution of any controversy or claim not be reached following provision of notice and a reasonable opportunity to cure, then the dispute (including the arbitrability of the dispute itself) shall be settled by arbitration under the American Arbitration Association's National Rules for the Resolution of Employment Disputes (the "National Rules"). A single arbitrator shall be selected in accordance with the National Rules. The dispute will be arbitrated in Dallas, Texas, absent mutual agreement of the Parties to another venue. Any claim or controversy not submitted to arbitration in accordance with this Section 9(m) (other than as provided under the Restrictive Covenants Agreement) will be waived, and thereafter no arbitrator, arbitration panel, tribunal, or court will have the power to rule or make any award on any such claim or controversy. In determining a claim or controversy under this Agreement and in making an award, the arbitrator must consider the terms and provisions of this Agreement, as well as all applicable federal, state, or local laws. The award rendered in any arbitration proceeding held under this Section 9(m) shall be final and binding and judgment upon the award may be entered in any court having jurisdiction thereof. Claims for workers' compensation or unemployment compensation benefits are not covered by this Section 9(m). Also not covered by this Section 9(m) are claims by the Company or by you for temporary restraining orders, preliminary injunctions or permanent injunctions ("equitable relief") in cases in which such equitable relief would be otherwise authorized by law or pursuant to the Restrictive Covenants Agreement. The Company will be responsible for paying any filing fee of the sponsoring organization and the fees and costs of the arbitrator; provided, however, that if you initiate the claim, you will contribute an amount equal to the filing fee you would have incurred to initiate a claim in the court of general jurisdiction in the State of Texas. Each party will pay for its own costs and attorneys' fees, if any, provided that the arbitrator or court, as applicable, may award reasonable costs and expenses in favor of the prevailing party. The Company and you agree that the decision as to whether a party is the prevailing party in an arbitration, or a legal proceeding that is commenced in connection therewith will be made in the sole discretion of the arbitrator or, if applicable, the court.

Any action, suit or other legal proceeding with respect to equitable relief that is excluded from arbitration above must be commenced only in a court of the State of Texas (or, if appropriate, a federal court located within the State of Texas), and the Company and you each consent to the jurisdiction of such a court. With respect to any such court action, the Parties hereto (a) submit to the personal jurisdiction of such courts; (b) consent to service of process by the means specified under Section 9(a); and (c) waive any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, inconvenient forum, or service of process.

- (n) *Interpretation.* The parties agree that this Agreement will be construed without regard to any presumption or rule requiring construction or interpretation against the drafting party. References in this Agreement to "include" or "including" should be read as though they said "without limitation" or equivalent forms.
- (o) *Entire Agreement.* This Agreement and any documents referred to herein represent the entire agreement of the Parties and will supersede any and all previous contracts, arrangements or understandings between the Company and you.

Signatures on Page Following

	HMS
04/02/2014 Date	By: /s/ TRACY SOUTH Tracy South
	Joseph Donabauer
04/02/2014 Date	/s/ JOSEPH DONABAUER
	8

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed and you have hereunto set your hand to be

effective as of the dates below.

RETENTION AGREEMENT

HMS Holdings Corporation ("HMS") is currently making organizational changes to its Finance Department. Hence, HMS, and its direct and indirect subsidiaries, corporate and other affiliates, and their successors and assigns are entering into this Retention Agreement with Vice President/Controller for HMS Business Services, Inc. Joseph Donabauer ("Donabauer") in light of those changes, because it is important to make that transition as smooth as possible, and to minimize any business disruption caused by the reorganization.

Accordingly, for and in consideration of those concerns, HMS agrees to pay Donabauer a gross Retention Amount of \$126,175.00, as described by the following schedule:

- A. One-half of the Retention Amount, or \$63,087.50 if Donabauer's employment continues through September 12, 2014, and HMS has not terminated Donabauer's employment for cause or Donabauer has not voluntarily resigned his employment, as stipulated by Paragraph 6(c) of Donabauer's Employment Agreement with HMS effective August 1, 2012.
- B. The remaining balance of the Retention Amount of \$126,175.00 or \$63,087.50 if Donabauer's employment continues through March 13, 2015 and HMS has not terminated Donabauer's employment for cause or Donabauer has not voluntarily resigned his employment, as stipulated by Paragraph 6(c) of Donabauer's Employment Agreement with HMS effective August 1, 2012.

HMS agrees to pay Donabauer the applicable Retention Amounts within 10 days after each qualifying dates, that is, \$63,087.50 for the September 12, 2014 deadline; and the second half of the Retention Amount, \$63,087.50, for the March 13, 2015 deadline.

In addition, if HMS eliminates or relocates Donabauer's position as Vice President/Controller to the Dallas, Texas area and he is unable to relocate in order to continue in that position, HMS will pay Donabauer an additional 6 months of severance, on top of the 6 months of severance he would otherwise receive, thereby qualifying as a termination without cause from Paragraph 6(b)(i) of Donabauer's Employment Agreement with HMS effective August 1, 2012.

This Retention Agreement does nothing to alter the terms and conditions of the Noncompetition, Nonsolicitation, Proprietary and Confidential Information and Developments Agreement the Parties executed on August 1, 2012. Moreover, this Retention Agreement is incorporated by reference into the Noncompetition, Nonsolicitation, Proprietary and Confidential Information and Developments Agreement the Parties executed on August 1, 2012, and is intended merely as a supplement thereto. The explicit purpose of this Retention Agreement is only meant to identify the conditions of Donabauer's separation from HMS.

This Retention Agreement does nothing to alter the terms and conditions of HMS paying Donabauer his salary and benefits of his current employment as a Vice President/Controller of HMS throughout his tenure, or any other benefit of Donabauer's employment that the Parties previously agreed to.

This Retention Agreement will be governed by and construed as a sealed instrument under and in accordance with the laws of the State of Texas without regard to conflicts of law provisions. Any action, suit or other legal proceeding that is commenced to resolve any matter arising under or relating to any provision of this Retention Agreement must be commenced only in a court of the State of Texas (or, if

appropriate, a federal court located within the State of Texas) and the Company and Donabauer each consent to the jurisdiction of such a court. With respect to any such court action, the Company and Donabauer agree to (a) submit to the personal jurisdiction of such courts; (b) consent to service of process by the means specified in Attachment "A;" and (c) waive any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, inconvenient forum, or service of process. The Company and Donabauer each hereby irrevocably waives any right to a trial by jury in any action, suit or other legal proceeding arising under or relating to any other provision of this Retention Agreement.

Attachment "A"

Addresses for Notice

Any notice required pursuant to this Retention Agreement shall be sent via registered mail, return receipt requested, or overnight mail with delivery confirmation to the following addresses:

If to the Company: HMS, 5615 High Point Drive, Irving, Texas 75038

Attention, Tracy South

<u>If to You:</u> Joseph Donabauer, 5 Stafford Terrace, Parsippany, NJ 07054

 $[\ \textbf{REMAINDER OF PAGE INTENTIONALLY LEFT BLANK}\]$

YOU ACKNOWLEDGE THAT YOU HAVE CAREFULLY READ THIS AGREEMENT AND UNDERSTAND AND AGREE TO ALL OF THE PROVISIONS IN THIS AGREEMENT.

Witness our hands and seals

HMS Holdings Corporation

By: /s/ TRACY SOUTH

Tracy South, SVP Human Resources

Date: 04/28/2014

Joseph Donabauer

/s/ JOSEPH DONABAUER

Date: 04/28/2014

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Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer of HMS Holdings Corp., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

- I, William C. Lucia, certify that:
- 1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K/A of HMS Holdings Corp.; and
- 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.

Date: April 30, 2015

/s/ WILLIAM C. LUCIA

William C. Lucia
President and Chief Executive Officer
(Principal Executive Officer)

Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer of HMS Holdings Corp., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey S. Sherman, certify that:

- 1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K/A of HMS Holdings Corp.; and,
- 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.

Date: April 30, 2015 /s/ JEFFREY S. SHERMAN

Jeffrey S. Sherman Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

Form **1120S**

U.S. Income Tax Return for an S Corporation

▶ Do not file this form unless the corporation has filed or is

attaching Form 2553 to elect to be an S corporation.

▶ Information about Form 1120S and its separate instructions is at www.irs.gov/form1120s.

OMB No. 1545-0123

2014

Department of the Treasury Internal Revenue Service

For	calenda	ar year 2014 or tax year beginning	, and ending			
A S	election	n effective date Name	· ·		D Employ	yer identification number
1	1/0	1/1986 💆				
_		activity E				
	ode nun	mber 8 N			E D	
).			
	book if (Sch. M-3	ode		FΤ	
	ttached		Jue		['	
			/ 37 11 1	7 10 4	3	
		orporation electing to be an S corporation beginning with this tax year?		f "Yes," attach For		
		if: (1) Final return (2) Name change (3) Address change				
<u> </u>		ne number of shareholders who were shareholders during any part of the tax yea				
		on: Include only trade or business income and expenses on lines 1a thr	ough 21. See the			mation.
	1 a	Of Sales	C Bal. Subtract lin	e 1b from line 1a		
E E	2	Cost of goods sold (attach Form 1125-A)			2	
Incom	3	Gross profit. Subtract line 2 from line 1c				
드	4	Net gain (loss) from Form 4797, line 17 (attach Form 4797)			4	
	5	Other income (loss) (attach statement)	STATE	MENT 1	5	
	6	Total income (loss). Add lines 3 through 5				
(s	7	Compensation of officers (see instrs attach Form 1125-E)			7	
ë	8	Salaries and wages (less employment credits)			8	
tat	9	Repairs and maintenance			9	
Έ.	10	Bad debts			10	
ō	11	Rents				
1S f	12	Taxes and licenses	STATE	MENT 2	12	
tio	13	Interest				Amend
Deductions (See instructions for limitations)	14	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form	m 4562)		14	**************************************
nst	15	Depletion (Do not deduct oil and gas depletion.)				
ë	16	Advertising				
Š)	17	Pension, profit-sharing, etc., plans				
Suc	18	Employee benefit programs			18	
ctic	19	Other deductions (attach statement)				
ğ	20	Total deductions. Add lines 7 through 19				
۵	21	Ordinary business income (loss). Subtract line 20 from line 6				
	22 a	Excess net passive income or LIFO recapture tax (see in structions)			34584	
	b	Tax from Schedule D (Form 1120S)		· · · · · · · · · · · · · · · · · · ·		
	C	Add lines 22a and 22b			22c	
y,	23 a	2014 estimated tax payments and 2013 overpayment credited to 2014	23a		788.5	— · · · · · · · · · · · · · · · · · · ·
ent		Tax deposited with Form 7004				
ayments	C	Credit for federal tax paid on fuels (attach Form 4136)	23c			
<u>a</u>	d	Add lines 23a through 23c			23d	
and	24	Estimated tax penalty (see instructions). Check if Form 2220 is attached		▶ □	24	
Тах	25	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter ar	nount owed		_	
-	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amo			26	
	27	Enter amount from line 26 Credited to 2015 estimated tax	,	Refunded	▶ 27	
	Und	fer penalties of perjury, I declare that I have examined this return, including accompanying sch	dules and statements, a	and to the best of my	knowledge an	d
Sig	n 🎳	ef, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all	morniauum of which pre	parer nas any know	ieuge.	May the IRS discuss this return with the
Hei	e 📐		PRESIDE	ENT		preparer shown below (see instr.)?
		Signature of officer Date	Title	***		X Yes No
	Print/Typ	pe preparer's name Preparer's signature				
0		- Appara - Agracia	Da		heck if	PTIN
Paid Pre-					elf- mployed	
parer Use					irm's EIN	*
Only					hone	
AWL	For	Paperwork Reduction Act Notice, see separate instructions.				Form 1120S (2014)

For	rm 1120S (2014)							Р	age 2
(Schedule B Other Information (see	instructions)						Yes	No
1	Check accounting method: (a) Cash (b)	X Accrual (c)	L	Other (specify)		,			
2	See the instructions and enter the:	,		_					
	(a) Business activity ► PRINTING SERV			Product or service 🕨 🖺				_	
3	At any time during the tax year, was any shareholder i							Mark.	
	nominee or similar person? If "Yes," attach Schedule E	3-1, Information on Ce	rtair	Shareholders of an S Co	orporation			100000000000000000000000000000000000000	X
	At the end of the tax year, did the corporation:								
ć	Own directly 20% or more, or own, directly or indirect					_		10000	х
	foreign or domestic corporation? For rules of constru	(ii) Employer			untry of	(iv) Percentage	(v) If Pe	rcentage in	
	(i) Name of Corporation	Identification Numb (if any)	er		oration	of Voting Stock Owned	100% En Qualifi	ercentage in iter the Date ed Subchap y Election W	(if any) a iter S
		(ii arry)				Owned	Subsidiary	Election W	as Made
							 		
							+		
	A. M. Paris, T		_					•	
t	Own directly an interest of 20% or more, or own direct	tly or indirectly an inte	rest	of 50% or more in the p	rofit, loss, or			18656	143000
	capital in any foreign or domestic partnership (includi-	ng an entity treated as	a pa	artnership) or in the bene	ficial interest of a				
	trust? For rules of constructive ownership, see instruc		te (i) through (v) below.				**************************************	Х
	(i) Name of Entity	(ii) Employer Identification Numb	er	(iii) Type of Entity		ountry of		(v) Maxir Percentage C	mum Owned in
	(i) name of Emily	(if any)	٥,	(my typo of Emary	Orga	inization	P	rofit, Loss,	or Capital
			_						
_	At the end of the toy year did the corporation have an	L cutatandian abores	£ 40	ntwinterd others I/O				$\overline{}$	Х
Ð	a At the end of the tax year, did the corporation have an	y outstanding snares t	n re	Stricted Stock?				440.490	- cársina-tí
	If "yes" complete lines (i) and (ii) below (i) Total shares of restricted stock				_				

1	(ii) Total shares of non-restricted stock At the end of the tax year, did the corporation have any	v outstanding stock or		e warrante or cimilar in	etrumente?			75566	X
	If "yes" complete lines (i) and (ii) below	y outstanding stock of	·	o, warranto, or ournar in	36 amonto:			101000000	-124500
	(i) Total shares of stock outstanding at the end of the	tax vear			•				
	(ii) Total shares of stock outstanding if all instruments								
6	Has this corporation filed, or is it required to file, Form					portable transact	ion?		X
	Check this box if the corporation issued publicly offered								223
	If checked, the corporation may have to file Form 828	1, Information Return	for f	Publicly Offered Original I	ssue Discount Instru				
8	If the corporation; (a) was a C corporation before it el with a basis determined by reference to the basis of th	ected to be an S corpo	ŗatio	on or the corporation acc	juired an asset				
	corporation and (b) has net unrealized built-in dain in	e asset (or the basis of excess of the net reco	r an Iniz	y omer property) in the h ed built-in gain from orio	ands of a C r vears, enter				
	corporation and (b) has net unrealized built-in gain in the net unrealized built-in gain reduced by net recogni	zed built-in gain from (rior	years	> \$				
	Enter the accumulated earnings and profits of the corp		he ta	ax year	> \$				
	Does the corporation satisfy both of the following con-			**					
	aThe corporation's total receipts (see instructions) for t								
1	The corporation's total assets at the end of the tax yea	` 1	υ00						X
11	If "Yes," the corporation is not required to complete So			panelled for each	au had th-			0.50	196,43
1 1	During the tax year, did the corporation have any non-								v
	terms modified so as to reduce the principal amount of	ւս։Ե ԱԵՍԼՐ	•••••					100,000	X
19	If "Yes," enter the amount of principal reduction	idiani election termino	tod	or revoked? If "Vee " eee	inetructions	,		54880	X
13:	a Did the corporation make any payments in 2014 that v	vould require it to file F	nrm	os rovonous il 165, 566 n(s) 1099 (see instruction	19/9			X	
	of Yes," did the corporation file or will it file all required	Forms 1099?	J. 11	ito) 1000 (000 illatitubilot	···/·		*********	X	
	an oquiro						Form 1		(2014)
	744								· · · /

Page	
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Sch	edule K Shareholders' Pro Rata Share Items			Total amount
	1 Ordinary business income (loss) (page 1, line 21)		1	01.046
	2 Net rental real estate income (loss) (attach Form 8825)			
	3a Other gross rental income (loss)		11.7434	
	b Expenses from other rental activities (attach statement)			
_	c Other net rental income (loss). Subtract line 3b from line 3a		30	
SSO	4 Interest income	STATEMENT 4	4	
Ĩ	5 Dividends: a Ordinary dividends			· · · · · · · · · · · · · · · · · · ·
E E	b Qualified dividends	5b	Experience (CD)	
ncome (Loss)	6 Royalties		6	
	7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S))			
	8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S))			
			10040mm	
	b Collectibles (28%) gain (loss) c Unrecaptured section 1250 gain (attach statement)	8c		
	9 Net section 1231 gain (loss) (attach Form 4797)			
	Other income (loss) 10 (see instructions) Type		10	
	11 Section 179 deduction (attach Form 4562)			
Deductions	12 a Charitable contributions	STATEMENT 5	12a	
ij	b Investment interest expense			
큧	Section 59(e)(2) c expenditures (1) Type		1.25	
۵			12c(2)	
	(2) Amount ► Other deductions (see instructions) Type ►		12d	
	13 a Low-income housing credit (section 42(j)(5))			
	b Low-income housing credit (other)		13b	· · · · · · · · · · · · · · · · · · ·
v	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)		13c	
Credits	Other rental real estate		13d	
င်	e Other rental credits (see instructions) Type	13e		
_	f Biofuel producer credit (attach Form 6478)			
	Other credits § (see instructions) Type		13g	
	14a Name of country or U.S. possession			
	b Gross income from all sources		14b	
	c Gross income sourced at shareholder level		14c	
	Foreign gross income sourced at corporate level		-5687466	
	d Passive category		14d	
Transactions	e General category			
Ċţi	f Other (attach statement)			
nsa	Deductions allocated and apportioned at shareholder level		15000000	*******
ᇤ	g Interest expense		14g	
⊏	h Other		14h	
Foreig	Deductions allocated and apportioned at corporate level to foreign source inco	ne	102/3502	
굕	i Passive category		14i	
	j General category			,
	k Other (attach statement)		14k	
	Other information		J. 23	
		•••••	141	
	mReduction in taxes available for credit (attach statement)			
	n Other foreign tax information (attach statement)			CHARLOS LA LA CORRESCIONA
	15 a Post-1986 depreciation adjustment		15a	The second secon
rnative num Tax 7) Items	b Adjusted gain or loss		15b	
ati Iter	c Depletion (other than oil and gas)		15c	
Ting(E	d Oil, gas, and geothermal properties - gross income		15d	
A PER	e Oil, gas, and geothermal properties - deductions	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	15e	
	f Other AMT items (attach statement)		. 15f	
Items Affecting Shareholder Basis	16 a Tax-exempt interest income			
de	b Other tax-exempt income		16b	
Affe sho	c Nondeductible expenses		16c	
are Be	d Distributions (attach statement if required)		·	
e S	e Repayment of loans from shareholders		16e	

Form	1120S (2014)					Page 4
	hedule K Shareholders' Pro Rata Shar	e Items (continued)				Total amount
- E	17a Investment income				17a	
Other Information	b Investment expenses				17b	
향	c Dividend distributions paid from accum				17c	
重	d Other items and amounts (attach state)	ment)	STATE	MENT 8	1985 E.A. 6	150, 1565
Recon-						
iati	18 Income/loss reconciliation. Combine	the amounts on lines 1 through	h 10 in the far right column.			
~.≘	From the result, subtract the sum of the	e amounts on lines 11 through	12d and 14l		18	
Sc	hedule L Balance Sheets per Books	Beginning o	of tax year		End of tax	x year
	Assets	(a)	(b)	(c)		(d)
1 (Cash		•			
	Trade notes and accounts receivable					
b l	Less allowance for bad debts					
3 I	Inventories					
4 l	U.S. government obligations					
	Tax-exempt securities				L	
	Other current assets (att. stmt.)	STATEMENT 9				
	Loans to shareholders					
	Mortgage and real estate loans					
	Other investments (att. stmt.)					
	Buildings and other depreciable assets					
	Less accumulated depreciation					
	Depletable assets					
	Less accumulated depletion					
	Intangible assets (amortizable only)					
	Less accumulated amortization		· · · · · · · · · · · · · · · · · · ·		8	
	Other assets (att. stmt.)				-	
15 7	Total assets		LA MIN			or or o
10	Liabilities and Shareholders' Equity		Talk Prising Constraint			
	Accounts payable				F	
	Mortgages, notes, bonds payable in less than 1 year	STATEMENT 10			H	
	Other current liabilities (att. stmt.) Loans from shareholders	JIAI DAMAN IV			F	
	Mortgages, notes, bonds payable in 1 year or more	-			F	
	Other liabilities (att. stmt.)	•			-	
	Capital stock	}			H	
	Additional paid-in capital	}			H	
	Retained earnings	STATEMENT 11			- F	
	Adjustments to shareholders' equity (att. stmt.)				H	
	Less cost of treasury stock				- t	
	Total liabilities and shareholders' equity	ľ			1	···
JWA						Form 1120S (2014)

Form 1120S (2014)			Page 5
Schedule M-1 Reconciliation of Income (Loss) per		(Loss) per Return	
Note: The corporation may be required to file Schedule			
1 Net income (loss) per books	5 Income recorded on boo	•	
2 Income included on Schedule K, lines 1, 2, 3c, 4, 5a,	included on Schedule K,	lines 1 through	
6, 7, 8a, 9, and 10, not recorded on books this year	10 (itemize):		
(itemize):	a Tax-exempt interest		
	STMT 13		•
3 Expenses recorded on books this year not	6 Deductions included on	•	
included on Schedule K, lines 1 through 12	through 12 and 14I, not		
and 14I (itemize);	book income this year (i	temize):	
a Depreciation \$	a Depreciation \$		
b Travel and entertainment \$	STMT 14		
STMT 12	7 Add lines 5 and 6		
4 Add lines 1 through 3		e 18). Line 4 less line 7	
Schedule M-2 Analysis of Accumulated Adjustmen			
Shareholders' Undistributed Taxable	Income Previously		
	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of tax year		100 070	
2 Ordinary income from page 1, line 21			
3 Other additions STATEMENT 16			
4 Loss from page 1, line 21	(1.00	
5 Other reductions STATEMENT 17	([(
6 Combine lines 1 through 5			The State of the Control of the State of the
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6			
JWA			Form 1120S (2014)

Form 1125-A

(Rev. December 2012)

Department of the Treasury Internal Revenue Service

Cost of Goods Sold

► Attach to Form 1120, 1120-C, 1120-F, 1120S, 1065, or 1065-B.

▶ Information about Form 1125-A and its instructions is at www.irs.gov/form1125a.

OMB No. 1545-2225

lam			١ ـ	Employer identification number	
1	Inventory at beginning of year	1			
2	Purchases	2			
3	Cost of labor	3			
4	Additional section 263A costs (attach schedule)	4			
5	Other costs (attach schedule) SEE STATEMENT 18	5			
6	Total. Add lines 1 through 5	6			
7	Inventory at end of year	7			
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the				
	appropriate line of your tax return (see instructions)	8			ı
9 a	Check all methods used for valuing closing inventory:				
	(i) Cost				
	(ii) Lower of cost or market				
	(iii) Other (Specify method used and attach explanation)				_
					_
b	Check if there was a writedown of subnormal goods			>	
C	Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)			▶ ∐	
d	If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed				
	under LIFO	9d			_
	If property is produced or acquired for resale, do the rules of Section 263A apply to the corporation?				
f	Was there any change in determining quantities, cost, or valuations between opening and closing inventory?			Yes X N	0
	If "Yes," attach explanation.				
					_
or	Paperwork Reduction Act Notice, see separate instructions.			Form 1125-A (Rev. 12-2012)	,

Compensation of Officers

Department of the Treasury Internal Revenue Service Name

► Attach to Form 1120, 1120-C, 1120-F, 1120-REIT, 1120-RIC, or 1120S.

▶ Information about Form 1125-E and its separate instructions is at www.irs.gov/form1125e.

OMB No. 1545-2225

Note. Complete Form 1125-E only if total receipts are \$500,0	000 or more. See instr	uctions for def	inition of total	receipts		
(a) Name of officer	(b) Social security number	(C) Percent of time devoted to	Percent of s			(f) Amount of compensation
(4)	number	business	(d) Common	(e) Pret	erred	compensation
	I					
44.						,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
		,				
The state of the s						
2 Total compensation of officers					2	
3 Compensation of officers claimed on Form 1125-A or elsewhere	on return				3	
4 Subtract line 3 from line 2. Enter the result here and on Form 11						
appropriate line of your tax return					4	

4562

Department of the Treasury Internal Revenue Service (99)

Name(s) shown on return

Depreciation and Amortization (Including Information on Listed Property) OTHER

➤ Attach to your tax return.

Information about Form 4562 and its separate instructions is at www.irs.gov/form4562.

Business or activity to which this form relates

OMB No. 1545-0172

Attachment Sequence No. 179

identifying number

	rt Election To Expense Certain Prop	erty Under Section 17	79 Note: If you have any lis	sted property, o	complete Part	V before y	ou complete Part I.
1	Maximum amount (see instructions)					1	F 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6
	Total cost of section 179 property pla						
	Threshold cost of section 179 propert						
	Reduction in limitation. Subtract line 3						
	Dollar limitation for tax year. Subtract line 4 from lin					_	
6	(a) Description of p		(b) Cost (busin		(c) Electe		
_							
7	Listed property. Enter the amount fror	n line 29		7			
	Total elected cost of section 179 prop					8	
	Tentative deduction. Enter the smalle						" '
	Carryover of disallowed deduction from						
	Business income limitation. Enter the					,	
	Section 179 expense deduction. Add						
	Carryover of disallowed deduction to				*****************		
	e: Do not use Part II or Part III below fo						
Pa	rt II Special Depreciation Allow	ance and Other De	epreciation (Do not inclu	de listed prope	erty.)		
14 5	Special depreciation allowance for qua	alified property (oth	er than listed property) p	laced in service	during]	
						14	
	Property subject to section 168(f)(1) e						
	Other depreciation (including ACRS)					16	
	IT III MACRS Depreciation (Do n				2	···· 1 . · ·	<u> </u>
		· · · · · · · · · · · · · · · · · · ·	Section A				
17	MACRS deductions for assets placed	in service in tax ve	ars beginning before 201	4		17	
	If you are electing to group any assets placed in se					-580 sectors (g Statistic garagest agent and a second
						10404.907.94	
		s Placed in Servic	e During 2014 Tax Year			ation Syst	em
		(b) Month and	(c) Basis for depreciation		eral Deprecia	T	
	(a) Classification of property			Using the Gen		T	(g) Depreciation deduction
		(b) Month and year placed	(c) Basis for depreciation (business/investment use	Using the Gen	eral Deprecia	T	
19a b	(a) Classification of property	(b) Month and year placed	(c) Basis for depreciation (business/investment use	Using the Gen	eral Deprecia	T	
_	(a) Classification of property 3-year property	(b) Month and year placed	(c) Basis for depreciation (business/investment use	Using the Gen	eral Deprecia	T	
b	(a) Classification of property 3-year property 5-year property	(b) Month and year placed	(c) Basis for depreciation (business/investment use	Using the Gen	eral Deprecia	T	
b	(a) Classification of property 3-year property 5-year property 7-year property	(b) Month and year placed	(c) Basis for depreciation (business/investment use	Using the Gen	eral Deprecia	T	
c d	(a) Classification of property 3-year property 5-year property 7-year property 10-year property	(b) Month and year placed	(c) Basis for depreciation (business/investment use	Using the Gen	eral Deprecia	T	
b c d	(a) Classification of property 3-year property 5-year property 7-year property 10-year property 15-year property	(b) Month and year placed	(c) Basis for depreciation (business/investment use	Using the Gen	eral Deprecia	T	
b c d e f	(a) Classification of property 3-year property 5-year property 7-year property 10-year property 15-year property 20-year property 25-year property	(b) Month and year placed	(c) Basis for depreciation (business/investment use	Using the Gen (d) Recovery period	eral Deprecia	(f) Method	
b c d e f	(a) Classification of property 3-year property 5-year property 7-year property 10-year property 15-year property 20-year property 25-year property	(b) Month and year placed	(c) Basis for depreciation (business/investment use	Using the Gen (d) Recovery period	eral Deprecia (e) Convention	(f) Method	
b c d e f g	(a) Classification of property 3-year property 5-year property 10-year property 15-year property 20-year property 25-year property Residential rental property	(b) Month and year placed	(c) Basis for depreciation (business/investment use	Using the Gen (d) Recovery period 25 yrs. 27.5 yrs. 27.5 yrs.	eral Deprecia (e) Convention	(f) Method S/L S/L S/L	
b c d e f	(a) Classification of property 3-year property 5-year property 7-year property 10-year property 15-year property 20-year property 25-year property	(b) Month and year placed	(c) Basis for depreciation (business/investment use	Using the Gen (d) Recovery period 25 yrs. 27.5 yrs.	eral Deprecia (e) Convention MM MM	(f) Method	
b c d e f g	(a) Classification of property 3-year property 5-year property 10-year property 15-year property 20-year property 25-year property Residential rental property Nonresidential real property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use	25 yrs. 27.5 yrs. 27.5 yrs. 39 yrs.	eral Deprecia (e) Convention MM MM MM MM	(f) Method S/L S/L S/L S/L S/L S/L S/L	(g) Depreciation deduction
b c d e f g	(a) Classification of property 3-year property 5-year property 10-year property 15-year property 20-year property 25-year property Residential rental property Nonresidential real property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	25 yrs. 27.5 yrs. 27.5 yrs. 39 yrs.	eral Deprecia (e) Convention MM MM MM MM	S/L S/L S/L S/L S/L S/L	(g) Depreciation deduction
b c d e f g h	(a) Classification of property 3-year property 5-year property 10-year property 15-year property 20-year property 25-year property Residential rental property Nonresidential real property Section C - Assets Class life	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	25 yrs. 27.5 yrs. 27.5 yrs. 39 yrs.	eral Deprecia (e) Convention MM MM MM MM	S/L	(g) Depreciation deduction
b c d e f g h	(a) Classification of property 3-year property 5-year property 10-year property 15-year property 20-year property 25-year property Residential rental property Nonresidential real property Section C - Assets Class life	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	25 yrs. 27.5 yrs. 27.5 yrs. 39 yrs.	eral Deprecia (e) Convention MM MM MM MM	S/L	(g) Depreciation deduction
b c d e f g h i 20a b c	(a) Classification of property 3-year property 5-year property 10-year property 15-year property 20-year property 25-year property Residential rental property Nonresidential real property Section C - Assets Class life 12-year	(b) Month and year placed in service // // // // Placed in Service	(c) Basis for depreciation (business/investment use only - see instructions)	25 yrs. 27.5 yrs. 27.5 yrs. 39 yrs. sing the Altern	eral Deprecia (e) Convention MM MM MM MM MM MM MM MM MM	S/L	(g) Depreciation deduction
b c d e f g h i c Pa	(a) Classification of property 3-year property 5-year property 10-year property 15-year property 20-year property 25-year property Residential rental property Nonresidential real property Section C - Assets Class life 12-year 40-year	(b) Month and year placed in service / / / / / / Placed in Service	(c) Basis for depreciation (business/investment use only - see instructions)	25 yrs. 27.5 yrs. 27.5 yrs. 39 yrs. sing the Altern	eral Deprecia (e) Convention MM MM MM MM MM MM MM MM MM	S/L S/L S/L S/L S/L S/L S/L S/L S/L S/L	(g) Depreciation deduction
	(a) Classification of property 3-year property 5-year property 10-year property 15-year property 20-year property 25-year property Residential rental property Nonresidential real property Section C - Assets Class life 12-year 40-year rt IV Summary (See instructions.)	(b) Month and year placed in service // // // // Placed in Service //	(c) Basis for depreciation (business/investment use only - see instructions)	25 yrs. 27.5 yrs. 27.5 yrs. 39 yrs. sing the Altern 12 yrs. 40 yrs.	eral Deprecia (e) Convention MM MM MM MM MM MM MM MM MM	S/L	(g) Depreciation deduction
b c d e f g h	(a) Classification of property 3-year property 5-year property 10-year property 15-year property 20-year property 25-year property Residential rental property Nonresidential real property Section C - Assets Class life 12-year 40-year rt IV Summary (See instructions.) Listed property. Enter amount from lin Total. Add amounts from line 12, lines	(b) Month and year placed in service // // // // Placed in Service / e 28 14 through 17, line	(c) Basis for depreciation (business/investment use only - see instructions) During 2014 Tax Year U	25 yrs. 27.5 yrs. 27.5 yrs. 39 yrs. 12 yrs. 40 yrs.	eral Deprecia (e) Convention MM MM MM MM MM MM MM MM MM	S/L	(g) Depreciation deduction
b c d e f g h	(a) Classification of property 3-year property 5-year property 10-year property 15-year property 20-year property 25-year property Residential rental property Nonresidential real property Section C - Assets Class life 12-year 40-year rt IV Summary (See instructions.)	(b) Month and year placed in service // // // // Placed in Service / e 28 14 through 17, lines of your return. Pa	(c) Basis for depreciation (business/investment use only - see instructions) During 2014 Tax Year U es 19 and 20 in column (curtnerships and S corpora	25 yrs. 27.5 yrs. 27.5 yrs. 39 yrs. 12 yrs. 40 yrs.	eral Deprecia (e) Convention MM MM MM MM MM MM MM MM MM	S/L	(g) Depreciation deduction

East	4560 (2014)														Page 2	
_	orm 4562 (2014) Part V Listed Proper	ty (include a	utomobiles, ce	rtain ot	her vehi	cles, ce	rtain airc	raft, ce	ertain com	puters, a	and prop	erty use	ed for er	_		
<u> </u>	recreation, or a	amusement.)														
	Note: For any through (c) of	venicie for w Section A, ali	nicn you are us I of Section B,	sing the and Se	standar ction C i	a mileag f applica	ge rate o able.	r aeau	cting leas	e expens	se, comp	^{nere} only	. 24a, 2	4b, coluii	iris (a)	
	Section A	- Depreciati	on and Other	Inform	ation (C	aution:	See the	instruc	tions for l	imits for	passeng	er auton	nobiles.			
24:	a Do you have evidence to						es L	No						Yes	No	
=	(a)	(b)	(c)	T	(d)	T	(e)		(f)	T -	(g)		(h)		(i)	
	Type of property	Date placed in	Business/ investment		Cost or	(hi	sis for depr usiness/inv		Recovery	Me	thod/		ciation		cted in 179	
	(list vehicles first)	service	use percentag	je o	ther basis	, ,	use onl		period	Conv	ention/	aeat	uction	CO		
25	Special depreciation all	owance for c	ualified listed	oropert	y placed	in servi	ce durin	g the t	ax year ar	nd				A SHOW	Paso a	
	used more than 50% in	a qualified b	ousiness use		- ·						. 25					
26	Property used more that	n 50% in a c	qualified busine	ess use	:					_						
		1 1	9	ó												
		: :	9	6												
		: :	9	6												
27	Property used 50% or I	ess in a qual	ified business	use:												
		: :	9	6						S/L·				-30,500		
		ŧ :	9	6						S/L -						
		: :	9	6						S/L -						
28	Add amounts in column	n (h), lines 25	through 27. E	nter her	e and or	ı line 21	, page 1				28					
29	Add amounts in column	ı (i), line 26. E	nter here and	on line	7, page	1						<u> </u>	. 29			
			s	ection	B - Info	mation	on Use	of Vel	nicles	_						
	implete this section for ve your employees, first ans														,	
_				((a)		(b)	1	(c)	7	d)	1 6	e)	(f	<u> </u>	
30	Total business/investment miles driven during the year (do not include commuting miles)			hicle		hicle	_\	/ehicle	1 '	nicle	1	nicle	Vehicle			
			٠ ,								, · · · · · · · · · · · · · · · · · · ·				70111010	
31	Total commuting miles				•	1		1						†		
	Total other personal (no		1			······································		 		 				t		
	driven	_														
33	Total miles driven during															
	Add lines 30 through 32															
34	Was the vehicle availab			Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
	during off-duty hours?							1								
35	Was the vehicle used p		i													
	than 5% owner or relate	ed person?														
36	Is another vehicle availa														-	
	use?						.]							'		
		Section C	- Questions fo	or Emp	loyers V	Vho Pro	vide Ve	hicles	for Use b	y Their	Employe	es				
Ans	swer these questions to	determine if y	you meet an ex	ceptio	n to com	pleting	Section	B for v	ehicles us	sed by e	nployee	s who aı	re not n	nore than	5%	
ow	ners or related persons.															
37	Do you maintain a writte	en policy stat	tement that pro	hibits a	all perso	nal use	of vehic	les, inc	luding cor	nmuting	, by you	r		Yes	No	
	employees?								•••••							
38	Do you maintain a writte	en policy stat	ement that pro	phibits p	oersonal	use of	vehicles,	, ехсер	t commut	ting, by y	our .					
	employees? See the ins	tructions for	vehicles used	by corp	oorate of	fficers, c	directors	, or 1%	or more	owners				. L	<u> </u>	
	Do you treat all use of v													. L		
40	Do you provide more the															
	the use of the vehicles,	and retain th	e information r	eceive	d?	•									<u> </u>	
41	Do you meet the require	ements conc	erning qualified	l autom	nobile de	monstra	ation use	?					• • • • • • • • • • • • • • • • • • • •			
_	Note: If your answer to	37, 38, 39, 4	0, or 41 is "Yes	," do n	ot comp	lete Sec	tion B fo	or the c	covered ve	hicles.				1000	ázetyt	
Pa	art VI Amortization															
	(a) Description of	costs		(b) mortization		(C) Amortizal	ble		(d) Code		(e) Amortiza		А	(f) mortization		

Department of the Treasury Internal Revenue Service

Sales of Business Property
(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

Attach to your tax return.

