SKINVISIBLE INC
Form PRER14A
July 06, 2018

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:
Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to Section 240.14a-12

Skinvisible, Inc.

(Exact name of registrant as specified in its charter)

N/A

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (check the appropriate box):

No fee required.

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

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

(2) Aggregate number of securities to which transaction applies: 371,668,218 shares of Registrant's common stock (before proposed reverse stock-split)

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange

Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): $0.0191, representing average of high and low prices of Registrant's common stock as reported by the OTCQB on April 26, 2018.

(4) Proposed maximum aggregate value of transaction: $7,098,863

(5) Total fee paid: $883.81

Fee paid previously with

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

(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:
(4)	Date Filed:

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SKINVISIBLE, INC.
6320 SOUTH SANDHILL ROAD, SUITE 10
LAS VEGAS, NV 89120

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [ ], 2018

TO SKINVISIBLE'S STOCKHOLDERS:

NOTICE IS HEREBY GIVEN, that a special meeting (the "Special Meeting") of stockholders of Skinvisible, Inc., a Nevada corporation (referred to herein as "we", "us", or "Skinvisible"), will be held at 10:00 a.m., local time, on [ ], 2018, at [ ], for the following purposes, as more fully described in the Proxy Statement accompanying this notice:

(1) To adopt an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") by and among Quoin Pharmaceuticals, Inc., a Delaware corporation ("Quoin"), Skinvisible and Skinvisible's wholly owned subsidiary, Quoin Merger Sub, Inc. ("Merger Sub"), the transaction contemplated by the Merger Agreement is known as the "Merger";

(2) To amend Skinvisible's Articles of Incorporation to effect a Reverse Split (the "Reverse Split") of Skinvisible issued and outstanding common stock by a ratio of not less than one-for-ten and not more than one-for-one hundred, with the exact ratio to be set at a whole number within this range, as determined by Skinvisible's board of directors in its sole discretion;

(3) To approve an amendment to the Articles of Incorporation of Skinvisible which changes its name to Quoin Pharmaceuticals, Inc. at the effective time of the Merger (the "Name Change"); and

(4) To approve a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, Skinvisible is not authorized to consummate the transactions contemplated by the aforementioned proposals.

Stockholders who owned shares of Skinvisible's common stock at the close of business on [ ], 2018 are entitled to receive notice of, attend and vote at the Special Meeting and any adjournment or postponement thereof.

Your vote is important. Whether or not you plan to attend the Special Meeting, please vote as soon as possible. You may vote by mailing a completed proxy card, by telephone or online. For specific voting instructions, please refer to the information provided in the following Proxy Statement, together with your proxy card or the voting instructions you receive by e-mail.

By Order of the Board of Directors,

Skinvisible, Inc.

By: /s/ Terry H. Howlett
Terry H. Howlett
President & Chief Executive Officer
[ ], 2018

Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Stockholders to be held on [ ], 2018. The Proxy Statement is available at [TBD].

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SKINVISIBLE, INC.
6320 SOUTH SANDHILL ROAD, SUITE 10
LAS VEGAS, NV 89120

PROXY STATEMENT

For the Special Meeting of Stockholders to be held on [ ], 2018

Your proxy is being solicited on behalf of the Board of Directors (the “Board”) of Skinvisible, Inc., a Nevada corporation, for use at the Special Meeting of Stockholders (the “Special Meeting”) to be held at 10:00 a.m. local time on [ ], 2018, or at any adjournment or postponement thereof, for the purposes set forth in this Proxy Statement. The Special Meeting will be held at for the following purposes:

(1) To adopt an Agreement and Plan of Merger and Reorganization (the “Merger Agreement”) by and among Quoin Pharmaceuticals, Inc., a Delaware corporation (“Quoin”), Skinvisible and Skinvisible’s wholly owned subsidiary, Quoin Merger Sub, Inc. (“Merger Sub”), the transaction contemplated by the Merger Agreement is known as the “Merger”;

(2) To amend Skinvisible’s Articles of Incorporation to effect a Reverse Split (the “Reverse Split”) of Skinvisible’s issued and outstanding common stock by a ratio of not less than one-for-ten and not more than one-for-one hundred, with the exact ratio to be set at a whole number within this range, as determined by Skinvisible’s board of directors in its sole discretion;

(3) To approve an amendment to the Articles of Incorporation of Skinvisible which changes its name to Quoin Pharmaceuticals, Inc. at the effective time of the Merger; and

(4) To approve a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, Skinvisible is not authorized to consummate the transactions contemplated by the aforementioned proposals.

These proxy materials are first being provided on or about [ ], 2018 to all stockholders as of the record date, [ ], 2018. Stockholders who owned Skinvisible’s common stock at the close of business on [ ], 2018 are entitled to receive notice of, attend and vote at the Special Meeting. On the record date, there were [ ] shares of Skinvisible’s common stock outstanding.

All proxies will be voted in accordance with the instructions contained on those proxies, and if no choice is specified, the proxies will be voted in favor of each matter set forth in the accompanying Notice of Special Meeting. Any proxy may be revoked by a stockholder at any time before it is exercised by delivery of written revocation to Skinvisible’s corporate secretary.

Unless otherwise indicated, (i) all references to “Skinvisible,” “us” or “we” means Skinvisible, Inc. and all references to the “Combined Company” means Skinvisible after the closing of the Merger and its name change to Quoin Pharmaceuticals, Inc.

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FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information incorporated by reference into this proxy statement/prospectus, includes forward-looking statements regarding, among other things, Skinvisible's and Quoin's plans, strategies and prospects, both business and financial. Although Skinvisible and Quoin believe that their plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, neither Skinvisible nor Quoin can assure you that either will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions including, without limitation, the factors described under "Risk Factors" from time to time in Skinvisible's filings with the SEC. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. Many of the forward-looking statements contained in this presentation may be identified by the use of forward-looking words such as "believe", "expect", "anticipate", "should", "planned", "will", "may", "intend", "estimated", "a "target", "opportunity", "tentative", "positioning", "designed", "create", "predict", "project", "seek", "would", "could", "conti "upside", "increases" and "potential", among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this presentation are set forth in other reports or documents that we file from time to time with the SEC, and include, but are not limited to:

- the number and percentage of Skinvisible's public stockholders voting against the proposals set forth in this proxy statement;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement;
- changes adversely affecting the business in which Skinvisible or Quoin are engaged;
- management of growth;
- general economic conditions;
- Quoin's business strategy and plans;
- the result of future financing efforts; and
- and the other factors summarized under the section entitled "Risk Factors".

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement/prospectus. All forward-looking statements included herein attributable to any of Skinvisible, Quoin or any person acting on either party's behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

For a discussion of the factors that may cause Skinvisible's or Quoin's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied in such forward-looking statements, see "Risk Factors" beginning on page [ ].

If any of these risks or uncertainties materializes or any of these assumptions proves incorrect, the actual results of Skinvisible or Quoin could differ materially from the forward-looking statements. All forward-looking statements in this proxy statement are current only as of the date on which the statements were made. Skinvisible and Quoin do not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any statement is made or to reflect the occurrence of unanticipated events.

Before a stockholder grants its proxy or instructs how its vote should be cast or vote on the merger proposal, spin-off proposal, or the adjournment proposal, it should be aware that the occurrence of the events described in the "Risk Factors" section and elsewhere in this proxy statement/prospectus may adversely affect Skinvisible and Quoin.

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VOTING AND RELATED MATTERS

Voting Procedures

As a stockholder of Skinvisible, you have a right to vote on certain business matters affecting us. The proposals that will be presented at the Special Meeting and upon which you are being asked to vote are discussed below. Each share of Skinvisible's common stock you owned as of the record date entitles you to one vote on each proposal presented at the Special Meeting.

Methods of Voting

You may vote over the Internet, by telephone, by mail or in person at the Special Meeting.

Voting over the Internet. You can vote via the Internet. The website address for Internet voting and the instructions for voting are provided on your proxy card. You will need to use the control number appearing on your proxy card to vote via the Internet. If you vote via the Internet, you do not need to vote by telephone or return a proxy card.

Voting by Telephone. You can vote by telephone by calling the toll-free telephone number provided on your proxy card. You will need to use the control number appearing on your proxy card to vote by telephone. If you vote by telephone, you do not need to vote over the Internet or return a proxy card.

Voting by Mail. You can vote by marking, dating and signing your proxy card, and returning it in the postage-paid envelope provided. Please promptly mail your proxy card to ensure that it is received prior to the closing of the polls at the Special Meeting.

Voting in Person at the Meeting. If you attend the Special Meeting and plan to vote in person, we will provide you with a ballot at the Special Meeting. If your shares are registered directly in your name, you are considered the stockholder of record, and you have the right to vote in person at the Special Meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in street name. As a beneficial owner, if you wish to vote at the Special Meeting, you will need to bring to the Special Meeting a legal proxy from your broker or other nominee authorizing you to vote those shares.

Revoking Your Proxy

You may revoke your proxy at any time before it is voted at the Special Meeting. To do this, you must:

- enter a new vote over the Internet or by telephone, or by signing and returning a replacement proxy card;
- provide written notice by [ ], 2018 of the revocation to Skinvisible's Corporate Secretary at Skinvisible's principal executive offices, which are located at 6320 South Sandhill Road, Suite 10, Las Vegas, NV 89120; or
- attend the Special Meeting and vote in person.

Quorum and Voting Requirements

Stockholders of record at the close of business on [ ], 2018 are entitled to receive notice and vote at the meeting. On the record date, there were [ ] issued and outstanding shares of Skinvisible's common stock. Each holder of Skinvisible's common stock voting at the meeting, either in person or by proxy, may cast one vote per share of common stock held on each of the matters to be voted on at the meeting.

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote constitutes a quorum for the transaction of business at the meeting. Assuming that a quorum is present, the following table summarizes the voting requirements to approve each proposal:

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Proposal	Vote Required	Broker Discretionary Voting Allowed
Proposal No. 1 — To approve the Merger Agreement.	The affirmative vote of a majority of the votes cast at the Special Meeting.	No
Proposal No. 2 — To amend Skinvisible's Articles of Incorporation to effect a Reverse Split (the "Reverse Split") of Skinvisible's issued and outstanding common stock by a ratio of not less than one-for-ten and not more than one-for-one hundred, with the exact ratio to be set at a whole number within this range, as determined by Skinvisible's board of directors in its sole discretion.	The affirmative vote of a majority of the outstanding shares of common stock.	No
Proposal No. 3 — To approve an amendment to the Articles of Incorporation of Skinvisible which changes its name to Quoin Pharmaceuticals, Inc. at the effective time of the Merger.	The affirmative vote of a majority of the outstanding shares of common stock.	No
Proposal No. 4 — To approve a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, Skinvisible is not authorized to consummate the transactions contemplated by the aforementioned proposals.	The affirmative vote of a majority of the votes cast at the Special Meeting.	Yes

Votes cast by proxy or in person at the meeting will be tabulated by the election inspectors appointed for the meeting. Such inspectors will also determine whether a quorum is present. The election inspectors will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but as unvoted for purposes of

determining the approval of any matter submitted to the stockholders for a vote. Accordingly, abstentions will have no effect on whether Proposal No. 1 and Proposal No. 4, are approved at the Special Meeting. Abstentions will have the same effect as a vote "AGAINST" Proposal No. 2 and Proposal No. 3.

If your shares are held in street name and you do not instruct your broker on how to vote your shares, your brokerage firm, in its discretion, is permitted to either leave your shares unvoted or vote your shares on matters that are considered routine.

Proposal No. 4 is considered a routine matter while Proposal No. 1, Proposal No. 2 and Proposal No. 3 are considered non-routine matters. Consequently, without your voting instructions, your brokerage firm will not be able to vote your shares on Proposal No. 1, Proposal No. 2 and Proposal No. 3. These unvoted shares, called "broker non-votes," refer to shares held by brokers who have not received voting instructions from their clients and who do not have discretionary authority to vote on non-routine matters. Broker non-votes will not be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

Assuming that a quorum is present, broker non-votes (i) will have no effect on whether Proposal No. 1 and Proposal No. 4 are approved at the Special Meeting and (ii) will have the same effect as a vote "AGAINST" each of Proposal No. 2 and Proposal No. 3.

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Voting of Proxies

When a proxy is properly executed and returned, the shares it represents will be voted at the Special Meeting as directed. If no specification is indicated, the shares will be voted:

(1) "FOR" Proposal No. 1 to approve the Merger Agreement;
(2) "FOR" Proposal No. 2 to approve the Reverse Split;
(3) "FOR" Proposal No. 3 to approve an amendment to the Articles of Incorporation of Skinvisible which changes the name of Skinvisible, Inc. to "Quoin Pharmaceuticals, Inc.";
(4) "FOR" Proposal No. 4 to approve a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, Skinvisible is not authorized to consummate the transactions contemplated by the aforementioned proposals; and
(5) at the discretion of your proxies on any other matter that may be properly brought before the Special Meeting.

Voting Confidentiality

Proxies, ballots and voting tabulations are handled on a confidential basis to protect your voting privacy. This information will not be disclosed, except as required by law.

Voting Results

Voting results will be announced at the Special Meeting and published in a Form 8-K to be filed within four (4) business days after the Special Meeting.

Householding of Proxy Materials

In a further effort to reduce printing costs and postage fees, we have adopted a practice approved by the SEC called "householding." Under this practice, stockholders who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of Skinvisible's proxy materials, unless one or more of these stockholders notifies us that he or she wishes to continue receiving individual copies.

We will promptly deliver a separate copy of these proxy materials to any stockholder upon written or oral request to Skinvisible's Corporate Secretary by mail at 6320 South Sandhill Road, Suite 10, Las Vegas, NV 89120 or by phone at (702) 433-7154.

If: (1) you share an address with another stockholder and received only one set of proxy materials, and would like to request a separate paper copy of these materials; or (2) you share an address with another stockholder and in the future together you would like to receive only a single paper copy of these materials, please notify Skinvisible's Corporate Secretary by mail at 6320 South Sandhill Road, Suite 10, Las Vegas, NV 89120 or by phone at (702) 433-7154.

If you have previously elected to receive Skinvisible's proxy materials electronically, you will continue to receive these materials via e-mail unless you elect otherwise.

Proxy Solicitation

We will bear the cost of this solicitation. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for reasonable expenses incurred in forwarding solicitation materials to such beneficial owners. Proxies also may be solicited by Skinvisible's directors, officers or employees, personally, or by mail, facsimile, telephone, messenger or via the Internet, without additional compensation.

Available Information

Skinvisible's website, www.Skinvisible.com, provides access, without charge, to Skinvisible's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the SEC. The information provided on Skinvisible's website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

Materials filed by Skinvisible with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding Skinvisible's company that we file electronically with the SEC.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage of ownership of that person, shares of common stock subject to options and warrants held by that person that are currently exercisable or become exercisable within 60 days of [ ], 2018 are deemed outstanding even if they have not actually been exercised. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

The following table sets forth, as of [ ], 2018 the beneficial ownership of Skinvisible's common stock by each executive officer and director, by each person known by us to beneficially own more than 5% of Skinvisible's common stock and by the executive officers and directors as a group.

Title of class	**Name and address of beneficial owner (1)**	**Amount of beneficial ownership(2)**	**Percent of class(3)**
Executive Officers & Directors:			
Common	Terry Howlett(4)	151,685,787 shares	53%
Common	David St. James(5)	100,000 shares	Less than 1%
Total of All Directors and Executive Officers:		**151,785,787 shares**	**53%**
More Than 5% Beneficial Owners:			
	Lutz Family Trust(6) 8322 West Tonto Lane, Peoria, AZ 85382	10,998,300 shares	7.8%
	Doreen McMorran(7)	159,024,409 shares	53%

(1) Except as otherwise indicated, the address of each person named in this table is c/o Skinvisible, Inc., 6320 South Sandhill Road, Suite 10, Las Vegas, Nevada 89120.

(2) As used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). In addition, for purposes of this table, a person is deemed, as of any date, to have "beneficial ownership" of any security that such person has the right to acquire within 60 days after such date.

(3) Except as otherwise indicated, all shares are owned directly and the percentage shown is based on 140,977,600 shares of common stock issued and outstanding on [ ], 2018.

(4) Includes 7,723,248 shares held in his name as indicated on Skinvisible's shareholder list, and 143,962,539 shares of common stock that may be acquired upon exercise of outstanding convertible promissory notes and stock options. These derivative securities are comprised of 139,262,539 shares that may be issued upon conversion of outstanding convertible promissory notes and 4,700,000 options to purchase common stock, and all such rights are exercisable within sixty days of [ ], 2018.

(5) Includes an option to purchase 100,000 shares of common stock at $0.035 per share.

(6) As stated in the reporting person's Form 4 filed with the Securities and Exchange Commission on January 25, 2010.

(7) Includes 1,800,000 shares held in her name as indicated on Skinvisible's shareholder list, and 157,224,409 shares of common stock that may be acquired upon exercise of outstanding convertible promissory notes and stock options. These derivative securities are comprised of 154,824,409 shares

that may be issued upon conversion of outstanding convertible promissory notes and 2,400,000 options to purchase common stock, and all such rights are exercisable within sixty days of [ ], 2018.

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MARKET PRICES AND DIVIDEND DATA

Market Information

Skinvisible's common stock is quoted under the symbol "SKVI" on the OTCQB operated by OTC Markets Group, Inc.

Only a limited market exists for Skinvisible's securities. There is no assurance that a regular trading market will develop, or if developed, that it will be sustained. Therefore, a shareholder may be unable to resell his securities in Skinvisible.

The following table sets forth the range of high and low bid quotations for Skinvisible's common stock for each of the periods indicated as reported by the OTCQB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Fiscal Year Ending December 31, 2017		
Quarter Ended	High $	Low $
December 31, 2017	0.1095	0.035
September 30, 2017	0.1	0.02
June 30, 2017	0.0365	0.02
March 31, 2017	0.045	0.025

Fiscal Year Ending December 31, 2016		
Quarter Ended	High $	Low $
December 31, 2016	0.0289	0.0081
September 30, 2016	0.0236	0.0068
June 30, 2016	0.02	0.0042
March 31, 2016	0.032	0.0136

On [ ], 2018, the last sales price per share of Skinvisible's common stock on the OTCQB was $[ ].

Penny Stock

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

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These disclosure requirements may have the effect of reducing the trading activity for Skinvisible's common stock. Therefore, stockholders may have difficulty selling Skinvisible's securities.

Holders of Skinvisible Common Stock

As of March 31, 2017, we had 140,977,600 shares of Skinvisible's common stock issued and outstanding, held by 189 shareholders of record, other than those held in street name.