▶ Information about Form 4797 and its separate instructions is at www.irs.gov/form4797.

OMB No. 1545-0184

Name(s) shown on return				•••	Identifying number		
1 Enter the gross proceeds from sales	or exchanges rep	orted to you fo	or 2014 on Form(s) 1099	9-B or 1099-S (or substitut	te		
statement) that you are including on							
Part I Sales or Exchange	es of Prope	rty Used	in a Trade or Bu	siness and Involu	ntary Convers	ion	s From Other
Than Casualty or							
(a) Description of	(b) Date acquired	(C) Date sold	(d) Gross sales price	(e)Depreciation allowed or allowable	(f) Cost or other basis, plus improvements and		(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
property	(mo., day, yr.)	(mo., day, yr.)		since acquisition	expense of sale		
2						_	
				W. W		_	
						-	
						<u>.</u>	
						3	
4 Section 1231 gain from installment sal						4	
5 Section 1231 gain or (loss) from like-k					ī	5	
6 Gain, if any, from line 32, from other the7 Combine lines 2 through 6. Enter the g	-					7	
Partnerships (except electing large p						0 m27	Foto tenore a control a calo de
for Form 1065, Schedule K, line 10, or)115		
Individuals, partners, S corporation s							
from line 7 on line 11 below and skip li							
1231 losses, or they were recaptured i the Schedule D filed with your return a	nd skip lines 8. 9.	. 11. and 12 be	rom line / as a long-let	III Capitai yaiii oii			
8 Nonrecaptured net section 1231 losses from prior years (see instructions)						8	
9 Subtract line 8 from line 7. If zero or le		•	,			丁	
line 9 is more than zero, enter the amo			_				
capital gain on the Schedule D filed wit						9	
Part II Ordinary Gains a	nd I neses						
				· ·			
10 Ordinary gains and losses not include	d on lines 11 thro	ough 16 (inclu	de property held 1 year	or less):			
					<u> </u>	+	
				ļ		+	
11 Loss, if any, from line 7		<u> </u>				11 (1
12 Gain, if any, from line 7 or amount fr	nm line 8 if annli	rahle				12	<u></u>
						13	
14 Net gain or (loss) from Form 4684, I						14	
15 Ordinary gain from installment sales	from Form 6252.	line 25 or 36				15	
16 Ordinary gain or (loss) from like-kind						16	
47 Combine lines 40 through 40	_					17	
18 For all except individual returns, enter						94.60	
a and b below. For individual returns				•			
a If the loss on line 11 includes a loss	from Form 4684,	line 35, colum	nn (b)(ii), enter that part	of the loss here. Enter			
the part of the loss from income-pro	ducing property o	on Schedule A	(Form 1040), line 28, as	nd the part of the loss			
from property used as an employee	•	• • • • • • • • • • • • • • • • • • • •	-				
See instructions						18a	
b Redetermine the gain or (loss) on lin	e 17 excluding th	e loss, if any,	on line 18a. Enter here a	and on Form 1040,			
line 14						18b	

ayo	~

Form 4797 (2014)

Part III Gain From Disposition of Property Under Secti	ons 124	45, 1250, 1252, 1254, a	nd 1255					
							acquired	(c) Date sold
19 (a) Description of section 1245, 1250, 1252, 1254, or 1255	proper	ty:	,				iay, yr.)	(mo., day, yr.)
		<u> </u>					1799	071114
						09	0402	071114
· · · · · · · · · · · · · · · · · · ·		· · · · · · · · · · · · · · · · · · ·						
		Deanart A	Branarty B		Branasty C		D,	operty D
	,	Property A	riopeity b	I	Froperty C	\dashv	F1	Uperty D
	-			H				
	\rightarrow			1				
	-			-				
23 Adjusted basis. Subtract line 22 from line 21	23			1		\dashv		
O.A. Tatal asia Duktosat line 00 force line 00	ا م ا							
	24			H		\dashv		
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		through D through line 2	h before going to I	ine 30		<u>'</u>		
Carrier Gampieto property dollar	11113 74 6	an ough B through line 2.	ob delote going to t	1110 00	•	П		
30 Total gains for all properties. Add property columns A thre	usah D	line 24				30		
, otal game to all proportion rad proporty dolumno retaile	Jugii D,		••••••••			H 33		
31 Add property columns A through D lines 25h 26g 27c 2	8h and	d 29h Enter here and on	line 13			31		

						32		
Part IV Recapture Amounts Under Sect	ons	179 and 280F(h)(2) When Rus	ines	s Use Drops		0% or	Less
	0	(5)(-, ·····o Bus		o ode Brope	,	.O / O O I	LCGG
					(a) Section		(h)	Section
A 10 - STATION INSERTER 8 M5350 9X12 INSERTER C D These columns relate to the properties on lines 19A through 19D. 20 Gross sales price (Note; See line 1 before completing.) 21 Cost or other basis plus expense of sale 22 Depreciation (or depletion) allowed or allowable 23 Adjusted basis. Subtract line 22 from line 21 24 Total gain. Subtract line 23 from line 21 25 If seedion 1245 property: a Depreciation allowed or allowable from line 22 25 If seedion 1245 property: a Depreciation allowed or allowable from line 22 25 If seedion 1245 property: a Depreciation allowed or allowable from line 22 25 If seedion 1245 property: a Depreciation allowed or allowable from line 22 25 If seedion 1240 property: a Depreciation allowed or allowable from line 22 25 If seedion 1240 property: a Depreciation allowed or allowable from line 22 25 If seedion 1250 property: If straight line depreciation was used, enter -0 -on line 25e, except for a corporation subject to section 291. a Additional depreciation after 1955 b Applicable percentage multiplied by the smaller of line 24 or line 24 on or line 25e, except for a corporation subject to section 291. a Additional depreciation after 1969 and before 1976 e Enter the smaller of line 26c or 26d f Section 291 amount (corporations only) g Add lines 256, 26e, and 286 f Section 291 amount (corporations only) g Add lines 256, 26e, and 286 f If section 1252 property: Skip this section if you did not dispose of farmland of if lins forms being compeleted for a partnership (other than an electing large partnership). a Soil, water, and land clearing expenses b Line 27a multiplied by applicable percentage 7 if section 1252 property: a Intangible drilling and development costs, expenditures for development or mines and other natural deposits, mining sportation costs, and deplation y applicable percentage of payments excluded from income under section 126 b Enter the smaller of line 24 or 28a 29a b Enter the smaller of line 24 or 28a 29a b Enter the smaller o		179			0F(b)(2)			
33 Section 179 expense deduction or depreciation allowable	in prior	years	I	33		-+		
				\rightarrow				
						\neg		

Department of the Treasury

Internal Revenue Service

Like-Kind Exchanges (and section 1043 conflict-of-interest sales)

► Attach to your tax return.

► Information about Form 8824 and its separate instructions is at www.lrs.gov/form8824.

OMB No. 1545-1190 Attachment Sequence No. 109

Identifyina number Name(s) shown on tax return

1

TP	art I Information on the Like-Kind Excha	ange		
1	Note: If the property described on line 1 or line 2 is real Description of like-kind property given up: EQUIPME	or personal property located o	utside the United States, indic	ate the country.
2	Description of like-kind property received: EQUIPME	NT		
3	Date like-kind property given up was originally acquired (month	n, day, year)		3 09/04/02
4	Date you actually transferred your property to other party (mon	ith, day, year)		4 07/11/14
5	Date like-kind property you received was identified by written n- See instructions for 45-day written identification requirement	otice to another party (month, day,		5 07/11/14
6	Date you actually received the like-kind property from other par	ty (month, day, year). See instruct	ions	6 07/11/14
7	an intermediary)? See instructions. If "Yes," complete Part II. If	"No," go to Part III	r indirectly (such as through	Yes X No
P	art II Related Party Exchange Information	n	•	
8	Name of related party		Relationship to you	Related party's identifying no.
	Address (no., street, and apt., room, or suite no., city or town,	state, and ZIP code)		
9	During this tax year (and before the date that is 2 years after the party sell or dispose of any part of the like-kind property receive into the exchange, directly or indirectly (such as through an interest of the exchange).	ed from you (or an intermediary) ir	the exchange or transfer property	<i>'</i>
10	During this tax year (and before the date that is 2 years after the did you sell or dispose of any part of the like-kind property you			Yes No
	If both lines 9 and 10 are "No" and this is the year of the exchange, stop here. If either line 9 or line 10 is "Yes," cunless one of the exceptions on line 11 applies.			
11	If one of the exceptions below applies to the disposition, check	the applicable box:		
á	The disposition was after the death of either of the related	parties.		
ŧ	The disposition was an involuntary conversion, and the th	reat of conversion occurred after t	he exchange.	
	checked, attach an explanation (see instructions).		had tax avoidance as one of its pr	
LH	A For Paperwork Reduction Act Notice, see the instr	uctions.		Form 8824 (2014)

Form 8824 (2014)
Name(s) shown on tax return. Do not enter name and social security number if shown on page 1.

	are III. Beautyeo Italin or II ossi, Becoonized Gain, and F	Basis of Like-Kind Prope	erty Received
	Caution: If you transferred and received (a) more than one group of like-property, see Reporting of multi-asset exchanges in the instructions.		
	Note: Complete lines 12 through 14 only if you gave up property that was		
12	Fair market value (FMV) of other property given up		
13	Adjusted basis of other property given up		
14	Gain or (loss) recognized on other property given up. Subtract line 13 from line 12		
	in the same manner as if the exchange had been a sale		14
	Caution: If the property given up was used previously or partly as a home,	, see Property used as home	
	in the instructions.		
15	Cash received, FMV of other property received, plus net liabilities assumed by other		
	(but not below zero) by any exchange expenses you incurred (see instructions)		
16	FMV of like-kind property you received		
17			
18	Adjusted basis of like-kind property you gave up, net amounts paid to other party,		10
40			
19			
20			
21 22	Subtract line 21 from line 20. If zero or less, enter -0 If more than zero, enter her		
			22
23			
24	Deferred gain or (loss). Subtract line 23 from line 19. If a related party exchange, s	see instructions	24
25	Basis of like-kind property received. Subtract line 15 from the sum of lines 18 ar		
Pi	art IV Deferral of Gain From Section 1043 Conflict-of-I		
	Note: This part is to be used only by officers or employees of the execut. Government (including certain spouses, minor or dependent children, as of gain under section 1043 on the sale of property to comply with the cuthe replacement property is more than the basis of the divested propert	onflict-of-interest requirements	nment or judicial officers of the Federal tion 1043) for reporting nonrecognition . This part can be used _{bnly} if the cost of
26	Enter the number from the upper right corner of your certificate of divestiture. (Discretificate. Keep the certificate with your records.)	o not attach a copy of your	▶
27	Description of divested property		
28	Description of replacement property	arry that was not like-kind. Otherwise, go to line 15. 12	
	2000 ipilati or replacement property		b) cash or other (not like-kind) erwise, go to line 15. 12
29	Date divested property was sold (month, day, year)		29
		1 1	
30	Sales price of divested property (see instructions)	30	
31	Basis of divested property		
32	Dealised sele Cultivat line 21 from line 20		00
32 33			32 -34/3/3
33	Cost of replacement property purchased within 60 days after date of sale	33	
34	Subtract line 33 from line 30. If zero or less, enter -0-		34
	-		
35	Ordinary income under recapture rules. Enter here and on Form 4797, line 10 (se	ee instructions)	35
36	Subtract line 35 from line 34. If zero or less, enter -0 If more than zero, enter he	ere and on	
	Schedule D or Form 4797 (see instructions)		36
۵~			
37	Schedule D or Form 4797 (see instructions) Deferred gain. Subtract the sum of lines 35 and 36 from line 32		
36	Subtract line 35 from line 34. If zero or less, enter -0 If more than zero, enter he		
37			

	OTHER INCOME	STATEMENT 1
DESCRIPTION		AMOUNT
MISCELLANEOUS REVENUE		
TOTAL TO FORM 1120S, PA	GE 1, LINE 5	
FORM 1120S	TAXES AND LICENSES	STATEMENT 2
DESCRIPTION		AMOUNT
PAYROLL TAXES PROPERTY TAX LICENSES		
TOTAL TO FORM 1120S, PA		
FORM 1120S	OTHER DEDUCTIONS	STATEMENT 3
FORM 1120S	OTHER DEDUCTIONS	STATEMENT 3
DESCRIPTION	OTHER DEDUCTIONS	STATEMENT 3 AMOUNT

SCHEDULE K			INTEREST	INCOME			STATE	MENT	4
DESCRIPTION	1						AMo	TNUC	
INTS. INVES	- STMENTS F	REVENUE				-			
TOTAL TO SO	HEDULE P	K, LINE 4				=			
SCHEDULE K		CI	HARITABLE	CONTRIBUTIONS			STATE	MENT	5
DESCRIPTION	1		OM LIMIT	50% / 100% LIMIT	30%]	LIMIT	20	% LIMI	T
CONTRIBUTIO	- NS EXPEN	ISE							-
TOTALS TO S	CHEDULE	K, LINE 12	A						
SCHEDULE K		NONI	DEDUCTIBLE	E EXPENSES			STATE	MENT	6
DESCRIPTION	ī						AMO	TNUC	
EXCLUDED ME	ALS AND	ENTERTAINME	ENT EXPENS	SES		_			
TOTAL TO SO	HEDULE F	C, LINE 16C				- -			
SCHEDULE K				IS OF PROPERTY		- 4.	STATE	MENT	7
	DESCRIE	TION OF PRO	PERTY					· · · · · · · · · · · · · · · · · · ·	***************************************
DATE ACQUIRED	DATE SOLD	YEAR OF PASSTHRU	SALES PRICE	COST OR BASIS	DEPR. ALLOWEI		. 179 PENSE	AMT DEPR.	
BH 1000 VIP 09/04/02 0		ZR 2002							
TOTALS									

SCHEDULE K OTHER ITEMS, LINE	17D	STATEMENT	8
DESCRIPTION		AMOUNT	
MEDICAL INSURANCE PREMIUMS FOR MORE THAN 2% SE	HAREHOLDERS		
SCHEDULE L OTHER CURRENT ASS	SETS	STATEMENT	9
DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX	X
PREPAID EXPENSES			
TOTAL TO SCHEDULE L, LINE 6			
SCHEDULE L OTHER CURRENT LIABII	JITIES	STATEMENT	10
DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX	X
ACCRUED PAYROLL CUSTOMER POSTAGE LIABLITY WITHHOLDINGS OTHER ACCRUED EXPENSES			
TOTAL TO SCHEDULE L, LINE 18			
SCHEDULE L ANALYSIS OF TOTAL RETAINED EAF	RNINGS PER BOOKS	STATEMENT	11
DESCRIPTION		AMOUNT	
BALANCE AT BEGINNING OF YEAR NET INCOME PER BOOKS DISTRIBUTIONS OTHER INCREASES (DECREASES)			
BALANCE AT END OF YEAR - SCHEDULE L, LINE 24,	COLUMN (D)		

SCHEDULE M-1 EXPENSES RECORDED ON BOOKS THIS YEAR NOT INCLUDED ON SCHEDULE K	STATEMENT	12
DESCRIPTION	AMOUNT	
ACCRUED SHAREHOLDERS SALARY	<u></u>	
TOTAL TO SCHEDULE M-1, LINE 3		
SCHEDULE M-1 INCOME RECORDED ON BOOKS THIS YEAR NOT INCLUDED ON SCHEDULE K	STATEMENT	13
DESCRIPTION	AMOUNT	
NET GAIN (LOSS) FROM DISPOSITION OF SECTION 179 PROPERTY		
TOTAL TO SCHEDULE M-1, LINE 5	-	
SCHEDULE M-1 DEDUCTIONS ON SCHEDULE K NOT CHARGED AGAINST BOOK INCOME THIS YEAR	STATEMENT	14
DESCRIPTION	AMOUNT	
ACCRUED PROPERTY TAX		
TOTAL TO SCHEDULE M-1, LINE 6		
SCHEDULE M-1 NET GAIN (LOSS) FROM SECTION 179 PROPERTIES	STATEMENT	15
DESCRIPTION	AMOUNT	
RECAPTURE OF SECTION 179 UPON DISPOSITION OTHER GAIN (LOSS)		
NET GAIN (LOSS) FROM SECTION 179 PROPERTIES		

SCHEDULE M-2 ACCUMULATED ADJUSTMENTS ACCOUNT - OTHER ADDITIONS STATEMENT 16 AMOUNT DESCRIPTION PORTFOLIO INTEREST INCOME SECTION 179 RECAPTURE - UPON DISPOSITION GAIN FROM SECTION 179 PROPERTIES TOTAL TO SCHEDULE M-2, LINE 3 - COLUMN (A) 17 SCHEDULE M-2 ACCUMULATED ADJUSTMENTS ACCOUNT- OTHER REDUCTIONS STATEMENT DESCRIPTION AMOUNT CHARITABLE CONTRIBUTIONS NONDEDUCTIBLE EXPENSES TOTAL TO SCHEDULE M-2, LINE 5 - COLUMN (A) FORM 1125-A OTHER COSTS STATEMENT 18 DESCRIPTION TRUOMA FREIGHT PRINTING SUPPLIES MISCELLANEOUS

TOTAL TO LINE 5

Schedule K-1	2014		Final K-1	Amended K-	1	OMB No. 1545-0123			
(Form 1120S)	2014	Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items							
Department of the Treasury Internal Revenue Service	For calendar year 2014, or tax	1	Ordinary bu	siness income (loss)	13	Credits			
	year beginningending	_ 2	Net rental re	eal estate inc (loss)					
	re of Income, Deductions, See separate instructions.	3	Other net re	ntal income (loss)					
Part I Inform	ation About the Corporation	4	Interest inco	ome					
A Corporation's employe	er identification number	5a	Ordinary div	ridenus					
		5b	Qualified div	ridends	14	Foreign transactions			
		6	Royalties						
-		7	Net short-te	rm capital gain (loss)					
C IRS Center where corp	oration filed return	8a	Net long-ter	m capital gain (loss)					
Part II Inform	ation About the Shareholder	8b	Collectibles	(28%) gain (loss)					
D Shareholder's identifyi	ng number	8c	Unrecapture	ed sec 1250 gain					
		9	Net section	1231 gain (loss)					
		10	Other incom	ie (loss)	15 A	Alternative min tax (AMT) items			
				· · · · · · · · · · · · · · · · · · ·	<u> </u>				
F Shareholder's percenta ownership for tax year					ļ				
, , , , , , , , , , , , , , , , , , ,		_							
		11	Section 179	deduction	16	Items affecting shareholder basis			
		12	Other dedu						
		A							
ylu(ļ							
Use C		\vdash							
For IRS Use Only		-			17	Other information			
L		-			A				
		-			K*	STMT			
		-			∀*	STMT			
			*S	ee attached statement	for ac	Iditional information.			

NONDEDUCTIBLE EXPENSES, BOX 16, CODE C SCHEDULE K-1 SHAREHOLDER FILING INSTRUCTIONS DESCRIPTION AMOUNT EXCLUDED MEALS AND ENTERTAINMENT SEE SHAREHOLDERS INSTRUCTIONS **EXPENSES** TOTAL SCHEDULE K-1 DISPOSITIONS OF PROPERTY WITH SECTION 179 DEDUCTIONS, BOX 17, CODE K DESCRIPTION OF PROPERTY DATE DATE YEAR OF SALES COST OR BASIS DEPR. SEC. 179 TMA ACQUIRED SOLD PASSTHRU PRICE PLUS EXP. ALLOWED EXPENSE DEPR. BH 1000 VIP INSERTER 09/04/02 04/04/14 2002 TOTAL SCHEDULE K-1 OTHER INFORMATION, BOX 17, CODE V DESCRIPTION TRUOMA SHAREHOLDER FILING INSTRUCTIONS MEDICAL INSURANCE PREMIUMS FOR

MORE THAN 2% SHAREHOLDERS

SEE SHAREHOLDERS INSTRUCTIONS

Fo	rm 4562 (2014)														Page 2
_	art V Listed Proper			, certain o	ther vehi	cles, cer	tain airci	aft, ce	ertain com	puters	, and prop	perty use	ed for en		
	recreation, or a Note: For any through (c) of S	vehicle for w Section A, all	hich you an I of Section	B, and Se	ection C i	f applica	ıble.								mns (a)
		- Depreciati				aution: S	See the i	nstruc	tions for li	mits fo	r passeng	ger autor	nobiles.)	1	
24	a Do you have evidence to s	support the bu	siness/inves	tment use (claimed?	Y	es L	No	24b If "Y	'es," is	the evide	nce writ	ten?	_ Yes ∟	No
	(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Busine investm use perce	ent	(d) Cost or other basis	/bu	(e) sis for depre siness/inve use only	stment	(f) Recovery period		(g) Nethod/ nvention	Depre	(h) eciation uction	Ele section	(i) ected on 179 ost
25	Special depreciation allo													22/8/2	
_	used more than 50% in					· · · · · · · · · · · · · · · · · · ·					25			1000000	
<u>26</u>	Property used more tha	n 50% in a c	ualified bu									T			
		1 1		%						<u> </u>				ļ	
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		ļ	%						ļ				<u> </u>	
				%						ŀ		<u>L</u>		<u> </u>	
27	Property used 50% or le	ess in a qual	ified busine	ss use:						T		•			
		1 1		%						S/L -		<u> </u>		100	
				%						S/L -		<u> </u>			
		<u> </u>		%						S/L -		<u> </u>			
28	Add amounts in column	(h), lines 25	through 27	. Enter he	re and o	n line 21	, page 1				28				
29	Add amounts in column	(i), line 26. E	Inter here a	nd on line	7, page	1							. 29		
				Section	B - Info	rmation	on Use	of Vel	nicles						
30	Total business/investment	miles driven d	uring the		(a) ehicle		b) hicle	V	(c) /ehicle		(d) 'ehicle		e) nicle		f) nicle
	year (do not include comr	muting miles)													
31	Total commuting miles of	driven during	the year												
	Total other personal (no							l		T"					
	driven	•	•												
33	Total miles driven during Add lines 30 through 32	the year.			· · · · · ·										
34	Was the vehicle available			Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
•	during off-duty hours?	•			1.0	103	110	103	110	100	110	163	110	163	110
35	Was the vehicle used pr			··							_	1	 		
•	than 5% owner or relate					İ						1			
36	Is another vehicle availa			··		╁──	 		_	├	+	 	-		
-	•					ŀ									
	use?	Section C		s for Em	Movere V	Who Pro	vida Vak	L	for Use b	L	r Employ		Ь	1	<u>!</u>
	swer these questions to one												re not m	ore than	า 5%
	Do you maintain a writte													Yes	No
38	employees?	n nolicy stat	ement that	prohibite	nerconal	use of v				ing b				·	+
•	employees? See the ins				-						-			-	1
30	Do you treat all use of ve														+
<u>40</u>	Do you provide more that	en five vehic	lee to vour	persona	use:	informat	ion from				 4			·	+
₩															
41	the use of the vehicles, and Do you meet the require									• • • • • • • • • • • • • • • • • • • •		••••••	• • • • • • • • • • • • • • • • • • • •	·	+-
7 i	Note: If your answer to 3												• • • • • • • • • • • • • • • • • • • •	, (1075a) h	galassa sa tan
P	art VI Amortization	11, 50, 59, 41	U, UI 41 IS	res, ao n	ы сотр	iere 26C	иоп в то	i ine c	overea ve	rricies.					a marking th
	(a) Description of	costs		(b) Date amortization	,	(C) Amortizab	ole	Τ	(d) Code		(e) Amortiza		A	(f) mortization or this year	
				begins	1	amount	1		section		period or per		fc	r this year	

43

44

42 Amortization of costs that begins during your 2014 tax year:

43 Amortization of costs that began before your 2014 tax year

44 Total. Add amounts in column (f). See the instructions for where to report

Department of the Treasury Internal Revenue Service

Name(s) shown on return

Sales of Business Property
(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

Attach to your tax return.

▶ Information about Form 4797 and its separate instructions is at www.irs.gov/form4797.

OMB No. 1545-0184

Identifying number

1 Enter the	gross proceeds from sales or e	xchanges rep	orted to you fo	or 2014 on Form(s) 1099	9-B or 1099-S (or substitut	е	
	t) that you are including on line	2, 10, or 20 (see instruction	ns)		1	
Part I	Sales or Exchanges					ntary Conversio	ns From Other
	Than Casualty or Ti	nett - Mos	st Proper	ty Held More In	an 1 Year	(6)	T (2)
	(a) Description of property	(b) Date acquired (mo., day, yr.)	(C) Date sold (mo., day, yr.)	(d) Gross sales price	(e)Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
2							
3 Gain, if any	, from Form 4684, line 39	***************************************				3	
	31 gain from installment sales						-
	31 gain or (loss) from like-kind						
	r, from line 32, from other than	-					
	nes 2 through 6. Enter the gain						Tori dia amang sesanggan selatah
	ps (except electing large part 065, Schedule K, line 10, or For					ons	
	s, partners, S corporation sha						
	on line 11 below and skip lines s, or they were recaptured in a					57.	
the Schedu	ile D filed with your return and	skip lines 8, 9	, 11, and 12 be	elow.	in cupius gaiss on	1470 1471	
8 Nonrecaptu	ured net section 1231 losses fro	om prior years	s (see instructi	ions)		8	, and the second
	ne 8 from line 7. If zero or less,						
	ore than zero, enter the amount			-			
capital gain	on the Schedule D filed with y	our return (se	e instructions))	· · · · · · · · · · · · · · · · · · ·		
Part II	Ordinary Gains and	Losses					*
10 Ordinary o	gains and losses not included o	n lines 11 thre	nuah 16 (inclu	de property held 1 year	or less).		
10 Cramary	gamo and looses fiet morades o	1 111103 11 1111	l la la la la la la la la la la la la la	do property noid 1 year	01 1030).		1
						- "	
11 Loss, if a	any, from line 7					11	(
12 Gain, if a	ny, from line 7 or amount from	line 8, if appli	icable			12	!
13 Gain, if a	ny, from line 31						
14 Net gain	or (loss) from Form 4684, lines	s 31 and 38a				14	
15 Ordinary	gain from installment sales fro	m Form 6252	, line 25 or 36	***************************************		15	
	gain or (loss) from like-kind ex					2-	
	e lines 10 through 16				ur return and ekin linee		
	pelow. For individual returns, co			• • •	ut return and skip illies	l (
	s on line 11 includes a loss from				of the loss here. Enter		
	of the loss from income-produc		' - '				
	perty used as an employee on			•	•	45°	
See instr		•	• • • • • • • • • • • • • • • • • • • •	•••••		18	a
b Redetern	nine the gain or (loss) on line 1	7 excluding th	ne loss, if any,	on line 18a. Enter here a	and on Form 1040,	Γ	
line 14						1191	hÌ

ayc	~

Form 4797 (2014)

_ P	APT III Gain From Disposition of Property Under Section	ons 12	45, 1250, 1252, 1254, a	NG 1255		1			
40	(a) December of coefficients 4045, 4050, 4050, 4054, as 4055						(b) Date a (mo., da		(c) Date sold (mo., day, yr.)
19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 10-STATION INSERTER	proper	ty:					799	071114
	M5350 9X12 INSERTER							402	071114
_ <u>c</u>							0,0	102	0/1111
_									
	These columns relate to the properties on				Т			L	
	lines 19A through 19D.		Property A	Property B		Property C		Pro	operty D
20	Gross sales price (Note: See line 1 before completing.)	20							
21	Cost or other basis plus expense of sale	21							
22	Depreciation (or depletion) allowed or allowable	22							
23	Adjusted basis. Subtract line 22 from line 21	23							
24	Total gain. Subtract line 23 from line 20	24							
25	If section 1245 property:						Ī		
	Depreciation allowed or allowable from line 22	25a			L				
	Enter the smaller of line 24 or 25a	25b							
26	If section 1250 property: If straight line depreciation								
	was used, enter -0- on line 26g, except for a corporation				i				
	subject to section 291.								
	Additional depreciation after 1975	26a	-						
t	Applicable percentage multiplied by the smaller of						į		
	line 24 or line 26a	26b		· · · · · · · · · · · · · · · · · · ·					
(Subtract line 26a from line 24. If residential rental								
	property or line 24 is not more than line 26a, skip lines	00-							
	26d and 26e	26c					-		
	Additional depreciation after 1969 and before 1976 enter the smaller of line 26c or 26d	26d			-		-		
	***************************************	26e 26f	- '.		+				
	Section 291 amount (corporations only) Add lines 26b, 26e, and 26f	26q							
	If section 1252 property: Skip this section if you did not	20 y					 -		
	dispose of farmland or if this form is being completed for				- 1				
	a partnership (other than an electing large partnership).								
a	Soil, water, and land clearing expenses	27a							
	Line 27a multiplied by applicable percentage	27b							
	Enter the smaller of line 24 or 27b	27c	+		_				
	If section 1254 property:				1				
а	Intangible drilling and development costs, expenditures								
	for development of mines and other natural deposits,								
	mining exploration costs, and depletion	28a							
t	Enter the smaller of line 24 or 28a	28b							
29	If section 1255 property:						[
а	. Applicable percentage of payments excluded from								
	income under section 126	29a							
	Enter the smaller of line 24 or 29a	29b							
Sun	nmary of Part III Gains. Complete property colur	nns A 1	through D through line 29	b before going to line	30.		т т		
30	Total gains for all properties. Add property columns A thro	b D	i 0.4						
30	rotal gains for an properties. Add property columns A till d	ugn D,	, line 24				30		
31	Add property columns A through D, lines 25b, 26g, 27c, 2	Sh and	d 20h Enter here and on	lina 13			31		
32	Subtract line 31 from line 30. Enter the portion from casua				•••••		31		
-	from other than casualty or theft on Form 4797, line 6						32		
Pa	rt IV Recapture Amounts Under Secti	ons	179 and 280F(b)(2) When Busin	ess U	se Drops)% or	Less
	(see instructions.)			,		op		01	
						(a) Section	\Box	(b)	Section
						179		280	DF(b)(2)
33	Section 179 expense deduction or depreciation allowable i	n prior	years	[3	3				
34	Recomputed depreciation (see instructions)			3	4				
35	Recapture amount. Subtract line 34 from line 33. See the i	nstruct	tions for where to report		15				

Department of the Treasury

Internal Revenue Service

Like-Kind Exchanges (and section 1043 conflict-of-interest sales)

► Attach to your tax return.

► Information about Form 8824 and its separate instructions is at www.lrs.gov/form8824.

OMB No. 1545-1190 Attachment Sequence No. 109

Identifying number Name(s) shown on tax return

1

Pa	art I Information on the Like-Kind Exchange		
1	Note: If the property described on line 1 or line 2 is real or personal property Description of like-kind property given up: EQUIPMENT	located outside the United States,	indicate the country.
2	Description of like-kind property received: EQUIPMENT		
3	Date like-kind property given up was originally acquired (month, day, year)		3 09/04/02
4	Date you actually transferred your property to other party (month, day, year)		4 07/11/14
5	Date like-kind property you received was identified by written notice to another party (n See instructions for 45-day written identification requirement	nonth, day, year).	5 07/11/14
6	Date you actually received the like-kind property from other party (month, day, year). S	ee instructions	6 07/11/14
7	Was the exchange of the property given up or received made with a related party, eithe an intermediary)? See instructions. If "Yes," complete Part II. If "No," go to Part III	r directly or indirectly (such as through	
Pa	art II Related Party Exchange Information	•	
8	Name of related party	Relationship to you	Related party's identifying no.
9	Address (no., street, and apt., room, or suite no., city or town, state, and ZIP code) During this tax year (and before the date that is 2 years after the last transfer of propert	y that was part of the exchange), did t	ne related
	party sell or dispose of any part of the like-kind property received from you (or an interint into the exchange, directly or indirectly (such as through an intermediary), that became	3,	
10	During this tax year (and before the date that is 2 years after the last transfer of propert did you sell or dispose of any part of the like-kind property you received?		Yes No
	If both lines 9 and 10 are "No" and this is the year of the exchange, go to Parexchange, stop here. If either line 9 or line 10 is "Yes," complete Part III and reunless one of the exceptions on line 11 applies.	t III. If both lines 9 and 10 are "No eport on this year's tax return the	" and this is _{not} the year of the deferred gain or (loss) from line 24
11	If one of the exceptions below applies to the disposition, check the applicable box:		
а	The disposition was after the death of either of the related parties.		
b	The disposition was an involuntary conversion, and the threat of conversion occur	rred after the exchange.	
С	You can establish to the satisfaction of the IRS that neither the exchange nor the checked, attach an explanation (see instructions).	disposition had tax avoidance as one o	of its principal purposes. If this box is

Form 8824 (2014)
Name(s) shown on tax return. Do not enter name and social security number if shown on page 1.