Dividends

There are no restrictions in Skinvisible's articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where after giving effect to the distribution of the dividend:

1. Skinvisible would not be able to pay its debts as they become due in the usual course of business, or;
2. Skinvisible's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

Skinvisible has not declared any dividends and Skinvisible does not plan to declare any dividends in the foreseeable future.

Interests of Skinvisible's Directors and Officers in the Merger

In considering the recommendation Skinvisible's Board to vote for the proposals presented at the special meeting, you should be aware that our executive officers and members of our Board have interests in the merger proposal that are different from, or in addition to, the interests of our shareholders generally. The members of our Board were aware of these differing interests and considered them, among other matters, in evaluating and negotiating the transaction agreements and in recommending to our shareholders that they vote in favor of the proposals presented at the special meeting. These interests include, among other things:

- Terry Howlett and Doreen McMorran have entered into new 1 year employment agreements with the Combined Company, which employment agreements will become effect upon the closing of the Merger; and
- Terry Howlett and Doreen McMorran and certain other related parties have agreed to cancel $500,000 of Related Party Indebtedness, in exchange for 100% of the shares (5,750,000) in Ovation Science Inc. ("Ovation") held by Skinvisible.

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QUESTIONS AND ANSWERS ABOUT THE PROPOSALS

The following are answers to some questions that you, as a stockholder of Skinvisible, may have regarding the matters being considered at Skinvisible's Special Meeting, which is referred to herein as the "Special Meeting." We urge you to read carefully the remainder of this proxy statement because the information in this section does not provide all the information that might be important to you with respect to the matters being considered at the Special Meeting. Additional important information is also contained in the annexes to and the documents incorporated by reference into this proxy statement.

General

Skinvisible will hold the Special Meeting to consider and vote upon these proposals. This proxy statement/prospectus contains important information about matters to be acted upon at the Special Meeting. Stockholders should read it carefully. The vote of stockholders is important.

In order to complete the Merger, Skinvisible stockholders must vote to approve the merger proposal and all other conditions to the Merger must be satisfied or waived.

Stockholders are encouraged to vote as soon as possible after carefully reviewing this proxy statement/prospectus. If Skinvisible stockholders fail to adopt the merger proposal, the Merger cannot be completed.

Q: Why am I receiving this proxy statement?

A: The board of directors of Skinvisible is soliciting your proxy to vote at the Special Meeting because you owned shares of Skinvisible common stock at the close of business on [ ], 2018, the "Record Date" for the Special Meeting, and are therefore entitled to vote at the Special Meeting. This proxy statement, along with a proxy card or a voting instruction card, is being mailed to stockholders on or about [ ], 2018. Skinvisible has made these materials available to you on the Internet, and Skinvisible has delivered printed proxy materials to you or sent them to you by e-mail. This proxy statement summarizes the information that you need to know in order to cast your vote at the Special Meeting. You do not need to attend the Special Meeting in person to vote your shares of Skinvisible common stock.

Q: On what matters will I be voting?

A: The Merger — Skinvisible stockholders are being asked to consider and vote upon a proposal to adopt and approve an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") dated March 26, 2018 by and among Quoin Pharmaceuticals, Inc. ("Quoin"), Skinvisible and Skinvisible's wholly owned subsidiary, Quoin Merger Sub, Inc. ("Merger Sub"). A copy of the Merger Agreement, as amended, is attached to this proxy statement as Annex A, and Skinvisible encourages its stockholders to read it in its entirety.

The Reverse Split — Skinvisible's stockholders are also being asked to consider and vote upon a proposal to approve a reverse split of Skinvisible's issued outstanding stock by a ratio of not less than one-for-ten and not more than one-for-one hundred, with the exact ratio to be set at a whole number within this range as determined by Skinvisible's board of directors in its sole discretion.

Name Change. Skinvisible's stockholders are also being asked to consider and vote upon a proposal to approve an amendment to Skinvisible's Articles of Incorporation to change the name of Skinvisible, Inc. after the effective date of the Merger to "Quoin Pharmaceuticals, Inc.

The Adjournment Proposal — Skinvisible's stockholders may also be asked to consider and vote upon a proposal to adjourn the meeting to a later date or dates to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, Skinvisible would not have been authorized to consummate the Merger.

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Proposal No. 1 — The Merger

Q: Why is Skinvisible proposing the Merger?

A: In evaluating the Merger Agreement and the transactions contemplated thereby and recommending that Skinvisible's stockholders vote in favor of approval of the Merger Agreement and the transactions contemplated thereby, Skinvisible's board of directors, in consultation with Skinvisible's senior management and outside legal counsel, concluded that the other strategic alternatives available to Skinvisible, such as continuing to operate as an independent company and pursuing its strategic plan and the possibility of growing its business through acquisitions and internal growth, was less attractive than Quoin's proposal to Skinvisible's stockholders. Skinvisible believes that a business combination with Quoin as contemplated by the Merger Agreement described below will provide Skinvisible stockholders with an opportunity to participate in a company with significant growth potential.

Q: What will Skinvisible stockholders retain if the Merger is completed?

A: Subject to the terms of the Merger Agreement, at the effective time of the Merger, Quoin stockholders will receive a number of newly issued shares of Skinvisible common stock determined using the exchange ratio described below in exchange for their shares of Quoin stock.

Following the Merger, stockholders of Quoin will become the majority owners of Skinvisible.

At the Effective Time, all outstanding shares of Quoin common stock will be converted solely into the right to receive a number of shares of Skinvisible common stock such that the holders of outstanding equity of Quoin immediately prior to the Effective Time will own approximately 72.5% of the outstanding equity of Skinvisible immediately following the Effective Time and holders of outstanding equity of Skinvisible immediately prior to the Effective Time will own approximately 27.5% of the outstanding equity of Skinvisible immediately following the Effective Time, which ratio we refer to herein as the "Exchange Ratio."

Skinvisible is required, within 30 business days after the execution of the Merger Agreement to use its commercially reasonable efforts to enter into one or more agreements to cause certain of its indebtedness to be converted into Skinvisible common stock immediately prior to the Effective Time.

If such agreements are not executed, the Exchange Ratio will be revised to cause the percentage of the outstanding equity of Skinvisible immediately following the Effective Time to be held by holders of the outstanding equity of Skinvisible immediately prior to the Effective Time to be reduced from approximately 27.5% to a percentage equal to (i) 27.5% minus (ii) the product of (x) 0.0000004 and (y) the amount of the such remaining indebtedness. If none of Skinvisible's indebtedness is converted, holders of the outstanding equity of Skinvisible will de diluted from 27.5% to 10.64%.

Q: What will the business of the combined company be if the Merger is consummated?

A: Following the Merger, the combined company intends to pursue commercialization of Quoin's two lead products. In addition, the combined company will continue to pursue commercial opportunities for products developed by Skinvisible prior to the merger. The combined company also intends to leverage Skinvisible's Invisicare technology as a potential delivery system for the Quoin products intended to be developments by the combined company.

Quoin is a pre-clinical, specialty pharmaceutical company dedicated to developing products that help address major societal issues including the opioid epidemic and the military veteran suicide rate. Quoin's two lead products are expected to be different applications of a single NMDA receptor antagonist delivered transdermally. QRX001 is a single use transdermal patch designed to provide up to 72 hours of effective post-operative analgesia whilst significantly reducing opioid consumption. Quoin intends to apply for Breakthrough Therapydesignation for QRX001. Quoin's second product, QRX002 is a once-daily transdermal for the treatment of military related PTSD with suicidal ideation. Quoin believes QRX002 could be the first product approved to treat this major unmet medical need and could be a candidate for both Orphan Drug and Breakthrough Therapy Status. Quoin has been engaged in discussions with the US Department of Veteran Affairs (VA) for the clinical development of QRX002. Two of the VA's leading researchers into military veteran suicides have been appointed as Principal Investigators (PI's) for QRX002 for this indication. The clinical program will be conducted at various VA facilities across the country under the supervision of the Principal Investigators. Quoin believes this arrangement will greatly increase the efficiency and cost effectiveness of the clinical program for QRX002. In addition, Quoin has two additional products that it plans to begin the development of for opioid addiction and chronic pain. Clinical testing for these products may also be conducted at VA facilities. Quoin expects to generate clinical data for QRX001 and QRX0002 within 12-18 months of the Effective date of the merger.

It is important to note that no formal written agreement has been entered into with the VA and neither the VA nor are the PI's are obligated to participate in the clinical studies. All costs for clinical studies will be borne by Quoin with no financial assistance from the VA.

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Q: What will the management of the combined company be if the Merger is consummated?

A: Following the consummation of the Merger, the combined company's board of directors is expected to consist of six members from Quoin, which is expected to include Dr. Michael Myers and Denise Carter, who are currently directors and officers of Quoin, and [ ]. Two independent directors, Dr. Dennis Langer and Mr. Peter Lankau, will be appointed immediately following the merger. Both Dr. Langer and Mr. Lankau are experienced pharmaceutical executives who currently sit on the boards of other private and publicly traded companies. Quoin plans to appoint two additional directors to its board of directors within a few months of the merger closing. The combined company, led by Quoin's management team, is expected to be named "Quoin Pharmaceuticals, Inc."

Q: Are there risks associated with the Merger that I should consider in deciding how to vote?

A: Yes. There are a number of risks related to the Merger that are discussed in this proxy statement/prospectus. Please read with particular care the detailed description of the risks described in "Risk Factors" beginning on page [ ] of this proxy statement.

Q. What happens if the Merger Proposal is approved but some if not all of the other proposals are not approved?

A: The Merger Proposal would be approved; approval of no one proposal is conditioned on the approval of all or any of the other proposals.

Q: When do you expect the Merger to be completed?

A: We are working to complete the Merger as quickly as possible, and we expect to complete the Merger in June of 2018. However, Skinvisible cannot assure you when or if the Merger will occur. The Merger is subject to stockholder approvals and other conditions, and it is possible that factors outside the control of both Skinvisible and Quoin could result in the Merger being completed at a later time, or not at all.

Q. What happens if not all of the Proposals are approved?

A: Approval of no one proposal is conditional on the approval of all or any of the other proposals.

Q: Are Skinvisible stockholders entitled to appraisal rights?

A: No. Skinvisible stockholders do not have appraisal rights in connection with the Merger or any of the other proposals included in this proxy statement under the Nevada Revised Statutes (the "NRS").

Proposal No. 2 — The Reverse Split

Q. Why is Skinvisible proposing the Reverse Split?

A. Skinvisible's board of directors has adopted resolutions (i) declaring that filing an amendment to Skinvisible's Articles of Incorporation to effect the Reverse Split of Skinvisible's issued and outstanding common stock was advisable, and (ii) directing that a proposal to approve the Reverse Split be submitted to the holders of Skinvisible's common stock for their approval. The Reverse Split of Skinvisible's issued and outstanding common stock will be effected by a ratio of not less than one-for-ten and not more than one-for-one hundred, with the exact ratio to be set at a whole number within this range as determined by Skinvisible's board of directors in its sole discretion.

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Skinvisible's board of directors believes that the Reverse Split is in the best interest of Skinvisible. A Reverse Split typically will initially result in an increase in the price per share of Skinvisible's common stock. The Board believes that an increased stock price may encourage investor interest and improve the marketability and liquidity of Skinvisible's common stock. In addition, Skinvisible may in the future seek a listing on a national exchange, for which a higher stock price than the current price will be required. Because of the trading volatility often associated with low-priced stocks, many brokerage firms and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or tend to discourage individual brokers from recommending low-priced stocks to their customers. Some of those policies and practices may function to make the processing of trades in low-priced stocks economically unattractive to brokers and investors. Skinvisible's board of directors believes that the anticipated higher market price resulting from a Reverse Split may reduce, to some extent, the negative effects on the liquidity and marketability of the common stock inherent in some of the policies and practices of institutional investors and brokerage firms described above. Additionally, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current average price per share of Skinvisible's common stock can result in individual stockholders paying transaction costs representing a higher percentage of their total share value than would be the case if the share price were substantially higher.

Proposal No. 3 —Change the Name of Skinvisible after the Effective Date of the Merger to "Quoin Pharmaceuticals, Inc."

Q. Why is Skinvisible proposing to change the name of Skinvisible after the effective date of the Merger to "Quoin Pharmaceuticals, Inc."?

A: Further to the Merger Agreement, the name of Skinvisible after the effective date of the Merger will become "Quoin Pharmaceuticals, Inc. An amendment to Skinvisible's Articles of Incorporation is required to effect the name change.

The board of directors believes that changing the name of the combined company to Quoin Pharmaceuticals better reflects the future direction and focus of the combined company, which will not be focused solely on dermatological products as the name Skinvisible suggests.

Proposal No. 4 — The Adjournment Proposal

Q: Why is Skinvisible proposing the Adjournment proposal?

A: The adjournment proposal allows Skinvisible's board of directors to submit a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event, based on the tabulated votes, there are not sufficient votes at the time of the special meeting to approve the consummation of the Merger. In no event will Skinvisible solicit proxies to adjourn the Special Meeting or consummate the Merger beyond the date by which it may properly do so under Nevada law. The purpose of the adjournment proposal is to provide more time for the Skinvisible stockholders to make purchases of public shares or other arrangements that would increase the likelihood of obtaining a favorable vote on the Merger Proposal.

In addition to an adjournment of the Special Meeting upon approval of an adjournment proposal, the board of directors of Skinvisible is empowered under Nevada law to postpone the meeting at any time prior to the meeting being called to order. In such event, Skinvisible will issue a press release and take such other steps as it believes are necessary and practical in the circumstances to inform its stockholders of the postponement.

Q: What are the Consequences if the Adjournment Proposal is not approved?

A: If an adjournment proposal is presented at the Special Meeting and such proposal is not approved by its stockholders, Skinvisible's board of directors may not be able to adjourn the Special Meeting to a later date in the event, based on the tabulated votes, there are not sufficient votes at the time of the Special Meeting to approve the consummation of the Merger. In such event, the Merger would not be completed.

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REQUIRED PRIVATE PLACEMENT

In conjunction with the Merger, Quoin intends to pursue a capital raise of $15 million and has engaged Northland Securities as its investment bank for the raise.

The Merger is condition upon Quoin executing a definitive agreement to effect a private placement of shares of the Combined Company's common stock for an aggregate of at least $10 million of gross proceeds, to be received by the Combined Company within five (5) days of the Effective Time of the Merger, which we refer to as the "Private Placement."

The price per share to be paid in the Private Placement will be determined by Quoin, its investment bank and the investors who participate in the private placement. Accordingly, there is no minimum or maximum price per share.

The primary purpose of the capital raise is to generate sufficient funds to progress Quoin's lead products, QRX001 for post-surgical pain and QRX002 for military related PTSD with suicidal ideation, through Phase 2 testing as well as for general corporate purposes.

Quoin's two lead products address major societal issues such as including the opioid epidemic and the military veteran suicide crisis. Combined these two issues result in the death of over 100 people in the US each and every day. Quoin believes that the combination of its proprietary platform technology with the active ingredient in QRX001 and QRX002 provides a meaningful opportunity to help alleviate these problems. Quoin believes that the highly differentiated nature of QRX001 over competing opioid sparing products could enable it, once approved, to generate higher sales in many surgical models over those competing products. Quoin intends to apply for Breakthrough Therapy designation status to the FDA for QRX001.

Quoin's management team, while working in prior positions at different companies, has extensive experience in the development of pharmaceutical products to effectively treat post-surgical pain and reduce the use of opioids in that setting. Quoin believes it can effectively leverage this experience to the benefit of QRX001. We believe that the team's in-depth knowledge of clinical and regulatory development, its previous experience in meeting with the FDA and addressing the agencies questions and concerns as well as its broad network of contacts with KOL and clinicians, could resonate positively with investors. Furthermore, this expertise could help to substantially reduce the development time for QRX001, which may also be a net positive from an investor perspective.

Quoin has also been in discussions with the US Department of Veteran Affairs (VA) which Quoin believes provides it with a significant advantage for the running of the clinical program for QRX002. The VA has appointed as Principal Investigators (PI's) for Quoin's proposed clinical program, Dr. Perry Renshaw and Dr. Deborah Yurgelun-Todd, who are based at the VA's MIREC center in Salt Lake City. Both Dr. Renshaw and Dr. Todd are very experienced clinical researchers into military veteran suicides and they will play a leading role in the design and execution of Quoin's clinical program. It is anticipated that Quoin's Phase 2 clinical program will be run at 5-6 VA facilities across the country under the supervision of Dr. Renshaw and Dr. Yurgelun-Todd and with the active participation of their colleagues at these sites. Quoin believes that the logistical challenges associated with conducting a study on suicidal ideation in the general population will be substantially mitigated by focusing on a military veteran patient population that are actively engaged with the VA on a very regular basis. Quoin believes that QRX002 could qualify for both Orphan Drug and Breakthrough Therapy status and intends to apply to the FDA for both designations. If granted, it is possible that a single Phase 3 clinical may all that is needed instead of the typical two studies required by the FDA, although Quoin has not yet engaged in discussion with the FDA to verify this supposition.

In addition, to the above product indications, Quoin also intends to pursue the development of a product as a potential treatment for opioid addiction. This product, which also be delivered transdermally, contains the same active ingredient as QRX001 and QRX002. It is believed that its mechanism of action that affects suicidal ideation could also play a role in reducing dependency on opioids. Quoin plans to conduct the clinical.

It is important to note that no formal written agreement has been entered into with the VA and neither the VA nor the PI’s are obligated to participate in the clinical studies. All costs for clinical studies will be borne by Quoin with no financial assistance from the VA.

The shares of the Combined Company issued in the Private Placement will not change the Exchange Ratio as the shares issued in the Private Placement will dilute both the existing Skinvisible shareholders as well as the shareholders of Quoin who receive shares in the Merger. Accordingly, the shares to be issued in the Private Placement will reduce significantly the relative voting power of each share of the Combined Company's common stock held by all of the Combined Company's stockholders after the Merger. Consequently, the Combined Company's stockholders as a group will have significantly less influence over the management and policies of the Combined Company after the Private Placement than prior to the Private Placement.

Quoin has been funded privately by its' founders. Estimated outstanding payables and expenses accrued and owed include $941,887 to Dr. Myers and $970,981 to Ms. Carter. Quoin also has outstanding legal fees payable to counsel of $[375,000].