Page 2 Your social security number

Pa	rt III Realized Gain or (Loss), Recognized Gain, and Basis of						
	Caution: If you transferred and received (a) more than one group of like-kind propproperty, see Reporting of multi-asset exchanges in the instructions.						
	Note: Complete lines 12 through 14 only if you gave up property that was not like-	kind. Othe	erwise,	go to line 15.			
12	Fair market value (FMV) of other property given up						
13	Adjusted basis of other property given up		13			754 354	
14	Gain or (loss) recognized on other property given up. Subtract line 13 from line 12. Report the	ne gain or (loss)				
	in the same manner as if the exchange had been a sale				1	14	
	Caution: If the property given up was used previously or partly as a home, see Prope	erty used a	s home)			
	in the instructions.						
15	Cash received, FMV of other property received, plus net liabilities assumed by other party, re						
	(but not below zero) by any exchange expenses you incurred (see instructions)					15	_
16	FMV of like-kind property you received					16	_
17	Add lines 15 and 16				1	17	_
18	Adjusted basis of like-kind property you gave up, net amounts paid to other party, plus any						
	exchange expenses not used on line 15 (see instructions)					18	-
19	Realized gain or (loss). Subtract line 18 from line 17					19	_
20	Enter the smaller of line 15 or line 19, but not less than zero					20	
21	Ordinary income under recapture rules. Enter here and on Form 4797, line 16 (see instruction				├-2	21	
22	Subtract line 21 from line 20. If zero or less, enter -0 If more than zero, enter here and on S				١,		
	or Form 4797, unless the installment method applies (see instructions)					22	-
23	Recognized gain. Add lines 21 and 22 Deferred gain or (loss). Subtract line 23 from line 19. If a related party exchange, see instruc		• • • • • • • • • • • • • • • • • • • •		·····- -	23	-
24						25	-
25	Basis of like-kind property received. Subtract line 15 from the sum of lines 18 and 23 rt IV Deferral of Gain From Section 1043 Conflict-of-Interest					20	_
Га	Note: This part is to be used only by officers or employees of the executive branch	h of the Fe	ederal (Government o	or iudicial d	officer	s of the Federal
26	Government (including certain spouses, minor or dependent children, and trusted of gain under section 1043 on the sale of property to comply with the conflict-of-the replacement property is more than the basis of the divested property. Enter the number from the upper right corner of your certificate of divestiture. (Do not attact	es as desc interest re	cribed i equiren	in section 104	l3) for repo	orting	nonrecognition
	certificate. Keep the certificate with your records.)			> _			
27	Description of divested property						
28	Description of replacement property				·		
					1 1		
29	Date divested property was sold (month, day, year)				. 29		
00	Colon pales of disposed accounts (! ! ! ! ! ! ! ! !-						
30	Sales price of divested property (see instructions)	30					
31	Pagis of divested property	31					
31	Basis of divested property	31			1255		
32	Realized gain. Subtract line 31 from line 30				32		
33	Cost of replacement property purchased within 60 days after date				96353		
••	of sale	33					
					Control (Section)		
34	Subtract line 33 from line 30. If zero or less, enter -0-				34		
					"		***************************************
35	Ordinary income under recapture rules. Enter here and on Form 4797, line 10 (see instruction	ons)			. 35		
36	Subtract line 35 from line 34. If zero or less, enter -0 If more than zero, enter here and on						
	Schedule D or Form 4797 (see instructions)				. 36		
37	Deferred gain. Subtract the sum of lines 35 and 36 from line 32				. 37		
•-	A 1 2 3 3 3 3 3 3 3 3 3 3						
38	Basis of replacement property. Subtract line 37 from line 33				38		

FORM 1120S	OTHER INCOME	STATEMENT 1
DESCRIPTION		AMOUNT
MISCELLANEOUS REVENUE		
TOTAL TO FORM 1120S, PAG	E 1, LINE 5	
FORM 1120S	TAXES AND LICENSES	STATEMENT 2
DESCRIPTION		AMOUNT
PAYROLL TAXES PROPERTY TAX LICENSES		
TOTAL TO FORM 1120S, PAG		
FORM 1120S	OTHER DEDUCTIONS	STATEMENT 3
DESCRIPTION		AMOUNT
AMORTIZATION EXPENSE AUTO & TRUCK EXPENSE BANK FEES COMPUTER EXPENSES		

SCHEDULE K			INTEREST	' INCOME		STATI	EMENT	4
DESCRIPTIO	1					A	TUUOL	
INTS. INVES	- STMENTS	REVENUE						
TOTAL TO SO	CHEDULE 1	K, LINE 4						
SCHEDULE K		C	HARITABLE	CONTRIBUTIONS		STATI	EMENT	5
DESCRIPTION	1		ON LIMII	50% / 100% LIMIT	30% L	IMIT 20)% LIMI	ГT
CONTRIBUTIO	- ONS EXPE	NSE						***************************************
TOTALS TO S	SCHEDULE	K, LINE 12	A					
SCHEDULE K		NON:	DEDUCTIBLE	EXPENSES		STATI	EMENT	6
DESCRIPTION	1					Al	OUNT	
EXCLUDED M	EALS AND	ENTERTAINM	ENT EXPENS	SES				
TOTAL TO SO	CHEDULE 1	K, LINE 16C						
SCHEDULE K				IS OF PROPERTY		STATI	MENT	7
	DESCRI	PTION OF PRO	OPERTY				· • • •	
DATE ACQUIRED	DATE SOLD	YEAR OF PASSTHRU	SALES PRICE	COST OR BASIS PLUS EXP.	DEPR. ALLOWED	SEC. 179 EXPENSE	AMT DEPR.	r
BH 1000 VIE 09/04/02 0		ZR 2002						
TOTALS		_						

SCHEDULE K OTHER ITEMS, LIN	Ξ 17D —————————	STATEMENT	
DESCRIPTION		AMOUNT	
MEDICAL INSURANCE PREMIUMS FOR MORE THAN 2% S	HAREHOLDERS		
SCHEDULE L OTHER CURRENT AS:	SETS	STATEMENT	9
DESCRIPTION	BEGINNING OF TAX YEAR	END OF TA	X
PREPAID EXPENSES			
TOTAL TO SCHEDULE L, LINE 6			
SCHEDULE L OTHER CURRENT LIABI	LITIES	STATEMENT	10
DESCRIPTION	BEGINNING OF TAX YEAR	END OF TA	X
ACCRUED PAYROLL CUSTOMER POSTAGE LIABLITY WITHHOLDINGS OTHER ACCRUED EXPENSES			
TOTAL TO SCHEDULE L, LINE 18		And a supplementary of the sup	
SCHEDULE L ANALYSIS OF TOTAL RETAINED EAR	RNINGS PER BOOKS	STATEMENT	11
DESCRIPTION		AMOUNT	
BALANCE AT BEGINNING OF YEAR NET INCOME PER BOOKS DISTRIBUTIONS OTHER INCREASES (DECREASES)			
BALANCE AT END OF YEAR - SCHEDULE L, LINE 24,	COLUMN (D)		

SCHEDULE K	OTHER ITEMS, LINE 17	ם	STATEMENT	8
SCHEDULE K	OTHER TIERS, BINE I,			
DESCRIPTION			AMOUNT	
MEDICAL INSURANCE PREMIUMS	FOR MORE THAN 2% SHARE	HOLDERS		
SCHEDULE L	OTHER CURRENT ASSETS		STATEMENT	9
DESCRIPTION		BEGINNING OF TAX YEAR	END OF TA YEAR	X
PREPAID EXPENSES				
TOTAL TO SCHEDULE L, LINE	6			
SCHEDULE L	OTHER CURRENT LIABILITI	ES	STATEMENT	10
DESCRIPTION		BEGINNING OF TAX YEAR	END OF TA YEAR	x
ACCRUED PAYROLL CUSTOMER POSTAGE LIABLITY WITHHOLDINGS OTHER ACCRUED EXPENSES				
TOTAL TO SCHEDULE L, LINE	18			
SCHEDULE L ANALYSIS (OF TOTAL RETAINED EARNIN	GS PER BOOKS	STATEMENT	11
DESCRIPTION			AMOUNT	
BALANCE AT BEGINNING OF YE NET INCOME PER BOOKS DISTRIBUTIONS OTHER INCREASES (DECREASES				
BALANCE AT END OF YEAR - S	SCHEDULE L, LINE 24, COL	UMN (D)		

SCHEDULE M-1 EXPENSES RECORDED ON BOOKS THIS YEAR NOT INCLUDED ON SCHEDULE K	STATEMENT	12
DESCRIPTION	AMOUNT	
ACCRUED SHAREHOLDERS SALARY		
TOTAL TO SCHEDULE M-1, LINE 3		
SCHEDULE M-1 INCOME RECORDED ON BOOKS THIS YEAR NOT INCLUDED ON SCHEDULE K	STATEMENT	13
DESCRIPTION	TRUOMA	
NET GAIN (LOSS) FROM DISPOSITION OF SECTION 179 PROPERTY		
TOTAL TO SCHEDULE M-1, LINE 5		
SCHEDULE M-1 DEDUCTIONS ON SCHEDULE K NOT CHARGED AGAINST BOOK INCOME THIS YEAR	STATEMENT	14
DESCRIPTION	AMOUNT	
ACCRUED PROPERTY TAX		
TOTAL TO SCHEDULE M-1, LINE 6		
SCHEDULE M-1 NET GAIN (LOSS) FROM SECTION 179 PROPERTIES	STATEMENT	15
DESCRIPTION	AMOUNT	
RECAPTURE OF SECTION 179 UPON DISPOSITION OTHER GAIN (LOSS)		
NET GAIN (LOSS) FROM SECTION 179 PROPERTIES		

SCHEDULE M-2 ACCUMULATED ADJUSTMENTS ACCOUNT - OTHER ADDITIONS STATEMENT 16 AMOUNT DESCRIPTION PORTFOLIO INTEREST INCOME SECTION 179 RECAPTURE - UPON DISPOSITION GAIN FROM SECTION 179 PROPERTIES TOTAL TO SCHEDULE M-2, LINE 3 - COLUMN (A) 17 SCHEDULE M-2 ACCUMULATED ADJUSTMENTS ACCOUNT- OTHER REDUCTIONS STATEMENT DESCRIPTION AMOUNT CHARITABLE CONTRIBUTIONS NONDEDUCTIBLE EXPENSES TOTAL TO SCHEDULE M-2, LINE 5 - COLUMN (A) FORM 1125-A OTHER COSTS STATEMENT 18 DESCRIPTION TRUOMA FREIGHT PRINTING SUPPLIES MISCELLANEOUS TOTAL TO LINE 5

Schedule K-1	2014		Final K-1	Amended K-	i	OMB No. 1545-0123
(Form 1120S)	2014	Pá	art III	Shareholder's Shar Deductions, Credits		urrent Year Income,
Department of the Treasury Internal Revenue Service	For calendar year 2014, or tax	1	Ordinary bu	siness income (loss)		Credits
	year beginning ending	2	Net rental re	eal estate inc (loss)		
	re of Income, Deductions, ee separate instructions.	3	Other net re	ntal income (loss)		
	ation About the Corporation	4	Interest inco	ome.		
A Corporation's employe	r identification number	5a	Ordinary div	ridenus		
	**************************************	5b	Qualified div	vidends	14	Foreign transactions
		6	Royalties			
		7	Net short-te	rm capital gain (loss)		
C IRS Center where corporate E-FILE	oration filed return	8a	Net long-ter	m capital gain (loss)		
Part II Informa	ation About the Shareholder	8b	Collectibles	(28%) gain (loss)		
D Shareholder's identifyir	ng number	8c	Unrecapture	ed sec 1250 gain		
		9	Net section	1231 gain (loss)		
		10	Other incom	ie (loss)	15 A	Alternative min tax (AMT) items
F Shareholder's percenta ownership for tax year						
		11	Section 179	deduction	16 C*	Items affecting shareholder basis
		12 A	Other dedu			Ī
	•					
only Only						
For IRS Use Only						
For					17 A	Other informatio
					K*	STMT
					v*	STMT
			*S	ee attached statement	for ac	Iditional information.

NONDEDUCTIBLE EXPENSES, BOX 16, CODE C SCHEDULE K-1 SHAREHOLDER FILING INSTRUCTIONS DESCRIPTION AMOUNT EXCLUDED MEALS AND ENTERTAINMENT SEE SHAREHOLDERS INSTRUCTIONS **EXPENSES** TOTAL SCHEDULE K-1 DISPOSITIONS OF PROPERTY WITH SECTION 179 DEDUCTIONS, BOX 17, CODE K DESCRIPTION OF PROPERTY DATE DATE YEAR OF SALES COST OR BASIS DEPR. SEC. 179 TMA ACQUIRED SOLD PASSTHRU PRICE PLUS EXP. ALLOWED EXPENSE DEPR. BH 1000 VIP INSERTER 09/04/02 04/04/14 2002 TOTAL SCHEDULE K-1 OTHER INFORMATION, BOX 17, CODE V DESCRIPTION TRUOMA SHAREHOLDER FILING INSTRUCTIONS MEDICAL INSURANCE PREMIUMS FOR

MORE THAN 2% SHAREHOLDERS

SEE SHAREHOLDERS INSTRUCTIONS

SCHEDULE M-1 EXPENSES RECORDED ON BOOKS THIS YEAR NOT INCLUDED ON SCHEDULE K	STATEMENT	12
DESCRIPTION	AMOUNT	
ACCRUED SHAREHOLDERS SALARY		
TOTAL TO SCHEDULE M-1, LINE 3		
SCHEDULE M-1 INCOME RECORDED ON BOOKS THIS YEAR NOT INCLUDED ON SCHEDULE K	STATEMENT	13
DESCRIPTION	AMOUNT	
NET GAIN (LOSS) FROM DISPOSITION OF SECTION 179 PROPERTY		
TOTAL TO SCHEDULE M-1, LINE 5		
SCHEDULE M-1 DEDUCTIONS ON SCHEDULE K NOT CHARGED AGAINST BOOK INCOME THIS YEAR	STATEMENT	14
DESCRIPTION	AMOUNT	
ACCRUED PROPERTY TAX		
TOTAL TO SCHEDULE M-1, LINE 6		
SCHEDULE M-1 NET GAIN (LOSS) FROM SECTION 179 PROPERTIES	STATEMENT	15
DESCRIPTION	AMOUNT	
RECAPTURE OF SECTION 179 UPON DISPOSITION OTHER GAIN (LOSS)		
NET GAIN (LOSS) FROM SECTION 179 PROPERTIES		

SCHEDULE M-2 ACCUMULATED ADJUSTMENTS ACCOUNT - OTHER ADDITIONS STATEMENT 16 AMOUNT DESCRIPTION PORTFOLIO INTEREST INCOME SECTION 179 RECAPTURE - UPON DISPOSITION GAIN FROM SECTION 179 PROPERTIES TOTAL TO SCHEDULE M-2, LINE 3 - COLUMN (A) 17 SCHEDULE M-2 ACCUMULATED ADJUSTMENTS ACCOUNT- OTHER REDUCTIONS STATEMENT DESCRIPTION AMOUNT CHARITABLE CONTRIBUTIONS NONDEDUCTIBLE EXPENSES TOTAL TO SCHEDULE M-2, LINE 5 - COLUMN (A) FORM 1125-A OTHER COSTS STATEMENT 18 DESCRIPTION TRUOMA FREIGHT PRINTING SUPPLIES MISCELLANEOUS TOTAL TO LINE 5

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(Form 1120S)	2014	Pi	art III	Shareholder's Shar Deductions, Credits		urrent Year Income,
Department of the Treasury Internal Revenue Service	For calendar year 2014, or tax year beginning	1	Ordinary bu	siness income (loss)		Credits
	ending	2	Net rental re	al estate inc (loss)		
	re of Income, Deductions, ee separate instructions.	3	Other net re	ntal income (loss)		
	ation About the Corporation	4	Interest inco	ome		
A Corporation's employe	r identification number	5a	Ordinary div	idenus		
		5b	Qualified div	ridends	14	Foreign transactions
		6	Royalties			
		7	Net short-te	rm capital gain (loss)		
C IRS Center where corporate E-FILE	oration filed return	8a	Net long-ter	m capital gain (loss)		
Part II Informa	ation About the Shareholder	8b	Collectibles	(28%) gain (loss)		
D Shareholder's identifyir	ng number	8c	Unrecapture	ed sec 1250 gain		
		9	Net section	1231 gain (loss)		
		10	Other incom		15 A	Alternative min tax (AMT) items
		_				
F Shareholder's percenta ownership for tax year						
		11	Section 179	deduction	16 C*	Items affecting shareholder basis
		12 A	Other dedu			
	•					
e Only						
For IRS Use Only						
For					17 A	Other informatio
					K*	STMT
					V*	STMT
		-	! *S	ee attached statement	for ac	ditional information.

NONDEDUCTIBLE EXPENSES, BOX 16, CODE C SCHEDULE K-1 SHAREHOLDER FILING INSTRUCTIONS DESCRIPTION AMOUNT EXCLUDED MEALS AND ENTERTAINMENT SEE SHAREHOLDERS INSTRUCTIONS **EXPENSES** TOTAL SCHEDULE K-1 DISPOSITIONS OF PROPERTY WITH SECTION 179 DEDUCTIONS, BOX 17, CODE K DESCRIPTION OF PROPERTY DATE DATE YEAR OF SALES COST OR BASIS DEPR. SEC. 179 TMA ACQUIRED SOLD PASSTHRU PRICE PLUS EXP. ALLOWED EXPENSE DEPR. BH 1000 VIP INSERTER 09/04/02 04/04/14 2002 TOTAL SCHEDULE K-1 OTHER INFORMATION, BOX 17, CODE V DESCRIPTION TRUOMA SHAREHOLDER FILING INSTRUCTIONS MEDICAL INSURANCE PREMIUMS FOR

MORE THAN 2% SHAREHOLDERS

SEE SHAREHOLDERS INSTRUCTIONS



COMMERCIAL LENDING

661 South Hurstbourne Lane Louisville, Kentucky 40222 (502) 394-4475 Fax (502) 423-8485 www.republicbank.com



To Whom It May Concern:

We appreciate this opportunity to int	troduce and represent the rela	tionship we have with
If additional information is needed, p	please contact me or Ms. Case	Wilson Traceum Mant
Ott. 1	order defitation file of Ms. Case	y wilson, measury lyight.
Officer at		

Sincerely

Karen S. Berry, Vice President Senior Business Banking Officer Republic Bank & Trust Co 661 So. Hurstbourne Parkway Louisville, KY 40222





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Overview

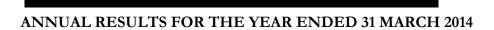
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Financial Highlights:	
Operational Highlights: •	

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	I	
		_
Company Overview		

provides services across the entire customer lifecycle and offers a comprehensive suite of Transaction Processing, Content & Publishing Process Outsourcing Solutions and Customer Management Services that include customer acquisition, customer care, technical support, billing & collections, dispute handling and market research & analytics using various platforms including voice – inbound and outbound, back-office support, online chat, mail room and other business support services.

Our award-winning content and publishing services provide complete, end-to-end solutions for information providers and all businesses involved in content production. Our differentiation is in focusing on solutions and services that enable customers to find new ways to monetize their content assets, measurably improve performance, and increase revenues across their entire operation. From digital product conception, content creation and multichannel distribution, to post-delivery customer and IT support, we align ourselves with our customers as they streamline their operations to maximise cost-efficiencies and improve their ROI while connecting them with new, digitally savvy audiences.

Chairman's Statement
Furthermore, there remain further areas of growth to target

The overall outsourcing global market continues to expand, but increasingly the functions of outsourcing are changing dramatically. The number of preferred vendors in any given contract is consolidating and the functions outsourced are becoming increasingly sophisticated.

Annual report 2013-14 People I would like to thank each and every one of our colleagues for their hard work and commitment to success. The Group's focus on execution has always been outstanding and is proven lead a fantastic operations team working together to achieve the goals set by management and deliver on opportunities presented by our motivated, best-in-class global sales team. The Board I believe it is important for the Board to have the requisite skills and experience to support the CEO in delivering the next phase of profit and growth for the company. , and in the short time since their appointments, have already made valuable contributions.

I would like to thank our management team for their strength of leadership

Company. It has enabled us

. The entrepreneurial approach of the management team has been a true asset to the

Corporate Governance

The Board is committed to upholding high standards of corporate governance, as we believe that doing so will contribute to the delivery of long-term shareholder value.

Chief Executive's Statement	
Financial Overview	
	To put the scope of this contract
·	
	_
Second, a provision of	
These are comprised of Management remains committed to taking t	he stens necessary
Management remains committee to taking to	ine steps necessary
By service line,	
continued to post	. The BOS division
continued to post	
. The remainder of	the Content Services division grew
	contract was to the Company's results.
The cash generated from operations	

term loan facility which has been utilised to refinance
Business Review
We are
. A more proactive structure of roles and responsibilities, with an emphasis on profitable growth and targets is at the forefront of these changes. Over the
program built to position us for multi-year, multi discipline, and multimillion dollar service contracts.
The market is evolving rapidly and we are anticipating
The digital age presents both unprecedented opportunities and challenges to enterprises. It requires that companies adapt the way that they do business.
of experience strategizing, managing, and supporting content creation for publishers and corporations whose content and learning materials keep their employees and customers well informed and their document processing operations competitive and cost-effective.
Our leading content lifecycle development and distribution services provide end-to-end solutions for information providers and all businesses involved in content production.
in any industry apply digital technology to monetize legacy
content, produce valuable new product offerings, and increase revenues across their entire operation.
From digital product conception, content creation and multichannel distribution, to post-delivery customer

and IT support, we are positioned to work alongside our customers as they streamline their operations to

maximise their cost-efficiencies and improve their ROI while connecting them with new, digitally savvy
audiences.
The
Company was chosen as a member of the 2014 Global Outsourcing 100 by the highly respected IAOP
(International Association of Outsourcing Professionals) with "management capabilities" singled out as a key
strength.
such as collections and customer services.
We are
we are
opportunities
in 2015 and beyond.
Outlook
As we move through
fiscal year 2015 and into 2016,
With a solid foundation, strong
operational execution, new sales initiatives, and focused differentiated offerings, we have a great deal of

Finally I would like to thank all of our staff, clients and shareholders for their continuing support.

BOARD AND EXECUTIVE MANAGEMENT

primarily responsible for business development, strategy and overall growth for the company
investor relations and stakeholder and communication, while working alongside the Executive to focus on the new corporate strategy.

nnual report 2013-14	
previous strategic, operational and financial roles	
nanning private equity, consulting and banking across multiple industries, will bring invaluable insight and nowledge to the Board. Board.	
ommittees of the Company.	
• (Resignation with effect 30 April 2014)	

DIRECTORS' REPORT

The Directors present their report and the financial statements of "the Company") and it's Subsidiaries (collectively the "Group"), which covers the year from 1 April 2013 to 31 March 2014.

Principal activity and review of the business

The principal activity of the Company is that of providing Content Transformation Services and Business Process Outsourcing Services.

Results and dividends

The trading results for the year and the Group's financial position at the end of the year are shown in the attached financial statements.

Review of business and future developments

A review of the business and expected future developments of the Company are contained in the Chairman's statement attached to this report.

Directors and Directors' interests

The Directors of the Company during the year are attached to this report.

Directors remuneration

The Director's remuneration for the year ended 31 March 2014 was:

	Remuneration 2014	Remuneration 2013 (US\$)	
	US\$		
Total Director's Remuneration			

Directors share option

During the year ended 31 March 2014, no key management personnel have exercised options granted to them.

Details of the use of financial instruments by the Company are contained in note 29 to the financial statements.

Related party contract of significance

The related party transactions are noted in the financial statement.

Internal control

The Directors acknowledge their responsibility for the Company's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage the risk of failure to achieve the Company's strategic objectives. It cannot totally eliminate the risk of failure but will provide reasonable, although not absolute, assurance against material misstatement or loss.

Going concern

s.

Directors' responsibilities

The Directors are responsible for preparing the Directors' reports and consolidated financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare consolidated financial statements on a going concern basis unless it is inappropriate to
 presume that the Group will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and of the Group to enable them to ensure that the financial statements comply with the requirements of the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge and belief:

•	

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's Auditors for the purposes of their audit and to establish that the Auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Auditors are unaware.

By order of the Board

CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and intend for the Company to comply with the main provisions of the QCA Guidelines insofar as they are appropriate given the Company's size and stage of development. In maintaining a corporate governance regime, the Company is prepared beyond that required by law for Guernsey companies, again in keeping with the Company's size and stage of development.

Board of Directors

The Board is responsible for the proper management of the Company. The Board comprises of two

. The resume of the board members is as outlined in the statement attached to this report.

The Executive Directors bring knowledge of the Business Process Outsourcing industry, the investment industry and a range of general business skills. The Non-Executive Directors form a number of committees to assist in the governance of the Company. Details are below.

All Directors have access to independent professional advice, at the Company's expense, if and when required.

Sub-Committees

The Board has appointed the three sub-committees outlined below. The sub-committees will meet at least once each year.

Audit Committee

The Audit committee comprises

responsible for ensuring that the financial performance of the Company is properly monitored and reported on. The committee is also responsible for meeting with the auditors and reviewing findings of the audit with the external auditor. It is authorised to seek any information it properly requires from any employee and may ask questions of any employee. It will meet the auditors once per year without any members of management being present and is also responsible for considering and making recommendations regarding the identity and remuneration of such auditors.

Remuneration Committee

The Remuneration committee comprises

The committee will consider and recommend to the Board the framework for the remuneration of the executive directors of the Company and any other senior management. It will further consider and recommend to the Board the

total individual package of each executive director including bonuses, incentive payments and share options or other share awards. In addition, subject to existing contractual obligations, it will review the design of all share incentive plans for approval by the Board and the Company's shareholders and, for each such plan, will recommend whether awards are made and, if so, the overall amount of such awards, the individual awards to executive directors and performance targets to be used. No director will be involved in decisions concerning his own remuneration.

Nomination Committee
The Nomination committee will
consider the selection and re-appointment of Directors. It will identify and nominate candidates to all board
vacancies and will regularly review the structure, size and composition of the board (including the skills,
knowledge and experience) and will make recommendations to the Board with regard to any changes.
Share Dealing
The Company has adopted a share dealing code (based on the Model Code), and the Company will take all
proper and reasonable steps to ensure compliance by Directors and relevant employees.
The City Code on Takeovers and Mergers
Disclosure and Transparency Rules
Discussive and Transparency Rules

disclosure of voting rights in Ordinary Shares, which are similar to the provisions of the DTR, this may not always ensure compliance with the requirements of Rule 17 of the AIM Rules. Furthermore, the Articles may

be amended in the future by a special resolution of the Shareholders.

. While the Articles contain provisions requiring

Contr	ol by Significant Shareholder
	including the election of
directo	ors and the approval of significant corporate transactions and other transactions requiring a majority
vote.	
1 1	The relationship agreement
inciua i.	es provisions to ensure that: the Board and its committees are able to carry on their business independently of the individual
1.	the Board and its committees are able to early on their business independently of the individual
ii.	the constitutional documents of the Company are not changed in such a way which would be
	inconsistent with the Relationship Agreement;
 111.	all transactions between the Group and
	concluded at arm's length;
iv.	
	(i) exercise the voting rights attaching to its Ordinary Shares; or
	(ii) procure that the voting rights attaching to its Ordinary Shares be exercised,
	so as (a) to appoint any person who is connected to the Board if, as a direct consequence of
	such appointment, the number of persons connected to appointed to the Board would exceed
	the number of independent Directors appointed to the Board, unless such appointment(s) has been
	previously approved by the nomination committee of the Board constituted by a majority of
	independent Directors; or (b) to remove any independent Director from the Board, unless such
	removal has previously been recommended by a majority of the independent Directors, excluding the
	independent Director in question; or (c) to cancel the Admission, unless the cancellation has
	previously been recommended by a majority of the independent Directors; and
v.	certain restrictions are put in place to prevent interference by the Shareholder with the business of
	the Company.

Independent auditors' report

To the members of

We have audited the consolidated financial statements for the year ended 31 March 2014 which comprise the Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the consolidated financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial

information in the Annual Report to identify material inconsistencies with the audited consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- comply with The Companies (Guernsey) Law, 2008

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under The Companies (Guernsey) Law, 2008 we are required to report to you, if in our opinion:

- proper accounting records have not been kept by the Company; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.



Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey, Channel Islands

30 June 2014



Consolidated Statement of Financial Position

(All amounts in United States Dollars, unless otherwise stated)

	Notes	As at	As a
		31 March 2014	31 March 201
ASSETS			
Non-current			
Goodwill	7		
Other intangible assets	8		
Property, plant and equipment	9		
Long- term financial asset	10		
Deferred tax asset	11		
Non-current assets			
Current			
Trade and other receivables	12		
Cash and cash equivalents	13		
Short- term financial assets	14		
Current tax asset			
Other current assets	15		
Current assets			
Total assets			
EQUITY AND LIABILITIES			
Equity			
Share capital			
Share compensation reserve			
Additional paid in capital			
Merger reserve			
Retained earnings			
Other components of equity			
Total equity attributable to equit the parent	y holders of		

(All amounts in United States Dollars, unless otherwise stated)

	Notes	As at 31 March 2014	As at 31 March 2013
Liabilities			
Non-current			
Long term borrowings	16		
Employee benefit obligations	18		
Other non-current liabilities			
Deferred tax liability	11		
Non-current liabilities	-		
Current			
Trade and other payables	17		
Employee benefit obligations	18		
Current tax liabilities			
Current portion of long term borrowings16			
Short term borrowings			
Other current liabilities	19		
Current liabilities	-		
	-		
Total equity and liabilities	-		

(The accompanying notes are an integral part of the Consolidated Financial Statements)

The Consolidated Financial Statements have been approved and authorized for issue by the Board of Directors on 30 June 2014.

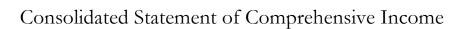
Neil Campling Director



Consolidated Income Statement

(All amounts in United States Dollars, unless otherwise stated)

	Notes	For the year ended	For the year ended
		31 March 2014	31 March 2013
Income			
Revenue from operations			
Other income	20 -		
Cost and expenses	_		
Outsourced service cost			
Employee benefits expense			
Depreciation and amortisation			
Other expenses			
	_		
Operating profit			
Finance income	21		
Finance cost	22		
Profit before tax	-		
	-		
Income tax expense	23		
Profit for the year attributable to equity holders of the parent	=		
T	-		
Earnings per share Basic	24		
Diluted			
Par value of each share in GBP			



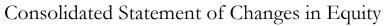
(All amounts in United States Dollars, unless otherwise stated)

	For the year ended	For the year ended
	31 March 2014	31 March 2013
Profit after tax for the year		
Items that will be reclassified subsequently to		_
income statement		
Exchange differences on translating foreign operations		
Income tax relating to items that will be reclassified		
Items that will not be reclassified subsequently to		
income statement		
Remeasurement of the net defined benefit liability		
Income tax relating to items that will not be reclassified		
Other comprehensive income for the year, net of tax)
Total comprehensive income attributable to equity		
holders, net of tax	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·

Consolidated Statement of Changes in Equity

(All amounts in United States Dollars, unless otherwise stated)

	Share capital	Additional paid in Capital	Share compensation reserve	Merger reserve	Other component of equity	Retained earnings	Total equity
Balance as at 01 April 2012							
Issue of ordinary shares	-	-	-	-	-	-	-
Dividends	-	-	-	-	-		
Transaction with owners	-	-	-	-	-		
Profit for the year	-	-	-	-	-		
Other comprehensive income Exchange difference on translating foreign operations	-	-	-	-		1)
Total comprehensive income for the year	-	-	-	=			
Balance as at 31 March 2013							



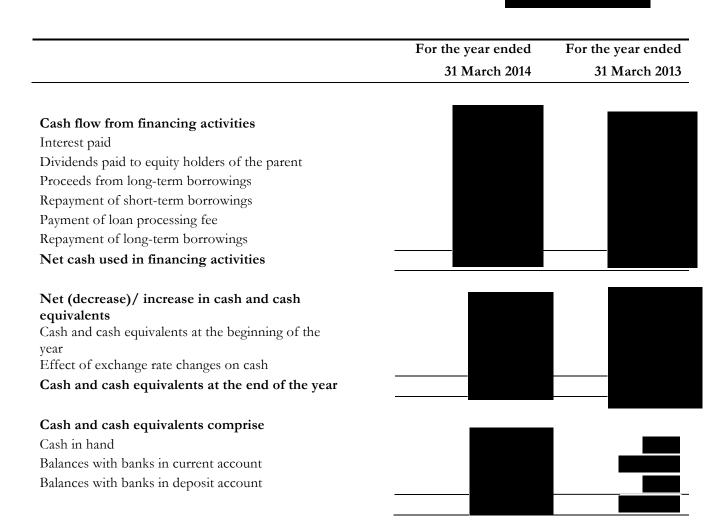
(All amounts in United States Dollars, unless otherwise stated)

	Share capital	Additional Paid in Capital	Share compensati on reserve	Merger reserve		mponents of uity	Retained earnings	Total equity
		•			Foreign currency translation reserve	Net defined benefit liability		
Balance as at 01 April 2013						Ī		
Issue of ordinary shares Dividends		-	-		-	- -		-
Transaction with owners	-	-	_	-	-	-	-	-
Profit for the year	-	-	-	-	-	-		
Other comprehensive income	-	-	-	-				
Total comprehensive income for the year	-	-	-	-				
Balance as at 31 March 2014								



(All amounts in United States Dollars, unless otherwise stated)

	For the year ended	For the year ended
	31 March 2014	31 March 201
Cash flow from operating activities		
Profit before tax		
Adjustments		
Depreciation and amortisation		
Write-off balances due from subsidiaries		
Loss on disposal of property, plant and equipment (net)		
Trade receivables written-off		
Provision for other receivables		
Amortization of loan processing fee		
Sundry balances written back		
Unrealised foreign exchange loss/ (gain)		
Finance income		
Finance cost		
Changes in operating assets and liabilities (Increase) in trade and other receivables Decrease/ (Increase) in other assets (current and non-current) (Decrease)/ Increase in trade payables and other liabilities (current and non-current) (Decrease)/ Increase in employee benefit obligations (current and non-current) Cash generated from operations		
Income taxes paid		
Net cash generated from operating activities		
Cash flow for investing activities		
Payments for purchase of property plant and equipment		
Payments for purchase of other intangible assets		
Interest received		
Proceeds from disposal of property, plant &		
equipment		
Net cash used in investing activities		



Notes to the Consolidated Financial Statements

(All amounts in United States Dollars, unless otherwise stated)

1. INTRODUCTION

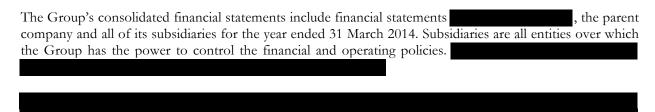
2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements of the Group for the year ended 31 March 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. The consolidated financial statements have been prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF CONSOLIDATION



3.2 FOREIGN CURRENCY TRANSLATION

These consolidated financial statements are presented in USD ('United States Dollar'), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statement of each entity are measured using that functional currency. The functional currency of each entity has been determined on the basis of the primary economic environment in which each entity of the Group operates.

a. Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date and the resultant foreign exchange gain or loss on re-measurement of monetary item or settlement of such transactions are recognised in the consolidated income statement

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

b. Group companies

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than USD (the Group's presentation currency) are translated into USD upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period.