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RISK FACTORS

You should carefully consider the following risk factors, together with the other information contained in this proxy statement. If any of the following risks and uncertainties develops into actual events, these events could have a material adverse effect on both Skinvisible's and Quoin's businesses, financial conditions or results of operations. In addition, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

Risks Related to the Merger

The Merger with Quoin has not been completed and therefore there is a risk the Merger will not be completed and shareholders of Skinvisible will need to rely solely on Skinvisible to succeed.

There can be no assurance that Skinvisible will complete the Merger with Quoin. Should the Merger not occur, Skinvisible would have to continue with its current business plan or find a new opportunity internally or with another company.

Failure to complete the Merger could impact negatively Skinvisible's business, financial condition or results of operations or Skinvisible's stock price.

The completion of the Merger is subject to a number of conditions and there can be no assurance that the conditions to the completion of the Merger will be satisfied. If the Merger is not completed, Skinvisible will be subject to several risks, including:

- the current trading price of Skinvisible Common Stock may reflect a market assumption that the Merger will occur, meaning that a failure to complete the Merger could result in a decline in the price of Skinvisible's common stock;
- certain of Skinvisible's executive officers and/or directors may seek other employment opportunities, and the departure of any of Skinvisible's executive officers and the possibility that Skinvisible would be unable to recruit and hire a replacement executive could impact negatively Skinvisible's business and operating results;
- Skinvisible's Board would need to reevaluate Skinvisible's strategic alternatives, which alternatives may include a sale of Skinvisible, liquidation of Skinvisible, or a return to pre-merger strategies of growing commercial sales, or other strategic transactions;
- Skinvisible has incurred and will continue to incur substantial transaction costs in connection with the Merger whether or not the Merger is completed;
- Skinvisible would not realize any of the anticipated benefits of having completed the Merger; and
- Under the Merger agreement, Skinvisible is subject to certain restrictions on the conduct of its business prior to the completion of the Merger, which restrictions could adversely affect Skinvisible's ability to realize its business strategies or take advantage of certain business opportunities in the event the Merger is not completed.

If the Merger is not completed, these risks may materialize and materially and adversely affect Skinvisible's business, financial condition, and results of operations or stock price.

Although Quoin and Skinvisible expect that the Merger will result in benefits to the combined company, the Combined Company may not realize those benefits because of various challenges.

Quoin and Skinvisible believe that the Merger will result in greater returns for the stockholders than if Skinvisible remained as a standalone entity. However, the integration of a new company is a complex, costly and time-consuming process. This process may disrupt the business of both of the companies, and may not result in the full benefits expected by Quoin and Skinvisible. There can be no assurance that the combination of Quoin and Skinvisible will result in the realization of the anticipated benefits from the Merger.

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The pendency of the Merger could have an adverse effect on Skinvisible's stock price and/or business, financial condition, results of operations or business prospects.

The pendency of the Merger could have an adverse effect on Skinvisible's stock price and increase the price volatility and risk of trading in Skinvisible's stock. Skinvisible's business, financial condition, results of operations or business prospects could also be adversely affected. In addition, the attention of Skinvisible's management may be directed toward the completion of the Merger and related matters and may be diverted from the day-to-day business operations, including from other opportunities that otherwise might be beneficial to us. Moreover, Skinvisible has agreed to be bound by a non-solicitation covenant in the Merger Agreement and if Skinvisible breaches this covenant, it may be subject to fees of up to $300,000.

The issuance of shares of Skinvisible common stock to Quoin stockholders in connection with the Merger will dilute substantially the voting power of Skinvisible's current stockholders.

Pursuant to the Merger Agreement, at the effective time of the Merger, and prior to the Private Placement, Skinvisible will issue shares of its common stock to Quoin's shareholders which will represent approximately 72.5% of the shares of Skinvisible after the Merger, subject to adjustment pursuant to the Merger Agreement. If none of Skinvisible's Third Party Indebtedness is converted into common equity, Quoin's shareholders stake in the combined company will increase to approximately 91%. Accordingly, the issuance of shares of Skinvisible Common Stock to Quoin stockholders in connection with the Merger will reduce significantly the relative voting power of each share of Skinvisible common stock held by its current stockholders. Consequently, Skinvisible's stockholders as a group will have significantly less influence over the management and policies of the Combined Company after the Merger than prior to the Merger.

The Merger will subject Skinvisible to significant additional liabilities and other risks and will cause it to incur significant expenses.

Following the Merger, Skinvisible will be subject to substantially all the liabilities of Quoin. The Merger and subsequent integration process may be complex, costly, time-consuming and divert management's time and attention, which could have a material adverse effect on Skinvisible's business, financial condition, results of operations and cash flows. Skinvisible expects to incur a significant amount of expenses in connection with the Merger, including legal, accounting, financial advisory and other expenses. Many of these expenses are payable by Skinvisible whether or not the Merger is completed.

The issuance and sale of the securities could cause Skinvisible's stock price to decline.

The sale of substantial amounts of Skinvisible's common stock in the public market could adversely affect the stock price and could cause Skinvisible's stock price to decline. The undersigned will bear the risk of any declines in the price of the shares. The share price may also go down during the period after you agree to purchase the securities. Accordingly, you will bear the risk that this fluctuation in the price of the shares purchase may cause shareholders to lose the amount invested. Skinvisible's common stock is currently traded on the OTC Markets. The OTC Markets trades over 10,000 different company stocks in three classifications. Skinvisible trades in the middle class noted as the OTCQB. OTCQB stocks must file quarterly financial statements as well as annual company audited financial statements.

Risks Related to Quoin

he issuance of shares of the Combined Company's common stock in connection with the Private Placement will dilute substantially the voting power of Combined Company's stockholders.

The shares issued in the Private Placement will not change the Exchange Ratio, as the shares issued in the Private Placement will dilute both the existing Skinvisible shareholders as well as the shareholders of Quoin who receive shares in the Merger. Accordingly, the shares to be issued in the Private Placement will reduce significantly the relative voting power of each share of the Combined Company's common stock held by all of the Combined Company's stockholders. Consequently, the Combined Company's stockholders as a group will have significantly less influence over the management and policies of the Combined Company after the Private Placement than prior to the private placement.

Since there is no minimum or maximum price per share to be paid in the Private Placement, the total amount of dilution is not yet known.

After the Merger Quoin will need to raise additional capital to meet its future business requirements which may be costly and could dilute current Skinvisible stockholders.

Quoin will need to raise additional capital in the near future to complete its clinical development of its two target products QRX001 for post-surgical pain and QRX002 for military personnel with PTSD and suicidal thoughts. Quoin does not have any firm commitments for sources of additional capital from third parties. Such additional financing will involve dilution to the Combined Company's existing shareholders and the new shareholders after the Merger. If Quoin does not obtain additional capital on terms satisfactory to them, or at all, it may cause Quoin to delay, curtail, scale back or forgo some or all of Quoin's business operations, which could have a material adverse effect on Skinvisible and its financial results and investors would be at risk to lose all or a part of any investment in Skinvisible.

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Quoin does not have any products that are approved for commercial sale.

Quoin currently does not have any therapeutic products approved for commercial sale. Quoin has not received, and may not receive within the next several years, if at all, any revenues from the commercialization of its product candidates if approved.

There is no assurance Quoin's future operations will be successful and result in profitable revenues.

We cannot be sure that Quoin will be successful in generating revenues in the future and in the event they are unable to generate sufficient revenues or raise additional funds they will seek alternative business opportunities. If adequate and acceptable financing is not available, Quoin may have to delay development or commercialization of certain products or eliminate some or all of development activities. Any of these options could reduce sales growth and result in continued net losses.

Clinical drug development involves a lengthy and expensive process, with an uncertain outcome. Quoin may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of its drug candidates.

Clinical studies are expensive, difficult to design and implement, may take many years to complete, and outcomes are inherently uncertain. A drug product may fail to demonstrate positive results at any stage of testing despite having progressed satisfactorily through nonclinical testing and initial clinical studies. There is significant risk in clinical development where later stage clinical studies are designed and powered based on the analysis of data from earlier studies, with these earlier studies involving a smaller number of patients, and the results of the earlier studies being driven primarily by a subset of responsive patients. In addition, interim results of a clinical study do not necessarily predict final results. Further, clinical study data frequently are susceptible to varying interpretations. Medical professionals and/or regulatory authorities may analyze or weigh study data differently than the sponsor company, resulting in delay or failure to obtain marketing approval for a product candidate. Additionally, the possible lack of standardization across multiple investigative sites may induce variability in the results, which can interfere with the evaluation of treatment effects.

Quoin may fail to successfully develop, get approval and introduce new products, and therefore Quoin's future growth may suffer.

Quoin's strategy includes developing initially two products to treat (1) post-surgical pain and (2) PTSD with suicidal thoughts for the military. These products require research and development, and FDA approval. There is no guarantee that the FDA will approve these products or that they will be accepted by the market, and therefore its business and the future growth of Quoin's business may suffer.

Quoin expects competition in the marketplace for its product candidates, should any of them receive regulatory approval.

With the opioid crisis being declared a Public Emergency, there are a growing number of competitors looking for solutions. There are potentially a number of companies that may be further in the development cycle and could bring a similar product to market prior to ours. This could negatively impact Quoin's ability to launch and generate revenue from the products.

If successfully developed and approved, Quoin expects its product candidates will face competition. Quoin may not be able to compete successfully against organizations with competitive products, particularly large pharmaceutical companies. Many of its potential competitors have significantly greater financial, technical and human resources than

Quoin, and may be better equipped to develop, manufacture, market and distribute products. Many of these companies operate large, well-funded research, development and commercialization programs, have extensive experience in nonclinical and clinical studies, obtaining FDA and other regulatory approvals and manufacturing and marketing products, and have multiple products that have been approved or are in late-stage development. These advantages may enable them to receive approval from the FDA or any foreign regulatory agency before Quoin.

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PROPOSAL NO. 1: APPROVAL OF THE MERGER AGREEMENT

Skinvisible is asking you to approve the merger proposal. A copy of the Merger Agreement is attached as Annex A to this proxy statement/prospectus.

IF PROPOSAL NO. 1 IS APPROVED, AT THE EFFECTIVE TIME OF THE MERGER, SKINVISIBLE WILL CHANGE ITS NAME TO "QUOIN PHARMACEUTICALS, INC." ACCORDINGLY, ALL REFERENCES BELOW TO THE "COMBINED COMPANY" MEANS QUOIN PHARMACEUTICALS, INC., FORMERLY SKINVISIBLE, INC.

THE MERGER

Parties Involved in the Merger

Skinvisible, Inc.

Skinvisible, through its wholly-owned subsidiary Skinvisible Pharmaceuticals, Inc., is a pharmaceutical research and development ("R&D") company that has developed and patented an innovative polymer delivery system, Invisicare® and formulated over forty topical skin products, which we out-license globally. We were incorporated in 1998, and target an estimated $80 billion global skincare and dermatology market and a $30 billion global over-the-counter market as well as other healthcare / medical and consumer goods markets.

Quoin Pharmaceuticals, Inc.

Quoin Pharmaceuticals is a pre-clinical, specialty pharmaceutical company dedicated to developing products that help address major societal issues including the opioid epidemic and the military veteran suicide rate. Quoin's two lead products are expected to be different applications of a single NMDA receptor antagonist delivered transdermally. QRX001 is a single use transdermal patch designed to provide up to 72 hours of effective post-operative analgesia whilst significantly reducing opioid consumption. Quoin intends to apply for Breakthrough Therapy designation for QRX001. Quoin's second product, QRX002 is a once-daily transdermal for the treatment of military related PTSD with suicidal ideation. Quoin believes QRX002 could be the first product approved to treat this major unmet medical need and could be a candidate for both Orphan Drug and Breakthrough Therapy Status. Quoin expects to commence development activities with respect to each of these products and to generate Phase 2 data in 2018. Quoin has established a relationship with the US Department of Veteran Affairs (VA) for the clinical development of QRX002. Two of the VA's leading researchers into military veteran suicides have been appointed as Principal Investigators (PI's) for QRX002 for this indication. The clinical program will be conducted at various VA facilities across the country under the supervision of the Principal Investigators. Quoin believes this arrangement will greatly increase the efficiency and cost effectiveness of the clinical program for QRX002. It is important to note that no formal written agreement has been entered into with the VA and neither the VA nor the PI's are obligated to participate in the clinical studies. All costs for clinical studies will be borne by Quoin with no financial assistance from the VA.

In addition, Quoin has two additional products that it plans to begin the development of for opioid addiction and chronic pain. It is anticipated that clinical testing for these products may also be conducted at VA facilities. Quoin expects to generate clinical data for QRX001 and QRX0002 within 12-18 months following the Effective Date..

Quoin has been funded privately by its' founders. Estimated outstanding payables and expenses accrued and owed include $941,887 to Dr. Myers and $970,981 to Ms. Carter. Quoin also has outstanding legal fees payable to counsel of $[375,000].

Quoin Merger Sub, Inc.

Merger Sub is a wholly-owned subsidiary of Skinvisible formed solely for the purpose of effecting the Merger described herein. Merger Sub was incorporated under the laws of Delaware in March, 2018.

Effect of the Merger

Under the terms of the Merger Agreement, upon completion of the Merger, Merger Sub will merge with and into Quoin. Quoin will be the surviving corporation in the Merger and will become a wholly owned subsidiary of the Combined Company. Subject to the terms of the Merger Agreement, at the effective time of the Merger, Quoin stockholders will receive a number of newly issued shares of the Combined Company's common stock determined using the Exchange Ratio described below in exchange for their shares of Quoin stock. Following the Merger, but prior to the Private Placement, stockholders of Quoin will become the majority owners of the Combined Company, and will own approximately 72.5% of the outstanding equity of the Combined Company immediately following the Effective Time and holders of outstanding equity of Skinvisible immediately prior to the Effective Time will own approximately 27.5% of the outstanding equity of the Combined Company immediately following the Effective Time, which ratio we refer to herein as the "Exchange Ratio." Further to the Merger Agreement, the Exchange Ratio will be modified if certain Skinvisible Third Party Indebtedness is not converted into Skinvisible common stock. Further dilution to all of the Combined Company's shareholders will also occur as a result of the Private Placement. If none of Skinvisible's Third Party Indebtedness is converted into common equity, Quoin's shareholders stake in the combined company will increase to approximately 89%.

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Example Calculation of Existing Skinvisible Shareholder Adjusted Equity

Indebtedness Converted	100%	75%	50%	25%	0%
Unconverted Third Party Indebtedness ($)*	-	1,053,513.00	2,107,026.00	3,160,539.00	4,214,052.00
Adjusted % Equity Ownership of existing Skinvisible Shareholders	27.50	23.29	19.07	14.86	10.64

*Parent Disclosure Documents: Current indebtedness= $4,214,052

Private Placement Dilution Impact

$10 Million Raise at $30 Million Valuation

Pre-money Adjusted Equity Ownership of existing Skinvisible Shareholders	27.50%	23.29%	19.07%	14.86%	10.64%
Post-money % Equity Share of Existing Skinvisible Shareholders	20.63%	17.47%	14.30%	11.15%	7.98%

Further dilution to all of the Combined Company's shareholders will also occur as a result of the Private Placement.

As a result of the Merger, and subject to the terms and conditions of the Merger Agreement, Quoin stockholders will control the Combined Company and the Combined Company will change the symbol for the shares of its common stock listed on the OTCQB to the symbol "QNRX".

Expense Reimbursement

If the Merger Agreement is terminated by Skinvisible under certain circumstances, prior to such termination, Skinvisible has breached any of the non-solicitation covenants of Skinvisible, and Skinvisible enters into an agreement to consummate a "Acquisition Proposal" within six (6) months of the date of termination, then Skinvisible is required to reimburse Quoin for its total documented expenses incurred by in connection with the negotiation and execution of the Merger Agreement and the transactions contemplated thereby, up to a maximum of $300,000.

Effective Time.

The time at which the Merger will become effective, which we refer to as the "Effective Time" of the Merger, will occur upon the filing of a certificate of merger with the Secretary of State of Delaware.

Merger Consideration

At the Effective Time, all outstanding shares of Quoin common stock will be converted solely into the right to receive a number of shares of the Combined Company's common stock such that the holders of outstanding equity of Quoin immediately prior to the Effective Time will own approximately 72.5% of the outstanding equity of the Combined Company immediately following the Effective Time and holders of outstanding equity of Skinvisible immediately prior to the Effective Time will own approximately 27.5% of the outstanding equity of the Combined Company immediately following the Effective Time, prior to any dilution for Third Party Indebtedness and the Private Placement. If all or some of Skinvisible's Third Party Indebtedness is converted into the Combined Company's common stock prior to the Effective Time, this will result in a reduction of the approximately 27.5% of the outstanding equity of the Combined Company that Skinvisible shareholders will own. If none of the Third Party Indebtedness is converted, the amount owned by Skinvisible shareholders will be reduced to approximately 10.64%.

The Merger is conditioned upon Quoin executing a definitive agreement to effect the Private Placement, which is defined as a private placement of shares of the Combined Company's common stock for an aggregate of at least $10 million of gross proceeds, to be received by Combined Company within five (5) days of the Effective Time of the Merger. The price per share for the Private Placement has not been determined as of yet, however, the net effect of the private placement will be a further reduction in the percent ownership of Skinvisible current shareholders in the Combined Company. It is possible that this reduction could be substantial.

Treatment of Skinvisible Indebtedness

As of the date hereof, Skinvisible has an aggregate of $4,606,137 of indebtedness to third parties (which we refer to as the "Third Party Indebtedness").

The Merger Agreement requires Skinvisible to use commercially reasonable efforts to enter into one or more agreements with certain creditors of Skinvisible to cause the Third Party Indebtedness to be converted into the Combined Company's common stock immediately prior to the Effective Time (the "Debt Conversion Agreements"). If Skinvisible fails to execute Debt Conversion Agreements with respect to all such specified Skinvisible indebtedness prior to the date that is five days before the Closing Date, the Exchange Ratio will be revised to cause the percentage of the outstanding equity of the Combined Company immediately following the Effective Time (and prior to the equity to be issued in the Private Placement) to be held by holders of the outstanding equity of Skinvisible immediately prior to the Effective Time to be reduced from approximately 27.5% to a percentage equal to (i) 27.5% minus (ii) the product of (x) 0.0000004 and (y) the amount of the remaining Third Party Indebtedness.

For illustrative purposes, if the remaining Third Party Indebtedness equals $1,000,000, the percentage of the outstanding equity of Parent immediately following the Effective Time (and prior to the equity to be issued in the Private Placement) to be held by holders of the outstanding equity of Skinvisible immediately prior to the Effective Time will be reduced from approximately 27.5% to approximately 23.5%.

If none of the Third Party Indebtedness is converted into the Combined Company's common stock immediately prior to the Effective Time, the amount owned by Skinvisible shareholders will be reduced from approximately 27.5% to approximately 10.64%.

Skinvisible has entered into one or more agreements (the "Related Party Agreements") with certain officers of Skinvisible with respect to the indebtedness of Skinvisible (the "Related Party Indebtedness"). These Related Party Agreements provide that:

- In exchange for the immediate cancellation of $500,000 of the Related Party Indebtedness, Skinvisible transferred 100% of the shares in Ovation Science Inc. ("Ovation") held by Skinvisible to these related parties;
- Within 180 days after the closing date all remaining Related Party Indebtedness is to be converted, at the sole election of the Combined Company, into cash or shares of the Combined Company's common stock which are not subject to any contractual restrictions or vesting requirements (or a combination cash and shares of the Combined Company's common stock). If the Combined Company elects to convert all or a portion of the remaining related indebtedness into shares of the Combined Company's common stock, such shares shall be valued using the 30 day average closing price of such shares on the OTCQB for the 30 day period prior to the date of conversion. If the conversion of any remaining Related Party Indebtedness into shares of the Combined Company's common stock causes the related parties to have an obligation to pay taxes, the Combined Company is required to pay such taxes to

the applicable governmental authority on behalf of the related parties.

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Private Placement.

The Merger is conditioned upon Quoin executing a definitive agreement to effect the Private Placement, which is defined as a private placement of shares of the Combined Company's common stock for an aggregate of at least $10 million of gross proceeds, to be received by Combined Company within five (5) days of the Effective Time of the Merger.

The price per share to be paid in the Private Placement will be determined by Quoin, its investment bank and the investors who participate in the private placement. Accordingly, there is no minimum or maximum price per share.

The shares issued in the Private Placement will not change the Exchange Ratio, as the shares issued in the private placement will dilute both the existing Skinvisible shareholders as well as the shareholders of Quoin who receive shares in the Merger. Accordingly, the shares to be issued in the private placement will reduce significantly the relative voting power of each share of the Combined Company's common stock held by all of the Combined Company's stockholders. Consequently, the Combined Company's stockholders as a group will have significantly less influence over the management and policies of the Combined Company after the private placement than prior to the private placement.

Effect on Skinvisible if the Merger is Not Completed

If the Merger Agreement is not approved by Skinvisible stockholders or if the Merger is not completed for any other reason, Skinvisible will remain an independent public company, its common stock will continue to be listed and traded on OTCQB and registered under the Exchange Act and Skinvisible will continue to file periodic reports with the SEC.

If the Merger is not completed, there can be no assurance as to the effect of these risks and opportunities on the future value of your shares of Skinvisible's common stock. If the Merger is not completed, Skinvisible's board of directors will continue to evaluate and review Skinvisible's business operations, properties, dividend policy and capitalization, among other things, make such changes as are deemed appropriate and continue to seek to identify strategic alternatives to enhance stockholder value. If the Merger Agreement is not approved by Skinvisible's stockholders or if the Merger is not completed for any other reason, there can be no assurance that any other transaction acceptable to Skinvisible will be offered or that Skinvisible's business, prospects or results of operation will not be adversely impacted.

Background of the Merger

The Board of Skinvisible undertook a strategic review of alternatives to improve revenues and to enhance shareholder value which contemplated a number of alternatives.

The Board determined that one alternative was to merge with a pharmaceutical company with the potential to expand the product offerings and shareholder value.

In connection with these activities, in December 2015, Skinvisible signed an engagement agreement with a 6 month term with an investment banking group based in Florida that introduced the Company to three pharmaceutical companies based in Florida and a company with anti-aging products. The pharmaceutical companies did not proceed to the non-disclosure agreement stage of discussions and discussions with the anti-aging company ended in September 2016 after it was determined that there was not enough value in combining the companies.

In April 2016 the Company began preliminary discussions with a second investment banking group in Florida that represented a topical product manufacturer that was interested in combining with Skinvisible. Unfortunately, their business team ultimately decided to remain a private company and transaction discussions terminated around May 2016. Also in April 2016 Skinvisible entered into discussions for a merger with a large pharmaceutical manufacturer that had previously manufactured Skinvisible products. A preliminary meeting was held April 1, 2016 in Las Vegas followed by an exchange of relevant information. Unfortunately, the main contact left his position and the Company had difficulty getting this party's board of directors to make a positive decision due to other areas of investment they were exploring. In August 2016 the discussions ended.

In September 2016 Skinvisible entered into a licensing agreement for Kintari products in Greater China. In early 2017, this led to the introduction to a Chinese-based multi-level marketing company which had interest in Skinvisible's products and technology. Skinvisible met with the owner of the company in Las Vegas in March 2017 however the transaction did not proceed due to logistical and financing issues raised by the potential counterparty.

While continuing to pursue strategic alternatives, Skinvisible became aware of an opportunity to supply its skin delivery technology to the cannabis market in the summer of 2016, and Skinvisible began developing products for the ancillary cannabis market. Skinvisible investigated potential producers of its products and after undertaking its preliminary research, Skinvisible entered into a licensing agreement with a Nevada-based company for the worldwide rights on August 15, 2016. Almost one year later on June 28, 2017, this agreement was terminated and Skinvisible purchased the rights back from the licensee.

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In order to address potential banking and public company exchange issues resulting from pursuing cannabis operations, the Company separated its ancillary cannabis business into a wholly-owned Canadian subsidiary named Ovation Science Inc. (referred to as "Ovation"). Ovation was registered in BC, Canada on August 29, 2017. Skinvisible formed Ovation separately as a wholly-owned Canadian subsidiary as the cannabis market is not approved federally in the United States but is approved federally in Canada. Skinvisible believed that separating the companies would facilitate legal compliance and also allowed for the subsidiary to be sold as its own entity or to go public on its own in the future, if the Company desired.

After forming Ovation, Skinvisible continued to pursue opportunities and in September 2016, Skinvisible hired an investment banking company out of Atlanta to assist in seeking merger and/or financing opportunity for the Company. Although several companies were introduced to Skinvisible, none of them had sufficient funding opportunities or offered product synergies and no transaction was effected.

Skinvisible also considered purchasing assets to provide additional products, but pursuit of such opportunities were a challenge as a result of Skinvisible's debt.

Skinvisible also pursued an additional strategy to create shareholder value in 2016 through 2017, which was to offer to license out all of the rights to its prescription formulations to one company in order for that company to take Skinvisible products through the FDA for approval. This strategy was named the "Rx Bundle." Between September 2016 and August 2017, over thirty companies were approached and three companies voiced an interest in this potential transaction.

In February 2017, a company from India showed great interest, however this company failed to proceed with an offer. The second company, a clinical research company, had greater potential and therefore Skinvisible pursued conversations with this company for a number of months from January 2017 to August 2017. This included a face-to-face meeting in June 2017 and the provision of a preliminary draft acquisition agreement. The clinical research company unfortunately went through a major personnel change, including the departure of their lead scientist, and the clinical research company decided to terminate the negotiations in August 2017.

Michael Myers and Doreen McMorran first connected on LinkedIn on April 9, 2012.

On August 30, 2017 Michael Myers contacted Doreen McMorran via phone to introduce himself formally and his plans to incorporate Quoin. This preliminary discussion included high-level potential synergies and future strategies.

At that time, Michael Myers and Denise Carter had formed a predecessor to Quoin, as an Irish limited company ,and intended to use that entity to find a merger partner to develop technology that they had a right to acquire from a company named Polytherapeutics, Inc. ("Polytherapeutics"). The founders of Quoin (through their Irish entity) had already obtained an option to purchase Polytherapeutics. This option was eventually exercised by Quoin on March 24, 2018.

As discussed above, Quoin's founders had already executed a term sheet for the acquisition of Polytherapeutics when it first approached Skinvisible in August 2017. Quoin's founders had also at that point defined its lead development products as: QRX001 for the treatment of post-surgical pain and QRX002 for the treatment of military related PTSD with suicidal ideation.

Given Quoin's founders extensive background in the development and commercialization of drug delivery products, Skinvisible's management believed that the target profiles it had defined for both of these products might be better achieved through a combination of the properties of Polytherapeutics Pharmadur technology and Skinvisible's Invisicare technology. This unique insight and perspective, accumulated through 30 years of direct industry experience, coupled with the significant commercial potential of Polytherapeutics product portfolio, appealed to Skinvisible management and Board who came to believe that a merger of the two companies might provide for the best outcome for their shareholders.

The Board viewed the Skinvisible technology as synergistic to the Polytherapeutics technology, especially with respect to the ability to leverage Skinvisible's Invisicare technology as a potential delivery system for the Polytherapeutics products.

Skinvisible had never pursued products outside of dermatology and this potential merger with Quoin presented that opportunity in highly lucrative pain markets. Quoin management also has extensive experience in the pain areas, and the ability to raise development funds through a private placement, which Skinvisible does not possess.

Although were several discussions regarding the Rx Bundle strategy were underway when Quoin contacted Skinvisible, the Skinvisible Board ultimately determined that the Rx Bundle strategy required a much longer-term outlook and included significant execution risk, which would have resulted in limited to no upfront money to keep Skinvisible viable.

Accordingly, the Skinvisible Board determined to pursue discussions with the founders of Quoin, Michael Myers and Denise Carter.

Both parties agreed that a further discussion should take place once a confidentiality agreement was signed. On September 5, 2017 Skinvisible and Quoin entered into a confidentiality agreement.

With the confidentiality agreement in place, on September 6, 2017 Michael Myers and Denise Carter from Quoin along with Terry Howlett and Doreen McMorran from Skinvisible, had their first official conference call where the parties discussed their technologies and the possibility of a merger, the potential for a significant private placement should the new company be public, the separation of the ancillary cannabis business from the transaction and the opportunity for the new company to go on NASDAQ along with other items.

During September Skinvisible and Quoin had frequent conference calls to discuss the possibility of pursuing a strategic transaction whereby the two companies would merge. After a review of scientific data and discussion of the potential benefits of a transaction, Skinvisible determined that it would be open to pursuing such a transaction. Subsequently on September 27, 2017, the first meeting was held between Quoin's founders and Skinvisible at Skinvisible's headquarters in Las Vegas.

Following the initial meeting, Quoin presented Skinvisible with a preliminary term sheet for a proposed transaction. Over the month of October, Skinvisible and Quoin engaged in numerous discussions regarding the structure and terms of a potential transaction. Several conditions of the transaction were discussed including the carve-out of Skinvisible's subsidiary Ovation Science Inc. from Skinvisible and the forgiveness of $1.4 million of related party debt as well as Skinvisible's ability to convert its third party debt into stock in connection with a proposed transaction.

On October 20, 2017 an updated term sheet reflecting the updated transaction terms was received by Skinvisible from Quoin. After further discussion regarding the terms, on October 30, 2017 Quoin provided a Letter of Intent and an Exclusivity Agreement to Skinvisible.

On October 31, 2017 Skinvisible and Quoin had a second meeting at Skinvisible's headquarters in Las Vegas to discuss the Letter of Intent and an Exclusivity Agreement as well as to continue the review of each company's technology and capabilities.

During October and November of 2017, representatives of Skinvisible and the founders of Quoin discussed several deal terms, including the Exchange Ratio, the treatment of third party indebtedness and the desire to convert it to equity in the combined company and the treatment of Ovation.

During these discussions, representatives also agreed on the need for the Private Placement and agreed that it would be a condition to closing the merger, with the dilution from the private placement to effected after the exchange ratio was implemented.

The primary negotiations between the two companies centered around the Exchange Ratio. Several different ratios were proposed by each party at the outset of the discussions based on the relative potential value of each company's technology, product portfolio and experience. While Quoin acknowledged in those discussions that it had not yet completed the acquisition of Polytherapeutics and that it had not initiated clinical testing of its development products, the company emphasized the experience of its management team and the previous success they had achieved in the development and commercialization of drug delivery products as well as their experience in partnering with pharmaceutical companies and their successful capital raising experience. In addition, it was obvious that Quoin had identified product candidates that, if approved, could potentially address significant societal issues such as the opioid epidemic and the military veteran suicide crisis and as such achieve substantial commercial success. The ability of the Quoin management to successfully develop their product portfolio was taken into consideration during the negotiations. Several potential Exchange Ratios ranging from 85:15 to 60:40 in favor of Quoin were discussed and evaluated. Ultimately, these negotiations resulted in agreement of an exchange ratio which would provide Quoin's shareholders with 72.5% of the outstanding shares of Skinvisible common stock following the Merger. This number also took into consideration certain assumptions regarding the conversion of third party debt and the cancellation of certain Related Party debt in exchange for the transfer of the equity interests in Ovation. After further negotiation regarding the terms of the Letter of Intent and the Exclusivity Agreement and meetings with the Board and legal counsel, on November 22, 2017 Mr. Terry Howlett, President and CEO of Skinvisible delivered a signed Letter of Intent and an Exclusivity Agreement, indicating Skinvisible's interest in the proposed transaction. This was followed by the counter- signature of Michael Myers the President and CEO of Quoin. A press release approved by both parties announcing the proposed merger of the companies was issued on November 27, 2017. Multiple exchanges of scientific, business and financial documents ensued between the two companies over the next several weeks. Skinvisible did not seek, nor obtain any valuations from third parties in conjunction with its evaluation of the Merger or the determination of the Exchange Ratio.

During October and November of 2017, Skinvisible and Quoin discussed how Skinvisible's Ovation Canadian subsidiary would be treated in the transaction. It became apparent that Quoin was not interested in retaining a Canadian cannabis applications subsidiary since it created potential issues with United States stock exchanges. Accordingly, it was decided to sell the shares Skinvisible owned in Ovation by off-setting US$500,000 of the Related Party debt.

On December 17, 2017 Quoin's legal counsel presented a draft Merger Agreement to Skinvisible. Over the next several weeks, Skinvisible, the Board, legal counsel and Skinvisible's accountants engaged in various discussions regarding the structure and proposed terms of the draft Merger Agreement between Skinvisible and Quoin. Quoin's legal counsel provided four revised versions of the draft Merger Agreement and several conference calls ensued over the month of January between the companies and their respective legal counsel.

On February 5, 2018, Skinvisible agreed to extend the Exclusivity Agreement to April 30, 2017 in order to facilitate the continued negotiation of the terms of the draft Merger Agreement.

On February 27, 2018 Quoin provided the three employees of Skinvisible with draft employment agreements for Terry Howlett and Doreen McMorran and a consulting agreement to Dr. James Roszell. These employment agreements and consulting agreement were executed in the first week of March, each with a stated effective date of the closing of the Merger.

These employment agreements include terms and conditions that were negotiated by the founders of Quoin and Terry Howlett and Doreen McMorran.

On March 2, 2018 the Board met to discuss the acceptance of the Merger Agreement and the purchase of Ovation shares by certain related parties.

On March 13, 2018, Dr. Michael Myers and Denise Carter, the stockholders and directors of Quoin, and Terry Howlett and Doreen McMorran entered into lock-up agreements to satisfy the terms of the Merger Agreement. Terry Howlett and Doreen McMorran also executed voting agreements.

On March 16, 2018, the Board reviewed the final version of the proposed Merger Agreement including the material terms, conditions and provisions of the draft Merger Agreement and the structure of the proposed transaction. Following the discussion, the Board approved the Merger Agreement and adopted the resolution to approve the Merger as it was in the best interest of Skinvisible and its shareholders.

On March 26, 2018 Skinvisible entered into the Merger Agreement with Quoin and Merger Sub. A Form 8-K was filed by Skinvisible with the Securities and Exchange Commission to announce that the Merger Agreement had been executed.

On March 28, 2018, as specified in the Merger Agreement, all shares of Ovation Science Inc. owned by Skinvisible Pharmaceuticals, Inc. were purchased by Skinvisible employees, Terry Howlett, Doreen McMorran and James Roszell in lieu of partial debt in the amount of US$500,000 owed by Skinvisible to these employees.

After careful consideration and consulting, Skinvisible's board of directors has determined that the merger proposal is in the best interests of Skinvisible and its stockholders and unanimously recommends that you vote or give instruction to vote FOR the merger proposal.

Reasons for the Merger; Recommendation of Skinvisible's Board of Directors

In its review the Board consulted with its management, scientific personnel, legal and financial advisors, and reviewed a significant amount of information and considered a number of factors, including, among others, the following factors: (i) the technical information Quoin provided regarding its technology, management experience and potential competitive position; (ii) the financial, operational, businesses and strategic objectives of Quoin; (iii) the current product markets proposed by Quoin; (iv) the consideration to be received by Skinvisible's shareholders and debt holders in the Merger; (v) the terms, conditions and obligations of the Merger Agreement; (vi) possible alternative strategies and prospects for Skinvisible as an independent company and (viii) the financial condition and future prospects for Skinvisible.

Specifically, the Skinvisible Board considered that Skinvisible had never pursued products outside of dermatology and this potential merger with Quoin presented that opportunity in highly lucrative pain markets. The Skinvisible Board also considered that Quoin's management also has extensive experience in the pain areas, and the ability to raise development funds through a private placement, which Skinvisible does not possess.

The Skinvisible Board also considered that Quoin's management has extensive experience in the successful development and commercialization of drug delivery products. When working for a different company, the team had been particularly successful in the development of a surgical implant to treat post-surgical pain and reduce opioid consumption in that setting. This experience is an extremely valuable asset from a clinical and regulatory perspective. The team has established relationships with leading key opinion leaders and contract research organizations in the space, had developed successful clinical protocols, knew what primary and secondary endpoints to target and had guided their product for their previous company through successful negotiations with the FDA from pre-IND through to end of Phase 2.

In addition, Quoin's founders had established relationships with leading pharmaceutical companies who have commercialized products in the space which it felt could be leveraged from a partnering perspective.

The Board considered that Opioids achieve roughly $6 billion of sales in the United States each year and result in the death of, by some estimates, over 100 people each day as a result of addiction. It is believed that one in fifteen people who become addicted to opioids are first exposed to them in a surgical setting. While there are several opioid sparing products commercialized and in development, the Skinvisible Board believes that the highly differentiated nature of Quoin's QRX001 product, and its potential to achieve broader use in a wider range of surgical procedures than those other products, coupled with the direct experience of Quoin's management team in the space, represented such a significant opportunity to Skinvisible and its shareholders.

The Board has unanimously (i) determined that the Merger Agreement, the Merger and the transactions contemplated by the Merger Agreement are acceptable and in the best interest of Skinvisible's shareholders, (ii) approved the Merger Agreement, the Merger and the transactions contemplated by the Merger Agreement, and (iii) recommended that

Skinvisible's shareholders vote to adopt and approve the Merger Agreement and the Merger.