The assets and liabilities of foreign operations are translated into USD at the rate of exchange prevailing at the reporting date and their consolidated statements of comprehensive income are translated at average exchange rates where this is a reasonable approximation to actual rates during the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into USD at the closing rate.

3.3 REVENUE RECOGNITION

Rendering of services

Revenue relating to services billable on hourly/daily basis is recognized as the time is incurred.



Amounts billed, where revenue recognition criteria have not been met are recorded as deferred revenue and are recognized when all the recognition criteria have been met.

Finance income

Finance income consists of interest income on funds invested. Finance income is recognised as it accrues in consolidated income statement, using the effective interest rate method.

3.4 PROPERTY, PLANT AND EQUIPMENT

Items of plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Assets acquired under finance leases are capitalised as assets by the Group at the lower of the fair value of the leased property or the present value of the related lease payments or where applicable, the estimated fair value of such assets at the inception of the lease. Assets under finance leases and leasehold improvements are depreciated over the shorter of the lease-term or the estimated useful life of the assets.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Asset	Useful Life
Computers and data equipment	2 to 7 years
Office equipment	5 years
Furniture and fixtures	1 to 7 years
Air conditioners and generators	10 years
Vehicles	4 to 7 years

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Advances paid for the acquisition of property, plant and equipment outstanding at the statement of financial position date and the cost of property, plant and equipment not put to use before such date are disclosed as 'Capital work-in-progress'.

3.5 GOODWILL

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. The impairment analysis of goodwill is carried out annually at cash generating unit (CGU) level to evaluate whether events or changes have occurred that would suggest an impairment of carrying value.

3.6 OTHER INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is initially recorded at its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangibles with definite useful lives are amortised on a straight line basis The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption



of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Residual values and useful lives are reviewed at each reporting date. In addition, intangibles with indefinite useful lives are subject to impairment testing annually. Amortisation has been included within 'depreciation and amortisation'. The following useful lives are applied:

- Software: 2-5 years
- Customer contracts and relationships: 0-7 years
- Trademark and patents (having indefinite life): Tested for impairment annually

3.7 LEASES

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the consolidated income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term. Rent abatements and escalations are considered in the calculation of minimum lease payments in the Group's capital lease testing and in determining straight line rent expense for operating leases.

3.8 ACCOUNTING FOR INCOME TAXES

Income tax expense recognised in the consolidated income statement comprise of current and deferred tax. Income tax expense is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax is not recognised for the following temporary differences:

- (i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and
- (ii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognised for taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in consolidated income statement, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.9 POST EMPLOYMENT BENEFITS, SHORT-TERM AND LONG TERM EMPLOYEE BENEFITS AND EMPLOYEE COSTS

The Group provides post-employment benefits through defined contribution plans as well as defined benefit plans.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to recognised provident funds, approved superannuation schemes and other social securities which are defined contribution plans are recognised as an employee benefit expense in the consolidated income statement when they are incurred.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Under a defined benefit plan, it is the Group's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Group. The present value of the defined benefit obligations is calculated using the projected unit credit method.

Short-term benefits

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Compensated absences

Eligible employees are entitled to accumulate compensated absences up to prescribed limits in accordance with the Group's policy and receive cash in lieu thereof. The Group measures the expected cost of accumulating compensated absences as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the reporting date. Such measurement is based on actuarial valuation as at the reporting date carried out by a qualified actuary.

3.10 IMPAIRMENT TESTING OF FINANCIAL ASSETS, GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss, in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the consolidated income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the consolidated income statement.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination and represent the lowest level within the Group at which management monitors goodwill.

An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in consolidated income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying

amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through consolidated income statement, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

Non-derivative financial assets consist of investments in equity, trade receivables, certain other assets, cash and cash equivalents.

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss

The category determines subsequent measurement and whether any resulting income and expense is recognised in consolidated income statement.

All income and expenses relating to financial assets that are recognised in the consolidated income statement are presented within 'finance costs', 'finance income' or 'other financial items, as applicable.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flow comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less and which are subject to an insignificant risk of changes in value.

Restricted deposits

Others

Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

The Group holds derivative financial instruments to hedge its foreign currency exposure. The Group does not apply hedge accounting to these instruments.

Derivatives are recognised initially at fair value; transaction costs are recognised in the consolidate income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in the consolidated income statement.

Financial liabilities

The Group's financial liabilities include trade and other payables, borrowings and derivative financial instruments. Trade and other payables and borrowings are initially measured at fair value and subsequently measured at amortised cost using effective interest rate method. They are included in the consolidated statement of financial position line items 'long-term liabilities' and 'trade and other payables'.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance cost" in the consolidated income statement.

Dividend distributions to shareholders are included in 'other current liabilities' when the dividends are approved by the shareholders' meeting.

3.12 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset against each other and the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

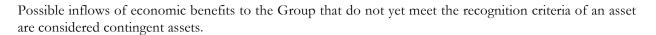
3.13 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when present obligations as a result of past events will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial position date, including the risks and uncertainties associated with the present obligation.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the consolidated statement of financial position.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However this asset may not exceed the amount of the related provisions. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.



3.14 BUSINESS COMBINATIONS

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquirer's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

For common control transactions, not covered under IFRS 3 (revised), the Group applies pooling of interest method. Under a pooling of interests-type method, the acquirer accounts for the combination as follows:

- The assets and liabilities of the acquiree are recorded at book value not fair value (although adjustments should be recorded to achieve uniform accounting policies);
- Intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the acquiree in accordance with applicable IFRS (in particular IAS 38);
- No goodwill is recorded. The difference between the acquirer's cost of investment and the acquiree's equity is presented as a separate reserve within equity on consolidation;
- Any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities (as adjusted to achieve uniform accounting policies);
- Any expenses of the combination are written off immediately in the income statement;
- Comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

3.15 EQUITY

Share capital is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issue of share capital. Any transaction costs associated with the issue of shares is deducted from additional paid-in capital, net of any related income tax benefits.

Foreign currency translation differences on translation of foreign operations are included in the currency translation reserve.

Other components of equity include the following:

- Re-measurement of net defined benefit liability comprises the actuarial losses from changes in actuarial assumptions and the return on plan assets
- translation reserve comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into USD

Retained earnings include all current and prior period earnings, as disclosed in the consolidated income statement.

Share compensation reserve includes cumulative share-based remuneration recognised as an expense in consolidated income statement.

The balance on the merger reserve represents excess of the fair value of the consideration paid over the book value of net assets acquired in a common control transaction accounted for using pooling of interest method.

All transactions with owners of the parent are recorded separately within equity.

3.16 SHARE BASED PAYMENTS



3.17 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these judgments, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognised in the consolidated financial information:

Determination of functional currency of individual entities

Following the guidance in IAS 21 "The effects of changes in foreign exchange rates" the functional currency of each individual entity is determined by the management based on the currency of the primary economic environment in which the entity operates. The management believes that each of the individual entity's functional currency reflects the transactions, events and conditions under which the entity conducts its business.

Goodwill impairment review

In assessing goodwill impairment, management makes judgment in identifying the cash-generating units (CGU) to which the goodwill pertains. Management then estimates the recoverable amount of each asset based on expected future cash flows. The recoverable amount of the CGU is determined based on the value-

in-use calculations. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable growth and discount rate (see note 7).

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions

Post-employment benefits

The cost of defined employee benefit obligations and the present value of these obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, expected return on plan assets, mortality rates and attrition rates. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high quality government bonds denominated in the respective currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on expected future inflation rates for the respective countries and expected future salary increases for the respective entities. Attrition rate is based on expected future attrition rate for the respective entities.

Useful lives of various assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Group. The carrying amounts are analysed in notes 8 and 9. Actual results, however, may vary due to technical obsolescence.

Impairment of trade receivables

As at each reporting date, management makes an estimate of the bad and doubtful trade receivables and records a loss for impairment against the receivables for amounts determined. Though there is a concentration of credit with respect to top customers of the Group, management doesn't consider the risk arising from this concentration to be significant considering the credit worthiness of customers. The impairment loss is based solely on an estimate made by management with respect to the recoverability of past due trade receivable.

4. NEW AND REVISED STANDARDS THOSE ARE EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2013

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2013, except for amendment to IAS 1 Presentation of Financial Statements which is effective for annual periods beginning on or after 1 July 2012. Information on these new standards is presented below.

• Amendment to IAS 1 Presentation of Financial Statements

This amendment does not affect which items are presented in other comprehensive income, but does change the structure of their presentation. The main change is a requirement for entities to group items in other comprehensive income into those that will not subsequently be reclassified to profit or loss and those that will subsequently be reclassified to profit or loss when specific conditions are met. Whether an item will or will not be reclassifies is determined by the relevant IFRS applying to them. The adoption of amendment to IAS 1 has no impact on the recognized assets, liabilities and comprehensive income of the Group.

• Amendments to IFRS 7 Disclosures- Offsetting Financial Assets and Financial Liabilities

The Group has applied the Amendments to IFRS 7 Disclosures- Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights to offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement,

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

IFRS 13 Fair Value Measurement

In May, 2011, the IASB issued IFRS 13 "Fair Value Measurements". IFRS 13 defines fair value, provides single IFRS framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value or change what is measured at fair value in IFRSs or address how to present changes in fair value. The adoption of this accounting standard including consequential amendments did not have any material impact on the consolidated financial statements of the Group.

Amendments to IAS 19 Employee Benefits

The 2011 amendments to IAS 19 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- eliminate the 'corridor method' and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income.
- change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability.
- enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

The Group has adopted Revised IAS 19 and has recorded the impact of this in the consolidated financial statements. The comparative information has not been restated as the cumulative effect of the change in the accounting policy is not material to the consolidated financial statements.

5. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED BY THE GROUP

Summarised in the paragraphs below are standards, interpretations or amendments that have been issued prior to the date of approval of these consolidated financial statements and will be applicable for transactions in the Group but are not yet effective. These have not been adopted early by the Group and accordingly, have not been considered in the preparation of the consolidated financial statements of the Group.

Management anticipates that all of these pronouncements will be adopted by the Group in the first accounting period beginning after the effective date of each of the pronouncements. Information on the new standards, interpretations and amendments that are expected to be relevant to the Group's consolidated financial statements is provided below.

• IFRS 9 Financial Instruments Classification and Measurement

In November 2009, the IASB issued IFRS 9 "Financial Instruments: Classification and Measurement" ("IFRS 9"). This standard introduces certain new requirements for classifying and measuring financial assets and liabilities and divides all financial assets that are currently in the scope of IAS 39 into two classifications, those measured at amortised cost and those measured at fair value. In October 2010, the IASB issued a revised version of IFRS 9, "Financial Instruments" ("IFRS 9 R"). The revised standard adds guidance on the classification and measurement of financial liabilities. IFRS 9 R requires entities with financial liabilities designated at fair value through profit or loss to recognise changes in the fair value due to changes in the liability's credit risk in other comprehensive income. However, if recognizing these changes in other comprehensive income creates an accounting mismatch, an entity would present the entire change in fair value within profit or loss. There is no subsequent recycling of the amounts recorded in other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity.

The management is currently evaluating the impact that this new standard will have on its consolidated financial statements.

• IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 "Consolidated Financial Statements" ("IFRS 10") which replaces consolidation requirements in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation — Special Purpose Entities" and builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This pronouncement is effective for the annual period beginning on or after January 1, 2014 with earlier application permitted so long as this standard is applied together with other four standards as mentioned below:

IFRS 11 "Joint Arrangements"
IFRS 12 "Disclosure of Interest in Other Entities"
IAS 27 (Revised) "Separate Financial Statements"
IAS 28 (Revised) "Investments in Associates and Joint Ventures"

The remainder of IAS 27, "Separate Financial Statements", now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not applicable in the Group's consolidated financial statements.

• IFRS 11 Joint Arrangements

"Joint Arrangements" ("IFRS 11"), which replaces IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities — Non-monetary Contributions by Ventures", requires a single method, known as the equity method, to account for interests in joint operations and joint ventures. The proportionate consolidation method to account for joint ventures is no longer permitted to be used. IAS 28, "Investments in Associates and Joint Ventures", was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investments in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The application of the equity method has not changed as a result of this amendment.

• IFRS 12 Disclosure of interest in other entities

"Disclosure of Interest in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11.

Further, in June 2012, IASB published 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance' as amendments to IFRS 10, IFRS 11 and IFRS 12. These amendments are intended to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

The Group will be adopting IFRS 10, IFRS 11 and IFRS 12 effective for periods beginning on or after 1 Jan 2014. The Group is currently evaluating the impact of the above pronouncements on the Group's consolidated financial statements.

• IFRS 15 Revenue from contracts with customers

The International Accounting Standards Board (IASB) has published a new standard, IFRS 15 Revenue from Contracts with customers. This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue- Barter Transactions involving advertising services. It sets out the requirements for recognising revenue that apply to contracts with customers, except for those covered by standards on leases, insurance contracts and financial instruments.

The new standard is effective for reporting periods beginning on or after 1 January 2017 with early adoption permitted. It applies to new contracts created on or after the effective date and to the existing contracts that are not yet complete as of the effective date.

The Group will be adopting IFRS 15 effective for periods beginning on or after 1 Jan 2017. The Group is currently evaluating the impact of the above pronouncements on the Group's consolidated financial statements.



6. BASIS OF CONSOLIDATION

Composition of the Group

Details of the entities, which as of 31 March 2014 form part of the Group and are consolidated under

Name of the entity	Holding	Country of	Effective group
	company	incorporation	shareholding (%) as of
			31 March 2014



GOODWILL

The net carrying amount of goodwill can be analysed as follows:

Particulars	Amount
Balance as at 01 April 2012	
Impairment loss recognised	
Translation adjustment	
Balance as at 31 March 2013	
Particulars	Amount
Balance as at 01 April 2013	
Impairment loss recognised	
Translation adjustment	
Balance as at 31 March 2014	

Particulars	Amount
Goodwill allocation as at 31 March 2014	

The recoverable amounts of the CGU was determined based on value-in-use calculations, by applying Free Cash Flow to Firm ('FCFF') method, covering a three year forecast of expected cash flows for the unit's remaining useful lives using the growth rates stated below:

Particulars	Growth rate	Discount rate

The key assumptions are as follows:

Growth rates



Discount rates



Cash flow assumptions



Terminal value

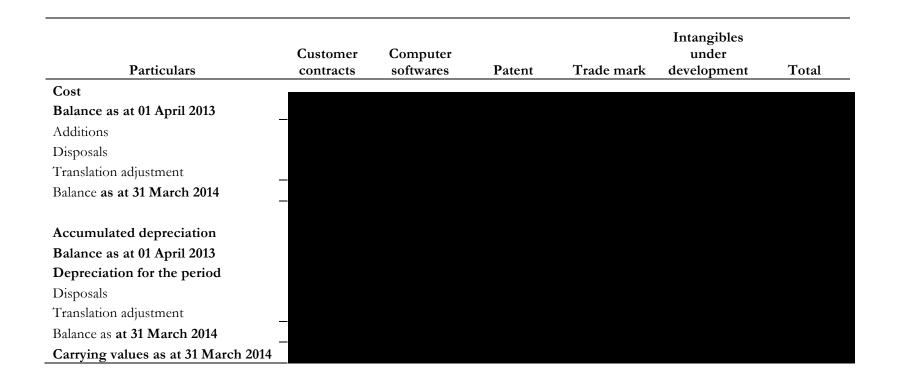
Terminal value for the USA business unit is arrived by applying

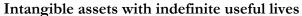
These assumptions are based on past experience and are consistent with market information.

7. OTHER INTANGIBLE ASSETS

The other intangible assets comprise of the following:

Particulars	Customer Contracts	Computer software	Patent	Trade mark	Intangibles under development	Total
Cost						
Balance as at 01 April 2012						
Additions					-	
Disposals			_	-		
Translation adjustment			-	-		
Balance as at 31 March 2013						
Accumulated amortization						
Balance as at 01 April 2012			_	_	-	
Amortisation for the year			_	_	-	
Disposals			-	-	-	
Translation adjustment			-	-	-	
Balance as at 31 March 2013			-	_	-	
Net carrying value as at 31 March 2013						





For the purpose of annual impairment testing trademark and patent is allocated to the 'Content delivery' business of the Company with respect to the US business unit.

The net carrying amount of intangible assets with indefinite lives can be analysed as follows:

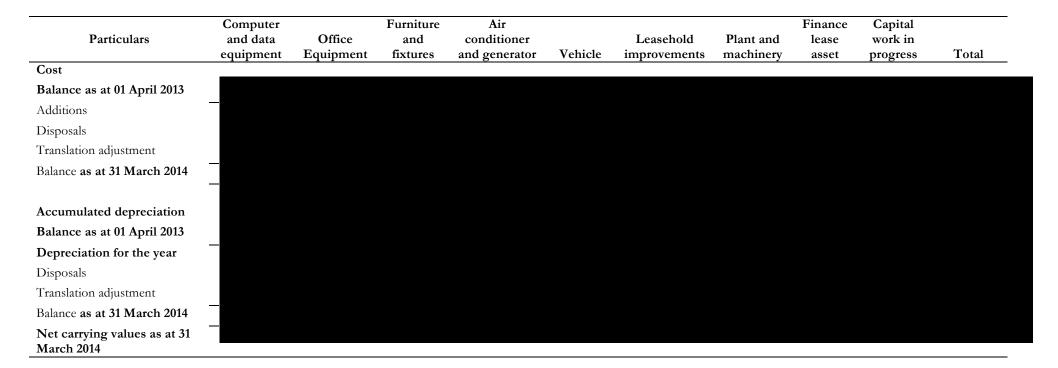
Particulars	Amount
Balance as at 01 April 2012	
Impairment loss recognised	
Translation adjustment	
Balance as at 31 March 2013	
Particulars	
Balance as at 01 April 2013	
Impairment loss recognised	
Translation adjustment	
Balance as at 31 March 2014	

The recoverable amounts of the CGU was determined based on value-in-use calculations, by applying Free Cash Flow to Firm ('FCFF') method, covering a three year forecast, followed by an extrapolation of expected cash flows for the unit's remaining useful lives. For assumptions used refer Note-7 on Goodwill.



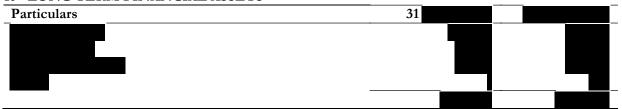
Property, plant and equipment comprise of the following:

Particulars	Computer and data	Office	Furniture and	Air conditioner	Vehicle	Leasehold	Plant and	Finance lease	Capital work in	Total
1 articulars	equipment	equipment	fixtures	and generator	Veinere	improvements	machinery	asset	progress	10141
Cost	1 1			9					1 0	
Balance as at 01 April 2012										
Additions										
Disposals										
Translation adjustment										
Balance as at 31 March 2013										
Accumulated depreciation										
Balance as at 01 April 2012										
Depreciation for the period										
Disposals										
Translation adjustment										
Balance as at 31 March 2013										
Net carrying values as at 31 March 2013										



Borrowing cost capitalised during 31 March 2014: Nil (31 March 2013: Nil)

10 LONG TERM FINANCIAL ASSETS



Security deposits are interest free unsecured deposits placed with owners of the property leased to the Group for operations in operating centres. The above security deposits have been discounted to arrive at their fair values at initial recognition using market interest rates applicable in India which approximates 8% per annum.

11 DEFERRED TAX ASSETS AND LIABILITIES

Particulars	31 March 2013	Exchange difference on translation of foreign operations	Recognised in consolidated statement of other comprehensive income	Recognised in consolidated income statement	31 March 2014
Deferred tax assets on account of Property, plant and equipment and					
intangibles Employee benefits					
Net operating losses Accruals for expenses					
Unrealised (loss) on derivatives Minimum alternate tax					
Others	_				
Deferred tax liabilities on					
account of Intangibles acquired during business					
combination Undistributed earnings					
of the subsidiaries Unrealised gain on					
derivatives Total	_				

Amounts presented in consolidated statement of financial position

Deferred tax assets	
Deferred tax liabilities	

The amounts recognised in other comprehensive income relate to exchange differences on translating foreign operations and the remeasurement of net defined benefit liability. Refer consolidated statement of comprehensive income for the amount of the income tax relating to these components of other comprehensive income.

In assessing the realisability of deferred tax assets, the Company considers the extent to which, it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry-forwards become deductible. The Company considers the expected reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

The amount of the deferred tax asset considered realizable, however, could be

reduced in the near term if the estimates of future taxable income during the carry-forward period are reduced.



12 TRADE AND OTHER RECEIVABLES

Particulars	31 March 2014	31 March 2013
Trade receivables		
Gross value		
Less: Provision for bad and doubtful debts		
Less: Rebate accruals		
Net value		
Other receivables		
Gross value		
Less: Provision for bad and doubtful receivables		
Net value		

The trade receivables have been recorded at their respective carrying amounts and are not considered to be materially different from their fair values as these are expected to realise within a short period from the reporting dates. All of the Group's trade and other receivables have been reviewed for indicators of impairment.

net trade receivables.

All of the Group's trade and other receivables have been reviewed for indicators of impairment.

The analysis of provision for bad and doubtful debts is as follows:

Particulars	31 March 2014	31 March 2013
Opening balance Provision made during the year	-	
Provision reversed		
Closing balance		

The analysis for provision for other receivables is as follows:

Particulars	31 March 2014	31 March 2013
Opening balance	-	-
Provision made during the year		-
Provision reversed	-	-
Closing balance		

The analysis of rebate accruals is as follows:-

Particulars	31 March 2014	31 March 2013
Opening balance		
Less: Rebates utilised during the period		
Add: Rebates provided to customers during the year		
Closing balance		

13 CASH AND CASH EQUIVALENTS

Particulars	31 March 2014	31 March 2013
Cash in hand		
Cash in current accounts		
Fixed deposit accounts		

14 SHORT TERM FINANCIAL ASSETS

Particulars	31 March 2014	31 March 2013
Security deposits		
Restricted cash		
Short term investments (fixed deposits with maturity less		
than 12 months)		
Derivative financial instruments		
Due from officers and employees		
Others		

Short term investments comprise of investment through banks in deposits denominated in various currency units bearing fixed rate of interest.

15 OTHER CURRENT ASSETS

Particulars	31 March 2014	31 March 2013

16 LONG TERM BORROWINGS/SHORT TERM BORROWINGS

Non-current portion of borrowings

Particulars

31 March 2014

Finance lease obligation

Term loan from others*

Total long-term borrowings

Less: Current portion of borrowings		
Finance lease obligation		
Term loan from others*		
Short term borrowings		
Particulars	31 March 2014	31 March 2013
Loan from parent company	-	
Loan from others	-	
	-	
k		

17 TRADE AND OTHER PAYABLES

2014 31 March 2013

18 EMPLOYEE BENEFIT OBLIGATIONS

Employee benefits are accrued in the period in which the associated services are rendered by employees of the Group. Employee benefit obligations include the components as follows:

Particulars	3	31 March 2014		:	31 March 2013	3
	Current	Non- current	Total	Current	Non- current	Total
Provision for gratuity Provision for compensated absences Accrued pension liability						

The Company has adopted Revised IAS 19R with effect from 1 April 2013. Comparative information has not been restated for the changes as the effect of the change in accounting policy is not material.

Gratuity



Compensated absences

The Group has accumulating compensated absences policy. The Group measures the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the date of statement of financial position.

Accrued pension

The Group sponsors a non-contributory defined benefit pension plan (the "DB Plan") covering all full-time employees of one of its subsidiaries meeting specified entry-age requirements. Pension benefits were based upon a formula contained in the DB Plan documents that takes into consideration years of service. The Company's funding policy is based on actuarial recommended contribution. The actuarial cost method utilised to calculate the present value of benefit obligations is the projected unit credit cost method. The DB Plan assets are held by a bank, as trustee, principally in the form of mutual fund units, money market securities, corporate bonds, and U.S. government securities. The DB Plan has no liabilities.

The defined benefit obligation is calculated annually by an independent actuary using projected unit credit method. Changes in the present value of the defined benefit obligation with respect to gratuity, accrued pension liability and compensated absences are as follows:

		31 March 2014
Particulars	Gratuity	Accrued pension
Change in benefit obligation		
Opening value of obligation		
Interest expense		
Current service cost		
Benefits paid Remeasurement - actuarial losses/(gains) from changes in assumptions		
Translation adjustment		
Defined benefit obligation at the year end		
Fair value of planned assets		
Defined benefit obligation at the year end (net)		

Expenses related to the Company's defined benefit plans are as follows:

Particulars Gratuity Accrued pension

Net benefit obligation

Amounts recognised in consolidated income statement

Annual report 2013-14 Current service cost Net interest expense Expense recognised in consolidated income

statement

		31 March 2013
Particulars	Gratuity	Accrued Pension
Reconciliation of funded status		
Change in benefit obligation		
Opening value of obligation		
Interest cost		
Service cost		
Benefits paid		
Remeasurement - actuarial losses/(gains) from changes in assumptions		
Translation adjustment		
Defined benefit obligation at the year end		
Fair value of plan assets		
Defined benefit obligation (net)		

Amounts recognised in consolidated income statement

Current service cost
Interest cost
Expected return on plan assets
Net amortization benefit cost

Expense recognised in consolidated income statement

Particulars	31 March 2014	31 March 2013
Current portion of obligation as at the end of the year		
Non-current portion of obligation as at the end of the year		

Discount rate assumptions and expected rate of increase in compensation levels used in calculation of gratuity obligation are as follows

	31 March 2014	31 March 2013
Discount rate		

Plan assets

Gratuity

Particulars	31 March 2014	31 March 2013
Opening balance of fair value of plan assets		
Expected return on plan assets		
Employer contribution		
Benefits paid		
Actuarial gain/(loss) on plan assets		
Exchange fluctuation		
Closing balance of fair value of plan assets		

Accrued pension

Particulars	31 March 2014	31 March 2013
Opening balance of fair value of plan assets		
Fair value of asset on acquisition date		
Actual return on plan assets		
Employer contributions		
Benefits paid		
Closing balance of fair value of plan assets		

Plan assets do not comprise any of the Group's own financial instruments or any assets used by Group companies. The gratuity plan of the Company is administered by Life Insurance Company ('LIC"). Plan assets for gratuity and pension plans are invested in below category of investments.

Particulars	31 March 2014	31 March 2013
Gratuity:		
Quoted		
-Government Bonds		
- Infrastructure Bonds		
-Corporate Bonds		
Unquoted		
-Fixed Deposits		
-Commercial paper and Deposits		
-Cash and Cash equivalence		
Pension:		
Quoted		
- Equity mutual funds		
- Fixed income		
Unquoted		
- Cash and cash equivalents		

Interest rate risk

Total plan assets

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and it is denominated in functional currencies of respective subsidiaries. A decrease in market yield on high quality corporate bonds will increase the Group's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.

Investment risk	
The constant of the	
Longevity risk	

The defined benefit obligation and plan assets are composed by geographical locations as follows:

	1 ,00	31 March 2014
Particulars		
Defined benefit obligation		
Fair value of plan assets		

Particulars	US	India	Total
Defined benefit obligation			
Fair value of plan assets			

Amounts recognised in other comprehensive income related to the Group's defined benefit plans are as follows:

Particulars	
Actuarial loss from changes in financial assumptions	
Actuarial loss from changes in demographic assumptions	
Return on plan assets (excluding amounts included in net interest)	
Total expenses recognised in other comprehensive income	

All the expenses summarised above were included within items that will not be reclassified subsequently to profit or loss in the statement of other comprehensive income.

Other defined benefit plan information

The contributions to the defined plans are funded by the Group's subsidiaries. The funding requirements are based on the pension fund's actuarial measurement framework as set out in the funding policies.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the withdrawal rate. The calculation of the net defined benefit

liability is sensitive to these assumptions. The following table summarises the effects of changes in these

actuarial assumptions on the defined benefit liability at 31 March 2014:

Discount rate	
	<u>—</u>
Increase (decrease) in the defined benefit liability	
	
Salary growth rate	
, 0	
T (1): 1 1 C 11 C 11 III	_
Increase (decrease) in the defined benefit liability	
XX71.1 1 1 1	
Withdrawal rate	
In angere (decreese) in the defined benefit liebility	
Increase (decrease) in the defined benefit liability	

The present value of the defined benefit obligation calculated with the same method (project unit credit) as the defined benefit obligation recognised in the statement of financial position. The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Defined contribution plans

19 OTHER CURRENT LIABILITIES

Particulars	31 March 2014	31 March 2013
Employee dues		
Statutory dues payable		
Unearned revenue		
Advance from customers		
Interest accrued and due on loans		
Finance lease liability		
Others		

20 OTHER INCOME

Particulars	31 March 2014	31 March 2013
Income from business purchase settlement		
Foreign exchange gain		
Profit on sale of fixed assets		
Miscellaneous income		

21 FINANCE INCOME

Particulars	31 March 2014	31 March 2013
Interest income on deposit accounts		
Others		

22 FINANCE COST

Particulars	31 March 2014	31 March 2013
Interest on borrowings		
Interest on finance lease		
Others		

23 INCOME TAXES

Income tax is based on tax rate applicable on profit or loss in various jurisdictions in which the Group operates. The effective tax at the domestic rates applicable to profits in the country concerned as shown in

the reconciliation below have been computed by multiplying the accounting profit with effective tax rate in each jurisdiction in which the Group operates. The entity at Guernsey is zero tax entity.

Tax expense reported in the Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income for the year ended 31 March 2014 and 31 March 2013 is as follows:

Particulars	31 March 2014	31 March 2013
Current tax expense		
Deferred tax expense/ (credit)		
Income tax expense included in consolidated income		
statement		
Deferred tax expense/ (credit) included in consolidated		
statement of comprehensive income		
Net tax expense		

The relationship between the expected tax expense based on the domestic tax rates for each of the legal entities within the Group and the reported tax expense in profit or loss is reconciled as follows:

Particulars	31 March 2014	31 March 2013
Accounting profit for the year before tax		
Other comprehensive loss before tax		
Effective tax at the domestic rates applicable to profits in the country concerned Deferred tax on undistributed earnings		
Recognition of deferred tax assets on carry forward losses		
Dividend distribution tax		
Income not taxable/ expenses not allowed		
Change in tax rate		
Others		
Tax expense		

24 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

Calculation of basic and diluted earnings per share for the year ended 31 March 2013 is as follows:

Basic earnings per share Particulars	31 March 2014	31 March 2013
Profit attributable to shareholders		
Weighted average numbers shares outstanding		
Basic earnings per share (USD)		
Diluted earnings per share		
Diluted earnings per share Particulars		
Particulars		

Particulars	31 March 2014	31 March 2013
Diluted earnings per share (USD)		

^{*} Shares to be issued under share options granted

25 LEASES

The Group's finance lease payments are due on computers (including embedded software) taken on lease for operating activities.

Particulars	31 March 2014 31 March 2013
Computers and peripherals	
Office equipment	
Plant and machinery	
Furniture and fixtures	

The minimum lease rent payable for the assets taken on finance leases (included under current and non-current borrowings) are as under:

Payments falling due	lease pa	ninimum ayments anding	Interest	Implicit	Present value lease pa	
	31 March 	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Within 1 year						
Later than 1 year but less than 5 years More than 5 years						

The Group's approximate future minimum lease payments under non-cancellable operating leases are as follows:

Payments falling due	Future minimum lease payments outstanding		
	31 March 2014	31 March 2013	
Within 1 year			
Later than 1 year but less than 5 years			
More than 5 years			

The Group's operating lease payments are cancellable as well as non-cancellable and are due on premises taken on lease for operating activities.



26 FAIR VALUATION GAIN/ (LOSS) ON DERIVATIVES

27 EQUITY

The share capital

Il shares represent one vote at the shareholder's meeting of total

number of shares issued and fully paid up of the company as on each reporting date is summarised as follows:

Particulars	31 March 2014	31 March 2013
Opening number of shares		
Number of shares issued during the year		
Closing number of shares		

28 SHARE BASED PAYMENTS



29 RELATED PARTY TRANSACTIONS

The related parties for each of the entities in the Group have been summarised in the table below:

I. Ultimate controlling party II. Entities directly or indirectly through one or more intermediaries, control, are controlled by, or are under common control with, the reported enterprises III. Key management personnel and significant shareholders:

Disclosure of transactions between the Group and related parties and the outstanding balances is as under: **Transactions with parent company**

Particulars 31 March 2014 31 March 2013

Particulars	31 March 2014	31 March 2013
Dividend paid		
Repayment of loan		
Interest paid		
Balances at the end of the year		
Interest payable		
Demand loan facility		

Above payables from related parties bears an interest rate of 10% p.a and are repayable on demand. Hence, the management is of the view that fair values of such receivables and payable closely approximates their carrying values.

Transactions with key managerial personnel and their relative

Particulars	31 March 2014	31 March 2013
Transactions during the year		
Short term employee benefits		
Remuneration paid to directors	-	
Sara Latham		
John Behar		
Chris de Putron		
Mark De La Rue		
Balances at the end of the year		
Total remuneration payable to key managerial personnel		

Key management personnel also participate in post-employment benefit plans and other long term benefits provided by the Group. The amounts in respect of these towards the key management personnel cannot be segregated as these are based on actuarial valuation for all employees of the Group. During the year ended 31 March 2014 no key management personnel has exercised options granted to them.