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In addition, the Board considered the following challenges faced by Skinvisible as an independent company:

- Skinvisible has not been successful in generating revenues from its current operations both in its attempt to license its pharmaceutical products and with its launch three years ago of its wholly-owned subsidiary Kintari for which it accumulated significant debt;
- The lack of revenues and debt has impacted Skinvisible and caused Skinvisible to seek additional financing options which resulted in further dilution of Skinvisible and greatly impacted its ability to continue operations;
- Skinvisible made investments in its new subsidiary Kintari with the objective of increasing revenues by selling its own products, but this investment has not generated revenues sufficient to operate Skinvisible effectively;
- Skinvisible also attempted to license out all of its prescription products to a pharmaceutical company however the length of the sales cycle greatly impacted Skinvisible’s ability to complete such a transaction in a timely fashion; and
- The lack of funds necessary for further Skinvisible research and development has impacted Skinvisible. Skinvisible also has difficulties in raising capital in the public markets due to its financial position.

Factors Relating to the Specific Terms of Skinvisible’s Merger Agreement with Quoin:

The Merger will result in Skinvisible shareholders being diluted based on the Exchange Ratio, immediately prior to the Effective Time, to approximately 27.5% of the outstanding equity of Skinvisible immediately following the Effective Time and will be further modified when certain Skinvisible Third Party Indebtedness is converted into Skinvisible common stock plus the closing of the anticipated Private Placement. In the event that none of Skinvisible Third Party Indebtedness is converted it will result in a reduction in ownership from approximately 27.5% to approximately 10.64%. A further reduction in ownership will occur following the closing of the Private Placement. The extent of this reduction is not known as of yet as it depends on a valuation that will be determined by negotiation with potential investors. The Board agreed that based on the current financial status of Skinvisible and the potential for future increased value in the shares based on Quoin’s projected performance, that the Merger was a viable solution at the agreed upon Exchange Ratio.

The Merger does not provide for any cash payment to Skinvisible. Consideration consists solely of a minimum private placement funding of $10 million, which provides certainty of value to Skinvisible shareholders. Skinvisible engaged in extensive negotiation regarding the Exchange Ratio with Quoin and the conversion of Skinvisible’s indebtedness. The Merger and the Merger Agreement must be adopted and approved by a vote of a majority of Skinvisible’s outstanding shares of common stock.

In the course of reaching the determinations and decisions and making the recommendation described above, Skinvisible’s board of directors, in consultation with Skinvisible’s senior management and outside legal counsel considered the risks and potentially negative factors relating to the Merger Agreement, the Merger and the other transactions contemplated thereby, including the following material factors:

- the fact that the Merger and the Private Placement would result in a change in control of Skinvisible with Quoin shareholders holding a minimum of 72.5% (or approximately 89% if none of the outstanding Third Party Indebtedness is converted into common equity) of the outstanding shares of Skinvisible common stock following the Merger and the right to appoint the new Board of Directors;
- the risk that the potential benefits of the Merger and Quoin’s proposed clinical developments will not be realized or will not be realized within the expected time period;
- the risk that the Merger may result in Skinvisible assuming unknown liabilities;
- the risks associated with Quoin’s proposed clinical developments not being realized or not within the expected time period and therefore not having the ability to successfully implementing its business plan;
- the risks and contingencies relating to the announcement and pendency of the Merger and the risks and costs to Skinvisible if the closing of the Merger is not timely or if it does not close at all, may have an effect on the trading

price of Skinvisible common shares;

- the risk that the requirement as a provision of the Merger Agreement that Skinvisible conducts its business only in the ordinary course prior to the completion of the Merger, may delay or prevent Skinvisible from undertaking certain business opportunities that might arise pending completion of the Merger;

THE BOARD BELIEVES THAT, OVERALL, THE POTENTIAL BENEFITS TO SKINVISIBLE SHAREHOLDERS OF THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY OUTWEIGH THE RISKS AND UNCERTAINTIES. SKINVISIBLE'S BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT AND UNANIMOUSLY RECOMMENDS THAT SKINVISIBLE'S STOCKHOLDERS VOTE IN FAVOR OF ADOPTION AND APPROVAL OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER.

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THE MERGER AGREEMENT

The following is a brief summary of the material provisions of the Merger Agreement, a copy of which is attached as Annex A to this proxy statement/prospectus and is incorporated by reference into this summary. This summary may not contain all of the information about the Merger Agreement that is important to Skinvisible stockholders, and Skinvisible stockholders are encouraged to read the Merger Agreement carefully in its entirety. The legal rights and obligations of the parties are governed by the specific language of the Merger Agreement and not this summary.

The Merger

The Merger Agreement provides for the Merger of Merger Sub with and into Quoin. As a result of the Merger, Merger Sub will cease to exist, and Quoin will continue as the surviving corporation in the Merger. After the Merger, the surviving corporation will be a direct wholly owned subsidiary of Skinvisible, and the former Quoin stockholders will have a direct equity ownership and controlling interest in Skinvisible.

When the Merger Becomes Effective

Pursuant to the terms of the Merger Agreement, the Merger must have been consummated by the outside date of June 30, 2018, which may be extended by the parties, and the Merger will become effective at such time as a certificate of merger is duly filed with the Secretary of State of Delaware, unless a later date is specified therein.

Consideration to be Received Pursuant to the Merger

Each share of Quoin Common Stock shall be converted solely into the right to receive a number of shares of Skinvisible Common Stock equal to the exchange ratio (the “Merger Consideration”).

At the Effective Time, all outstanding shares of Quoin common stock will be converted solely into the right to receive a number of shares of Skinvisible common stock such that the holders of outstanding equity of Quoin immediately prior to the Effective Time, and prior to the Private Placement, will own approximately 72.5% of the outstanding equity of Skinvisible immediately following the Effective Time and holders of outstanding equity of Skinvisible immediately prior to the Effective Time, and prior to the Private Placement, will own approximately 27.5% of the outstanding equity of Skinvisible immediately following the Effective Time.

Further to the Merger Agreement, the “Exchange Ratio” will be modified if certain Skinvisible Third Party Indebtedness is not converted into Skinvisible common stock, as described above.

If none of the Third Party Indebtedness is converted into the Combined Company’s common stock immediately prior to the Effective Time, the percent ownership will be reduced from approximately 27.5% to approximately 10.64%.

Private Placement.

The Merger is condition upon Quoin executing a definitive agreement to effect the Private Placement, which is defined as a private placement of shares of the Combined Company’s common stock for an aggregate of at least $10 million of gross proceeds, to be received by Combined Company within five (5) days of the Effective Time of the Merger.

The price per share to be paid in the Private Placement will be determined by Quoin, its investment bank and the investors who participate in the private placement. Accordingly, there is no minimum or maximum price per share.

The net effect of the Private Placement will be to further reduce the percent ownership in the Combined Company of current Skinvisible shareholders.

The shares issued in the Private Placement will not change the Exchange Ratio, as the shares issued in the private placement will dilute both the existing Skinvisible shareholders as well as the shareholders of Quoin who receive shares in the Merger. Accordingly, the shares to be issued in the private placement will reduce significantly the relative voting power of each share of the Combined Company's common stock held by all of the Combined Company's stockholders. Consequently, the Combined Company's stockholders as a group will have significantly less influence over the management and policies of the Combined Company after the private placement than prior to the private placement.

Fractional Shares

No fractional shares of Quoin common stock will be issued by virtue of the Merger and any Skinvisible stockholder entitled under the Merger Agreement to receive a fractional share of Quoin common stock will be rounded up to the next whole share.

Representations and Warranties

The Merger Agreement contains customary representations and warranties of the parties. These include representations and warranties of Skinvisible and Merger Sub, subject to certain limitations, with respect to:

- Organization
- Capitalization
- Authority
- Non-Contravention; Consents
- SEC Filings; Financial Statements
- Absence of Changes
- Title to Assets
- Properties

- Intellectual Property
- Material Contracts
- Absence of Undisclosed Liabilities
- Compliance with Laws; Regulatory Compliance
- Taxes and Tax Returns
- Employee Benefit Programs
- Labor and Employment Matters
- Environmental Matters
- Insurance
- Books and Records
- Transactions with Affiliates
- Legal Proceedings; Orders
- Illegal Payments
- Inapplicability of Anti-takeover Statutes
- Vote Required
- No Financial Advisor
- Disclosure; Parent Information

The Merger Agreement also contains customary representations and warranties of Quoin, subject to certain limitations, with respect to:

- Organization
- Capitalization
- Authority
- Non-Contravention; Consents
- Material Contracts
- Limited Operations
- Vote Required
- No Financial Advisor
- Disclosure; Company Information

Additional Agreements

The Merger Agreement contains certain other agreements of the parties including, among other things, that:

- Skinvisible and Quoin shall cooperate in preparing and promptly cause to be filed with the SEC this proxy statement; Skinvisible and Quoin will consult with one another before issuing any public release or otherwise making any public statements about the Merger, and will not release any such public release (including public filings with the SEC) without prior consent of the other party (which consent shall not be unreasonably conditioned, withheld or delayed) subject to certain exceptions;
- Skinvisible and Quoin will promptly notify one another of the occurrence or non-occurrence of any event that, individually or in the aggregate, would make the timely satisfaction of certain conditions of the Merger Agreement (set forth below in "Merger Agreement — Conditions of the Merger") impossible or unlikely;

Certain Fees and Expenses

At or prior to closing of the Merger, each of Skinvisible and Quoin shall pay their respective fees and expenses incurred in connection with the Merger, provided that all third party expenses, including legal and accounting expenses, incurred in connection with the entry into the Merger Agreement, the preparation and audit of the financial statements of Skinvisible as may be necessary to consummate the transactions contemplated hereby and the Private Placement, the Skinvisible Stockholder Meeting, solicitation of proxies to approve the Skinvisible Stockholder Proposals, and the consummation of the transactions contemplated hereby, which shall not exceed $300,000 (the "Specified Expenses") will be paid by the Combined Company after the Closing.

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Debt Conversion Agreements

The Merger Agreement requires Skinvisible to use commercially reasonable efforts to enter into one or more agreements with certain creditors of Skinvisible to cause Skinvisible's indebtedness to such parties to be converted into the Combined Company's common stock immediately prior to the Effective Time (the "Debt Conversion Agreements"). If Skinvisible fails to execute Debt Conversion Agreements with respect to all such specified Skinvisible indebtedness prior to the date that is five days before the Closing Date, the Exchange Ratio will be revised to cause the percentage of the outstanding equity of the Combined Company immediately following the Effective Time (and prior to the equity to be issued in the Private Placement) to be held by holders of the outstanding equity of Skinvisible immediately prior to the Effective Time to be reduced from approximately 27.5% to a percentage equal to (i) 27.5% minus (ii) the product of (x) 0.000004 and (y) the amount of the remaining third party indebtedness.

For illustrative purposes, if the remaining Third Party Indebtedness equals $1,000,000, the percentage of the outstanding equity of Skinvisible immediately following the Effective Time (and prior to the equity to be issued in the Private Placement) to be held by holders of the outstanding equity of Skinvisible immediately prior to the Effective Time will be reduced from approximately 27.5% to approximately 23.5%.

If none of the Third Party Indebtedness is converted into the Combined Company's common stock immediately prior to the Effective Time, the Effective Time will be reduced from approximately 27.5% to approximately 10.64%.

Related Party Agreements

Skinvisible has entered into one or more agreements (the "Related Party Agreements") with certain officers of Skinvisible with respect to the indebtedness of Skinvisible (the "Related Party Indebtedness"). These Related Party Agreements provide that:

- In exchange for the immediate cancellation of $500,000 of the Related Party Indebtedness, Skinvisible transferred 100% of the shares in Ovation Science Inc. held by Skinvisible to these related parties;
- Within 180 days after the closing date all remaining Related Party Indebtedness is to be converted, at the sole election of the Combined Company, into cash or shares of the Combined Company's common stock which are not subject to any contractual restrictions or vesting requirements (or a combination cash and shares of the Combined Company's common stock). If the Combined Company elects to convert all or a portion of the remaining related indebtedness into shares of the Combined Company's common stock, such shares shall be valued using the 30 day average closing price of such shares on the OTCQB for the 30 day period prior to the date of conversion. If the conversion of any remaining related party indebtedness into shares of the Combined Company's common stock causes the related parties to have an obligation to pay taxes, the Combined Company is required to pay such taxes to the to the applicable governmental authority on behalf of the related parties.

Skinvisible has also negotiated and executed new employment agreements with Terry Howlett and Doreen McMorran and a consulting agreement to Dr. James Roszell.

Closing Conditions of the Merger

The obligations of the parties to consummate the transactions contemplated by the Merger Agreement are subject to the following conditions:

Conditions to Each Party's Obligations

Skinvisible's and Quoin's respective obligations to complete the Merger are subject to the satisfaction or waiver of various conditions, including the following:

- **No Restraints**. The absence of any federal, state, local or foreign statute, law, ordinance, rule, regulation, order, judgment, decree or legal requirement, or any injunction by any United States or state court or United States governmental body prohibiting, restraining or enjoining the completion of the Merger; and
- **Stockholder Approval**. Skinvisible stockholders having approved the merger proposal; and
- **Charter Amendment**. Skinvisible stockholders having approved the amendments to Skinvisible's Articles of Incorporation to effect the Reverse Split and Name Change.

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Conditions to Skinvisible's Obligations

Skinvisible's obligations to complete the Merger are also subject to various conditions, including the following:

- Quoin's representations and warranties in the Merger Agreement being true and correct to the extent set forth in the Merger Agreement;
- material compliance by Quoin with the covenants and obligations as to the extent set forth in the Merger Agreement;
- receipt of certificates executed by an officer of Quoin that the aforementioned conditions have been satisfied;
- the absence of any material adverse effect on Quoin; and
- a definitive agreement to effect a private placement of the Combined Company's common stock shall have been executed which provides that the Combined Company will receive an aggregate of at least $10,000,000 of gross proceeds within five (5) days of the Effective Time in exchange for the issuance of the Combined Company's common stock.

Conditions to Quoin's Obligations

Quoin's obligations to complete the Merger are also subject to various conditions, including the following:

- Skinvisible's representations and warranties in the Merger Agreement being true and correct to the extent set forth in the Merger Agreement;
- material compliance by Skinvisible with the covenants and obligations as to the extent set forth in the Merger Agreement;
- receipt of certificates executed by an officer of Skinvisible that the aforementioned conditions have been satisfied;
- the absence of any material adverse effect on Skinvisible;
- Skinvisible shall have entered into the Debt Conversion Agreements (as described above);
- and the Related Party Agreements (as described above) and such agreements shall remain in full force and effect and the total amount of Related Party Indebtedness (as defined above) immediately prior to the Effective Time, shall not exceed $2,800,000.

Termination

The Merger Agreement may be terminated at any time, but not later than the closing, as follows:

- by mutual written consent of Skinvisible and Quoin;
- by either Skinvisible and Quoin if the transactions contemplated by the Merger Agreement are not consummated on or before August 31, 2018, provided that the right to terminate will not be available to any party whose failure to fulfill any material obligation was the cause of or resulted in the failure of the transactions contemplated by the Merger Agreement to be consummated by such date;
- by either Skinvisible and Quoin if any governmental authority shall have enacted, issued, promulgated, enforced or entered any order, law, rule regulation, judgment, injunction, decree or ruling which has become final and nonappealable, and which permanently restrains, enjoins or otherwise prohibits the Merger;
- by either Skinvisible and Quoin if the other party has breached any of its covenants, agreements or representations and warranties (and has not cured its breach within 30 days of the giving of notice of such breach); or
- by either Skinvisible and Quoin if the Merger has not been approved at the Special Meeting (or any adjournment or postponement thereof) ; provided, however, that the right to terminate the Merger Agreement shall not be available to Skinvisible where the failure to obtain the required Skinvisible stockholder vote has been caused by the action or failure to act of Skinvisible and such action or failure to act constitutes a material breach by Skinvisible of the Merger Agreement.

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Expense Reimbursement

If the Merger Agreement is terminated by Skinvisible under certain circumstances, prior to such termination, Skinvisible has breached any of the non-solicitation covenants of Skinvisible, and Skinvisible enters into an agreement to consummate a "Acquisition Proposal" within six (6) months of the date of termination, then Skinvisible is required to reimburse Quoin for its total documented expenses incurred by in connection with the negotiation and execution of the Merger Agreement and the transactions contemplated thereby, up to a maximum of $300,000.

Effect of Termination

In the event of termination of the Merger Agreement prior to the Effective Time in accordance with the terms of the Merger Agreement, the Merger Agreement will become void, and there shall be no liability or further obligation on the part of Skinvisible and Quoin other than:

- the reimbursement of fees a described above under "Merger Agreement — Expense Reimbursement";
- the parties' mutual obligations with respect to confidentiality and public announcements, which survive termination, under the terms of the Merger Agreement; and
- liability arising out of fraud or material and intentional breach of any provision of the Merger Agreement.

No Solicitation of Other Offers by Skinvisible or Quoin

Under the terms of the Merger Agreement, Skinvisible and Quoin have each agreed that it and its officers and directors will not (and that it will use commercially reasonable efforts to ensure that its representatives will not) directly or indirectly initiate, solicit or knowingly encourage or facilitate any inquiries or the making of any acquisition proposal, or engage in any negotiations concerning, or provide access to its properties, books and records or any confidential information or data to, any person relating to, an acquisition proposal. Quoin is, however, permitted to pursue the Private Placement.

Required Vote

Adoption of the Merger requires the affirmative vote of a majority of the issued and outstanding shares of Skinvisible's common stock represented in person or by proxy at the meeting and entitled to vote thereon. Adoption of this proposal is not conditioned upon the adoption of any of the other proposals.

Recommendation of The Board of Directors

SKINVISIBLE'S BOARD RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE MERGER AGREEMENT.

Interests of Skinvisible's Directors and Officers in the Merger

In considering the recommendation of Skinvisible's Board to vote for the proposals presented at the special meeting, you should be aware that our executive officers and members of our Board have interests in the merger proposal that are different from, or in addition to, the interests of our shareholders generally. The members of our Board were aware of these differing interests and considered them, among other matters, in evaluating and negotiating the transaction agreements and in recommending to our shareholders that they vote in favor of the proposals presented at the special meeting. These interests include, among other things:

-

Terry Howlett and Doreen McMorran have entered into new 1 year employment agreements with the Combined Company, which employment agreements will become effect upon the closing of the Merger; and

- Terry Howlett and Doreen McMorran and certain other related parties have agreed to cancel $500,000 of Related Party Indebtedness, in exchange for 100% of the shares owned by Skinvisible in Ovation Science Inc. ("Ovation").