30 SEGMENT REPORTING

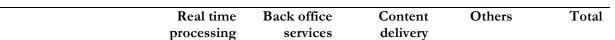
These operating segments are monitored and operating and strategic decisions are made on the basis of operating segment results.

The Chief Operating Decision Maker ("CODM") evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by operating segments. The Group's reportable segments are as follows:

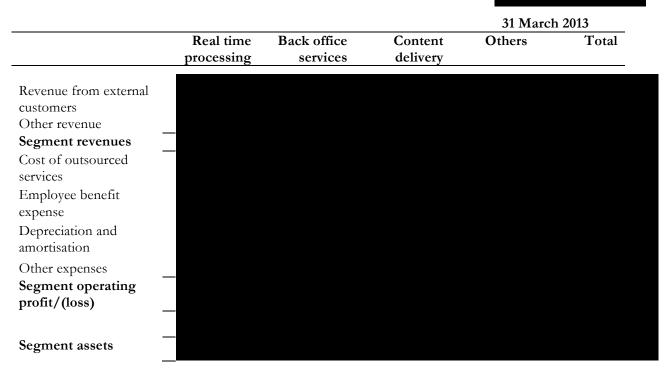


The measurement of each operating segment's revenues, expenses, assets and is consistent with the accounting policies that are used in preparation of the consolidated financial statements. In addition, two minor operating segments, for which the quantitative thresholds have not been met, are currently combined below under 'Others'.

Segment information can be analysed as follows for the reporting years under review:



	F		
n.			
Revenue			
Revenue from external			
customers			
Other income			
Segment revenue			
Cost of outsourced			
Services			
Employee benefit			
expense			
Depreciation and			
amortization			
Other expenses			
Segment operating			
profit/ (loss)			
Segment assets			



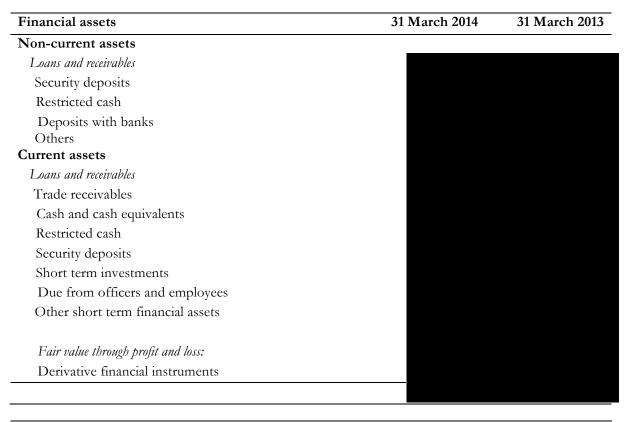
The Group's revenues from external customers and its non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) are divided into the following geographical areas:

Location	Revenue	Non-current	Revenue	Non-current
		assets		assets
	31 March 2014	31 March 2014	31 March 2013	31 March 2013
United Kingdom				
India				
USA				
Rest of the world				
Total				

	_	
		31 March 2014
Revenue from	Segment	Amount
Customer 1	Content delivery	
		31 March 2013
Revenue from	Segment	Amount
Customer 1	Content delivery	3

31 FINANCIAL ASSETS AND LIABILITIES

Carrying amounts of assets and liabilities presented in the statement of financial position relates to the following categories of assets and liabilities:

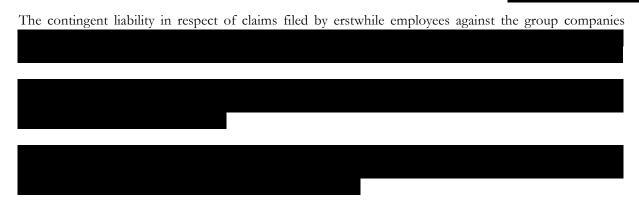


Non-current liabilities Financial liabilities Financial liabilities measured at amortised cost: Long term borrowings Current liabilities Financial liabilities measured at amortised cost: Trade payables Current portion of long term borrowings Short term borrowings Other current liabilities Fair value through profit and loss: Derivative financial instruments

These non-current financial assets and liabilities, current financial assets and liabilities have been recorded at their respective carrying amounts as the management considers the fair values to be not materially different from their carrying amounts recognised in the statement of financial positions. Derivative financial instruments, recorded at fair value through profit and loss, are recorded at their respective fair values on the reporting dates.

32 COMMITMENT AND CONTINGENCIES

of property, plant and equipment.



33 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities

The Group has trade and other receivables, other financial assets and cash and bank balances.

The Group is exposed to market risk, credit risk and liquidity risk.

MARKET RISK

Market risk is the risk that changes in market prices will have an effect on Group's income or value of the financial assets and liabilities. The Group's financial instruments affected by market risk include trade and other receivables, other financial assets, borrowings and trade and other payables.

The sensitivity analyses in the following sections relate to the position as at 31 March 2014. The analyses exclude the impact of movements in market variables on the carrying value of assets and liabilities other than financial assets and liabilities. The sensitivity of the relevant consolidated income statement is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2014.

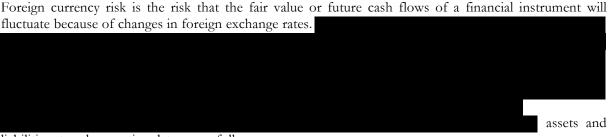
Interest rate sensitivity

The Group does not have any exposure to interest rate risk as there are no borrowings with floating interest rates.

Price risk sensitivity

The Group does not have any financial asset or liability exposed to price risk as at reporting date.

Foreign currency risk



liabilities at each reporting date are as follows:

Currency	USD	USD	USD
Foreign currency	AUD	GBP	EURO
31 March 2014			
Financial assets			
Financial liabilities			
Net short term exposure			
Functional currency			
Foreign currency			
31 March 2013			
Financial assets			
Financial liabilities			
Net short term exposure			

In computing the below sensitivity analysis, the management has assumed the following % movement between various foreign currencies and the underlying functional currency:

Functional currency	31 March 2014	31 March 2013
AUD		
GBP		
EUR		

The following table details Group's sensitivity to appreciation or depreciation in functional currency vis-avis the currency in which the foreign currency financial assets and liabilities are denominated:

Functional currency	USD	USD	USD
Foreign currency	AUD	GBP	EURO
31 March 2014			
31 March 2013			

If the functional currency had weakened with respect to various currencies by the percentages mentioned above, for years ended 31 March 2014 and 2013 then the effect will be change in profit and equity for the year by

If the functional currency had strengthened with respect to the various currencies, there would be an equal and opposite impact on profit and equity for each year.

CREDIT RISK

Credit risk arises from debtors' inability to make payment of their obligations to the Group as they become due; and by non-compliance by the counterparties in transactions in cash, which is limited, to balances deposited in banks and accounts receivable at the respective reporting dates. The Group is not exposed to any significant credit risk on other financial assets and balances with banks. Further analysis for each category is detailed below:

Trade receivables

In case of trade receivables, its customers are given a small credit period of 30 to 75 days and the customers do not generally default and make payments on time. and other receivables are immediately recoverable.

Particulars	31 Marcl
Tartetiars	2014
	Amount Impairmen
Not past due	
Past due less than three months	
Past due more than three months but	
not more than six months	
Past due more than six months but not	
more than one year	
More than one year	
Total	
	31 Marc
Particulars	
Particulars	
Particulars	201
Not past due	201
Not past due Past due less than three months	203
Not past due Past due less than three months Past due more than three months but	203
Not past due Past due less than three months Past due more than three months but not more than six months	203
Particulars Not past due Past due less than three months Past due more than three months but not more than six months Past due more than six months but not more than one year	203

Other financial assets

In case of other financial assets, all the current balances are recoverable on demand while the non-current balances are primarily on account of security deposits given for buildings take on lease. The maximum exposure to the Group in case of security deposits paid under long-term arrangements is given in note below.

The maximum exposure to credit risk in other financial assets is summarised as follows:

31 March 2014	31 March 2013

	31 March 2014	31 March 2013
Security deposits		
Restricted cash		
Cash and cash equivalents		
Short term investments		
Due from officers and employees		
Deposits with banks		
Derivative financial instruments		
Other current assets		
Total		
	_	

Cash and cash equivalents are held with reputable banks. The maximum exposure to credit risk is in the items stated in note 13. The management considers the credit quality of deposits with such banks to be good and reviews the banking relationships on an ongoing basis.

The Group's maximum exposure to credit risk arising from the Group's trade and other receivables and other financial assets at the respective reporting dates is represented by the carrying value of each of these assets.

Credit risk concentrations exist when changes in economic, industrial or geographic factors take place, affecting in the same manner the Group's counterparties whose added risk exposure is significant to the Group's total credit exposure.

LIQUIDITY RISK

Liquidity needs of the Group are monitored on the basis of future cash flow projections. The Group manages its liquidity needs by continuously monitoring cash flows from customers and by maintaining adequate cash and cash equivalents and short terms investments. Net cash requirements are compared to available cash in order to determine any shortfalls.

Short terms liquidity requirements comprise mainly of sundry creditors, expense payable, and employee dues arising during normal course of business as on each reporting date.

As at 31 March 2014, the Group's liabilities having contractual maturities are summarised as follows:

Due within 60 days	Due in 61 days to 365 days	Due in more than 1 year but not later than 5 years
		·

As at 31 March 2013, the Group's liabilities having contractual maturities are summarised as follows:

31 March 2013	C	urrent	Non- current
Financial liabilities	Due within 60 days	Due in 61 days to 365 days	Due in more than 1 year but not later than 5 years
Trade payables			,
Expenses payable			
Borrowings			
Other liabilities			
- Employee dues			
- Others			
Total			

34 FAIR VALUE HIERARCHY

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

		Fair value measurements at reporting date using
31 March 2014	Total	Level 2
	(Notional	
Assets	amount)	

Derivative instruments

Forward contracts (currency – USD/INR)

		Fair value measurements at reporting date using
31 March 2013	Total	Level 2
	(Notional	
Liability	amount)	
Derivative instruments		
Forward contracts (currency – USD/INR)		

The Group's foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

35 CAPITAL RISK MANAGEMENT

The Group's capital comprises of equity attributable to the equity holder of the parent.

The Group monitors gearing ratio i.e. total debt in proportion to its overall financing structure, i.e. equity and debt. Total equity comprises of all the components of equity (i.e., share capital, additional paid in capital, retained earnings etc.). Total debt comprises of all liabilities of the Group. The management of the Group regularly reviews the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the Group.

	31 March 2014	31 March 2013
Total equity		
Total debts		
Overall financing		
Gearing ratio		

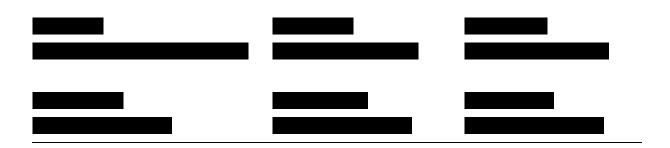
36 POST REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the 31 March reporting date and the date of authorization.

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DIRECTORS



COMPANY SECRETARY

AUDITORS

FINANCIAL PR



NOMINATED ADVISOR AND BROKER

CREST SERVICE PROVIDER AND REGISTRAR





NEW YORK STATE

VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

You have selected the For-Profit Non-Construction questionnaire which may be printed and completed in this format or, for your convenience, may be completed online using the New York State VendRep System.

COMPLETION & CERTIFICATION

The person(s) completing the questionnaire must be knowledgeable about the vendor's business and operations. An owner or officer must certify the questionnaire and the signature must be notarized.

NEW YORK STATE VENDOR IDENTIFICATION NUMBER (VENDOR ID)

The <u>Vendor ID</u> is a ten-digit identifier issued by New York State when the vendor is registered on the Statewide Vendor File. This number must now be included on the questionnaire. If the business entity has not obtained a <u>Vendor ID</u>, contact the IT Service Desk at ITServiceDesk@osc.state.ny.us or call 866-370-4672.

DEFINITIONS

All underlined terms are defined in the "New York State Vendor Responsibility Definitions List," found at www.osc.state.ny.us/vendrep/documents/questionnaire/definitions.pdf. These terms may not have their ordinary, common or traditional meanings. Each vendor is strongly encouraged to read the respective definitions for any and all underlined terms. By submitting this questionnaire, the vendor agrees to be bound by the terms as defined in the "New York State Vendor Responsibility Definitions List" existing at the time of certification.

RESPONSES

Every question must be answered. Each response must provide all relevant information which can be obtained within the limits of the law. However, information regarding a determination or finding made in error which was subsequently corrected is not required. Individuals and <u>Sole Proprietors</u> may use a Social Security Number but are encouraged to obtain and use a federal <u>Employer Identification Number</u> (EIN).

REPORTING ENTITY

Each vendor must indicate if the questionnaire is filed on behalf of the entire <u>Legal Business Entity</u> or an <u>Organizational Unit</u> within or operating under the authority of the <u>Legal Business Entity</u> and having the same <u>EIN</u>. Generally, the <u>Organizational Unit</u> option may be appropriate for a vendor that meets the definition of "<u>Reporting Entity</u>" but due to the size and complexity of the <u>Legal Business Entity</u>, is best able to provide the required information for the <u>Organizational Unit</u>, while providing more limited information for other parts of the <u>Legal Business Entity</u> and Associated Entities.

ASSOCIATED ENTITY

An <u>Associated Entity</u> is one that owns or controls the <u>Reporting Entity</u> or any entity owned or controlled by the <u>Reporting Entity</u>. However, the term <u>Associated Entity</u> does **not** include "sibling organizations" (i.e., entities owned or controlled by a parent company that owns or controls the <u>Reporting Entity</u>), unless such sibling entity has a direct relationship with or impact on the <u>Reporting Entity</u>.

STRUCTURE OF THE QUESTIONNAIRE

The questionnaire is organized into eleven sections. Section I is to be completed for the <u>Legal Business Entity</u>. Section II requires the vendor to specify the <u>Reporting Entity</u> for the questionnaire. Section III refers to the individuals of the <u>Reporting Entity</u>, while Sections IV-VIII require information about the <u>Reporting Entity</u>. Section IX pertains to any Associated Entities, with one question about their <u>Officials</u>/Owners. Section X relates to disclosure under the Freedom of Information Law (FOIL). Section XI requires an authorized contact for the questionnaire information.

NYS Vendor ID: 1000012742

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NEW YORK STATE VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

I. LEGAL BUSE	NESS ENTITY INFORMATION						
Legal Business Er	- •				EIN	_	
HEALTH MANAGEMENT SYSTEMS							
	ncipal Place of Business (street, city, st	ate, zip c	ode)		New York S	State Vendor Ident	ification Number
360 Park Avenue							
USA	JSA Telephone				Fax		
214-452-3149 ext. 469-359-4413					469-359-4413		
Email Website							
bids@hms.com www.hms.com							
Additional <u>Legal Business Entity</u> Identities: If applicable, list any other <u>DBA</u> , <u>Trade Name</u> , <u>Former Name</u> , Other Identity, or <u>EIN</u> used in the last five (5) years and the status (active or inactive).					lentity, or <u>EIN</u>		
Туре	Name	EIN Status					
1.0 Legal Busine	ss Entity Type – Check appropriate box	and prov	ide ac	lditional info	ormation:		
∑ Corporation (including PC) Date of Incorporation 02/07/1974							
Limited Liability Company (LLC or PLLC) Date of Organization							
Partnership (including LLP, LP or General) Date of Registration or Establishment							
Sole Prop	Sole Proprietor How many years in business?						
Other Date Established							
If Other, explain:							
1.1 Was the <u>Leg</u> a	al Business Entity formed or incorporate	ed in Nev	V York	State?			⊠ Yes □ No
If 'No,' indicate jurisdiction where <u>Legal Business Entity</u> was formed or incorporated and attach a <u>Certificate of Good Standing</u> from the applicable jurisdiction or provide an explanation if a <u>Certificate of Good Standing</u> is not available.							
United St	ates State						
Other	Country						
Explain, if no	ot available:						
1.2 Is the Legal	Business Entity publicly traded?						⊠ Yes □ No
If "Yes," pro	vide <u>CIK Code</u> or Ticker Symbol HMS	Y					
1.3 Does the Les	gal Business Entity have a <u>DUNS</u> Numb	per?					⊠ Yes □ No
If "Yes," Enter <u>DUNS</u> Number 075266346							

^{*}All underlined terms are defined in the "New York State Vendor Responsibility Definitions List," which can be found at www.osc.state.ny.us/vendrep/documents/questionnaire/definitions.pdf.

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NEW YORK STATE VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

I. LEGAL BUSINESS ENTITY INFORMATION					
1.4 If the <u>Legal Business Entity</u> 's <u>Princip</u> <u>Entity</u> maintain an office in New Yor (Salact "N/A" if Principal Place of B		Yes No			
(Select "N/A," if <u>Principal Place of Business</u> is in New York State.)					
If "Yes," provide the address and telephone number for one office located in New York State.					
360 Park Avenue South, New York, NY 10016, #212-857-5000					
1.5 Is the Legal Business Entity a New York State certified Minority-Owned Business Enterprise (MBE), Women-Owned Business Enterprise (WBE), New York State Small Business (SB) or a federally certified Disadvantaged Business Enterprise (DBE)? If "Yes," check all that apply: New York State certified Minority-Owned Business Enterprise (MBE)					
_	men-Owned Business Enterprise (WBE)				
New York State Small Busin					
	aged Business Enterprise (DBE)				
1.6 Identify Officials and Principal Owners, if applicable. For each person, include name, title and percentage of ownership. Attach additional pages if necessary. If applicable, reference to relevant SEC filing(s) containing the required information is optional.					
Name	Title	Percentage Owne (Enter 0% if not			
HMS Holdings Corp.	Owner	100%			
William C. Lucia	President & Chief Executive Officer	0%			
Douglas Williams	Division President, Markets	0%			
Eugene V. DeFelice	Executive Vice President, General Counsel & Corporate Secretary	0%			
Cynthia Nustad	Executive Vice President, Chief Information Officer	0%			
Jeffrey S. Sherman	Executive Vice President, Chief Financial Officer & Treasurer	0%			
Tracy A. South	Chief Administrative Officer & Executive Vice President, Human Resources	0%			
Semone Wagner	Executive Vice President, Operations	0%			
Joseph M. Donabauer	Senior Vice President & Controller	0%			
Spencer Young	Senior Vice President, Clinical Operations	0%			

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NYS Vendor ID: 1000012742
NEW YORK STATE

VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

2.0 The Reporting Entity for this questionnaire is: Note: Select only one. ☐ Legal Business Entity Note: If selecting this option, "Reporting Entity" refers to the entire Legal Business Entity for the remainder of the questionnaire. (SKIP THE REMAINDER OF SECTION II AND PROCEED WITH SECTION III.) ☐ Organizational Unit within and operating under the authority of the Legal Business Entity SEE DEFINITIONS OF "REPORTING ENTITY" AND "ORGANIZATIONAL UNIT" FOR ADDITIONAL INFORMATION ON CRITERIA TO QUALIFY FOR THIS SELECTION. Note: If selecting this option, "Reporting Entity" refers to the Organizational Unit within the Legal Business Entity for the remainder of the questionnaire. (COMPLETE THE REMAINDER OF SECTION II AND ALL REMAINING SECTIONS OF THIS QUESTIONNAIRE.) IDENTIFYING INFORMATION a) Reporting Entity Name Telephone	II. REP	ORTING ENTITY INFORMATION				
Legal Business Entity Note: If selecting this option, "Reporting Entity" refers to the entire Legal Business Entity for the remainder of the questionnaire. (SKIP THE REMAINDER OF SECTION II AND PROCEED WITH SECTION III.) Organizational Unit within and operating under the authority of the Legal Business Entity SEE DEFINITIONS OF "REPORTING ENTITY" AND "ORGANIZATIONAL UNIT" FOR ADDITIONAL INFORMATION ON CRITERIA TO QUALIFY FOR THIS SELECTION. Note: If selecting this option, "Reporting Entity" refers to the Organizational Unit within the Legal Business Entity for the remainder of the questionnaire. (COMPLETE THE REMAINDER OF SECTION II AND ALL REMAINING SECTIONS OF THIS QUESTIONNAIRE.) IDENTIFYING INFORMATION Reporting Entity Name Reporting Entity Name Reporting Entity Name Reporting Entity	2.0 The	2.0 The Reporting Entity for this questionnaire is:				
Note: If selecting this option, "Reporting Entity" refers to the entire Legal Business Entity for the remainder of the questionnaire. (SKIP THE REMAINDER OF SECTION II AND PROCEED WITH SECTION III.) Organizational Unit within and operating under the authority of the Legal Business Entity SEE DEFINITIONS OF "REPORTING ENTITY" AND "ORGANIZATIONAL UNIT" FOR ADDITIONAL INFORMATION ON CRITERIA TO QUALIFY FOR THIS SELECTION. Note: If selecting this option, "Reporting Entity" refers to the Organizational Unit within the Legal Business Entity for the remainder of the questionnaire. (COMPLETE THE REMAINDER OF SECTION II AND ALL REMAINING SECTIONS OF THIS QUESTIONNAIRE.) IDENTIFYING INFORMATION a) Reporting Entity Name	Not	Note: Select only one.				
questionnaire. (SKIP THE REMAINDER OF SECTION II AND PROCEED WITH SECTION III.) Organizational Unit within and operating under the authority of the Legal Business Entity SEE DEFINITIONS OF "REPORTING ENTITY" AND "ORGANIZATIONAL UNIT" FOR ADDITIONAL INFORMATION ON CRITERIA TO QUALIFY FOR THIS SELECTION. Note: If selecting this option, "Reporting Entity" refers to the Organizational Unit within the Legal Business Entity for the remainder of the questionnaire. (COMPLETE THE REMAINDER OF SECTION II AND ALL REMAINING SECTIONS OF THIS QUESTIONNAIRE.) IDENTIFYING INFORMATION a) Reporting Entity Name		Legal Business Entity				
SEE DEFINITIONS OF "REPORTING ENTITY" AND "ORGANIZATIONAL UNIT" FOR ADDITIONAL INFORMATION ON CRITERIA TO QUALIFY FOR THIS SELECTION. Note: If selecting this option, "Reporting Entity" refers to the Organizational Unit within the Legal Business Entity for the remainder of the questionnaire. (COMPLETE THE REMAINDER OF SECTION II AND ALL REMAINING SECTIONS OF THIS QUESTIONNAIRE.) IDENTIFYING INFORMATION a) Reporting Entity Name		Note: If selecting this option, " <u>Reporting Entity</u> " refers to the entire <u>Legal Business Entity</u> for the remainder of the questionnaire. (SKIP THE REMAINDER OF SECTION II AND PROCEED WITH SECTION III.)				
QUALIFY FOR THIS SELECTION. Note: If selecting this option, "Reporting Entity" refers to the Organizational Unit within the Legal Business Entity for the remainder of the questionnaire. (COMPLETE THE REMAINDER OF SECTION II AND ALL REMAINING SECTIONS OF THIS QUESTIONNAIRE.) IDENTIFYING INFORMATION a) Reporting Entity Name						
remainder of the questionnaire. (COMPLETE THE REMAINDER OF SECTION II AND ALL REMAINING SECTIONS OF THIS QUESTIONNAIRE.) IDENTIFYING INFORMATION a) Reporting Entity Name		QUALIFY FOR THIS SELECTION.				
a) Reporting Entity Name		Note: If selecting this option, " <u>Reporting Entity</u> " refers to the <u>Organizational Unit</u> within the <u>Legal Business Entity</u> for the remainder of the questionnaire. (COMPLETE THE REMAINDER OF SECTION II AND ALL REMAINING SECTIONS OF				
mili	IDENT:	IDENTIFYING INFORMATION				
Telephone	a)	Reporting Entity Name				
Address of the Primary Place of Business (street, city, state, zip code)	Ade					
ext.					ext.	
b) Describe the relationship of the <u>Reporting Entity</u> to the <u>Legal Business Entity</u>	b)	Describe the relationship of the Reporting Entity to the Leg	gal Business Entity			
c) Attach an <u>organizational chart</u>	c)	Attach an organizational chart				
d) Does the Reporting Entity have a <u>DUNS</u> Number?	d)	Does the Reporting Entity have a <u>DUNS</u> Number?			Yes No	
If "Yes," enter <u>DUNS</u> Number						
e) Identify the designated manager(s) responsible for the business of the Reporting Entity. For each person, include name and title. Attach additional pages if necessary.	e)	Identify the designated manager(s) responsible for the busi For each person, include name and title. Attach additiona	ness of the <u>Reporting Entity</u> . I pages if necessary.			
Name Title	Name		Title			

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NEW YORK STATE VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

INSTRUCTIONS FOR SECTIONS III THROUGH VII

For each "Yes," provide an explanation of the issue(s), relevant dates, the government entity involved, any remedial or corrective action(s) taken and the current status of the issue(s). For each "Other," provide an explanation which provides the basis for not definitively responding "Yes" or "No." Provide the explanation at the end of the section or attach additional sheets with numbered responses, including the Reporting Entity name at the top of any attached pages.

III. LEADERSHIP INTEGRITY Within the past five (5) years, has any current or former reporting entity official or any individual currently or formerly having the authority to sign, execute or approve bids, proposals, contracts or supporting documentation on behalf of the reporting entity with any government entity been:				
3.0 <u>Sanctioned</u> relative to any business or professional permit and/or license?	☐ Yes	⊠ No	Other	
3.1 Suspended, debarred, or disqualified from any government contracting process?	☐ Yes	No No	Other	
3.2 The subject of an <u>investigation</u> , whether open or closed, by any <u>government entity</u> for a civil or criminal violation for any business-related conduct?	Yes	☐ No	Other	
 3.3 Charged with a misdemeanor or felony, indicted, granted immunity, convicted of a crime or subject to a judgment for: a) Any business-related activity; or b) Any crime, whether or not business-related, the underlying conduct of which was related to truthfulness? 	Yes	⊠ No	Other	

For each "Yes" or "Other" explain:

For the past five years, Health Management Systems, Inc. has not been the defendant in any formal customer litigation, nor have there been any criminal convictions. Additionally, HMS has not been the target of any formal government investigations during that timeframe. Given HMS's significant state and federal government business, the company does receive government inquiries from time to time, but HMS does not consider those to be formal investigations.

In 2013, the New York State Office of Inspector General ("IG") commenced an investigation of a senior NY Office of Medicaid Inspector General official, Jeff Flora, into whether Mr. Flora violated the Public Officers Law by accepting impermissible gifts. On information and belief, Jeff Flora is currently working for Public Consulting Group ("PCG"). (e.g. Mr. Flora is listed as "key personnel" for PCG in its Third Party Liability ("TPL") RFP responses for Louisiana and North Carolina). As a result of the IG investigation, the New York Joint Commission on Public Ethics ("JCOPE") conducted an informal inquiry into whether certain then-HMS employees (including at least two that are current employees of PCG): (i) provided food and beverages that Mr. Flora participated in during 2010-2013 in the approximately aggregate amount of \$1,500, and (ii) made a job offer to Mr. Flora which was rescinded upon learning that Mr. Flora did not have the approval of the State of NY to take the job. As a result of this inquiry, HMS reached a voluntary settlement with JCOPE wherein HMS did not admit a violation of law in the Settlement and HMS denies that it had any intent to violate the law, but HMS did agree to pay the sum of \$75,000. This Settlement was approved by JCOPE on or about May 27, 2015. HMS is pleased to put this matter behind us and continue to build on our positive relationship with the State of New York. HMS cooperated fully with JCOPE's informal inquiry and the prior investigation of Flora by the Inspector General. Currently, HMS has a robust code of conduct, compliance and training program in place to prevent any such incidents in the future. Before JCOPE even began its informal inquiry, HMS had already taken a series of aggressive steps to ensure that its employees fully comply with State law. HMS strengthened its internal policies and procedures and its employee code of conduct and training, centralized its compliance program with a Corporate Compliance Officer, engaged a new General Counsel that has compliance and government contracting expertise, and conducted New York-specific compliance and lobbying training approved by the NY State Office of Medicaid Inspector General. Further, as part of this Settlement, HMS agreed to provide its employees with additional training.

It is also important to note that several of the HMS employees who played a principal role in the conduct at issue – including Sean Curtin – are no longer affiliated with HMS in any way. Some are employed by Public Consulting Group ("PCG"), a competitor of HMS. Curtin is now a senior executive of PCG, and Flora – whom HMS never actually hired – is a consultant to PCG. HMS rescinded Flora's job offer prior to the IG and JCOPE inquiries, when HMS learned that Flora did not follow the necessary State employee protocols during the period in which he considered and accepted employment at HMS.

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NEW YORK STATE VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

IV. INTEGRITY – CONTRACT BIDDING				
Within the past five (5) years, has the reporting entity:				
4.0 Been <u>suspended</u> or <u>debarred</u> from any <u>government contracting process</u> or been <u>disqualified</u> on any government procurement, permit, license, concession, franchise or lease, including, but not limited to, <u>debarment</u> for a violation of New York State Workers' Compensation or Prevailing Wage laws or New York State Procurement Lobbying Law?	☐ Yes ⊠ No			
4.1 Been subject to a denial or revocation of a government prequalification?	☐ Yes ⊠ No			
4.2 Been denied a contract award or had a bid rejected based upon a <u>non-responsibility finding</u> by a <u>government entity</u> ?	☐ Yes ⊠ No			
4.3 Had a low bid rejected on a government contract for failure to make good faith efforts on any Minority-Owned Business Enterprise, Women-Owned Business Enterprise or Disadvantaged Business Enterprise goal or statutory affirmative action requirements on a previously held contract?	Yes No			
4.4 Agreed to a voluntary exclusion from bidding/contracting with a government entity?	☐ Yes ⊠ No			
4.5 Initiated a request to withdraw a bid submitted to a government entity in lieu of responding to an information request or subsequent to a formal request to appear before the government entity?	☐ Yes ⊠ No			
For each "Yes," explain:				

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V. INTEGRITY - CONTRACT AWARD	
Within the past five (5) years, has the reporting entity:	
5.0 Been <u>suspended</u> , cancelled or <u>terminated for cause</u> on any <u>government contract</u> including, but not limited to, a <u>non-responsibility finding</u> ?	☐ Yes ⊠ No
5.1 Been subject to an <u>administrative proceeding</u> or civil action seeking specific performance or restitution in connection with any <u>government contract</u> ?	☐ Yes No
5.2 Entered into a formal monitoring agreement as a condition of a contract award from a government entity?	☐ Yes ⊠ No
For each "Yes," explain:	
VI CERTIFICATIONS I ICENSES	
VI. CERTIFICATIONS/LICENSES Within the past five (5) years, has the reporting entity:	
6.0 Had a revocation, <u>suspension</u> or <u>disbarment</u> of any business or professional permit and/or license?	☐ Yes ⊠ No
6.1 Had a denial, decertification, revocation or forfeiture of New York State certification of Minority-Owned	☐ Yes ⊠ No
<u>Business Enterprise</u> , <u>Women-Owned Business Enterprise</u> or federal certification of <u>Disadvantaged Business</u> <u>Enterprise</u> status for other than a change of ownership?	

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VII. LEGAL PROCEEDINGS	
Within the past five (5) years, has the reporting entity:	
7.0 Been the subject of an <u>investigation</u> , whether open or closed, by any <u>government entity</u> for a civil or criminal violation?	⊠ Yes □ No
7.1 Been the subject of an indictment, grant of immunity, <u>judgment</u> or conviction (including entering into a plea bargain) for conduct constituting a crime?	☐ Yes ⊠ No
7.2 Received any OSHA citation and Notification of Penalty containing a violation classified as <u>serious or willful</u> ?	☐ Yes ⊠ No
7.3 Had a government entity find a willful prevailing wage or supplemental payment violation or any other willful violation of New York State Labor Law?	☐ Yes ⊠ No
7.4 Entered into a consent order with the New York State Department of Environmental Conservation, or received an enforcement determination by any government entity involving a violation of federal, state or local environmental laws?	☐ Yes ⊠ No
 7.5 Other than previously disclosed: a) Been subject to fines or penalties imposed by government entities which in the aggregate total \$25,000 or more; or b) Been convicted of a criminal offense pursuant to any administrative and/or regulatory action taken by any government entity? 	☐ Yes ⊠ No

For each "Yes," explain:

For the past five years, Health Management Systems, Inc. has not been the defendant in any formal customer litigation, nor have there been any criminal convictions. Additionally, HMS has not been the target of any formal government investigations during that timeframe. Given HMS's significant state and federal government business, the company does receive government inquiries from time to time, but HMS does not consider those to be formal investigations.

In 2013, the New York State Office of Inspector General ("IG") commenced an investigation of a senior NY Office of Medicaid Inspector General official, Jeff Flora, into whether Mr. Flora violated the Public Officers Law by accepting impermissible gifts. On information and belief, Jeff Flora is currently working for Public Consulting Group ("PCG"). (e.g. Mr. Flora is listed as "key personnel" for PCG in its Third Party Liability ("TPL") RFP responses for Louisiana and North Carolina). As a result of the IG investigation, the New York Joint Commission on Public Ethics ("JCOPE") conducted an informal inquiry into whether certain then-HMS employees (including at least two that are current employees of PCG): (i) provided food and beverages that Mr. Flora participated in during 2010-2013 in the approximately aggregate amount of \$1,500, and (ii) made a job offer to Mr. Flora which was rescinded upon learning that Mr. Flora did not have the approval of the State of NY to take the job. As a result of this inquiry, HMS reached a voluntary settlement with JCOPE wherein HMS did not admit a violation of law in the Settlement and HMS denies that it had any intent to violate the law, but HMS did agree to pay the sum of \$75,000. This Settlement was approved by JCOPE on or about May 27, 2015. HMS is pleased to put this matter behind us and continue to build on our positive relationship with the State of New York. HMS cooperated fully with JCOPE's informal inquiry and the prior investigation of Flora by the Inspector General. Currently, HMS has a robust code of conduct, compliance and training program in place to prevent any such incidents in the future. Before JCOPE even began its informal inquiry, HMS had already taken a series of aggressive steps to ensure that its employees fully comply with State law. HMS strengthened its internal policies and procedures and its employee code of conduct and training, centralized its compliance program with a Corporate Compliance Officer, engaged a new General Counsel that has compliance and government contracting expertise, and conducted New York-specific compliance and lobbying training approved by the NY State Office of Medicaid Inspector General. Further, as part of this Settlement, HMS agreed to provide its employees with additional training.

It is also important to note that several of the HMS employees who played a principal role in the conduct at issue – including Sean Curtin – are no longer affiliated with HMS in any way. Some are employed by Public Consulting Group ("PCG"), a competitor of HMS. Curtin is now a senior executive of PCG, and Flora – whom HMS never actually hired – is a consultant to PCG. HMS rescinded Flora's job offer prior to the IG and JCOPE inquiries, when HMS learned that Flora did not follow the necessary State employee protocols during the period in which he considered and accepted employment at HMS.

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VIII. FINANCIAL AND ORGANIZATIONAL CAPACITY				
8.0	Within the past five (5) years, has the <u>Reporting Entity</u> received any <u>formal unsatisfactory performance</u> assessment(s) from any government entity on any contract?	X Yes	□ No	
	es," provide an explanation of the issue(s), relevant dates, the government entity involved, any remedial or corrective (s) taken and the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.			
	past 5 years, HMS has not had any formal termination of an existing TPL state government contract by the customer for elating to performance. From time to time during that period, HMS has managed several corrective action plans with state ment customers and may have also incurred payment reductions or penalties; however, these did not result in a formal ation of the contract and HMS currently believes it responded and responds well and appropriately to customer concerns joys good relationships with its customers.			
8.1	Within the past five (5) years, has the Reporting Entity had any liquidated damages assessed over \$25,000?	⊠ Yes	□ No	
	"Yes," provide an explanation of the issue(s), relevant dates, contracting party involved, the amount assessed and the current atus of the issue(s). Provide answer below or attach additional sheets with numbered responses.			
	government customers and may have also incurred payment reductions or penalties; however, these did not res	ating to performance. From time to time during that period, HMS has managed several corrective action plans with state ent customers and may have also incurred payment reductions or penalties; however, these did not result in a formal on of the contract and HMS currently believes it responded and responds well and appropriately to customer concerns yes good relationships with its customers.		
8.2	Within the past five (5) years, have any <u>liens</u> or <u>judgments</u> (not including UCC filings) over \$25,000 been filed against the <u>Reporting Entity</u> which remain undischarged?	Yes	⊠ No	
	"Yes," provide an explanation of the issue(s), relevant dates, the Lien holder or Claimant's name(s), the amount of the <u>lien(s)</u> d the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.			
8.3	In the last seven (7) years, has the <u>Reporting Entity</u> initiated or been the subject of any bankruptcy proceedings, whether or not closed, or is any bankruptcy proceeding pending?	Yes	No No	
	f "Yes," provide the bankruptcy chapter number, the court name and the docket number. Indicate the current status of the proceedings as "Initiated," "Pending" or "Closed." Provide answer below or attach additional sheets with numbered responses.			
8.4	During the past three (3) years, has the <u>Reporting Entity</u> failed to file or pay any tax returns required by <u>federal</u> , state or local tax laws?	Yes	⊠ No	
	If "Yes," provide the taxing jurisdiction, the type of tax, the liability year(s), the tax liability amount the Reporting Entity failed to file/pay and the current status of the tax liability. Provide answer below or attach additional sheets with numbered responses.			
8.5	During the past three (3) years, has the <u>Reporting Entity</u> failed to file or pay any New York State unemployment insurance returns?	Yes	⊠ No	
	If "Yes," provide the years the <u>Reporting Entity</u> failed to file/pay the insurance, explain the situation and any remedial or corrective action(s) taken and the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.			
8.6	During the past three (3) years, has the <u>Reporting Entity</u> had any <u>government audit(s) completed</u> ?	⊠ Yes	☐ No	
	a) If "Yes," did any audit of the <u>Reporting Entity</u> identify any reported significant deficiencies in internal control, fraud, illegal acts, significant violations of provisions of contract or grant agreements, significant abuse or any <u>material disallowance</u> ?	☐ Yes	⊠ No	

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NEW YORK STATE VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

VIII. FINANCIAL AND ORGANIZATIONAL CAPACITY

If "Yes" to 8.6 a), provide an explanation of the issue(s), relevant dates, the government entity involved, any remedial or corrective action(s) taken and the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.

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IX. ASSOCIATED ENTITIES							
This section pertains to any entity(ies) that either controls or is controlled by the reporting entity.							
(See definition of "associated entity" for additional information to complete this section.)							
9.0 Does the Reporting Entity have any Associated Entities? Note: All questions in this section must be answered if the Reporting Entity is either: - An Organizational Unit; or - The entire Legal Business Entity which controls, or is controlled by, any other entity(ies). If "No," SKIP THE REMAINDER OF SECTION IX AND PROCEED WITH SECTION X.	⊠ Yes	□ No					
 9.1 Within the past five (5) years, has any <u>Associated Entity Official</u> or <u>Principal Owner</u> been charged with a misdemeanor or felony, indicted, granted immunity, convicted of a crime or subject to a <u>judgment</u> for: a) Any business-related activity; or b) Any crime, whether or not business-related, the underlying conduct of which was related to truthfulness? 		⊠ No					
If "Yes," provide an explanation of the issue(s), the individual involved, his/her title and role in the <u>Associate</u> relationship to the <u>Reporting Entity</u> , relevant dates, the <u>government entity</u> involved, any remedial or corrective the current status of the issue(s).	ed Entity, he action(s)	is/her taken and					
9.2 Does any <u>Associated Entity</u> have any currently undischarged <u>federal</u> , New York State, New York City or New York local government <u>liens</u> or <u>judgments</u> (not including UCC filings) over \$50,000?	Yes	⊠ No					
If "Yes," provide an explanation of the issue(s), identify the <u>Associated Entity</u> 's name(s), <u>EIN</u> (s), primary business activity, relationship to the <u>Reporting Entity</u> , relevant dates, the Lien holder or Claimant's name(s), the amount of the <u>lien</u> (s) and the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.							
9.3 Within the past five (5) years, has any <u>Associated Entity</u> :							
a) Been <u>disqualified</u> , <u>suspended</u> or <u>debarred</u> from any <u>federal</u> , New York State, New York City or other New York local <u>government contracting process</u> ?	Yes	⊠ No					
b) Been denied a contract award or had a bid rejected based upon a <u>non-responsibility finding</u> by any <u>federal</u> , New York State, New York City, or New York local <u>government entity</u> ?	Yes	⊠ No					
c) Been <u>suspended</u> , <u>cancelled</u> or <u>terminated for cause</u> (including for <u>non-responsibility</u>) on any <u>federal</u> , New York State, New York City or New York local <u>government contract</u> ?	Yes	⊠ No					
d) Been the subject of an <u>investigation</u> , whether open or closed, by any <u>federal</u> , New York State, New York City, or New York local <u>government entity</u> for a civil or criminal violation with a penalty in excess of \$500,000?	Yes	⊠ No					
e) Been the subject of an indictment, grant of immunity, <u>judgment</u> , or conviction (including entering into a plea bargain) for conduct constituting a crime?	Yes	⊠ No					
f) Been convicted of a criminal offense pursuant to any administrative and/or regulatory action taken by any <u>federal</u> , New York State, New York City, or New York local <u>government entity</u> ?	Yes	⊠ No					
g) Initiated or been the subject of any bankruptcy proceedings, whether or not closed, or is any bankruptcy proceeding pending?	Yes	⊠ No					
For each "Yes," provide an explanation of the issue(s), identify the <u>Associated Entity</u> 's name(s), <u>EIN</u> (s), print activity, relationship to the <u>Reporting Entity</u> , relevant dates, the <u>government entity</u> involved, any remedial or taken and the current status of the issue(s). Provide answer below or attach additional sheets with numbered	r corrective	ess action(s)					

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X. FREEDOM OF INFORMATION LAW (FOIL)		
10. Indicate whether any information supplied herein is believed to be exempt from Freedom of Information Law (FOIL).	☐ Yes ⊠ No	
Note: A determination of whether such information is exempt from FOIL will request for disclosure under FOIL.		
If "Yes," indicate the question number(s) and explain the basis for the claim.		
XI. AUTHORIZED CONTACT FOR THIS QUESTIONNAIRE		
Name	Telephone	Fax
Jeffrey Mullins	ext.	(469)359-4413
Title	Email	
Senior Vice President, State Government Solutions		

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NEW YORK STATE VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

Certification

The undersigned: (1) recognizes that this questionnaire is submitted for the express purpose of assisting New York State government entities (including the Office of the State Comptroller (OSC)) in making responsibility determinations regarding award or approval of a contract or subcontract and that such government entities will rely on information disclosed in the questionnaire in making responsibility determinations; (2) acknowledges that the New York State government entities and OSC may, in their discretion, by means which they may choose, verify the truth and accuracy of all statements made herein; and (3) acknowledges that intentional submission of false or misleading information may result in criminal penalties under State and/or Federal Law, as well as a finding of non-responsibility, contract suspension or contract termination.

The undersigned certifies that he/she:

- is knowledgeable about the submitting Business Entity's business and operations;
- has read and understands all of the questions contained in the questionnaire;
- has not altered the content of the questionnaire in any manner;
- has reviewed and/or supplied full and complete responses to each question;
- to the best of his/her knowledge, information and belief, confirms that the Business Entity's responses are true, accurate and complete, including all attachments, if applicable;
- understands that New York State government entities will rely on the information disclosed in the questionnaire when entering into a contract with the Business Entity; and
- is under an obligation to update the information provided herein to include any material changes to the Business Entity's responses at the time of bid/proposal submission through the contract award notification, and may be required to update the information at the request of the New York State government entities or OSC prior to the award and/or approval of a contract, or during the term of the contract.

Signature of Owner/Official	
Printed Name of Signatory	Douglas Williams
Title	Division President, Markets
Name of Business	Health Management Systems, Inc. (HMS)Error! Reference source not found.
Address	360 Park Avenue South, 17 th Floor
City, State, Zip	New York, NY 10010
Sworn to before me this	day of $\frac{\int \ln \ell}{\int \ln \ell}$, $20 \frac{15}{5}$;
NO	Notary Public

I. LEGAL BUSINESS ENTITY INFORMATION								
Legal Business E	ntity Name*				EIN			
<i>I</i>	s	tate, zip c	ode)			State Vendor Id		Number
					Telephone		Fax	
Email				Website	i i	, i l		
	Business Entity Identities: If applicable ve (5) years and the status (active or inactive		other	DBA, Trade	Name, Forn	ner Name, Othe	r Identity, o	r <u>EIN</u>
Туре	Name		EIN			Status		
1.0 <u>Legal Busine</u>	ss Entity Type – Check appropriate box	x and prov	vide ac	ditional info	ormation:			
Corporati	on (including <u>PC</u>)	Date of	Incorp	oration	10/07/	1986		
Limited L	iability Company (LLC or PLLC)	Date of	Organ	ization				
Partnersh	ip (including <u>LLP</u> , <u>LP</u> or <u>General</u>)	Date of	Regist	tration or Es	tablishment			
Sole Prop	rietor	How ma	ıny ye	ars in busine	ess?			
Other		Date Es	tablish	ıed				
If Other, explain:								
1.1 Was the <u>Legal Business Entity</u> formed or incorporated in New York State?								
If 'No,' indic from the appl	ate jurisdiction where <u>Legal Business E</u> icable jurisdiction or provide an explan	Entity was ation if a	forme Certif	ed or incorpo icate of Goo	orated and att d Standing is	ach a <u>Certificate</u> not available.	e of Good S	tanding
United Sta	ates State	of:	C	it of	. D	tence Al	4.1.	1
Other	Country	<i>y</i>	714	ide of	EX, ST	ience mi	inche)
Explain, if no	t available:							
1.2 Is the <u>Legal F</u>	Business Entity publicly traded?						☐ Yes	☑ No
If "Yes," prov	vide CIK Code or Ticker Symbol							
1.3 Does the <u>Leg</u>	al Business Entity have a <u>DUNS</u> Numb	er?					Yes	□ No
If "Yes," Ente	er <u>DUNS</u> Number							

 $^{^*}All\ underlined\ terms\ are\ defined\ in\ the\ "New York\ State\ Vendor\ Responsibility\ Definitions\ List,"\ which\ can\ be\ found\ at\ \underline{www.osc.state.nv.us/vendrep/documents/questionnaire/definitions.pdf}.$

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VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

I. LEGAL BUSINESS ENTITY INFORMATION							
1.4 If the <u>Legal Business Entity</u> 's <u>Princ</u> <u>Entity</u> maintain an office in New Yo (Select "N/A," if <u>Principal Place of</u>	Yes No						
If "Yes," provide the address and te	lephone number for one office located in New York State.						
Women-Owned Business Enterprise Disadvantaged Business Enterprise If "Yes," check all that apply: New York State certified Mi New York State certified Work State Small Busin Federally certified Disadvan 1.6 Identify Officials and Principal Own	inority-Owned Business Enterprise (MBE) omen-Owned Business Enterprise (WBE)	lly certified	Yes No In the Application Process when when the standard in				
Name	Title	Percentage Ow (Enter 0% if no	nership				

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VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

II. REPORTING ENTITY INFORMATION							
2.0 The Reporting Entity for this questionnaire is:							
Note: Select only one.							
✓ Legal Business Entity							
Note: If selecting this option, " <u>Reporting Entity</u> " refers to t questionnaire. (SKIP THE REMAINDER OF SECTION II A			der of the				
Organizational Unit within and operating under the authority	y of the Legal Business Entity						
SEE DEFINITIONS OF " <u>REPORTING ENTITY</u> " AND " <u>ORGANIZAT</u> QUALIFY FOR THIS SELECTION.	<u>rional Unit</u> " for additional in	NFORMATION (ON CRITERIA TO				
Note: If selecting this option, " <u>Reporting Entity</u> " refers to to remainder of the questionnaire. (COMPLETE THE REMAIN THIS QUESTIONNAIRE.)							
IDENTIFYING INFORMATION	IDENTIFYING INFORMATION						
a) Reporting Entity Name							
Address of the Primary Place of Business (street, city, state, zip code) Telephone							
			ext.				
b) Describe the relationship of the <u>Reporting Entity</u> to the <u>Lega</u>	al Business Entity						
c) Attach an <u>organizational chart</u>							
d) Does the Reporting Entity have a <u>DUNS</u> Number?			Yes No				
If "Yes," enter <u>DUNS</u> Number							
e) Identify the designated manager(s) responsible for the busine For each person, include name and title. Attach additional parts of the control of the cont							
Name	Title						

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VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

INSTRUCTIONS FOR SECTIONS III THROUGH VII

For each "Yes," provide an explanation of the issue(s), relevant dates, the government entity involved, any remedial or corrective action(s) taken and the current status of the issue(s). For each "Other," provide an explanation which provides the basis for not definitively responding "Yes" or "No." Provide the explanation at the end of the section or attach additional sheets with numbered responses, including the Reporting Entity name at the top of any attached pages.

III. LEADERSHIP INTEGRITY			
Within the past five (5) years, has any current or former reporting entity official or any individual cut authority to sign, execute or approve bids, proposals, contracts or supporting documentation on behaving government entity been:	rrently or lf of the r	formerly eporting	having the entity with
3.0 Sanctioned relative to any business or professional permit and/or license?	☐ Yes	☑ No	Other
3.1 Suspended, debarred, or disqualified from any government contracting process?	☐ Yes	N o	Other
3.2 The subject of an <u>investigation</u> , whether open or closed, by any <u>government entity</u> for a civil or criminal violation for any business-related conduct?	☐ Yes	No	Other
 3.3 Charged with a misdemeanor or felony, indicted, granted immunity, convicted of a crime or subject to a judgment for: a) Any business-related activity; or b) Any crime, whether or not business-related, the underlying conduct of which was related to truthfulness? 	Yes	₩ No	Other
For each "Yes" or "Other" explain:			
IV. INTEGRITY - CONTRACT BIDDING			
Within the past five (5) years, has the reporting entity:			
4.0 Been <u>suspended</u> or <u>debarred</u> from any <u>government contracting process</u> or been <u>disqualified</u> on any government procurement, permit, license, concession, franchise or lease, including, but not limited t <u>debarment</u> for a violation of New York State Workers' Compensation or Prevailing Wage laws or N York State Procurement Lobbying Law?	o, ew	Yes	⊠No
4.1 Been subject to a denial or revocation of a government prequalification?	_	Yes	☑ No
4.2 Been denied a contract award or had a bid rejected based upon a <u>non-responsibility finding</u> by a <u>government entity</u> ?		Yes	☑ No
4.3 Had a low bid rejected on a government contract for failure to make good faith efforts on any Minor Owned Business Enterprise, Women-Owned Business Enterprise or Disadvantaged Business Enterprise goal or statutory affirmative action requirements on a previously held contract?	ity- rise	Yes	⊠ No
4.4 Agreed to a voluntary exclusion from bidding/contracting with a government entity?		Yes	1 No
4.5 Initiated a request to withdraw a bid submitted to a government entity in lieu of responding to an information request or subsequent to a formal request to appear before the government entity?		Yes	U No
For each "Yes," explain:			

NYS Vendor ID: 000000000

NEW YORK STATE

VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

XI TAIMD CDAMX COAMD A COLLANA DD	
V. INTEGRITY – CONTRACT AWARD	
Within the past five (5) years, has the reporting entity:	·
5.0 Been <u>suspended</u> , cancelled or <u>terminated for cause</u> on any <u>government contract</u> including, but not limited to, a <u>non-responsibility finding</u> ?	Yes VNo
5.1 Been subject to an <u>administrative proceeding</u> or civil action seeking specific performance or restitution in connection with any <u>government contract</u> ?	Yes No
5.2 Entered into a formal monitoring agreement as a condition of a contract award from a government entity?	Yes No
For each "Yes," explain:	
VI. CERTIFICATIONS/LICENSES	
Within the past five (5) years, has the reporting entity:	
6.0 Had a revocation, <u>suspension</u> or <u>disbarment</u> of any business or professional permit and/or license?	Yes No
6.1 Had a denial, decertification, revocation or forfeiture of New York State certification of Minority-Owned Business Enterprise, Women-Owned Business Enterprise or federal certification of Disadvantaged Business Enterprise status for other than a change of ownership?	Yes No
For each "Yes," explain:	
VIII LECAL PROCEEDINGS	
VII. LEGAL PROCEEDINGS	
Within the past five (5) years, has the reporting entity:	
7.0 Been the subject of an <u>investigation</u> , whether open or closed, by any <u>government entity</u> for a civil or criminal violation?	Yes No
7.1 Been the subject of an indictment, grant of immunity, <u>judgment</u> or conviction (including entering into a plea bargain) for conduct constituting a crime?	Yes No
7.2 Received any OSHA citation and Notification of Penalty containing a violation classified as <u>serious or willful</u> ?	Yes No
7.3 Had a government entity find a willful prevailing wage or supplemental payment violation or any other willful violation of New York State Labor Law?	Yes No
7.4 Entered into a consent order with the New York State Department of Environmental Conservation, or received an enforcement determination by any government entity involving a violation of federal, state or local environmental laws?	☐ Yes ☑ No
 7.5 Other than previously disclosed: a) Been subject to fines or penalties imposed by government entities which in the aggregate total \$25,000 or more; or b) Been convicted of a criminal offense pursuant to any administrative and/or regulatory action taken by any government entity? 	Yes No
For each "Yes," explain:	

VI	II. FINANCIAL AND ORGANIZATIONAL CAPACITY		_
8.0	Within the past five (5) years, has the <u>Reporting Entity</u> received any <u>formal unsatisfactory performance</u> <u>assessment(s)</u> from any <u>government entity</u> on any contract?	Yes	₩ No
	If "Yes," provide an explanation of the issue(s), relevant dates, the government entity involved, any remedial action(s) taken and the current status of the issue(s). Provide answer below or attach additional sheets with number of the issue(s).	or correction	ve sponses.
8.1	Within the past five (5) years, has the Reporting Entity had any liquidated damages assessed over \$25,000?	Yes	P No
	If "Yes," provide an explanation of the issue(s), relevant dates, contracting party involved, the amount assesse status of the issue(s). Provide answer below or attach additional sheets with numbered responses.	d and the	current
8.2	Within the past five (5) years, have any <u>liens</u> or <u>judgments</u> (not including UCC filings) over \$25,000 been filed against the <u>Reporting Entity</u> which remain undischarged?	Yes	₩ No
	If "Yes," provide an explanation of the issue(s), relevant dates, the Lien holder or Claimant's name(s), the amount and the current status of the issue(s). Provide answer below or attach additional sheets with numbered response	ount of the	lien(s)
8.3	In the last seven (7) years, has the <u>Reporting Entity</u> initiated or been the subject of any bankruptcy proceedings, whether or not closed, or is any bankruptcy proceeding pending?	Yes	No
	If "Yes," provide the bankruptcy chapter number, the court name and the docket number. Indicate the current proceedings as "Initiated," "Pending" or "Closed." Provide answer below or attach additional sheets with number.	status of the st	he oonses.
8.4	During the past three (3) years, has the <u>Reporting Entity</u> failed to file or pay any tax returns required by <u>federal</u> , state or local tax laws?	Yes	No
	If "Yes," provide the taxing jurisdiction, the type of tax, the liability year(s), the tax liability amount the Reportile/pay and the current status of the tax liability. Provide answer below or attach additional sheets with number 1.	ting Entity ered respo	failed to onses.
8.5	During the past three (3) years, has the <u>Reporting Entity</u> failed to file or pay any New York State unemployment insurance returns?	Yes	₩No
	If "Yes," provide the years the <u>Reporting Entity</u> failed to file/pay the insurance, explain the situation and any recorrective action(s) taken and the current status of the issue(s). Provide answer below or attach additional sheer responses.	emedial or	mbered
8.6	During the past three (3) years, has the <u>Reporting Entity</u> had any <u>government audit(s) completed?</u>	Yes	☐ No
	a) If "Yes," did any audit of the <u>Reporting Entity</u> identify any reported significant deficiencies in internal control, fraud, illegal acts, significant violations of provisions of contract or grant agreements, significant abuse or any <u>material disallowance</u> ?	Yes	☑ No
	If "Yes" to 8.6 a), provide an explanation of the issue(s), relevant dates, the government entity involved, any recorrective action(s) taken and the current status of the issue(s). Provide answer below or attach additional shee responses.	medial or ts with nu	mbered

NEW YORK STATE

VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

IX. ASSOCIATED ENTITIES								
This section pertains to any entity(ies) that either controls or is controlled by the reporting entity.								
(See definition of "associated entity" for additional information to complete this section.)	(See definition of "associated entity" for additional information to complete this section.)							
9.0 Does the Reporting Entity have any Associated Entities? Note: All questions in this section must be answered if the Reporting Entity is either: - An Organizational Unit; or - The entire Legal Business Entity which controls, or is controlled by, any other entity(ies). If "No," SKIP THE REMAINDER OF SECTION IX AND PROCEED WITH SECTION X.	☐ Yes ☑ No							
 9.1 Within the past five (5) years, has any <u>Associated Entity Official</u> or <u>Principal Owner</u> been charged with a misdemeanor or felony, indicted, granted immunity, convicted of a crime or subject to a <u>judgment</u> for: a) Any business-related activity; or b) Any crime, whether or not business-related, the underlying conduct of which was related to truthfulness? 	a ☐ Yes ☐ No							
If "Yes," provide an explanation of the issue(s), the individual involved, his/her title and role in the <u>Associated Entity</u> , his/her relationship to the <u>Reporting Entity</u> , relevant dates, the <u>government entity</u> involved, any remedial or corrective action(s) taken and the current status of the issue(s).								
9.2 Does any <u>Associated Entity</u> have any currently undischarged <u>federal</u> , New York State, New York City or New York local government <u>liens</u> or <u>judgments</u> (not including UCC filings) over \$50,000?	Yes No							
If "Yes," provide an explanation of the issue(s), identify the <u>Associated Entity</u> 's name(s), <u>EIN</u> (s), primar relationship to the <u>Reporting Entity</u> , relevant dates, the Lien holder or Claimant's name(s), the amount of current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.	the lien(s) and the							
9.3 Within the past five (5) years, has any <u>Associated Entity</u> :								
a) Been <u>disqualified</u> , <u>suspended</u> or <u>debarred</u> from any <u>federal</u> , New York State, New York City or other New York local <u>government contracting process</u> ?	r Yes No							
b) Been denied a contract award or had a bid rejected based upon a <u>non-responsibility finding</u> by any <u>federal</u> , New York State, New York City, or New York local <u>government entity</u> ?	☐ Yes ☐ No							
c) Been <u>suspended</u> , <u>cancelled</u> or <u>terminated for cause</u> (including for <u>non-responsibility</u>) on any <u>federal</u> , New York State, New York City or New York local <u>government contract</u> ?	☐ Yes ☐ No							
d) Been the subject of an <u>investigation</u> , whether open or closed, by any <u>federal</u> , New York State, New York City, or New York local <u>government entity</u> for a civil or criminal violation with a penalty in excess of \$500,000?	☐ Yes ☐ No							
e) Been the subject of an indictment, grant of immunity, <u>judgment</u> , or conviction (including entering int a plea bargain) for conduct constituting a crime?	to Yes No							
f) Been convicted of a criminal offense pursuant to any administrative and/or regulatory action taken by any federal , New York State, New York City, or New York local government entity ?	y Yes No							
g) Initiated or been the subject of any bankruptcy proceedings, whether or not closed, or is any bankruptcy proceeding pending?	☐ Yes ☐ No							
For each "Yes," provide an explanation of the issue(s), identify the <u>Associated Entity</u> 's name(s), <u>EIN(s)</u> , activity, relationship to the <u>Reporting Entity</u> , relevant dates, the <u>government entity</u> involved, any remedial taken and the current status of the issue(s). Provide answer below or attach additional sheets with number	l or corrective action(s)							

NYS Vendor ID: 000000000

10. Indicate whether any information supplied herein is believed to be exempt from disclosure under the Freedom of Information Law (FOIL). Note: A determination of whether such information is exempt from FOIL will be made at the time of any request for disclosure under FOIL. If "Yes," indicate the question number(s) and explain the basis for the claim. XI. AUTHORIZED CONTACT FOR THIS QUESTIONNAIRE Name	X. FREEDOM OF INFORMATION LAW (FOIL)								
request for disclosure under FOIL. If "Yes," indicate the question number(s) and explain the basis for the claim. XI. AUTHORIZED CONTACT FOR THIS QUESTIONNAIRE Name									
XI. AUTHORIZED CONTACT FOR THIS QUESTIONNAIRE Name									
Name	If "Yes," indicate the question number(s) and explain the basis for the claim.								
Name									
	XI. AUTHORIZED CONTACT FOR THIS QUESTIONNAIRE								
	Name	1							
	Title								

NEW YORK STATE

VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

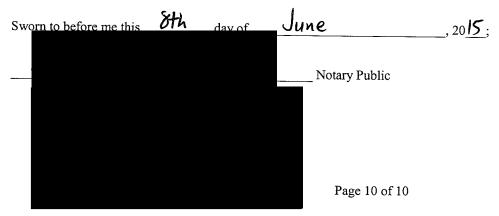
Certification

The undersigned: (1) recognizes that this questionnaire is submitted for the express purpose of assisting New York State government entities (including the Office of the State Comptroller (OSC)) in making responsibility determinations regarding award or approval of a contract or subcontract and that such government entities will rely on information disclosed in the questionnaire in making responsibility determinations; (2) acknowledges that the New York State government entities and OSC may, in their discretion, by means which they may choose, verify the truth and accuracy of all statements made herein; and (3) acknowledges that intentional submission of false or misleading information may result in criminal penalties under State and/or Federal Law, as well as a finding of non-responsibility, contract suspension or contract termination.

The undersigned certifies that he/she:

- is knowledgeable about the submitting Business Entity's business and operations;
- has read and understands all of the questions contained in the questionnaire;
- has not altered the content of the questionnaire in any manner;
- has reviewed and/or supplied full and complete responses to each question;
- to the best of his/her knowledge, information and belief, confirms that the Business Entity's responses are true, accurate and complete, including all attachments, if applicable;
- understands that New York State government entities will rely on the information disclosed in the questionnaire when entering into a contract with the Business Entity; and
- is under an obligation to update the information provided herein to include any material changes to the Business Entity's responses at the time of bid/proposal submission through the contract award notification, and may be required to update the information at the request of the New York State government entities or OSC prior to the award and/or approval of a contract, or during the term of the contract.





Commonwealth of Kentucky Alison Lundergan Grimes, Secretary of State

Alison Lundergan Grimes Secretary of State P. O. Box 718 Frankfort, KY 40602-0718 (502) 564-3490 http://www.sos.ky.gov

Certificate of Existence

Authentication number: 164533

Visit https://app.sos.ky.gov/ftshow/certvalidate.aspx to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is October 7, 1986 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 5th day of June, 2015, in the 224th year of the Commonwealth.



Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
164533/0220435

NEW YORK STATE

VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

You have selected the For-Profit Non-Construction questionnaire which may be printed and completed in this format or, for your convenience, may be completed online using the New York State VendRep System.

COMPLETION & CERTIFICATION

The person(s) completing the questionnaire must be knowledgeable about the vendor's business and operations. An owner or officer must certify the questionnaire and the signature must be notarized.

NEW YORK STATE VENDOR IDENTIFICATION NUMBER (VENDOR ID)

The <u>Vendor ID</u> is a ten-digit identifier issued by New York State when the vendor is registered on the Statewide Vendor File. This number must now be included on the questionnaire. If the business entity has not obtained a <u>Vendor ID</u>, contact the IT Service Desk at <u>ITServiceDesk@osc.state.ny.us</u> or call 866-370-4672.

DEFINITIONS

All underlined terms are defined in the "New York State Vendor Responsibility Definitions List," found at www.osc.state.ny.us/vendrep/documents/questionnaire/definitions.pdf. These terms may not have their ordinary, common or traditional meanings. Each vendor is strongly encouraged to read the respective definitions for any and all underlined terms. By submitting this questionnaire, the vendor agrees to be bound by the terms as defined in the "New York State Vendor Responsibility Definitions List" existing at the time of certification.

RESPONSES

Every question must be answered. Each response must provide all relevant information which can be obtained within the limits of the law. However, information regarding a determination or finding made in error which was subsequently corrected is not required. Individuals and Sole Proprietors may use a Social Security Number but are encouraged to obtain and use a federal Employer Identification Number (EIN).

REPORTING ENTITY

Each vendor must indicate if the questionnaire is filed on behalf of the entire <u>Legal Business Entity</u> or an <u>Organizational Unit</u> within or operating under the authority of the <u>Legal Business Entity</u> and having the same <u>EIN</u>. Generally, the <u>Organizational Unit</u> option may be appropriate for a vendor that meets the definition of "<u>Reporting Entity</u>" but due to the size and complexity of the <u>Legal Business Entity</u>, is best able to provide the required information for the <u>Organizational Unit</u>, while providing more limited information for other parts of the <u>Legal Business Entity</u> and Associated Entities.

ASSOCIATED ENTITY

An <u>Associated Entity</u> is one that owns or controls the <u>Reporting Entity</u> or any entity owned or controlled by the <u>Reporting Entity</u>. However, the term <u>Associated Entity</u> does **not** include "sibling organizations" (i.e., entities owned or controlled by a parent company that owns or controls the <u>Reporting Entity</u>), unless such sibling entity has a direct relationship with or impact on the <u>Reporting Entity</u>.

STRUCTURE OF THE QUESTIONNAIRE

The questionnaire is organized into eleven sections. Section I is to be completed for the <u>Legal Business Entity</u>. Section II requires the vendor to specify the <u>Reporting Entity</u> for the questionnaire. Section III refers to the individuals of the <u>Reporting Entity</u>, while Sections IV-VIII require information about the <u>Reporting Entity</u>. Section IX pertains to any Associated Entities, with one question about their <u>Officials</u>/Owners. Section X relates to disclosure under the Freedom of Information Law (FOIL). Section XI requires an authorized contact for the questionnaire information.

I. LEGAL BUSI	NESS ENTITY	INFORMATION					
Legal Business E	ntity Name*				EIN		
		y, st	ate, zip c	ode)	New York S	State Vendor Idea	ntification Number
					Telephone		Fax
					Telephone		Tux
Email S				Website			
		dentities: If applicable the status (active or ina		other DBA, Trade	Name, Form	ner Name, Other	Identity, or EIN
Туре	Name			EIN		Status	
						1	
1.0 Legal Busine	ss Entity Type –	Check appropriate box	and prov	vide additional info	ormation:		
X Corporatio	n (including <u>PC</u>)	e e	Date of	Incorporation		1991/in VA late	r reincorp in DE
Limited Liability Company (LLC or PLLC) Date of Organization 1988							
Partnership (including LLP, LP or General)			Date of Registration or Establishment				
Sole Proprietor			How many years in business? 27				
Other			Date Es	tablished			
If Other, explain:							
1.1 Was the Lega	al Business Entity	formed or incorporate	ed in Nev	v York State?			☐ Yes XNo
		here <u>Legal Business E</u> n or provide an explan					of Good Standing
X United Sta	X United States State <u>DE</u>						
Other	Country						
Explain, if not available: The good standing certificate takes a day or two to receive. It can be sent shortly.							
1.2 Is the <u>Legal I</u>	Business Entity p	ublicly traded?					☐ Yes X No
If "Yes," pro	vide <u>CIK Code</u> or	Ticker Symbol					
1.3 Does the <u>Leg</u>	al Business Entit	y have a <u>DUNS</u> Numb	er?				X Yes No
If "Yes," Ent	er <u>DUNS</u> Numbe	r					

^{*}All underlined terms are defined in the "New York State Vendor Responsibility Definitions List," which can be found at www.osc.state.ny.us/vendrep/documents/questionnaire/definitions.pdf.

I. LEGAL BUSINESS ENTITY INFO	RMATION		
1.4 If the <u>Legal Business Entity</u> 's <u>Princi</u> <u>Entity</u> maintain an office in New Yo (Select "N/A," if <u>Principal Place of</u>		Legal Business	☐ Yes X No ☐ N/A
If "Yes," provide the address and tel	ephone number for one office located in New York State.		
Women-Owned Business Enterprise Disadvantaged Business Enterprise If "Yes," check all that apply: New York State certified Mi New York State certified Wo New York State Small Busin	nority-Owned Business Enterprise (MBE) omen-Owned Business Enterprise (WBE)		☐ Yes X No
	ers, if applicable. For each person, include name, title and icable, reference to relevant SEC filing(s) containing the reference to relevant security.		
Name	Title	Percentage Ow (Enter 0% if no	

II. REF	PORTING ENTITY INFORMATION			
2.0 The	e Reporting Entity for this questionnaire is:			
Not	te: Select only one.			
X J	Legal Business Entity			
	Note: If selecting this option, "Reporting Entity" refers to questionnaire. (SKIP THE REMAINDER OF SECTION II			der of the
	Organizational Unit within and operating under the authori	ty of the Legal Business Entity		
	SEE DEFINITIONS OF "REPORTING ENTITY" AND "ORGANIZATIONAL UNIT" FOR ADDITIONAL INFORMATION ON CRITERIA TO QUALIFY FOR THIS SELECTION.			
	Note: If selecting this option, " <u>Reporting Entity</u> " refers to the <u>Organizational Unit</u> within the <u>Legal Business Entity</u> for the remainder of the questionnaire. (COMPLETE THE REMAINDER OF SECTION II AND ALL REMAINING SECTIONS OF THIS QUESTIONNAIRE.)			
IDENTIFYING INFORMATION				
a) Reporting Entity Name				
Add	dress of the Primary Place of Business (street, city, state, zip	code)	Telephone	
				ext.
b)	Describe the relationship of the Reporting Entity to the Leg	gal Business Entity		
c)	Attach an organizational chart			
d)	Does the Reporting Entity have a <u>DUNS</u> Number?			☐ Yes ☐ No
	If "Yes," enter <u>DUNS</u> Number			
e)	Identify the designated manager(s) responsible for the busi For each person, include name and title. Attach additional			
Name		Title		
	2			

NYS Vendor ID: 000000000

NEW YORK STATE VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

INSTRUCTIONS FOR SECTIONS III THROUGH VII

For each "Yes," provide an explanation of the issue(s), relevant dates, the government entity involved, any remedial or corrective action(s) taken and the current status of the issue(s). For each "Other," provide an explanation which provides the basis for not definitively responding "Yes" or "No." Provide the explanation at the end of the section or attach additional sheets with numbered responses, including the Reporting Entity name at the top of any attached pages.