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THE LOCK-UP AGREEMENTS AND VOTING AGREEMENTS

In connection with their entry into the Merger Agreement, Dr. Michael Myers and Denise Carter, the stockholders and directors of Quoin, and Terry Howlett and Doreen McMorran, of Skinvisible, entered into lock-up agreements to satisfy the terms of the Merger Agreement. The form of lock-up agreement is attached as Annex B to this Proxy Statement. The lock-up agreements prohibit sales and certain other dispositions of shares of the Combined Company's common stock and certain other securities for a period of 180 days after the closing of the Merger. Terry Howlett and Doreen McMorran also executed voting agreements. The form of voting agreement is included as Annex C to this Proxy Statement. The voting agreements generally require Terry Howlett and Doreen McMorran to vote all of their respective shares of Skinvisible common stock in favor of the Merger proposal. As of the record date, Terry Howlett and Doreen McMorran collectively beneficially held shares of Skinvisible common stock, representing approximately [7%] of the outstanding shares of Skinvisible's common stock, all of which shares are either held of record by the said person as of the record date or over which he possesses voting rights and are therefore in either case subject to the voting agreements.

INFORMATION WITH RESPECT TO QUOIN

Overview

Following the Merger, the combined company intends to pursue commercialization of Quoin's two lead products. In addition, the combined company will continue to pursue commercial opportunities for products developed by Skinvisible prior to the merger. The combined company also intends to leverage Skinvisible's Invisicare technology as a potential delivery system for the Quoin products intended to be developments by the combined company.

Quoin Pharmaceuticals is a pre-clinical, specialty pharmaceutical company dedicated to developing products that help address major societal issues including the opioid epidemic and the military veteran suicide rate. Quoin's two lead products are different applications of a single NMDA receptor antagonist delivered transdermally. QRX001 is a single use transdermal patch designed to provide up to 72 hours of effective post-operative analgesia whilst significantly reducing opioid consumption. Quoin intends to apply for Breakthrough Therapy designation for QRX001. Quoin's second lead product, QRX002 is a once-daily transdermal for the treatment of military related PTSD with suicidal ideation. Quoin believes QRX002 could be the first product approved to treat this major unmet medical need and could be a candidate for both Orphan Drug and Breakthrough Therapy Status. Quoin's products are at a pre-clinical stage of development. Quoin has not initiated any formal clinical testing of its products nor has it held any discussions with the FDA or any other regulatory agency about these products.

Quoin initially approached the US Department of Veteran Affairs (VA) to discuss options for the clinical development of QRX002 as a potential treatment for military veteran suicides. Following a number of meetings and discussions, the VA expressed a keen interest in assisting with the clinical development of QRX002. Two of the VA's researchers into military veteran suicides have been appointed as Principal Investigators (PI's) for QRX002 for this indication. The proposed clinical program will be conducted at various VA facilities across the country under the supervision of the Principal Investigators. Quoin believes this arrangement will greatly increase the efficiency and cost effectiveness of the clinical program for QRX002. It is important to note that no formal agreement has been entered into between Quoin and the VA and while the PI's have expressed their interest and willingness to conduct clinical studies for QRX002, they are under no obligation to do so. In addition, the cost of these studies will be exclusively borne by Quoin with no financial assistance from the VA.

In addition, Quoin has two additional products that it plans to begin the development of for opioid addiction and chronic pain. Clinical testing for these products is also expected to be conducted at VA facilities, though the VA has no obligation to do so. Quoin expects to generate clinical data for QRX001 and QRX0002 within 12-18 months of the Effective date of the merger.

Quoin was co-founded by Dr. Michael Myers and Denise Carter both of whom have extensive experience in the pharmaceutical industry, particularly in the field of drug delivery. Dr. Myers and Ms. Carter, along with other members of the Quoin executive team have previously successfully developed and commercialized pharmaceutical products based on platform drug delivery technologies at previous companies they worked at. Furthermore, Dr. Myers and Ms. Carter have successfully raised over $150 million from private and public company investors for other companies and have established broad relationships within the pharmaceutical industry

Quoin’s proprietary platform polymer technology, PharmaDur, which it obtained through Quoin’s acquisition of Polytherapeutics, is ideal for the development for transdermal and topically delivered products. The PharmaDur technology provides for a controlled and extended duration of delivery of active drug molecules across the skin barrier in topical and transdermal formats. When used topically, the polymer technology dries quickly on the skin and remains in place for an extended period of time and will not rub off on contact with clothing or any other material and will withstand repeat washing. In transdermal preparations, the PharmaDur technology has the ability to control the rate at which the active drug ingredient penetrates the skin barrier to deliver therapeutically effective system blood levels thereby facilitating the development of products with an extended duration of action. While the original patents for the PharmaDur technology have expired, Quoin believes that the technology is protected by Trade Secrets and Know How particularly around the manufacturing and extraction process for the polymer itself. Quoin intends to explore new IP opportunities for the PharmaDur technology. Quoin does not own or license any other technologies or intellectual property nor does it have any material agreements with any other company.

Quoin acquired all of the equity interests in Polytherapeutics, Inc. on March 24, 2018 from Kishore Shah and Aruna Shah in exchange for a closing payment of $40,000 and the commitment to pay monthly payments of $20,833 over the period of July 31, 2018 through February 28, 2021 (an aggregate total of $666, 667) and royalties to the sellers. The terms of any royalty payments to the sellers are as follows: 4.0% of the net revenue of Royalty Products received by Quoin during the ten (10) year period commencing from the date of first sale of a Royalty Product. For the avoidance of doubt, Royalty Payments will only be due on Royalty Products that entered clinical development before March 31, 2021. ... If a generic product is introduced by a third party to the market, during the Royalty Period, the Royalty Fees shall be reduced from 4% to 2%. If, during the Royalty Period, two or more Generic Products are introduced, the Royalty Fees shall be reduced from 2% to 0%. "Generic Product" means any product approved by the FDA or another applicable domestic or foreign regulatory authority to be deemed generically equivalent to the Royalty Product irrespective of its formulation. This agreement may be terminated by Polytherapeutics if Quoin fails to make monthly or royalty payments and does not correct the breach within the agreed cure period.

Quoin's initial focus is on the development of products using its proprietary technology that could help address major societal challenges such as the opioid epidemic and the military veteran suicide crisis. It is estimated that there are greater than 110 opioid related deaths in the US every day and that over 1,000 people are treated every day for misuse of an opioid. Almost 7% of people who become addicted are first exposed to opioids in a surgical setting where they are prescribed these medicines to treat post-operative pain. Quoin believes that a product which can substantially reduce the use of opioids in a surgical setting could play a significant role in reducing the overall dependency on opioids in the US. QRX001, Quoin's first lead product, is a single use, transdermal NMDA receptor antagonist designed to provide up to 72 hours of effective post-operative analgesia whilst significantly reducing the consumption of opioids by patients. The NMDA receptor antagonist in QRX001 has been shown in multiple clinical studies to both significantly reduce post-operative and to reduce the amount of opioids consumed by patients. Quoin believes that QRX001, either by itself or as part of a multi-modal therapy, could provide a better option for surgeons to effectively treat post-surgical pain than competing products currently available or under development. Quoin also believes that the single use sub-anesthetic dose of the NMDA receptor antagonist in QRX001 substantially reduces the potential for abuse and so could be viewed favorably by the FDA and other regulatory agencies. Quoin is anticipating seeking approval for QRX001 in 2020 or 2021 following the successful conclusion of its clinical development program. Quoin intends to file for Breakthrough Therapy designation for QRX001 from the FDA, although Quoin has not engaged in any discussions with the FDA in connection therewith.

Quoin's second lead product, QRX002, also contains an NMDA receptor antagonist delivered transdermally. QRX002, is designed to be dosed once a day, every day over a defined period as a potential treatment for military related PTSD with suicidal ideation. There is a growing crisis in the country's military veteran population with over 20 suicides every day, primarily as a result of Post-Traumatic Stress Disorder or PTSD. As of now, there are no products approved to treat either PTSD or the PTSD sufferers who are suicidal. The NMDA receptor antagonist in QRX002 has been shown clinically to reduce suicidal ideation, even after a single dose. Unlike, standard anti-depressants, currently the only available treatment option, the molecule acts very quickly to positively impact suicidal ideation. However, the molecule is not orally bioavailable and is typically dosed either by infusion or nasally in a clinical setting. Quoin believes that a once-daily transdermal that delivers the dose in a controlled and regulated manner could be a more effective and user-friendly product option. Quoin hasengaged in discussion with the US Department of Veteran Affairs (VA) for the clinical development of QRX002. The VA has appointed two of its top researchers into military veteran suicides as Principal Investigators (PI's) for the clinical development of QRX002, which will be performed at various VA facilities throughout the US. Quoin believes that this partnership with the VA will greatly improve the efficiency and cost-effectiveness of the planned clinical program for QRX002. The cost of the clinical program will be borne exclusively by Quoin with no financial assistance from the VA. Furthermore, Quoin has not entered into any formal agreement with the VA and the VA is not obligated to participate in the clinical studies for QRX002 or any other Quoin product.

Quoin believes that QRX002 is a candidate for both Orphan Drug and Breakthrough Therapy designation from the FDA. If Breakthrough Therapy status is granted, Quoin believes that a single Phase 3 clinical study may be all that is required to obtain US regulatory approval, although Quoin has not engaged in any discussions with the FA therewith. Quoin anticipates seeking approval for QRX002 for the first indication of military related suicide in 2020 or 2021 upon successful completion of the clinical development program and Quoin believes that QRX002 could be the first product approved to treat this indication. In addition to suicidal ideation, Quoin is also planning to explore the clinical development of QRX002 for other indications such as PTSD and post-partum depression.

In addition to the above products, Quoin also plans to initiate the development of product candidates as potential treatments for opioid addiction and chronic pain, both of which represent large and commercially attractive opportunities. Quoin anticipates that work on these products may also be conducted under the auspices of Quoin's arrangement with the VA, though the VA is under no obligation to do so. Quoin will exclusively bear the costs of these clinical studies without any financial assistance from the VA.

The target indications and profiles for QRX001 and QRX002 were developed by Quoin's management team through extensive literature research and following in depth discussions with leading key opinion leaders, clinicians and regulatory experts. It became clear to Quoin's management following this research and those discussions that the NMDA receptor antagonist selected for both QRX001 and QRX002 was indeed the optimal candidate to achieve the target product indications of reduction of post-surgical pain for up to 72 hours and the significant reduction of suicidal ideation in military veterans who suffer from PTSD. It is Quoin management's belief that the ideal route of delivery for this particular molecule that would facilitate achieving those clinical targets is via transdermal delivery. The molecule is currently dosed by infusion or delivered nasally, neither of which Quoin believe are ideal for the defined target indications.

The decision to pursue the development of QRX001 and QRX002 as transdermal patches led Quoin to approach Polytherapeutics with an acquisition offer, which was ultimately executed. Polytherapeutics Pharmadur technology is a fully scaled up and commercialized proprietary platform polymer technology that is ideal for transdermal and topical delivery. The fact that the technology had been scaled up and commercialized was of particular importance to Quoin, as its management team knew from decades of experience that many promising early stage technologies fail at later stages due to scale up challenges such as highly complex manufacturing processes, very poor yields of usable product which can lead to uncompetitive COGS and other issues. With those issues out of the way, Quoin believed that it was in a unique position to combine a proven technology with a proven molecule using decades of direct experience to create highly differentiated products such as QRX001 and QRX002. It is Quoin's belief that the skill, knowledge and experience of its team will facilitate a lower risker and faster development timeline for its products than might be the case otherwise.

As of now, Quoin has not initiated any formal clinical testing for QRX001 and QRX002 nor has it filed any IND's or held discussions with the FDA. The company is planning to initiate Phase 1 testing in health volunteers in Australia this year once funds from the private placement have been secured. Australia is a well-established venue for Phase 1 testing due to its favorable regulatory climate and attractive tax rebates. Quoin plans to file IND's for both QRX001 and QRX002 once Phase 1 data is available. These IND's will contain details of the proposed Phase 2 clinical programs for both products. Given Quoin's background in post-surgical pain and its established relationships with leading KOLs, its management team will play a leading role in the drafting of the clinical protocols and the definition of the primary and secondary endpoints for QRX001. For QRX002, however, Quoin felt that the most efficient and low risk approach for the clinical development of the product would be through the participation of the US Department of Veterans Affairs (VA). With over 20 veterans committing suicide every day and no approved treatments available, the VA responded very favorably to Quoin's initial outreach. Following a series of meetings and discussions, Dr. Perry Renshaw and Dr. Deborah Yurgelun-Todd, from the VA MIREC center in Salt Lake City, were identified as the best clinical researchers into veteran suicides and they agreed to become Principal Investigators (PIs) for the clinical program. They in turn will recruit other VA researchers to become investigators at different VA clinical facilities across the country. To help speed up the process, Quoin is working closely with representatives from

NAVREV who are providing resources to navigate Confidentiality Agreements, Independent Review Board approvals and other necessary requirements that need to be formalized for companies who wish to engage with the VA. This broad support is a reflection, Quoin believes, of the potential value that QRX002 could bring to military veterans, a value which has been recognized by the VA. Quoin has not entered into any formal agreement with the VA nor is the VA or the Principal Investogators obligated to participate in any studies.

It is intended that Phase 2 and Phase 3 testing for QRX002 will be conducted by VA researchers at VA facilities across the country under the direct supervision of Dr. Renshaw and Dr. Yurgelun-Todd. Quoin plans to fund the Phase 2 testing out of the proceeds of the private placement that it is pursuing in conjunction with the Skinvisible merger. Working closely with the VA in this manner will provide for a far more efficient and cost-effective clinical development program than if Quoin were to attempt to do so outside the auspices of an arrangement with the VA

Principal Stockholders of Quoin

The principal stockholders of Quoin are its co-founders, Dr. Michael Myers and Ms. Denise Carter, each of whom hold a 50% share of Quoin.

Assets and Liabilities of Quoin

As indicated below in Quoin’s financial statements, Quoin currently has limited assets beyond the equity in the Polytherapeutics subsidiary and access to the Polytherapeutics technology. Quoin intends to utilize the existing assets of Skinvisible, the Polytherapeutics technology and the proceeds from the Private Placement to rapidly pursue the strategy outlined above.

Quoin has entered into employment agreements with Dr. Michael Myers and Ms. Denise Carter. Pursuant to these employment agreements, Quoin has agreed to reimburse Dr. Michael Myers and Ms. Denise Carter for all expenses incurred by them in founding Quoin, acquiring the Polytherapeutics technology and pursuing the Merger with Skinvisible.

The current total amount to be reimbursed is 941,887 to Dr. Michael Myers and $970,981 to Ms. Denise Carter.

Quoin does not expect to reimburse these amounts until it has obtained sufficient funds from private placements and partnership agreements.

QUOIN MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of Quoin's financial condition and results of operations together with the section entitled "Selected Historical and Unaudited Pro Forma Condensed Combined Financial Data — Selected Historical Financial Data of Quoin" and Quoin's consolidated financial statements and related notes included elsewhere in this proxy statement/information statement. This discussion and other parts of this proxy statement/information statement contain forward-looking statements that involve risks and uncertainties, such as its plans, objectives, expectations, intentions and beliefs. Quoin's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section entitled "Risk Factors Related to Quoin" included elsewhere in this proxy statement/information statement.

Company Overview

Quoin Pharmaceuticals was established in October 2016 as a development stage specialty pharmaceutical company. To date, Quoin has not commercialized any products and has not generated any revenue. The majority of Quoin's operating expenses thus far have been associated with the establishing the corporation, completing due diligence on various technologies, acquiring Polytherapeutics, negotiating and finalizing the merger agreement with Skinvisible, and building its pipeline products. Quoin has been funded privately by its' founders. Estimated outstanding payables and expenses accrued and owed include $941,887 to Dr. Myers and $970,981 to Ms. Carter. Quoin also has outstanding legal fees payable to Dentons of $[375,000].

Quoin does not own or lease any real property. Quoin has not been involved in any legal proceedings.

Recent Developments

Quoin Pharmaceuticals, Inc. was incorporated as a Delaware corporation on March 5, 2018. On March 5, 2018, Quoin issued 50 shares to each of Dr. Myers and Ms. Carter for a nominal purchase price of $1.00 per share.

Quoin acquired all of the equity interests in Polytherapeutics, Inc. on March 24, 2018 from Kishore Shah and Aruna Shah in exchange for a closing payment of $40,000 and the commitment to pay monthly payments of $20,833 over the period of July 31, 2018 through February 28, 2021 (an aggregate total of $666, 667) and royalties to the sellers.

On March 26, 2018 Quoin entered into the Merger Agreement with Skinvisible and Merger Sub, pursuant to which, among other things, subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, that a wholly owned subsidiary of Merger Sub will merge with and into Quoin, with Quoin becoming a wholly-owned subsidiary of Skinvisible and the surviving corporation of the merger, to be renamed Quoin Pharmaceuticals, Inc. At the closing of the Merger, each outstanding share of Quoin's common stock will be converted into the right to receive a number of shares of common stock of Skinvisible such that immediately following the effective time of the Merger, Quoin's equity holders are expected to own approximately 72.5% of the outstanding capital stock of the combined company, with Skinvisible's preexisting equity holders expected to own approximately 27.5%. This Exchange Ratio is subject to adjustment as described above.

In conjunction with the Merger, Quoin intends to pursue a capital raise of $15 million and has engaged Northland Securities as its investment bank for the raise.

The Merger is condition upon Quoin executing a definitive agreement to effect a private placement of shares of the Combined Company's common stock for an aggregate of at least $10 million of gross proceeds, to be

received by the Combined Company within five (5) days of the Effective Time of the Merger, which we refer to as the "Private Placement."

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements. The preparation of these financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires us to (i) make judgments, assumptions and estimates that affect the reported amounts of assets, liabilities, revenue and expenses; and (ii) disclose contingent assets and liabilities. A critical accounting estimate is an assumption that could have a material effect on our consolidated financial statements if another, also reasonable, amount were used or a change in the estimates is reasonably likely from period to period. We base our accounting estimates on historical experience and other factors that we consider reasonable under the circumstances. However, actual results may differ from these estimates. To the extent there are material differences between our estimates and the actual results, our future financial condition and results of operations will be affected.