III. LEADERSHIP INTEGRITY			
Within the past five (5) years, has any current or former reporting entity official or any individual cu authority to sign, execute or approve bids, proposals, contracts or supporting documentation on behaving government entity been:			
3.0 <u>Sanctioned</u> relative to any business or professional permit and/or license?	☐ Yes	XNo 🗌	Other
3.1 Suspended, debarred, or disqualified from any government contracting process?	Yes	X No	Other
3.2 The subject of an <u>investigation</u> , whether open or closed, by any <u>government entity</u> for a civil or criminal violation for any business-related conduct?	☐ Yes	X No [] Other
 3.3 Charged with a misdemeanor or felony, indicted, granted immunity, convicted of a crime or subject to a judgment for: a) Any business-related activity; or b) Any crime, whether or not business-related, the underlying conduct of which was related to truthfulness? 	Yes	X No 🗌	Other
For each "Yes" or "Other" explain:			
IV. INTEGRITY – CONTRACT BIDDING			
Within the past five (5) years, has the reporting entity:			1
4.0 Been <u>suspended</u> or <u>debarred</u> from any <u>government contracting process</u> or been <u>disqualified</u> on any government procurement, permit, license, concession, franchise or lease, including, but not limited <u>debarment</u> for a violation of New York State Workers' Compensation or Prevailing Wage laws or N York State Procurement Lobbying Law?		Yes	X No
4.1 Been subject to a denial or revocation of a government prequalification?		☐ Yes	X No
4.2 Been denied a contract award or had a bid rejected based upon a <u>non-responsibility finding</u> by a <u>government entity</u> ?		Yes	X No
4.3 Had a low bid rejected on a government contract for failure to make good faith efforts on any Mino Owned Business Enterprise, Women-Owned Business Enterprise or Disadvantaged Business Enterprise goal or statutory affirmative action requirements on a previously held contract?		Yes	X No
4.4 Agreed to a voluntary exclusion from bidding/contracting with a government entity?		Yes	X No
4.5 Initiated a request to withdraw a bid submitted to a government entity in lieu of responding to an information request or subsequent to a formal request to appear before the government entity?		Yes	X No
For each "Yes," explain:			

V. INTEGRITY – CONTRACT AWARD	
Within the past five (5) years, has the reporting entity:	
5.0 Been <u>suspended</u> , cancelled or <u>terminated for cause</u> on any <u>government contract</u> including, but not limited to, a <u>non-responsibility finding</u> ?	☐ Yes X No
5.1 Been subject to an <u>administrative proceeding</u> or civil action seeking specific performance or restitution in connection with any <u>government contract</u> ?	☐ Yes X No
5.2 Entered into a formal monitoring agreement as a condition of a contract award from a government entity?	☐ Yes X No
For each "Yes," explain:	
VI. CERTIFICATIONS/LICENSES	Tank Service Co. C. Exten
Within the past five (5) years, has the reporting entity:	
6.0 Had a revocation, suspension or disbarment of any business or professional permit and/or license?	☐ Yes X No
6.1 Had a denial, decertification, revocation or forfeiture of New York State certification of Minority-Owned Business Enterprise, Women-Owned Business Enterprise or federal certification of Disadvantaged Business Enterprise status for other than a change of ownership?	Yes X No
For each "Yes," explain:	
VII. LEGAL PROCEEDINGS	
Within the past five (5) years, has the reporting entity:	
7.0 Been the subject of an <u>investigation</u> , whether open or closed, by any <u>government entity</u> for a civil or crimina violation?	al Yes X No
7.1 Been the subject of an indictment, grant of immunity, <u>judgment</u> or conviction (including entering into a pleabargain) for conduct constituting a crime?	Yes X No
7.2 Received any OSHA citation and Notification of Penalty containing a violation classified as <u>serious or willful</u> ?	Yes X No
7.3 Had a government entity find a willful prevailing wage or supplemental payment violation or any other willful violation of New York State Labor Law?	☐ Yes X No
7.4 Entered into a consent order with the New York State Department of Environmental Conservation, or received an enforcement determination by any government entity involving a violation of federal, state or local environmental laws?	Yes X No
 7.5 Other than previously disclosed: a) Been subject to fines or penalties imposed by government entities which in the aggregate total \$25,000 or more; or b) Been convicted of a criminal offense pursuant to any administrative and/or regulatory action taken by any government entity? 	☐ Yes X No
For each "Yes," explain:	

VII	I. FINANCIAL AND ORGANIZATIONAL CAPACITY	
8.0	Within the past five (5) years, has the <u>Reporting Entity</u> received any <u>formal unsatisfactory performance</u> <u>assessment(s)</u> from any <u>government entity</u> on any contract?	☐ Yes XNo
	If "Yes," provide an explanation of the issue(s), relevant dates, the government entity involved, any remedial of action(s) taken and the current status of the issue(s). Provide answer below or attach additional sheets with number of the issue(s).	or corrective mbered responses.
8.1	Within the past five (5) years, has the <u>Reporting Entity</u> had any <u>liquidated damages</u> assessed over \$25,000?	☐ Yes X
92	If "Yes," provide an explanation of the issue(s), relevant dates, contracting party involved, the amount assesses status of the issue(s). Provide answer below or attach additional sheets with numbered responses.	d and the current
8.2	Within the past five (5) years, have any <u>liens</u> or <u>judgments</u> (not including UCC filings) over \$25,000 been filed against the <u>Reporting Entity</u> which remain undischarged?	☐ Yes X No
	If "Yes," provide an explanation of the issue(s), relevant dates, the Lien holder or Claimant's name(s), the amount and the current status of the issue(s). Provide answer below or attach additional sheets with numbered response	
8.3	In the last seven (7) years, has the <u>Reporting Entity</u> initiated or been the subject of any bankruptcy proceedings, whether or not closed, or is any bankruptcy proceeding pending?	☐ Yes X No
	If "Yes," provide the bankruptcy chapter number, the court name and the docket number. Indicate the current proceedings as "Initiated," "Pending" or "Closed." Provide answer below or attach additional sheets with number.	status of the bered responses.
8.4	During the past three (3) years, has the <u>Reporting Entity</u> failed to file or pay any tax returns required by <u>federal</u> , state or local tax laws?	☐ Yes X No
	If "Yes," provide the taxing jurisdiction, the type of tax, the liability year(s), the tax liability amount the Report file/pay and the current status of the tax liability. Provide answer below or attach additional sheets with number 1.	
8.5	During the past three (3) years, has the <u>Reporting Entity</u> failed to file or pay any New York State unemployment insurance returns?	☐ Yes X No
	If "Yes," provide the years the <u>Reporting Entity</u> failed to file/pay the insurance, explain the situation and any recorrective action(s) taken and the current status of the issue(s). Provide answer below or attach additional sheet responses.	
8.6	During the past three (3) years, has the Reporting Entity had any government audit(s) completed?	Yes X No
	a) If "Yes," did any audit of the <u>Reporting Entity</u> identify any reported significant deficiencies in internal control, fraud, illegal acts, significant violations of provisions of contract or grant agreements, significant abuse or any <u>material disallowance</u> ?	☐ Yes ☐ No
	If "Yes" to 8.6 a), provide an explanation of the issue(s), relevant dates, the government entity involved, any recorrective action(s) taken and the current status of the issue(s). Provide answer below or attach additional sheer responses.	

NYS Vendor ID: 000000000

IX. ASSOCIATED ENTITIES	用图121
This section pertains to any entity(ies) that either controls or is controlled by the reporting entity.	
(See definition of "associated entity" for additional information to complete this section.)	
 9.0 Does the <u>Reporting Entity</u> have any <u>Associated Entities</u>? Note: All questions in this section must be answered if the <u>Reporting Entity</u> is either: An <u>Organizational Unit</u>; or The entire <u>Legal Business Entity</u> which controls, or is controlled by, any other entity(ies). If "No," SKIP THE REMAINDER OF SECTION IX AND PROCEED WITH SECTION X. 	XYes No
 9.1 Within the past five (5) years, has any <u>Associated Entity Official</u> or <u>Principal Owner</u> been charged with a misdemeanor or felony, indicted, granted immunity, convicted of a crime or subject to a <u>judgment</u> for: a) Any business-related activity; or b) Any crime, whether or not business-related, the underlying conduct of which was related to truthfulness? 	☐ Yes X No
If "Yes," provide an explanation of the issue(s), the individual involved, his/her title and role in the <u>Associate</u> relationship to the <u>Reporting Entity</u> , relevant dates, the <u>government entity</u> involved, any remedial or corrective the current status of the issue(s).	
9.2 Does any <u>Associated Entity</u> have any currently undischarged <u>federal</u> , New York State, New York City or New York local government <u>liens</u> or <u>judgments</u> (not including UCC filings) over \$50,000?	☐ Yes X No
If "Yes," provide an explanation of the issue(s), identify the <u>Associated Entity</u> 's name(s), <u>EIN(s)</u> , primary bus relationship to the <u>Reporting Entity</u> , relevant dates, the Lien holder or Claimant's name(s), the amount of the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.	
9.3 Within the past five (5) years, has any <u>Associated Entity</u> :	
a) Been <u>disqualified</u> , <u>suspended</u> or <u>debarred</u> from any <u>federal</u> , New York State, New York City or other New York local <u>government contracting process</u> ?	☐ Yes X No
b) Been denied a contract award or had a bid rejected based upon a <u>non-responsibility finding</u> by any <u>federal</u> , New York State, New York City, or New York local <u>government entity</u> ?	☐ Yes X No
c) Been <u>suspended</u> , <u>cancelled</u> or <u>terminated for cause</u> (including for <u>non-responsibility</u>) on any <u>federal</u> , New York State, New York City or New York local <u>government contract</u> ?	☐ Yes X No
d) Been the subject of an <u>investigation</u> , whether open or closed, by any <u>federal</u> , New York State, New York City, or New York local <u>government entity</u> for a civil or criminal violation with a penalty in excess of \$500,000?	Yes X No
e) Been the subject of an indictment, grant of immunity, <u>judgment</u> , or conviction (including entering into a plea bargain) for conduct constituting a crime?	☐ Yes X No
f) Been convicted of a criminal offense pursuant to any administrative and/or regulatory action taken by any <u>federal</u> , New York State, New York City, or New York local <u>government entity</u> ?	☐ Yes X No
g) Initiated or been the subject of any bankruptcy proceedings, whether or not closed, or is any bankruptcy proceeding pending?	X Yes No
For each "Yes," provide an explanation of the issue(s), identify the <u>Associated Entity</u> 's name(s), <u>EIN(s)</u> , prim activity, relationship to the <u>Reporting Entity</u> , relevant dates, the <u>government entity</u> involved, any remedial or otaken and the current status of the issue(s). Provide answer below or attach additional sheets with numbered report and the Litigation Technology Services (wholly owned sub) Bankruptcy, closed 10/06/2011, nothing else pending	corrective action(s) esponses.

AC 3290-S (Rev. 9/13)

NYS Vendor ID: 000000000

X. FREEDOM OF INFORMATION LAW (FOIL)		
10. Indicate whether any information supplied herein is believed to be exempt from Freedom of Information Law (FOIL).	Yes X No	
Note: A determination of whether such information is exempt from FOIL will request for disclosure under FOIL.	be made at the time of any	
If "Yes," indicate the question number(s) and explain the basis for the claim.		
XI. AUTHORIZED CONTACT FOR THIS QUESTIONNAIRE		
Name	Telephone	Fax

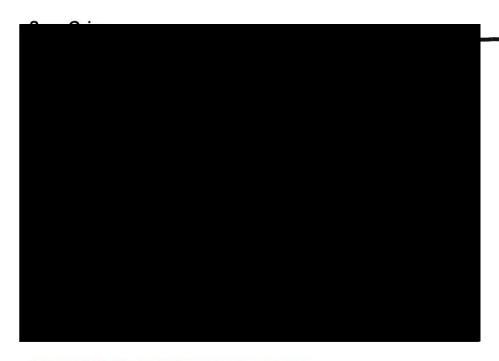
Certification

The undersigned: (1) recognizes that this questionnaire is submitted for the express purpose of assisting New York State government entities (including the Office of the State Comptroller (OSC)) in making responsibility determinations regarding award or approval of a contract or subcontract and that such government entities will rely on information disclosed in the questionnaire in making responsibility determinations; (2) acknowledges that the New York State government entities and OSC may, in their discretion, by means which they may choose, verify the truth and accuracy of all statements made herein; and (3) acknowledges that intentional submission of false or misleading information may result in criminal penalties under State and/or Federal Law, as well as a finding of non-responsibility, contract suspension or contract termination.

The undersigned certifies that he/she:

- is knowledgeable about the submitting Business Entity's business and operations;
- has read and understands all of the questions contained in the questionnaire;
- has not altered the content of the questionnaire in any manner;
- has reviewed and/or supplied full and complete responses to each question;
- to the best of his/her knowledge, information and belief, confirms that the Business Entity's responses are true, accurate and complete, including all attachments, if applicable;
- understands that New York State government entities will rely on the information disclosed in the questionnaire when entering into a contract with the Business Entity; and
- is under an obligation to update the information provided herein to include any material changes to the Business Entity's responses at the time of bid/proposal submission through the contract award notification, and may be required to update the information at the request of the New York State government entities or OSC prior to the award and/or approval of a contract, or during the term of the contract.

Signature of Owner/Official						
Printed Name of Signatory						
Γitle						
Name of Business						
Adaress						
City, State, Zip						
		7				
Sworn to before me this	day of		,	20;		
		_ Notary Public				
Address City, State, Zip Sworn to before me this	day of			20;		



REGISTERED AGENT INFORMATION

Name:

REGISTERED AGENT SOLUTIONS, INC.

Address:

1679 S DUPONT HWY STE 100

City:

DOVER

County: **KENT**

State:

DE

Postal Code: 19901

Phone:

(302)674-8670

Project Services Attestations

Projec	t Team
The Of ✓ agre	ees
⊔ doe	s not agree throughout the term of the Agreement, the Contractor must:
a.	Maintain an organization of sufficient size with staff that possesses the necessary skills and experience to administer, manage, and oversee all aspects of the DEA Project during implementation and operation;
b.	Dedicate a project manager who will be available full time for the entire term of the DEA Project and who has at least three (3) years' experience serving as a project manager. The Contractor must advise the Department immediately if replacement of the project manager is contemplated during the term of this DEA Project;
c.	Assign a project management team that is experienced, accessible, and sufficiently staffed to provide timely (one (1) Business Day) responses to administrative concerns and inquiries posed by the Department, and other users designated by the Department, for the duration of the Agreement to the satisfaction of the Department; and
d.	Immediately notify the Department of actual or anticipated events affecting the delivery of services to the Department and present options available to minimize or eliminate the impact of those events on the delivery of Project Services.
Projec	et Implementation
The O ✓ agre	
	es not agree throughout the term of the Agreement, the Contractor must:
a.	Develop and update, as needed, a written implementation plan for the DEA Project as requested in IV.B.3.a of this IFB. The implementation plan must be detailed and comprehensive and demonstrate a firm commitment by the Contractor to complete all implementation activities within the 60-Day Implementation Period. For all tasks that require Department review and approval, a minimum review period of five (5) Business Days must be built into the implementation plan; and
b.	Undertake and complete all implementation activities, including but not limited to those specific activities set forth below in this Section IV.A.2.b of this IFB. Such implementation activities must be completed no later than the first Day following the 60-Day Implementation Period and includes:
	(1) Planning and testing the transmission of data to/from the Department as outlined in Section IV.A.3 of this IFB;
	(2) Establishing and maintaining a fully trained call center as outlined in Section IV.A.4 of this IFB;

- (3) Establishing a secure online web portal providing access for Enrollees and the Department as outlined in IV.A.5 of this IFB; and
- (4) Developing Enrollee communications for review and approval by the Department as outlined in IV.A.7 of this IFB.

Electronic Transfer of Data

The Offeror

✓ agrees

☐ does not agree

throughout the term of the Agreement, the Contractor must:

- a. Receive and transmit Dependent data in a secure electronic format and on a schedule mutually agreed upon by the Contractor and the Department;
- b. Receive/transmit data in the format required by the file layouts presented in Exhibit III.E of this IFB:
- c. Ensure all electronic transfer of data and/or storage of files is located solely in the United States;
- d. Maintain a HIPAA compliant level of security to protect the confidentiality of all Enrollee/Dependent information;
- e. Have a disaster recovery plan in place that is applicable to this DEA Project;
- f. Image all documentation received from the Enrollee and transmit a file (or files) to the Department in a standard format (i.e. Multi-Page Tagged Image File Format (TIFF)). The file of images must be accompanied by indexing files and follow a naming convention as outlined in Exhibit III.G of this IFB; and
- g. Acknowledge that it is the Department's policy that all files need to have a PGP encryption key. If the Department sends the Contractor a file(s), the Department will send to the Contractor's server with the Contractor's PGP encryption key. If the Contractor sends the Department a file(s), the Contractor will send to the Department's server with the Department's PGP encryption key. The files will be exchanged using SFTP protocol.

Call Center Services

The Offeror

✓ agrees

☐ does not agree

throughout the term of the Agreement, the Contractor must:

a. Establish a dedicated toll-free telephone number that Enrollees can call with questions during the Amnesty Period, the Eligibility Verification Period, and the Appeal and Reinstatement Period(s). The Contractor must maintain a call center with a staffing level sufficient to meet the call center performance guarantees. The Contractor must dedicate a core staff to service the Department's account;

- b. Establish a call center, located in the United States and staffed with fully trained call center representatives and supervisors, with representatives available, at a minimum, from 8:00 a.m. to 8:00 p.m. ET, except for Business Holidays observed by the State. The Contractor's call center technology must have a system to log and track all inquiries. The system must include call type, actions and resolutions. Call center representatives must be trained to respond to questions and inquiries including, but not limited to, Dependent eligibility and status of documentation review. Any inquiries that cannot be answered in the initial phone call must be responded to either by telephone or in writing within five (5) Business Days;
- c. Escalate complex and/or difficult calls to more experienced representatives and ultimately supervisory staff; and
- d. Staff the call center during the Appeal and Reinstatement Period(s) to assist Enrollees who submit documentation that supports reinstating the terminated Dependent's coverage.

Secure Online Web Portal

The Offeror

✓ agrees

☐ does not agree

throughout the term of the Agreement, the Contractor must:

- a. Establish a secure online web portal, which allows Enrollees to submit, and confirm submission of, eligibility documentation. The secure online web portal must be available twenty-four hours a day, seven (7) days a week, except for regularly scheduled maintenance. The Department shall be notified of all regularly scheduled maintenance at least one (1) Business Day prior to such maintenance being performed; and
- b. Maintain a secure online web portal that allows Enrollees, or the Department as applicable, to perform the following:
 - Upload documentation;
 - (2) Check Dependent eligibility status in real-time;
 - (3) View all communications sent from the Contractor to the Enrollee:
 - (4) Review FAQ's that have been developed by the Contractor and approved by the Department:
 - (5) Allows Enrollees to get answers to questions via secure email and/or a chat function:
 - (6) Access customer service contact information including address(es), phone number(s) and email address(es);
 - (7) Allows the Department to compile periodic management reports documenting the progress and outcomes of the DEA Project via the secure online web portal; and
 - (8) Allows the Department to have view only access to Dependent eligibility status.
 - c. Allows cobranding of the secure online portal by incorporating the NYSHIP logo.

Amnesty Period, Eligibility Verification Period, and Appeal and Reinstatement Period(s)

The Offer ✓ agrees □ does r	
	roughout the term of the Agreement, the Contractor must:
a.	Administer one (1) Amnesty Period for all Enrollees with a Family Policy to report ineligible Dependents. Administration of the Amnesty Period must include the communication of the Amnesty Period to Enrollees, call center support, receiving requests from Enrollees to terminate ineligible Dependents, and the reporting of ineligible Dependents to the Department;
b.	Administer up to three (3) Phases of eligibility verification during the Eligibility Verification Period. Administration of the Eligibility period shall include, but not be limited to, sending communication materials to Enrollees regarding the Eligibility Verification Period, providing call center support, receiving and processing documents to verify eligibility, and the reporting of ineligible Dependents to the Department. The Dependent eligibility audit tasks must conform to NYSHIP eligibility rules;
c.	Administer an Appeal and Reinstatement Period(s) for Dependents who were terminated because sufficient documentation was not provided on a timely basis and who subsequently are able to provide the documentation. The Department requires the Contractor to complete Reinstatements quickly and accurately and provide the Reinstatement File as outlined in Section IV.A.9.a.(6) of this IFB;
d.	Transmit termination and reinstatement files on a schedule as outlined in Sections IV.A.9.a.(5) and IV.A.9.a.(6) of this IFB; and
e.	Complete all tasks related to the Amnesty Period, and Eligibility Verification Period, within one (1) year of the Agreement Start Date and the Appeal and Reinstatement Period(s) within fifteen (15) months of the Agreement start date.
Commun	nication Material
The Offer ✓ agrees □ does r	
	roughout the term of the Agreement, the Contractor must:
a.	Develop customized Enrollee communications, subject to written approval by the Department for the Amnesty Period, the Eligibility Verification Period, and the Appeal and Reinstatement Period(s). The communications must provide sufficient detail so the Enrollee can clearly identify:
	(1) Dependent children verified in the prior audit for whom eligibility does not need to be confirmed;(2) Dependent children added to coverage on or after February 1, 2009 for whom
	(2) Dependent children added to coverage on or after February 1, 2009 for whom

documentation must be submitted to verify coverage;

(3) Spouse or Domestic Partner, regardless of the date the individual was added to coverage for whom documentation must be submitted;

- (4) Dates by which documentation must be submitted; and
- (5) Termination date for Dependents deemed ineligible for coverage. The final letter must allow the Enrollee fourteen (14) Business Days for response prior to terminating the Dependent.
- b. Send different Enrollee communications for different types of Dependents (i.e. Dependent child versus Spouse) and NYSHIP populations (NY versus Participating Agency (PA) or Participating Employer (PE);
- c. Mail sufficient Department approved Enrollee communication material to achieve the ROI guarantee as outlined in IV.A.10 of this IFB;
- d. Use a dedicated P.O. Box or other address as approved by the Department as the return address for all Enrollee communications; and
- e. Acknowledge that the cost of all Project Services communication mailings (including postage) will be paid by the Offeror and will be considered by the Department as being included in the total DEA Project cost submitted by the Offeror.

Outgoing and Returned Mail Process

The Offeror

✓ agrees

□ does not agree

throughout the term of the Agreement, the Contractor must:

- a. Conform to address labeling guidelines that will be provided by the Department that, at a minimum, will require the following:
 - (1) The Offeror must use coding as provided in the enrollment file, Exhibit III.E, above the Enrollee address block on each mail piece. This coding will be used by the Offeror to route returned mail to agencies or DCS as appropriate for handling;
 - (2) For all active Enrollees, as well as Retirees of PAs, the agency code and benefit program code will be used; and
 - (3) For all other Retirees, a unique code, to be identified by the Department, will be used.
- b. Use USPS software as needed for simple address hygiene purposes. National Change of Address (NCOA) software may not be used as NYSHIP policy is that address changes must be requested by the Enrollee only;
- c. Provide mailing samples during the Implementation Period for testing and Department approval before mailing to Enrollees. The Department will review and approve or deny within two (2) Business Days;
- d. Provide a weekly file of returned mail, as outlined in Section IV.A.9.a.(12) of this IFB, to the Department;
- e. Accept one or more updated enrollment files, as outlined in Section IV.A.9.a.(12) of this IFB, containing corrected addresses, which the Contractor must load into their

system within one (1) Business Day of receipt, should the Department determine such files are necessary.

Reporting

The Offeror

✓ agrees

☐ does not agree

throughout the term of the Agreement, the Contractor must:

- a. Work with the Department to develop reports acceptable to the Department for the Amnesty Period, Eligibility Verification Period, and Appeal and Reinstatement Period(s), that include, but are not limited to, measurement of the Contractor's response rates and outcomes, adherence to Agreement requirements, and measurement of performance guarantees. Reporting will be at intervals mutually agreed upon by the Department and the Contractor. Reporting, at a minimum, must cover:
 - (1) Verification Status Summary Report to provide information on each letter mailed and received including number of letters mailed, number of responders, number of Amnesty Period requests, number of complete documentation received, number of incomplete documentation received, number of nonresponders, number of returned mail, number of Appeals received, number of Appeals accepted, and number of Appeals rejected. The report will be required daily and may transition to weekly at the sole discretion of the Department;
 - (2) Call Center Statistics report detailing each day's call center activity including, but not limited to, the number of calls, telephone response rate, telephone abandonment rate, and telephone blockage rate. The report will be required daily and may transition to weekly at the sole discretion of the Department;
 - (3) Secure Online Portal Statistics weekly report providing information on the number of documents received daily, and the percent (%) processed within three (3) Business Days and the percent (%) processed within five (5) Business Days;
 - (4) Weekly Management Summary Report provide progress of the DEA Project and the milestones met;
 - (5) Results File identifying Dependents to be terminated from coverage. A file will be required at the end of the Amnesty Period and at the end of each Phase of the Eligibility Verification Period. Refer to the "Results File Layout" tab in Exhibit III.E of this IFB for the file layout;
 - (6) Reinstatement File identifying those Dependents that are terminated during the audit and acceptable documentation is subsequently received prior to the completion of the DEA Project. The report will be required on a daily basis and must include all Reinstatements processed on the previous Business Day. Refer to the "Reinstate File" tab in Exhibit III.E of this IFB for the file layout;
 - (7) Terminated and Deceased File a file shall be sent from the Department to the

Offeror on a weekly basis after the Amnesty Period. The file will identify Enrollees and/or Dependents who have had coverage terminated or were identified as deceased after the initial population was identified for Amnesty. Refer to the "Term & Deceased File Layout" tab in Exhibit III.E of this IFB for the file layout;

- (8) File of Imaged Eligibility Documentation –provide one (1) or more files of images of all eligibility documentation received, Enrollee correspondence received, and Contractor communications to Enrollees. The file will be provided on a weekly basis. Refer to Exhibit III.G of this IFB for the file layout;
- (9) Guarantee Report summarizing the Contractor's compliance with all Agreement guarantees (with the exception of the ROI Guarantee, which will be calculated by the Department). This report is to be provided 30 Days after the conclusion of the DEA Project;
- (10) Final Project Report summarizing the DEA Project outcome and suggestions, including draft forms/documents, to improve the Department's ongoing management of Dependent eligibility. This report is to be provided 90 Days after the conclusion of the DEA Project;
- (11) Ad Hoc Reports the Department may, on occasion, request ad hoc reports or other data analysis to monitor Project Services and contract compliance. The format, frequency, and due dates for such reports, if any, will be specified by the Department to the Contractor during the term of the Agreement that results from this IFB; and
- (12) File of Returned Mail provides a complete listing of mail returned to the Contractor due to incorrect addresses. The file will be required weekly at the discretion of the Department. Refer to the "Returned Mail Layout" tab in Exhibit III. E of this IFB for the file layout.

Project Return on Investment (ROI)

The Offeror

√ agrees

☐ does not agree

throughout the term of the Agreement, the Contractor must:

- a. Guarantee a return on investment of at least 3:1 (Total Savings of at least three times the total DEA Project cost) for the DEA Project including administration of the Amnesty Period, the Eligibility Verification Period and the Appeal and Reinstatement Period(s);
- b. Total Savings will be calculated by the Department and will be based on the Plan (Empire, SEHP or HMO) the member is enrolled in at the time of the audit. The Total Savings shall be calculated as follows (refer to Exhibit III.F for an example of the ROI Calculation):
 - (1) For the Empire Plan and SEHP, the savings shall be calculated by the Department as the average annual paid claims amount per Dependent

determined to be ineligible by the vendor multiplied by the number of Dependents disenrolled. The annual paid claims per Dependent shall be calculated by the Department as the claims paid for each Dependent determined ineligible for the period 2010-2014 divided by the number of months such Dependent was enrolled in the Plan during that period multiplied by 12.

Plus

(2) For HMO Dependents, annual savings calculated as the difference between Family and Individual 2014 Net Premium multiplied by the number of Family Policies that changed to Individual as a result of all Dependents being determined to not be eligible.

Plus

(3) Annual savings of Medicare Part B Premium reimbursement paid for Medicare Dependents determined not eligible by the Contractor based on the standard 2014 monthly Medicare Part B Premium amount.

Plus

(4) For Enrollees with a Family Policy who are participating in the Opt-Out Program, there will be an annual savings of \$2,000 in instances where all of the Enrollee's Dependents are determined not eligible.

Date: June 8, 2015



[Douglas Williams]
[Division President, Markets]
[Health Management Systems, Inc. (HMS)]

COF	RPORATE OR I	PARTNERSHIP AC	KNOWLEDGMENT
STATE OF	Texas	}	
		: SS.:	
COUNTY OF	Dallas	}	
Williams, known who, being duly	to me to be the sworn by me did	person who execut d depose and say th	personally appeared: <u>Douglas</u> ed the foregoing instrument, at he resides at <u>5615 High</u> of <u>Texas</u> ; and further that:
[Check One]			
Management Sy that, by authorit execute the fore therein; and that	stems, Inc. (HM y of the Board o going instrumer t, pursuant to th	<u>IS</u>), the corporation of Directors of said of the control of the	dent, Markets of Health described in said instrument; orporation, _he is authorized to orporation for purposes set forth decuted the foregoing instrument the act and deed of said
(If a partne	r ship): _he is t		artnership described in said
the foregoing instant therein; and that	strument on beh t, pursuant to th	of said partnership, alf of the partnershi at authority, _he ex	_he is authorized to execute p for the purposes set forth recuted the foregoing instrument e act and deed of said
Notary Public			

Performance Guarantee Attestations

Implementation and Start-Up Guarantee
The Offeror ✓ agrees □ does not agree that all Implementation and Start- Up activities listed in Section IV.A.2 will be in place on the implementation date.
If the Contractor fails to complete all implementation and start-up activities within the Implementation Period, the Contractor shall credit against the Project's fees \$1,250 per Day that the Contractor fails to assume full operational responsibility to the satisfaction of the Department.
Call Center Availability Guarantee
The Offeror ✓ agrees □ does not agree that the call center toll-free telephone line will be operational and available to callers at least ninety-eight percent (98%) of the Contractor's Call Center Hours. The call center availability will be reported daily, and may transition to weekly at the discretion of the Department, and calculated for the term of the Agreement.
For each .01 to 1% below the standard of ninety-eight percent (98%) that the Contractor's toll-free telephone line is not operational and available to callers during the Contractor's Call Center Hours, the Contractor shall credit against the Project Fees the amount of \$10,000.
Call Center Telephone Response Time Guarantee
The Offeror ✓ agrees □ does not agree that the call center toll-free telephone line will be answered by a call center representative within 45 seconds at least ninety percent (90%) of the time during the Contractor's Call Center Hours. The call center response time will be reported daily, and may transition to weekly at the discretion of the Department, and calculated for the term of the Agreement.
For each .01 to 1% of incoming calls to the Contractor's telephone line below the standard of ninety percent (90%) that is not answered by a call center representative within 45 seconds, Contractor shall credit against the Project Fees the amount of \$10,000.

Exhibit I.T.2

Telephone Abandonment Rate Guarantee
Total total and the addition
The Offeror
✓ agrees
☐ does not agree
that incoming calls to the Contractor's call center toll-free telephone line in which the caller disconnects prior to the call being answered by a call center representative will not exceed the standard of three percent (3%) of total incoming calls. The call center
telephone abandonment rate will be reported daily and may transition to weekly at the discretion of the Department, and calculated for the term of the Agreement.
For each .01 to 1% of incoming calls to the Contractor's call center toll-free telephone line in which the caller disconnects prior to the call being answered by a call center representative in excess of the standard of three percent (3%) of total incoming calls, the Contractor shall credit against the Project Fees the amount of \$10,000.
Telephone Blockage Rate Guarantee
The Offeror ✓ agrees □ does not agree
that incoming calls to the Contractor's call center toll-free telephone line that are blocked by a busy signal shall not exceed the standard of one percent (1%) of total incoming calls. The call center telephone line blockage rate will be reported daily, and may transition to weekly at the discretion of the Department, and calculated for the term of the Agreement.
For each .01 to 1% of incoming calls to the call center toll-free telephone line that are blocked by a busy signal, in excess of the standard of one percent (1%) of total incoming calls, the Contractor shall credit against the Project's Fees the amount of \$10,000.
Secure Online Web Portal Guarantee
The Offeror
✓ agrees
□ does not agree that ninety-five percent (95%) of all documents submitted by Enrollees, regardless of method of submission, will be uploaded, processed and viewable on the Contractor's secure online web portal within three (3) Business Days of receipt and one-hundred percent (100%) will be uploaded, processed and viewable on the Contractor's secure online web portal within five (5) Business Days of receipt. The document processing time shall be reported weekly and calculated for the term of the Agreement.
For each .01 to 1% below the standard of ninety-five percent (95%) of all documents received that are not uploaded, processed and viewable on the Contractor's secure online web portal within three (3) Business Days, the Contractor shall credit against the Project Fees the amount of \$10,000. Additionally for each .01 to 1% below the standard of one-hundred percent (100%) of all documents received that are not uploaded, processed and viewable on the Contractor's secure online web portal within five (5) Business Days, the Contractor shall credit against the Project Fees the amount of \$10,000.