Liquidity and Capital Resources

Sources of Liquidity

Quoin has been funded privately by its' founders. Estimated outstanding payables and expenses accrued and owed include $941,887 to Dr. Myers and $970,981 to Ms. Carter. Quoin also has outstanding legal fees payable to Dentons of $[375,000].

As of March 31, 2018 and March 31, 2017, Quoin had no cash. Quoin expects to incur substantial expenditures in the foreseeable future for the development and clinical trials of its QRX001 and QRX002 product candidates. Quoin will need to complete the Private Placement and will require additional financing to develop its product candidates and fund operations for the foreseeable future. Quoin will continue to seek funds through debt or equity financings, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements, or other sources of financing. If Quoin is unable to raise additional funds when needed its ability to develop its product candidates may be impaired. Quoin may also be required to delay, reduce, or terminate some or all of its development programs and clinical trials.

Financing Activities

Quoin has been funded privately by its' founders.

Future Funding Requirements

Quoin has not generated any revenue from product sales or any other activities. Quoin does not expect to generate significant revenue unless and until it obtains regulatory approval of and commercializes any of its product candidates and does not know when, or if, this will occur. In addition, Quoin expects its expenses to significantly increase in connection with its ongoing development activities, particularly as it continues the research, development and clinical trials of, and seeks regulatory approval for, its product candidates. In addition, subject to obtaining regulatory approval of its product candidates, Quoin expects to incur significant commercialization expenses for product sales, marketing, manufacturing and distribution. Quoin anticipates that it will need substantial additional funding in connection with its continuing operations.

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Contractual Obligations and Commitments

As of March 31, 2018, estimated outstanding payables and expenses accrued and owed include $941,887 to Dr. Myers and $970,981 to Ms. Carter. Quoin also has outstanding legal fees payable to Dentons of $[375,000].

Quoin has employment agreements with certain executives of Quoin, which Quoin refers to as the Executive Agreements. Under the terms of the Executive Agreements, Quoin has agreed to pay the executives salary and bonus payments and to reimburse these executive for the funds expended in connection with the formation of Quoin.

Quoin acquired all of the equity interests in Polytherapeutics, Inc. on March 24, 2018 from Kishore Shah and Aruna Shah in exchange for a closing payment of $40,000 and the commitment to pay monthly payments of $20,833 over the period of July 31, 2018 through February 28, 2021 (an aggregate total of $666, 667) and royalties to the sellers.

Off-Balance Sheet Arrangements

As of March 31, 2018, Quoin had no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K as promulgated by the SEC.

Quantitative and Qualitative Disclosures About Market Risk

Quoin is not exposed to any hedging, currency or market rate risks.

Market Price and Dividends

Quoin has never declared or paid any dividends.

Quoin has issued 50 nominal shares to each of Dr. Myers and Ms. Carter for a purchase price of $1.00 per share in connection with its incorporation on March 5, 2018.

PRINCIPAL STOCKHOLDERS OF QUOIN

The following table and the related notes present information on the beneficial ownership of shares of Quoin's capital stock as of May 6, 2018 held by:

- each director of Quoin;
- each executive officer of Quoin;
- all of Quoin's current directors and executive officers as a group; and
- each stockholder known by Quoin to beneficially own more than five percent of its common stock on an as converted basis.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Shares of common stock that may be acquired by an individual or group within 60 days of May 6, 2018, pursuant to the exercise of options or warrants, are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

Except as indicated in footnotes to this table, Quoin believes that the stockholders named in this table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them, based on information provided to Quoin by such stockholders. Unless otherwise indicated, the address for each stockholder listed is: c/o Quoin Pharmaceuticals, Inc., 42127 Pleasant Forest Court, Ashburn, VA 20148.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Outstanding
Principal Stockholders:		
Dr. Michael Myers	50	50%
Denise Carter	50	50%
Directors and Named Executive Officers:		
Dr. Michael Myers	50	50%
Denise Carter	50	50%
All directors and executive officers as a group (2 persons)	100	100%

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MANAGEMENT FOLLOWING THE MERGER

Executive Officers and Directors of the Combined Company Following the Merger

The board of directors of Skinvisible (the "Skinvisible Board") is currently composed of two directors. Pursuant to the Merger Agreement, all of the directors of Skinvisible will resign at or prior to the Effective Time of the Merger. As of the Effective Time of the Merger, the board of directors is expected to consist of six members, including Dr. Michael Myers and Denise Carter, who are currently directors and officers of Quoin, Peter Lankau and Dr. Dennis Langer. Mr. Lankau and Dr. Langer are experienced pharmaceutical executives who sit on the boards of other private and publicly traded companies. Within a few months after the completion of the Merger, Quoin intends to appoint two additional directors with extensive pharmaceutical industry experience to the Combined Company's board of directors.

Terry Howlett is married to Doreen McMorran. There are no other family relationships among any of the current Skinvisible directors and executive officers, and there are no other family relationships among any of the proposed post-merger company directors and executive officers.

Following the Merger, the management team of Skinvisible is expected to be composed of the management team of Quoin. The following table lists the names, ages as of April 30, 2018 and positions of the individuals who are expected to serve as executive officers and directors of Skinvisible upon completion of the Merger:

Name	**Age**	**Position(s)**
Dr. Michael Myers	56	Chief Executive Officer and Director
Denise Carter	49	Chief Operating Officer and Director
Terry H. Howlett	70	General Manager - Legacy Products
Doreen McMorran	55	Manager, Marketing – Legacy Products

Directors and Executive Officers

Dr. Michael Myers, *Chief Executive Officer and Director*. Dr. Myers has more than 30 years of industry experience in the drug delivery and specialty pharmaceutical sectors. He has served CEO of Innocoll, Inc. and was responsible for taking that company public in 2014. He has also served as president of the drug delivery division of West Pharmaceutical Services, president of pharmaceutical operations for Fuisz Technologies (Biovail) and has held executive positions in Flamel Technologies and Elan Corporation. Dr. Myers earned his Ph.D. in Chemistry from the University College Cork. Dr. Myers serves on the Board of Directors of Wellesley Pharmaceuticals, Venkor Pharmaceuticals and Sonoran Biosciences.

Denise Carter. *Chief Operating Officer and Director.* Ms. Denise Carter has over 27 years of experience in the drug delivery and specialty pharmaceutical industries. Prior to Quoin, Ms. Carter was executive vice president of business development and corporate affairs at Innocoll, Inc., vice president of business development of the drug delivery division of West Pharmaceuticals, and she has held executive positions at Eurand and Fuisz Technologies (Biovail.) Ms. Carter earned her B.S in Chemistry from the College of William and Mary.

Terry H. Howlett, *General Manager - Legacy Products*. Mr. Terry H. Howlett, has served as the President, Chief Executive Officer and Director of Skinvisible since March 5, 1998. Mr. Howlett has a diversified background in market initialization and development, sales and venture capital financing for emerging growth companies. For the ten years prior to becoming President of Skinvisible, Mr. Howlett was the President and CEO of Voice-it Solutions, Inc., a publicly traded company on the Vancouver Stock exchange that made voice response software for order entry systems.

Doreen McMorran, *Manager, Marketing – Legacy Products*. Doreen McMorran, is currently the head of Business Development for Skinvisible. Ms. McMorran brings to Skinvisible almost 20 years of experience in the medical and pharmaceutical industry, specifically in the areas of strategic planning, sales and marketing. She has spent a number of years selling to international dermatology and skincare focused companies like Procter and Gamble, Johnson & Johnson, Stiefel, Galderma, Novartis and Graceway, to name a few. Ms. McMorran, who holds a Bachelor of Commerce (Honors) degree, and spent six years in the pharmaceutical industry with Astra Pharma. Additionally she has held senior management level positions with a number of healthcare companies, focusing on business development, sales, marketing and operations.

Dennis H. Langer, *Director*. Dr. Langer is a Director of Myriad Genetics, Inc., Dicerna Pharmaceuticals, Inc., Pernix Therapeutics Holdings, Inc., and several private health care companies. He has served as a Director of several public and private biotechnology, specialty pharmaceutical and diagnostic companies, including Sirna Therapeutics, Inc. (acquired by Merck & Co., Inc.), Ception Therapeutics, Inc. (acquired by Cephalon, Inc.), Transkaryotic Therapies, Inc. (acquired by Shire plc), Pharmacopeia, Inc. (acquired by Ligand, Inc.), Cytogen Corporation (acquired by EUSA Pharma, Inc.) and Delcath Systems, Inc. He was a Managing Partner at Phoenix IP Ventures, LLC from 2005-2010. From 2004-2005, he was President, North America for Dr. Reddy's Laboratories, Inc. Dr. Langer was with GlaxoSmithKline from 1994-2004, where he served as Senior Vice President, Project, Portfolio and Alliance Management, Senior Vice President, Product Development Strategy, and Senior Vice President, Healthcare Services R&D. He also served as President and CEO at Neose Technologies, Inc. from 1991-1994. Previously, Dr. Langer held R&D and marketing positions at Eli Lilly, Abbott, and Searle. Dr. Langer is a Clinical Professor in the Department of Psychiatry at Georgetown University School of Medicine. He was Chief Resident in Psychiatry at Yale University School of Medicine and held clinical fellowships at Harvard Medical School and the National Institutes of Health. Dr. Langer serves on the Dean's Advisory Board of Harvard Law School. He received an M.D. from Georgetown University School of Medicine, a J.D. (cum laude) from Harvard Law School, and a BA. in Biology from Columbia University.

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Peter Lankau, *Director*. Mr. Lankau is an experienced biopharmaceutical executive with over 30 years of management experience in developing and commercializing pharmaceutical products. Mr. Lankau was the President and Chief Executive Officer of Endo Pharmaceuticals Inc., and previously served as the company's President and Chief Operating Officer and as Senior Vice President, US Commercial Business. He was also a member of its Boards of Directors. Prior to Endo, Mr. Lankau was Vice President, Sales and Marketing for Alpharma, Inc. and Vice President, Sales-US Pharmaceuticals for Rhone-Poulenc Rorer, Inc (now Sanofi). Mr. Lankau is currently a member of the Board of Directors for Cipla Limited and for InvaGen Pharmacueticals, Inc. He also currently serves on the Board of Advisors of Orchard Venture Partners, a life sciences venture capital firm. He has previously served as a member of the Board of Directors, and was formerly Chairman of the Board, for Phosphagenics Limited, and as a member of the Board of Directors for ANI Pharmaceuticals. He also previously served as Executive Chairman of the Board for Nautilus Neurosciences, Inc., and Chairman and CEO of Logical Therapeutics, Inc.

EXECUTIVE COMPENSATION OF QUOIN'S NAMED EXECUTIVE OFFICERS

This section discusses the material components of the executive compensation program offered to Quoin's named executive officers identified below.

2017 Summary Compensation Table

The following table provides information regarding Quoin's named executive officers during the fiscal year ended December 31, 2017.

Name and Principal Position	Year	Salary	Bonus	**Option Awards**[(1)]	Total (1)
Dr. Michael Myers *Chief Executive Officer*	2017	$0	$ 0	$ 0	$ 0
Ms. Denise Carter *Chief Operating Officer*	2017	$0 [(2)]	$ 0	$ 0	$ 0

(1) As Quoin has been funded privately by its' founders, it has not paid any salary or other compensation to date; however, Quoin has entered into employment agreements with Dr. Michael Myers and Ms. Denise Carter pursuant to which Quoin has agreed to reimburse Dr. Michael Myers and Ms. Denise Carter for all expenses incurred by them in founding Quoin, acquiring the Polytherapeutics technology and pursuing the Merger with Skinvisible. Estimated outstanding payables and expenses accrued and owed include $941,887 to Dr. Myers and $970,981 to Ms. Carter.

Narrative Disclosure to Summary Compensation Table

As Quoin has been funded privately by its' founders, it has not paid any salary or other compensation to date; however, Quoin has entered into employment agreements with Dr. Michael Myers and Ms. Denise Carter pursuant to which Quoin has agreed to reimburse Dr. Michael Myers and Ms. Denise Carter for all expenses incurred by them in founding Quoin, acquiring the Polytherapeutics technology and pursuing the Merger with Skinvisible. Estimated outstanding payables and expenses accrued and owed include $941,887 to Dr. Myers and $970,981 to Ms. Carter.

Base Salary

While Quoin paid no base salary to its named executive officers in 2017, Quoin has entered into employment agreements with Dr. Michael Myers and Ms. Denise Carter which cover an effective time period of January 1, 2017 through the date of termination. Pursuant to the employment agreement with Dr. Michael Myers, Dr. Myers is entitled to receive a base salary of $500,000 during the term. Pursuant to the employment agreement with Ms. Denise Carter, Ms. Carter is entitled to receive a base salary of $400,000 during the term.

Bonus

The Quoin Board may, in its discretion, award bonuses to its executive officers on a case-by-case basis. No bonus was paid in 2017. In addition, as described under the heading "Employment and Severance Agreements," each of the named executive officers is eligible under the terms of their respective employment agreements to receive an annual bonus amount based on Quoin's achievement of certain milestones, with a minimum bonus of thirty percent (30%) of base salary.

Health, Welfare and Additional Benefits

Each of Quoin's named executive officers is eligible to participate in Quoin's employee benefit plans and programs, including medical, dental and vision benefits, to the same extent as its other full-time employees, subject to the terms and eligibility requirements of those plans.

Quoin has not yet established any such plans and each of Quoin's named executive officers is responsible to pay for their own healthcare and Quoin has agreed to reimburse Quoin's named executive officers for all amounts paid for healthcare.

Although Quoin does not have a formal policy with respect to the grant of equity incentive awards to its executive officers or any formal equity ownership guidelines applicable to them, Quoin believes that equity grants provide its executives with a strong link to Quoin's long-term performance, create an ownership culture and help to align the interests of Quoin's executives and its stockholders.

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2017 Outstanding Equity Awards at Year-End

The following table presents the outstanding equity awards held by Quoin's named executive officers as of December 31, 2017.

Name	Option Awards Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise price	Option Expiration date
Dr. Michael Myers	0	0	$ N/A	N/A
Ms. Denise Carter	0	0	$ N/A	N/A

Employment and Severance Agreements

Quoin has entered into employment agreements with each of its named executive officers described below, and standard confidential information and/or inventions assignment agreements, under which each of its named executive officers has agreed not to disclose Quoin's confidential information. Each agreement is for an initial term beginning on January 1, 2017 and ending on the date of termination.

Pursuant to these employment agreements, each executive has agreed that, until such time as Quoin has sufficient funds to pay base salary and benefits, all base salary, office allowance and automobile allowance will accrue monthly.

Dr. Michael Myers

Quoin in entered into an executive employment agreement with Dr. Michael Myers in March of 2018.

Dr. Myers is entitled to an annual base salary of $500,000. The agreement also provides that Dr. Myers is entitled to receive an automobile allowance of $1,500 per month and a monthly office allowance of $2,500.

Dr. Myers is eligible under the terms of his employment agreement to receive an annual bonus amounts based on Quoin's achievement of certain milestones, with a minimum bonus of thirty percent (30%) of base salary.

Pursuant to his employment agreement, Mr. Myers has agreed that, until such time as Quoin has sufficient funds to pay base salary and benefits, all base salary, office allowance and automobile allowance will accrue monthly.

Denise Carter

Quoin in entered into an executive employment agreement with Ms. Denise Carter in March of 2018.

Ms. Carter is entitled to an annual base salary of $400,000. The agreement also provides that Ms. Carter is entitled to receive an automobile allowance of $1,500 per month and a monthly office allowance of $2,500.

Ms. Carter is entitled to be fully reimbursed for all expenses and fees associated with the Executive MBA program at Wharton for which she is currently enrolled, including those incurred to date and all future expense incurred through the completion of the program.

Ms. Carter is eligible under the terms of her employment agreement to receive an annual bonus amounts based on Quoin's achievement of certain milestones, with a minimum bonus of thirty percent (30%) of base salary.

Pursuant to her employment agreement, Ms. Carter has agreed that, until such time as Quoin has sufficient funds to pay base salary and benefits, all base salary, office allowance and automobile allowance will accrue monthly.

Terry Howlett

Skinvisible entered into an executive employment agreement with Mr. Terry Howlett in March of 2018, which will become an obligation of the Combined Company after the closing.

Mr. Howlett is entitled to an annual base salary of $180,000. The agreement also provides that Mr. Howlett is entitled to receive automobile reimbursement and a monthly living expense allowance of $2,000.

Doreen McMorran

Skinvisible entered into an executive employment agreement with Ms. Doreen McMorran in March of 2018, which will become an obligation of the Combined Company after the closing.

Ms. McMorran is entitled to an annual base salary of $140,000. The agreement also provides that Ms. McMorran is entitled to receive an automobile allowance of $500 per month.

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Potential Payments Upon Termination of Employment or Change in Control

Pursuant to the terms of the executive employment agreement with Dr. Myers, upon termination of the agreement if Quoin does not renew the agreement for a reason unrelated to “cause” (as defined in the agreement), by Dr. Myers for “good reason” (as defined in the agreement”), or by Quoin for reasons other than “cause” (as defined in the agreements), death, or disability, liquidation or dissolution of Quoin, then, subject to Dr. Myers timely signing and not revoking a separation agreement and release of claims agreement, Dr. Myers would be entitled to receive:

- base salary for two (2) years and two times the current years’ bonus (at its minimum target of 30% of base salary) for the current year, payable over one-year on a semi-monthly basis in accordance with Quoin’s normal payroll practices subject to withholdings and deductions.

Pursuant to the terms of the executive employment agreement with Ms. Carter, upon termination of the agreement if Quoin does not renew the agreement for a reason unrelated to “cause” (as defined in the agreement), by Ms. Carter for “good reason” (as defined in the agreement”), or by Quoin for reasons other than “cause” (as defined in the agreements), death, or disability, liquidation or dissolution of Quoin, then, subject to Ms. Carter timely signing and not revoking a separation agreement and release of claims agreement, Ms. Carter would be entitled to receive:

- base salary for two (2) years and two times the current years’ bonus (at its minimum target of 30% of base salary) for the current year, payable over one-year on a semi-monthly basis in accordance with Quoin’s normal payroll practices subject to withholdings and deductions.

Pursuant to the terms of the executive employment agreement with Mr. Howlett, upon termination of the agreement other than for “cause” (as defined in the agreement), Mr. Howlett would be entitled to receive:

- $360,000, payable over one-year on monthly basis in accordance with normal payroll practices subject to withholdings and deductions.

Pursuant to the terms of the executive employment agreement with Ms. McMorran, upon termination of the agreement other than for “cause” (as defined in the agreement), Ms. McMorran would be entitled to receive:

- $140,000, payable over six-months on monthly basis in accordance with normal payroll practices subject to withholdings and deductions.