Exhibit I.T.2

Amnesty Period, Eligibility Verification Period, and Appeal and Reinstatement Period(s) Guarantee
The Offeror ✓ agrees □ does not agree that all Amnesty Period and Eligibility Verification Period tasks will be completed within one (1) year of the Agreement start date and all Appeal and Reinstatement Period(s) tasks will be completed within fifteen (15) months of Agreement start date. For each month or partial month that all Amnesty Period and Eligibility Verification Period tasks are not completed within one (1) year of the Agreement start date and all Appeal and Reinstatement Period(s) tasks that are not completed within fifteen (15) months of the Agreement start date, the Contractor shall credit four percent (4%) of the total Project Fees charged under the Agreement for all DEA Project Services.
Reporting Guarantee
The Offeror ✓ agrees □ does not agree that the accurate management of reports as specified in Section IV.A.9.a of this IFB will be delivered to the Department no later than their respective due dates inclusive of the date of receipt and supply the reports in an electronic format (Microsoft Access, Excel, Word) as determined by the Department. For each management report that is not received by its respective due date, the Contractor shall credit against the Project Fees \$1,250 per report per each Business Day between the due date and the date the management report is received by the Department inclusive of the date of receipt.
Return on Investment (ROI) Guarantee
The Offeror ✓ agrees □ does not agree to guarantee a ROI of at least 3:1 for the administration of the Amnesty Period and the Eligibility Verification Period: Total savings of at least three (3) times the total DEA Project cost. Total savings shall be calculated by the Department, as outlined in IV.10.b of this IFB, and shall be based on the Plan (Empire, SEHP or HMO) the member is enrolled in at the time of the audit. If total savings calculated by the Department is less than three (3) times the total DEA Project cost charged under the Agreement, the Contractor shall credit against the total Project Fees the difference between three (3) times the total DEA Project cost and actual total savings as calculated by the Department, not to exceed the total Project Fees charged under the Agreement.

Exhibit I.T.2

Date: June 8, 2015 _____ Signature

[Douglas Williams] [Division President, Markets] [Health Management Systems, Inc.]

CORPORATE OR PARTNERSHIP ACKNOWLEDGMENT
STATE OF Texas } : SS.:
COUNTY OF Dallas } On the 8th day of June in the year 2015, before me personally appeared: Douglas Williams, known to me to be the person who executed the foregoing instrument, who, being duly sworn by me did depose and say that he resides at 5615 High Point Drive, Town of Irving, County of Dallas, State of Texas; and further that:
[Check One] (_ ✓ _ If a corporation): _he is the <u>Division President</u> , <u>Markets</u> of <u>Health</u> <u>Management Systems</u> , <u>Inc.</u> , the corporation described in said instrument; that, by authority of the Board of Directors of said corporation, _he is authorized to execute the foregoing instrument on behalf of the corporation for purposes set forth therein; and that, pursuant to that authority, _he executed the foregoing instrument in the name of and on behalf of said corporation as the act and deed of said corporation.
(lf a partnership): _he is the of, the partnership described in said
instrument; that, by the terms of said partnership, _he is authorized to execute the foregoing instrument on behalf of the partnership for the purposes set forth therein; and that, pursuant to that authority, _he executed the foregoing instrument in the name and on behalf of said partnership as the act and deed of said partnership. Notary Public. State of Texas My Commission Expires June 07, 2017



ADMINISTRATIVE SERVICES DIVISIONThird Party Connection and Data Exchange Agreement

ADM-125 (4/06)

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THIRD PARTY CONNECTION AND DATA EXCHANGE AGREEMENT

THIS AGREEMENT (the "Agreement") by and between the NYS Department of Civil Service ("DCS"), with principal offices in Albany, NY 12239, and

Health Management Systems, Inc.				
with principal offices at				
360 Park Avenue South, 17th Floor				
New York, NY 10010				
(hereinafter "Third Party"), is entered into as of the	date last written below ("the Effective Date").			
This Agreement consists of this signature page and the following attachments incorporated by reference: 1. Attachment 1: Third Party Connection and Data Exchange Agreement Terms and Conditions				
2. Attachment 2: Third Party Connection and I	Data Exchange Request Requirements Document			
3. Attachment 3: Third Party Acceptable Use Policy and Agreement				
4. Attachment 4: DCS Equipment Loan Agreement (Applicable: ☐Yes ☒No)				
This Agreement may only be modified by a written document executed by the parties hereto. Any disputes arising out of or in connection with this Agreement shall be governed by New York State law without regard to choice of law provisions.				
IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be duly executed. Each party warrants and represents that its respective signatories whose signatures appear below have been and are on the date of signature duly authorized to execute this Agreement.				
Third Party Name: NYS Department of Civil Service (DCS)				
Authorized Signature Authorized Signature				
Name (Print)	Name (Print)			
Date	Date			



ADMINISTRATIVE SERVICES DIVISION

Third Party Connection and Data Exchange Agreement Attachment 1 – Security Requirements

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THIRD PARTY CONNECTION AND DATA EXCHANGE AGREEMENT

ATTACHMENT 1 – SECURITY REQUIREMENTS

1. Right to Use Connection

Third Party may only use the connection and the information obtained from DCS for business purposes as outlined by the Third Party Connection and Data Exchange Request Requirements Document (Attachment 2).

2. Data Exchange

- 2.1 Third Party may only use the data obtained for purposes outlined by the Third Party Connection and Data Exchange Request Requirements Document (Attachment 2) and the contract or Memoranda of Understanding, if any, that exists between DCS and Third Party for the provision of goods or services or governing conduct between DCS and Third Party with respect to the access to and use of DCS data.
- 2.2 Data exchange may be conducted only by methods and/or services outlined by the Third Party Connection and Data Exchange Request Requirements Document (Attachment 2). Third Party should expect that access to information and services may be limited, as determined or required by DCS.

3. Network Security

- 3.1 Third Party will allow only its own employees approved in advance by DCS ("Third Party Users") to access the Network Connection or any DCS-owned equipment. Third Party shall be solely responsible for ensuring that Third Party Users are not security risks, and upon DCS' request, Third Party will provide DCS with any information reasonably necessary for DCS to evaluate security issues relating to any Third Party User.
- 3.2 Third Party will promptly notify DCS whenever any Third Party User leaves Third Party's employ or no longer requires access to the connection or DCS-owned Equipment.
- 3.3 Each Party will be solely responsible for the selection, implementation, and maintenance of security procedures and policies that are sufficient to ensure that (a) such party's use of the connection (and Third Party's use of DCS-owned Equipment) is secure and is used only for authorized purposes, and (b) such Party's business records and data are protected against improper access, use, loss alteration or destruction.
- 3.4 The preferred connectivity method is via the Internet to a DCS-approved or DCS-provided Virtual Private Network (VPN) device. If the device is DCS-provided, DCS will loan the Third Party, in accordance with the DCS Equipment Loan Agreement, the required client software for establishing VPN connections with DCS. Normal DCS perimeter security measures will control access to the internal network.
- 3.5 Extranet Designated routers are used in combination with firewall rules to allow access to be managed. A second authentication may be required.



ADMINISTRATIVE SERVICES DIVISION

Third Party Connection and Data Exchange Agreement
Attachment 1 – Security Requirements

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- 3.6 Remote Access Using the DCS-provided remote access software, Third Party will connect via an Internet browser. The account may be disabled until usage is required and controls are placed and managed by DCS. Third Party will be required to follow procedures to enable the account for each use.
- 3.7 Third Party Connections will be audited. All remote access user accounts for Third Parties will be given an expiration time. Renewals must be requested by Third Party and approved by the Department Sponsor. Obsolete Third Party connections will be terminated.
- 3.8 Software versions on all Third Party computers that connect to the DCS network must be versions that are currently supported by the software manufacturer, and all available security updates and hot fixes for that software must be applied in a timely fashion. Software and firmware for all Third Party networking equipment that is part of the connection to the DCS network must be kept up to date, especially with patches that fix security vulnerabilities.
- 3.9 Anti-virus software and firewalls must be installed and enabled at all times on DCS-owned computers and on Third Party computers that connect to the DCS network. Additionally, virus definition files must be kept up to date.
- 3.10 In no case may a Third Party Connection to DCS be used as an Internet Connection for Third Party or for a Third Party User.

4. Notifications

- 4.1 Third Party shall notify DCS in writing promptly of any change in its Users for the work performed over the Network Connection or whenever Third Party believes a change in the connection and/or functional requirements of the connection is necessary.
- 4.2 Any notices required by this Agreement shall be given in hand, sent by first class mail, or via facsimile to the applicable address set forth below.

Third Party Name:	NYS Department of Civil Service Albany, New York 12239
Address:	
Attention:	Attention:



ADMINISTRATIVE SERVICES DIVISION

Third Party Connection and Data Exchange Agreement
Attachment 1 – Security Requirements

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5. Citizen Notifications

If Third Party maintains "identifying personal information" on behalf of the Department and such information is compromised, Third Party shall notify the Department immediately that the information has been compromised, the circumstances under which the information was compromised, and the measures undertaken by Third Party to address those circumstances and to otherwise mitigate the effects of the compromise. If encrypted data is compromised along with the corresponding encryption key and encryption software, the data shall be considered unencrypted and the information will be considered compromised through unauthorized access. If the Department requests Third Party to do so, Third Party shall notify the persons whose identifying information was compromised. Such notification shall be communicated via postal service or email, as directed by the Department, and shall otherwise be executed in accordance with the Department's direction. Notification shall be delayed if a law enforcement agency determines that such notification may impede a criminal investigation. For the purpose of this section, "identifying personal information" shall be any information concerning an individual which, because of name, number, symbol, mark or other identifier in combination with any of the following, is unencrypted: (1) Social Security Number; or (2) driver's license number; or (3) financial account number, credit or debit card number, in combination with any required security code, access code, or password which would permit access to an individual's financial account; or (4) password which would permit access to the individual's account.

6. Payment of Costs

Each Party will be responsible for all costs incurred by that Party under this Agreement, including, without limitation, costs for phone charges, telecommunications equipment and personnel for maintaining the connection.

7. Confidentiality

- 7.1 Information exchanged for the business purposes outlined in Attachment 2 will be held confidential by the Parties to the maximum extent permitted by law. Each Party may internally use the information received from the other Party hereunder in connection with and as specifically necessary to accomplish the Business Purpose set forth in Attachment 2 and for no other purposes. Each Party may otherwise share such information with other third parties (e.g. consultants, subcontractors, control agencies) as required or permitted by law in order to effect the business purposes outlined in Attachment 2 and for no other purposes, provided that such third parties agree to the confidentiality restrictions set forth herein and as may be required otherwise by State and federal law.
- 7.2 Third Party must implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the sensitive information that it creates, receives, maintains, or transmits on behalf of DCS.
- 7.3 Unencrypted DCS information must not be transmitted over email.
- 7.4 Third Party must ensure that any agent, including a subcontractor, to whom it provides such information agrees to implement reasonable and appropriate safeguards to protect it and report to the DCS Help Desk any security incident of which it becomes aware.



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Third Party Connection and Data Exchange Agreement
Attachment 1 – Security Requirements

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8. Third Party Users

- 8.1 Third Party must require that each Third Party User executes a Third Party Acceptable Use Policy and Agreement (Attachment 3). Third Party must ensure that DCS is notified by fax or mail when the user base changes, following the specifications in the Third Party Connection & Data Exchange Agreement.
- 8.2 All aspects of Third Party connections within DCS control may be monitored by the appropriate DCS support group and/or the DCS Information Security Officer. Any unauthorized use or change to devices will be investigated immediately.
- 8.3 All Third Party Connections will be reviewed on a regular basis and information regarding specific Third Party connection will be updated as necessary. Obsolete Third Party connections will be terminated.

9. DCS-owned Equipment

- 9.1 DCS may, in DCS' sole discretion, loan to Third Party certain equipment and/or software for use on Third Party premises (the DCS-owned Equipment) under the terms of the DCS Equipment Loan Agreement set forth in Attachment 4. DCS-owned equipment will only be configured for TCP/IP, and will be used solely by Third Party on Third Party's premises or other locations authorized by DCS for the purposes set forth in this Agreement. DCS is responsible for ensuring that it has the right under applicable software licenses to permit third party use.
- 9.2 Third Party may modify the configuration of the DCS-owned equipment only after notification and approval in writing by authorized DCS personnel.
- 9.3 Third Party will not change or delete any passwords set on DCS-owned equipment without prior approval by authorized DCS personnel. Promptly upon any such change, Third Party shall provide DCS with such changed password.

10. Term, Termination and Survival

- 10.1 This Agreement will remain in effect until terminated by either Party, but in no event prior to the termination or expiration of any contract or agreement between the Parties for the purchase of goods or services that provides the business purpose for the exchange of data between the Parties, unless both Parties mutually agree to so terminate this Agreement.
- 10.2 Upon termination, Third Party shall return all tangible DCS data to DCS within a timeframe specified by DCS for that purpose, and further shall certify in writing to DCS that all other DCS data in whatever form has been destroyed. Additionally, any DCS-owned equipment and/or software shall be promptly returned to DCS at Third Party's expense.
- 10.3 Notwithstanding the above, the Parties' obligations to safeguard the confidentiality of the data subject to this Agreement shall survive the termination of this Agreement, and shall bind the Parties' employees, subcontractors, agents, heirs, successors and assigns.



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Third Party Connection and Data Exchange Agreement Attachment 1 – Security Requirements

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11. Severability

If for any reason a court of competent jurisdiction finds any provision or portion of this Agreement to be unenforceable, that provision of the Agreement will be enforced to the maximum extent permissible so as to affect the intent of the Parties, and the remainder of this Agreement will continue in full force and effect.

12. Waiver

The failure of any Party to enforce any of the provisions of this Agreement will not be construed to be a waiver of the right of such Party thereafter to enforce such provisions.

13. Assignment

Third Party may not assign this Agreement, in whole or in part, without the prior written consent from DCS. Any attempt to assign this Agreement, without such consent, will be null and of no effect. Subject to the foregoing, this Agreement is for the benefit of and will be binding upon the parties' respective successors and permitted assigns.

14. Force Majeure

Neither Party will be liable for any failure to perform its obligations if such failure results from any act of God or other cause beyond such Party's reasonable control (including, without limitation, any mechanical, electronic or communications failure) which prevents such party from transmitting or receiving any data.

15. Partial Invalidity

If this Agreement is entered into as a consequence of Third Party's provision of goods or services to DCS pursuant to a contract or other written agreement, that Agreement supersedes this Agreement to the extent the agreements' provisions may be inconsistent.



Name:

State of New York Department of Civil Service Albany, New York 12239

ADMINISTRATIVE SERVICES DIVISION

Third Party Connection and Data Exchange Agreement
Attachment 2 – Request Requirements

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THIRD PARTY CONNECTION AND DATA EXCHANGE AGREEMENT

ATTACHMENT 2 - REQUEST REQUIREMENTS

In accordance with the DCS *Third Party Connection and Data Exchange Policy*, all requests for Third Party connections and data exchanges must be accompanied by this completed requirements document. This document should be completed by the DCS person or group requesting the Third Party connection and/or data exchange. The DCS Department Sponsor must be the Director of the Division whose business requires the Third Party connection and/or data exchange. DCS Divisions are encouraged to work with their IRM Liaison to complete the information in this document.

Division:

Part 1 – Business Justification

A. DCS Sponsor (Division Director)

Robert W. DuBois	Employee Benefits Division
Office Location: NYS Department of Civil Service Albany, New York 12239	Phone Number:
Email Address:	
Back-up Point of Contact: (Data Custodian) Name: Barbara Vaughn	Division: Employee Benefits Division
Office Location: NYS Department of Civil Service Albany, New York 12239	Phone Number:
Email Address:	

B. Business Reason for Connection (To be completed by Sponsor)

State the purpose of establishing the connection and the purpose of the data transmission. Specify the business needs of the proposed connection. Use additional sheets of paper if needed.



ADMINISTRATIVE SERVICES DIVISION

Third Party Connection and Data Exchange Agreement Attachment 2 – Request Requirements

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- C. Specify the details of the work to be accomplished via the connection. What applications will be used? What information will be used? What transactions will be accomplished?
- D. Specify the Third Party Controls to be Implemented for Safeguarding DCS Data:

Access Controls:

We have certification under the Health Information Trust Alliance (HITRUST) Common Security Framework (CSF), which provides a prescriptive framework for complying with security requirements that affect the healthcare industry, including the Health Insurance Portability and Accountability Act (HIPAA), International Organization for Standardization (ISO), and National Institute of Standards and Technology (NIST). Developed by security professionals in the healthcare industry, the HITRUST CSF integrates a diverse set of control requirements by eliminating inconsistent and duplicate requirements among various compliance frameworks.

As an industry leader in the healthcare information services field, HMS recognizes our clients' need for the highest level of data/system integrity and security. We offer full protection against physical damage and prevent unauthorized access to data and systems through use of a multilevel security system.

To ensure data privacy and security, HIPAA specifies administrative procedures, physical safeguards, technical security services and mechanisms, management controls, training, and mandatory documentation that each Covered Entity (CE) must have and/or provide. HMS continually ensures that our contract work complies with HIPAA and American Recovery and Reinvestment Act (ARRA) standards concerning transfer of data, billing submission and remittance formats (i.e., health identifiers), data confidentiality, and other requirements. HMS has established a Security Review committee, an internal team that reviews and audits our compliance with security, ARRA, and HIPAA policies and procedures. Chaired by the CCO and CSO, this committee includes senior technical managers and representatives from each business area. Under the leadership of our CSO, HMS fully complies with the HIPAA Security Rule.

Audit Controls:

HMS will work with the Department to set up the appropriate transfer of data elements needed for the audit scope. HMS will scrub the received data file and complete quality control audits to ensure accuracy and completion of all required data elements and fulfillment of audit scope requirements. HMS will be able to work with the Department's file format and file structure as long as all required data elements are available.

HMS's data transmission resources are compatible with NYSHIP systems as described in its Middleware File Transport Services (External) document. A key differentiator of HMS Employer Solutions' DEAS process is our technology platform supported by AuditOSTM, a custom-developed, proprietary technology platform built and supported by internal Information Technology (IT) resources.

Working procedures or practices for handling printed material and verbal exchanges:



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Third Party Connection and Data Exchange Agreement
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NYSHIP employees/retirees can provide their response to HMS's request for documentation in the following ways:

- Secure document upload capability on the custom Employee Web Portal
- Secure toll-free fax
- Customized mobile phone upload
- Onsite (for the largest 10% of employers)
- U.S. mail via a courtesy or business reply envelope that is included in the mailing package. All mail is
 processed in HMS's Employer Solutions facility, including opening, scanning, data entry, document
 review, and storage. We do not outsource or offshore any components of our inbound document
 processing functions.

HMS scans and securely stores all verification documentation as soon as it is received. All imaged verification documentation is associated with the correct employee/retiree record and is securely stored and retained in an electronic format. These imaged documents are provided to the Department in an indexed PDF using the naming convention assigned by the Department. Our system is highly secure and HIPAA-compliant to ensure that we maintain the integrity of client data. That data is fully protected from malicious external attacks by a state-of-the-art firewall and segmented computer network, including stringent password policies that ensure that passwords are complex enough to be secure and that they are changed often.

Method of Disposal of media and paper:

To destroy electronic documents, HMS sends all storage media, such as computer hard drives, flash drives, CD/DVDs, or tape containing protected or sensitive data in electronic form to the ITS Director of Operations for secure deletion. The ITS Director, under the guidance of HMS's CSO, will delete protected or sensitive data from the media in accordance with current ARRA guidelines. An HMS contracted service will destroy by smashing or degaussing any media that cannot be processed according to this standard. To destroy paper documents, HMS uses shredders. All documents are deposited in designated containers before a licensed and bonded document destruction company shreds the contents.

User Account Management, including review of accounts:

HMS's IDM system automates user provisioning and application access based on the user's role at HMS—whether employee, contractor, customer, or business partner. IDM improves operational efficiency and reduces security risk by getting new users on board faster, reducing burden on our Help Desk, and ensuring that users have access to appropriate systems.

Physical Security:

HMS is privileged to serve the needs of government and public healthcare entities nationwide, and we recognize the importance of protecting the program eligibility information with which we are entrusted. We are nationally recognized as a trusted steward of healthcare data for government Healthcare programs and routinely handle enormous volumes of data, including Medicaid eligibility data and Healthcare program eligibility data from third party payers and government sources.



ADMINISTRATIVE SERVICES DIVISION

Third Party Connection and Data Exchange Agreement
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To safeguard the integrity of client data, HMS invests numerous resources and efforts in ongoing technological research and development. The state-of-the art systems, tools, and methodologies that we have in place operate effectively to protect sensitive information and adhere to National Institute of Standards and Technology (NIST) and HIPAA security, privacy, and transaction rules and client-specific requirements.

HMS's data security measures are the result of proven, tested methodologies and designed to not only safeguard the government and public healthcare clients who entrust us to ensure the integrity of their data but also protect the vulnerability of the citizens whom each program serves. Confidentiality, Integrity, and Availability (CIA) are the three primary security objectives cited in federal regulations (FIPS 200) regarding IT security. These objectives describe the paramount goals for ensuring the protection of information and resources from unauthorized access, use, disclosure, disruption, modification, or destruction, as follows:

- Confidentiality—preserving authorized restrictions on information access and disclosure, including means for protecting personal privacy and proprietary information. The assigned level of confidentiality is used to determine the types of security measures required for its protection from unauthorized access or disclosure.
- **Integrity**—guarding against improper information modification or destruction, including ensuring information nonrepudiation and authenticity.
- Availability—ensuring timely and reliable access to and use of information. HMS's Business
 Continuity Management and Disaster Recovery teams are in place to rapidly restore data and
 information resources.

Other:

Please see Section X Electronic Transfer of Data for more detailed information.

Е.	E. Estimated number of hours of use each week?				
	☐ 1 − 20	□ 21 – 40	☐ More	e than 40 hours per week	
F.	Anticipated normal hou	ırs of use?			
	M - F, 8:00 - 5:0	0 pm Eastern tii	me Othe	er (specify):	
G.	What is the requested i	nstallation date	e? (Minimum lea	ad-time is 30 days)	
н.	Approximately how lor	ng will the conn	ection be neede	ed?	
	☐ Up to 6 months ☐	000000	☐ 6 – 12 mont	hs More than 12 months	
	Specific time per	lod:			



ADMINISTRATIVE SERVICES DIVISION

Third Party Connection and Data Exchange Agreement
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Note: If a connection is needed for more than a year, the Connection Agreement must be renewed annually.

I. Other useful information

J. Third Party Information Name of Third Party:	Main Phone Number:
Main Office Address:	
Management Contact	
Name:	Department:
Address:	Email Address:
Phone Number:	Manager's Name:
Manager's Phone:	
Backup Contact	
Name:	Department:
Address:	Email Address:
Phone Number:	Manager's Name:
Manager's Phone:	
Technical Contact	
Name:	Department:
Address:	Email Address:
Phone Number:	
Manager's Name:	Manager's Phone:
Technical Support Hours:	
Escalation List:	
Domain name(s):	Host name(s):



access.)

State of New York Department of Civil Service Albany, New York 12239

ADMINISTRATIVE SERVICES DIVISION

Third Party Connection and Data Exchange Agreement Attachment 2 – Request Requirements

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User 1 (name, phone, email):	
User 2 (name, phone, email):	
User 3 (name, phone, email):	
User 4 (name, phone, email):	
User 5 (name, phone, email):	
User 6 (name, phone, email):	
User 7 (name, phone, email):	
User 8 (name, phone, email):	
User 9 (name, phone, email):	
User 10 (name, phone, email):	

User Names and Contact Information. (List all employees of the Third Party who will use this

K. Other information



ADMINISTRATIVE SERVICES DIVISION

Third Party Connection and Data Exchange Agreement
Attachment 3 – Third Party Acceptable Use Policy and Agreement
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THIRD PARTY CONNECTION AND DATA EXCHANGE AGREEMENT

ATTACHMENT 3 - THIRD PARTY ACCEPTABLE USE POLICY AND AGREEMENT

This Policy and Agreement applies to all forms of computer and networking use, including local access at the Department of Civil Service (DCS) premises, remote access via public or private networks, access using DCS equipment, access using individual or group accounts, and access via other methods.

A signed paper copy of this form must be submitted by any individual (1) for whom authorization of a new user account is requested, (2) who will use a shared third party account, and/or (3) who is requesting reauthorization of an existing use. Modifications to the terms and conditions of this agreement will not be accepted by DCS management.

Indicate here if this is	a notification that the User na	med below no longer requ	ires access:
User's Name (print):			
Organization:			
Telephone Number:	Area code	Number	Extension
Office Address:			
	enowledges that he or she has ble Use Policy and Agreement		
User Signature:		Date:	

You must sign this signature page and send it to DCS. Retain a copy of the signature page and the attached Policy for your records. This form must be delivered either by fax or mail to:

MAIL: NYS Department of Civil Service, Albany, NY 12239

Attention: Help Desk

FAX: 518-485-5588



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Attachment 3 – Third Party Acceptable Use Policy and Agreement
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THIRD PARTY CONNECTION AND DATA EXCHANGE AGREEMENT

ATTACHMENT 3 - THIRD PARTY ACCEPTABLE USE POLICY AND AGREEMENT

I. Protection of DCS Information

All records and information maintained in DCS systems accessed by the User are confidential and shall be used by the User solely for the purpose of carrying out the User's official duties. Users may not use any such records and information for any other purpose. No such records or information may otherwise be used or released to any person by the User or by the User's employer or agent, except as may be required by applicable State or federal law or by a court of competent jurisdiction. All accounts and connections will be regularly reviewed.

II. DCS Log-on Banner

All users will follow the guidelines of the DCS Log-on Banner as stated below.

NOTICE * The contents of this banner have been recommended to all State agencies by the Office for Technology in the NYS Preferred Standards and Procedures for Information Security. * This electronic system, which includes hardware, software and network components and all data contained therein (the "system"), is the property of the New York State Department of Civil Service (DCS). * Unauthorized use or attempted unauthorized use of this system is not permitted and may constitute a federal or state crime. Such use may subject you to appropriate disciplinary and/or criminal action. Use of this system is only permitted to the extent authorized by DCS. * Use is limited to conducting official business of DCS. Under the Electronic Communications Privacy Act of 1986 (18 U.S.C. 2510, et seq.), notice is hereby given that there are NO facilities provided by this system for sending or receiving private confidential electronic communication. Any use, whether authorized or not, may be monitored, intercepted, recorded, read, copied, accessed or captured in any manner, and used or disclosed in any manner, by authorized DCS personnel without additional prior notice to users. In this regard, users have no legitimate expectation of privacy during any use of this system or in any data on this system. * Use, whether authorized or unauthorized, constitutes expressed consent for DCS to monitor, intercept, record, read, copy, access or capture and use or disclose such information. * DCS policy regarding this matter can be reviewed on the DCS internal website. Copies can also be obtained from the Office of Human Resources Management. Such policies are subject to revision. This notice is consistent with the Acceptable Use Policy issued to DCS employees regarding acceptable use, June 15, 2005. I have read and understand this notification and department policy.

III. Passwords

The User is not permitted to share his/her password with anyone. Passwords must never be written down. The User must not use the same password for multiple applications. The User must use passwords that are not easily guessed and must not use their email address as their password.



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Third Party Connection and Data Exchange Agreement
Attachment 3 – Third Party Acceptable Use Policy and Agreement
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IV. Shared Accounts

All use of shared accounts must be authorized by DCS. Users of shared accounts must be identified to DCS via the completion and signing of this policy/agreement. Third Parties are responsible for notification to DCS when the user base changes. Passwords for shared accounts must not be provided to individuals who have not been identified by Third Party to DCS and who have not completed and signed this policy/agreement.

V. Virus Protection

Anti-virus software must be installed and enabled at all times on DCS-owned computers and on third party computers used to conduct DCS business. Virus definition files must be kept up to date. DCS Information Resource Management (IRM) provides anti-virus software and maintains the configuration of that software for all DCS-owned computers.

VI. Acceptable Use

DCS computers, computing systems and their associated communication systems are provided to support the official business of DCS. All uses inconsistent with DCS' business activities and administrative objectives are considered to be inappropriate use.

Examples of unacceptable behavior include, but are not limited to the following.

- Any illegal activities that could result in legal actions against and/or financial damage to DCS
- Computer usage that reasonably harasses or offends other employees, users, or outsiders, or results in public embarrassment to DCS.
- Computer usage that is not specifically approved and which consumes significant amounts of computer resources not commensurate with its benefit to DCS' mission or which interferes with the performance of a worker's assigned job responsibilities.
- Use in connection with compensated outside work or unauthorized not-for-profit business activities.
- Use of sniffers, spyware, ad-ware or other related technology.

VII. Software Protection

The User is responsible for complying with copyright, licensing, trademark protection, and fair use restrictions.

VIII. Reporting Incidents

Users are required to report incidents of system errors, data discrepancies, application performance problems, to the DCS Help Desk, at 518-457-5406 phone; 518-485-5588 fax.



ADMINISTRATIVE SERVICES DIVISION

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Attachment 3 – Third Party Acceptable Use Policy and Agreement

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IX. DCS Rights

Pursuant to the Electronic Communications Privacy Act of 1986 (18 USC 2510 et seq.), notice is hereby given that there are no facilities provided by this system for sending or receiving private or confidential electronic communications. DCS has access to all access attempts, messages created and received, and information created or stored using DCS resources, and will monitor use as necessary to assure efficient performance and appropriate use. Information relating to or in support of illegal activities will be reported to the appropriate authorities.

DCS reserves the right to log and monitor use. DCS reserves the right to remove a user account from the network. DCS assumes no responsibility or liability for files or information deleted.

The DCS will not be responsible for any damages. This includes the loss of data resulting from delays, non-deliveries, or service interruptions caused by negligence, errors or omissions, or caused by the way the user chooses to use DCS computing facilities.

DCS reserves the right to change its policies and rules at any time.

X. Penalties

The User shall hold the State and DCS harmless from any loss or damage to the State and/or DCS resulting from the User's inappropriate disclosure of information covered by this User Agreement. Further, the User's non-compliance with this Agreement may result in the revocation of system privileges, termination of employment or contract with DCS, and/or criminal and/or civil penalties.



State of New York Department of Civil Service The State Campus Albany, New York 12239

ADMINISTRATIVE SERVICES DIVISION

Third Party Connection and Data Exchange Agreement Attachment 4 – Equipment Loan Agreement
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Name And Address Of	Borrower	DCS Business Unit (Los	aning Or	ganization)
		Point Of Contact		
		Work Location	Teleph	one
Shipping Address (If a	lifferent from borrower's)	Manager's Name		
		Date To Be Loaned		
		Date To Be Returned		
Equipment To Be Lo	aned			
Quantity Descript				Value
Purpose Of Loan				
	CONDITIO	ONG OF LOAN		
1 TI D		ONS OF LOAN	lition as	received from
1. The Borrower of t	he above equipment agrees r and tear excepted, on or be	efore the above return date	. unless	the loan period is
formally extended	l.			
2. Upon termination	of this Agreement, Borrow	er shall uninstall all DCS s	oftware	included in this
Agreement from I	Borrower's computer and/or	r network equipment.		
3. The Borrower sha	all not make any copies of D	OCS software included in the	his Agre	ement.
4. In case of loss or of replacement.	damage beyond repair, DCS	s shall be reimbursed by B	orrower	at the current price
5. The equipment sh DCS.	all not be loaned or transfer	rred to a third party withou	t the wri	tten consent of
	ved to cancel the loan or rec	all the equipment upon	days	notice.
7. The Borrower sha	all assume all shipping and/o	or transportation costs invo	olved.	
8. Other conditions:		•		



State of New York Department of Civil Service The State Campus Albany, New York 12239

ADMINISTRATIVE SERVICES DIVISION

Third Party Connection and Data Exchange Agreement Attachment 4 – Equipment Loan Agreement
ADM-125 (4/06)

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Agreed (Borrower)	Approved (DCS)
Borrowing Organization	Loaning Organization
Signature Of Authorized Official	Signature Of Authorized Official
Title	Title
Date	Date
RECEIPT	OF EQUPMENT
Borrower (Upon initial receipt)	DCS Lender (Upon termination of Agreement)
Borrowing Organization	Loaning Organization
Signature Of Authorized Official	Signature Of Authorized Official
Title	Title
Date	Date

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES – EQUAL EMPLOYMENT OPPORTUNITY POLICY STATEMENT

M/WBE AND EEO POLICY STATEMENT

I, <u>Douglas Williams</u>, the (awardee/contractor) Division President, Markets of Health Management Systems, Inc. (HMS) agree to adopt the following policies with respect to the project being developed or services rendered at the New York State Department of Civil Service.

M/WBE

This organization will and will cause its contractors and subcontractors to take good faith actions to achieve the M/WBE contract participations goals

set by the State for that area in which the Statefunded project is located, by taking the following steps:

- (1) Actively and affirmatively solicit bids for contracts and subcontracts from qualified State certified MBEs or WBEs, including solicitations to M/WBE contractor associations.
- (2) Request a list of State-certified M/WBEs from the Department and solicit bids from them directly.
- (3) Ensure that plans, specifications, request for proposals and other documents used to secure bids will be made available in sufficient time for review by prospective M/WBEs.
- (4) Where feasible, divide the work into smaller portions to enhanced participations by M/WBEs and encourage the formation of joint venture and other partnerships among M/WBE contractors to enhance their participation.
- (5) Document and maintain records of bid solicitation, including those to M/WBEs and the results thereof. The Contractor will also maintain records of actions that its subcontractors have taken toward meeting M/WBE contract participation goals.
- (6) Ensure that progress payments to M/WBEs are made on a timely basis so that undue financial hardship is avoided, and that bonding and other credit requirements are waived or appropriate alternatives developed to encourage M/WBE participation.

EEO

(a) This organization will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, sex,

age, disability or marital status, will undertake or continue existing programs of affirmative action to ensure that minority group members are afforded equal employment opportunities without discrimination, and shall make and document its conscientious and active efforts to employ and utilize minority group members and women in its work force on state contracts.

- (b)This organization shall state in all solicitation or advertisements for employees that in the performance of the State contract all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex disability or marital status.
- (c) At the request of the contracting agency, this organization shall request each employment agency, labor union, or authorized representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will affirmatively cooperate in the implementation of this organization's obligations herein.
- (d) The Contractor shall comply with the provisions of the Human Rights Law, all other State and Federal statutory and constitutional non-discrimination provisions. The Contractor and subcontractors shall not discriminate against any employee or applicant for employment because of race, creed (religion), color, sex, national origin, sexual orientation, military status, age, disability, predisposing genetic characteristic, marital status or domestic violence victim status, and shall also follow the requirements of the Human Rights Law with regard to non-discrimination on the basis of prior criminal conviction and prior arrest.
- (e) This organization will include the provisions of sections (a) through (d) of this agreement in every subcontract in such a manner that the requirements of the subdivisions will be binding upon each subcontractor as to work in connection with the State contract

Agreed to this 8th day of June , 2015
By
Print: Douglas Williams Title: Division President, Markets
Deb Grieris designated as the Minority Business Enterprise Liaison (Name of Designated Liaison) responsible for administering the Minority and Women-Owned Business Enterprises- Equal Employment Opportunity (M/WBE-EEO) program.
M/WBE Contract Goals
% Minority and Women's Business Enterprise Participation
% Minority Business Enterprise Participation
Women's Business Enterprise Participation
EEO Contract Goals
Minority Labor Force Participation
% Female Labor Force Participation
(Authorized Representative)
Title: Douglas Williams
Date: June 8, 2015