Indemnification of Officers and Directors

Effective upon the consummation of the Merger, Quoin will have entered into agreements to indemnify its directors, executive officers and other employees as determined by the board of directors. With specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys’ fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. Quoin believes that the provisions in its Bylaws and indemnification agreements described above are necessary to attract and retain talented and experienced officers and directors.

Compensation of Directors, Executive Officers and Key Employees

For information regarding the compensation of Quoin’s directors and executive officers, please see the section entitled “Management Following the Merger — Director Compensation” in this proxy statement/information statement.

RELATED PARTY TRANSACTIONS

Described below are transactions occurring since January 1, 2016, and any currently proposed transactions to which Quoin was a party and in which:

- The amounts involved exceeded or will exceed $120,000; and

- A director, executive officer, holder of more than 5% of the outstanding capital stock of Quoin, or any member of such person's immediate family had or will have a direct or indirect material interest, other than compensation, termination and change of control arrangements that are described under the section titled "Executive Compensation" in this proxy statement/information statement.

Quoin has entered into employment agreements with Dr. Michael Myers and Ms. Denise Carter pursuant to which Quoin has agreed to reimburse Dr. Michael Myers and Ms. Denise Carter for all expenses incurred by them in founding Quoin, acquiring the Polytherapeutics technology and pursuing the Merger with Skinvisible. Estimated outstanding payables and expenses accrued and owed include $941,887 to Dr. Myers and $970,981 to Ms. Carter.

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EXECUTIVE COMPENSATION OF SKINVISIBLE'S NAMED EXECUTIVE OFFICERS

Compensation Discussion and Analysis

Currently, the objective of the cash compensation paid by Skinvisible is to provide fair reimbursement for the time spent by our executive officer and independent directors to the extent feasible within the financial constraints faced by our developing business. The stock options granted to our executive officer and to our independent directors are intended to provide these individuals with incentives to pursue the growth and development of the company's operations and business opportunities. Although the options awarded to our executive and directors are typically exercisable immediately, they also remain valid and exercisable for terms of several years. We believe this provides the proper balance of short-term and long-term incentives to increase the value of the company. Although an immediate increase in share price following the issuance of the options would obviously result in a profit if those options were exercised, the longer exercisable period of the options also provides an incentive to increase value over the long term and gives our executive officer and directors the opportunity to realize gains based on the sustained growth of our operations and revenues.

In addition, our sole executive officer holds substantial ownership in the company and is generally motivated by a strong entrepreneurial interest in expanding our operations and revenue base to the best of his ability.

Summary Compensation Table

The table below summarizes all compensation awarded to, earned by, or paid to our former or current executive officers for the fiscal years ended December 31, 2017 and 2016.

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Terry Howlett	2017	180,000	-	-	-	-	-	-	180,000(1)
CEO & CFO	2016	180,000	-	-	40,623	-	-	-	220,623(2)

(1) Due to financial constraints, however, the total paid to Mr. Howlett during the fiscal year ended December 31, 2017 was $2,800.

(2) Due to financial constraints, however, the total salary paid to Mr. Howlett during the fiscal year ended December 31, 2016 was $2,740.

Narrative Disclosure to the Summary Compensation Table

We granted Mr. Howlett the right to convert his accrued compensation of $90,000 as of December 31, 2017 into our common stock at $0.02 per share at any time until 2022. If exercised, we also agreed to issue a three year warrant to Mr. Howlett to purchase an aggregate amount of 2,250,000 shares of common shares at a strike price of $0.03 per share.

We granted Mr. Howlett the right to convert his accrued compensation of $197,260 as of December 31, 2016 into our common stock at prices ranging from $0.01 to $0.02 per share at any time until 2021. If exercised, we also agreed to issue a three year warrant to Mr. Howlett to purchase an aggregate amount of 7,401,000 shares of common shares at a strike price of $0.02 per share.

Outstanding Equity Awards at Fiscal Year-End

The table below summarizes all unexercised options, stock that has not vested, and equity incentive plan awards for each named executive officer as of December 31, 2017.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END
OPTION 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 ($)(1)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)
Terry Howlett	1,000,000	-	-	0.04	10/19/2018(2)	-	-	-	-

1,000,000	-	-	0.04	1/20/2019(3)	-	-	-	-
1,000,000	-	-	0.05	12/7/2019(4)	-	-	-	-
400,000	-	-	0.04	1/31/2018(5)	-	-	-	-
1,700,000	-	-	0.02	2/10/2021	-	-	-	-

(1) On April 21, 2009, we modified the exercise price on all of our outstanding options issued prior to March 31, 2009 to $0.04 per share, which included all options issued to Mr. Howlett aside from the option issued on December 7, 2009 of 1,000,000 shares at $0.08 per share and the option issued on November 15, 2010 at $0.06 per share. On October 17, 2014, we modified the exercise price to $0.05 per share on the option issued on December 7, 2009 of 1,000,000 shares. Aside from this modification, during the last fiscal year there was not any outstanding option re-priced or otherwise modified. There was no tandem feature, reload feature, or tax-reimbursement feature associated with any of the stock options we granted to our executive officers or otherwise.

(2) On January 19, 2014, our Board of Directors approved to extend the expiration date 5 years.

(3) On January 19, 2014, our Board of Directors approved to extend the expiration date 5 years.

(4) On October 17, 2014, our Board of Directors approved to extend the expiration date 5 years.

(5) On January 31, 2013, our Board of Directors approved to extend the expiration date 5 years

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Director Compensation

The table below summarizes all compensation of our directors as of December 31, 2017.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Greg McCartney Former Director	4,800	-	-	-	-	-	$4,800
David St. James	2,000	-	$35,497	-	-	-	$37,497

Narrative Disclosure to the Director Compensation Table

All the fees earned or paid in cash and stock options awards granted to Terry Howlett were earned in connection with his service as an executive officer. Mr. Howlett received no compensation for his service as a member of our board of directors.

On September 22, 2017, we granted an option to purchase 100,000 shares of our common stock to Mr. St. James. The options have a strike price of $0.035. The stock options were exercisable upon grant and have a life of 5 years. The stock options were valued at $35,497 using the Black-Scholes option pricing model.

Certain Relationships and Related Transactions, and Director Independence

Aside from that which follows and in “Executive Compensation,” none of our directors or executive officers, nor any proposed nominee for election as a director, nor any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to all of our outstanding shares, nor any members of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons has any material interest, direct or indirect, in any transaction for the last two fiscal years or in any presently proposed transaction which, in either case, has or will materially affect us.

During the years ended 2017, Terry Howlett and Doreen McMorran advanced $4,749 to support the daily operations of the company. The advance is due on demand and bears no interest. $57,759 in advances were repaid during the year ending December 31, 2017.

On October 8, 2016, we entered into a 10% unsecured note payable to Doreen McMorran and received total proceeds of $5,070. The note is due on December 31, 2016. $4,000 of principal was repaid during the year ending December 31, 2016.

On October 11, 2016, we entered into a 10% unsecured note payable to Doreen McMorran and received total proceeds of $5,000. The note is due on December 31, 2016. As of December 31, 2017, $17,260 remained due to related parties as repayment for advanced and loaned monies, all other related party notes have been extinguished or re-negotiated as convertible notes.

The related party convertible notes are set forth in Note 11 to the financial statements included herein. The three employees that have convertible notes as a result of accrued compensation are Terry Howlett, Doreen McMorran and James A. Roszell.

On September 29, 2017, we entered into a licensing agreement with Ovation Science Inc. which is 37.8% owned by the Company as of December 31, 2017. As consideration for the grant of the License and the assignment of the Canopy agreement Ovation agreed to pay Skinvisible Inc. $500,000. $250,000 is due within 90 days of execution of the Agreement and a promissory note for $250,000 is payable upon the earlier of the company completing an initial public offering or March 31, 2018. As of December 31, 2017 Ovation had paid $250,000 to Skinvisible Inc. under this agreement.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The following information does not give effect to the proposed Reverse Split described in the section “Reverse Split”, beginning on Page [ ] of this proxy statement.

The following unaudited pro forma condensed combined financial data presents the pro forma financial position and results of operations of (1) Skinvisible based on the historical consolidated financial statements of Skinvisible, after giving effect to the proposed spin-off of all of the business, assets and certain liabilities of Skinvisible; and (2) the combined business based on the historical consolidated financial statements of Skinvisible and Quoin, after giving effect to the Merger. (but without regard to any adjustments that might be necessary to reflect the combination of the businesses)

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BALANCE SHEETS

Skinvisible 3/31/18	Quoin 3/31/18	Consolidated Pro Forma 3/31/18	Skinvisible 12/31/17	Quoin 12/31/17	Consolidated Pro Forma 12/31/17	Skinvisible 12/31/16	Quoin 12/31/16
$ 32,957	$ 1	$ 32,958	$ 23,318	$ 1	$ 23,319	$ 3,019	$ 1
9,699		9,699	9,905		9,905	9,974	
18,675		18,675	26,023		26,023	79,694	
1,145		1,145	1,436		1,436	1,145	
159,334		159,334	245,193		245,193	—	
7,500		7,500	10,000		10,000	—	
229,310	1	229,311	315,875	1	315,876	93,832	
—		—	109,968		109,968	—	
295		295	359		359	683	
196,421		196,421	205,987		205,987	245,082	
$ 426,026	$ 1	$ 426,027	$ 632,189	$ 1	$ 632,190	$ 339,597	
.			.				
$ 671,544	$ 1,659,549	2,331,093	$ 612,783	$ 1,369,349	1,982,132	$ 475,003	$ 160,644

—		—	34,883		34,883	25,960	
1,550,433		1,550,433	1,674,346		1,674,346	1,092,768	
—		—	17,260		17,260	70,270	
2,296,875		2,296,875	2,301,875		2,301,875	2,332,900	
1,176,433		1,176,433	1,173,449		1,173,449	1,329,163	
1,565,434		1,565,434	1,577,215		1,577,215	1,121,740	
7,260,719	1,659,549	8,920,268	7,391,811	1,369,349	8,761,160	6,447,804	160,644
7,260,719	1,659,549	8,920,268	7,391,811	1,369,349	8,761,160	6,447,804	160,644
140,979	1	140,980	136,865	1	136,866	123,835	1
109,925		109,925	61,976		61,976	10,000	
24,526,880		24,526,880	24,750,544		24,750,544	23,640,157	
(31,612,477)	(1,659,549)	(33,272,026)	(31,709,007)	(1,369,349)	(33,078,356)	(29,882,199)	(160,64
(6,834,693)	(1,659,548)	(8,494,241)	(6,759,622)	(1,369,348)	(8,128,970)	(6,108,207)	(160,64
$ 426,026	$ 1	$ 426,027	$ 632,189	$ 1	$ 632,190	$ 339,597	$ 1

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STATEMENTS OF OPERATIONS

				Years Ending			
	Skinvisible 3/31/18	Quoin 3/31/18	Consolidated Pro Forma 3/31/18	Skinvisible 12/31/17	Quoin 12/31/17	Consolidated Pro Forma 12/31/17	Sk
Revenues	$ 15,632		15,632	$ 629,027		629,027	$
Cost of revenues	7,873		7,873	42,313		42,313	
Gross profit	7,759		7,759	586,714		586,714	
Operating expenses							
Depreciation and amortization	9,630			54,423			
Selling general and administrative	172,695	290,200	462,895	896,450	1,208,705	2,105,155	
Total operating expenses	182,325	290,200	462,895	950,873	1,208,705	2,105,155	
Loss from operations	(174,566)	(290,200)	(455,136)	(364,159)	(1,208,705)	(1,518,441)	
Other income and (expense)							
Other income	4,807		4,807	4,812		4,812	
Interest expense	(280,230)		(280,230)	(1,555,159)		(1,555,159)	
Gain on deconsolidation of Ovation Inc.	595,127		595,127	90,189		90,189	
Loss on equity method investment	(21,810)		(21,810)	(12,507)		(12,507)	
Gain (loss) on extinguishment of debt	(26,798)		(26,798)	10,016		10,016	
Total other expense	271,096	—	271,096	(1,462,649)	—	(1,462,649)	
Net loss	$ 96,530	$ (290,200)	$ (193,670)	$ (1,826,808)	$ (1,208,705)	$ (3,035,513)	$
	$ 0.001	$ (2,902)	$ (0.001)	$ (0.01)	$ (12,087)	$ (0.02)	$

Basic loss per common share						
Basic weighted average common shares outstanding	139,789,237	100	139,789,337	130,111,422	100	130,111,522

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STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock					
	Shares	**Amount**	**Additional Paid-in Capital**	**Shares payable**	**Accumulated Deficit**	**Total Stockholders' Deficit**
Balance, December 31, 2015 (audited)	115,701,969	115,702	22,053,555	—	(27,831,352)	(5,662,095)
Issuance of stock for cash	5,833,350	5,833	69,167	—	—	75,000
Shares issued for services	2,300,000	2,300	43,125	—	—	45,425
Shares issued for settlement of convertible notes	—	—	—	10,000	—	10,000
Warrants issued for services	—	—	100,320	—	—	100,320
Financing costs related to convertible notes payable	—	—	1,373,990	—		1,373,990
Net loss	—		—	—	(2,211,491)	(2,211,491)
Balance, December 31, 2016 (audited)	123,835,319	123,835	23,640,157	10,000	(30,042,843)	(6,268,851)
Issuance of stock for						—

cash						
Shares issued for services	1,741,500	1,742	47,896	—	—	49,638
Shares issued for cancellation of agreement	1,300,000	1,300	31,200	—	—	32,500
Shares issued for settlement of convertible notes	9,623,580	9,624	228,830	51,976	—	290,430
Shares issued for exercise of warrants	363,636	364	(364)	—	—	—
Options and warrants issued for services	—	—	140,952	—	—	140,952
Discount on note receiveable from related party	—	—	(9,615)	—	—	(9,615)
Financing costs related to convertible notes payable	—	—	671,488	—	—	671,488
Net loss					(3,035,513)	(3,035,513)
Balance, December 31, 2017 (audited)	136,864,035	136,865	24,750,544	61,976	(33,078,356)	(8,128,971)
	—					
Shares issued for	4,113,565	4,114				4,114

services						
Shares issued for settlement of convertible notes				47,949		47,949
Discount on note receivable from related party			(223,664)			(223,664)
Net loss					(193,670)	(193,670)
Balance March 31, 2018 (unaudited)	140,977,600	140,979	24,526,880	109,925	(33,272,026)	(8,494,242)

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STATEMENTS OF CASH FLOWS

				Years Ending			
	Skinvisible 3/31/18	Quoin 3/31/18	Consolidated Pro Forma 3/31/18	Skinvisible 12/31/17	Quoin 12/31/17	Consolidated Pro Forma 12/31/17	Skinvis 12/31/1
Cash flows from operating activities:							
Net loss	$ 96,530	$ (290,200)	$ (193,670)	$ (1,826,808)	$ (1,208,705)	$ (3,035,513)	$ (2,05
Adjustments to reconcile net loss to net cash used in operating activities:							
Depreciation and amortization	9,630		9,630	54,424		54,424	57,64
Stock-based compensation	—		—	223,090		223,090	145,7
Gain on deconsolidation of Ovation Inc.	(595,127)		(595,127)	(90,189)		(90,189)	—
Amortization of debt discount	131,351		131,351	914,482		914,482	648,1
Loss on equity method investment	21,810		21,810	12,507		12,507	—
Imputed interest	4,807		4,807	(4,808)		(4,808)	—
Bank overdraft			—	—		—	(1,34
Gain (loss) on extinguishment of debt	26,798		26,798	(10,016)		(10,016)	(59,3
Changes in operating assets and liabilities:			—			—	
Decrease in inventory	7,348		7,348	53,671		53,671	11,27
Increase in prepaid assets	2,500		2,500	(10,000)		(10,000)	—
Decrease (increase) in accounts receivable	206		206	69		69	(4,97
Increase in accounts payable and accrued liabilities	93,387	1,659,549	1,752,936	(7,869)	1,208,705	1,200,836	785,4
Increase in due to related party	291		291	(291)		(291)	—
	81,052		81,052	(250,000)		(250,000)	—

Increase (decrease) in promissary note from related party							
Increase in accrued interest	144,056		144,056	927,863		927,863	223,9
Net cash used in operating activities	24,639	1,369,349	1,393,988	(13,875)	—	(13,875)	(244,
Cash flows from investing activities:							
Investment in Ovation Inc.			—	(32,286)		(32,286)	—
Purchase of fixed and intangible assets	—		—	(15,005)		(15,005)	—
Net cash used in investing activities	—		—	(47,291)		(47,291)	—
Cash flows from financing activities:							
Proceeds from investments in subsidiery			—	—		—	—
Proceeds from sales of common stock			—	—		—	75,00
Proceeds from related party loans, net of payments	(10,000)		(10,000)	(53,010)		(53,010)	60,50
Payments on notes payable			—	(46,025)		(46,025)	(25,6
Proceeds from notes payable			—	15,000		15,000	77,00
Proceeds from convertible notes payable			—	220,000		220,000	108,(
Payments on convertible notes payable	(5,000)		(5,000)	(54,500)		(54,500)	(47,5
Net cash provided by (used in) financing activities	(15,000)		(15,000)	81,465		81,465	247,4
Net change in cash	9,639		9,639	20,299		20,299	3,019
Cash, beginning of period	23,318		23,318	3,019		3,019	3,020
			—				
Cash, end of period	$ 32,957	$ 1	$ 32,958	$ 23,318		$ 23,318	$ 6,039
Supplemental disclosure of cash							

flow information:					
Cash paid for interest	$ 7,932	$ 7,932	$ 29,045	$ 29,045	$ 32,17
Cash paid for tax	$ —	$ —	$ —	$ —	$ —
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Non-cash investing and financing activities:					
Accrued expenses convereted to notes	$ —	$ —	$ 178,439	$ 178,439	$ 419,3
Benefitial conversion feature	$ —	$ —	$ 671,488	$ 671,488	$ 1,373
Common stock issued on extiguishment of debts	$ 74,669	$ 74,669	$ 238,454	$ 238,454	$ —

PROPOSAL NO. 2: APPROVAL OF THE REVERSE SPLIT

Skinvisible is asking you to approve the reverse split proposal.

The Reverse Split

Prior to the execution of the Effective Time, Skinvisible will effect the Reverse Split.

Skinvisible's board of directors has adopted resolutions (i) declaring that submitting an amendment to Skinvisible's Articles of Incorporation to effect the Reverse Split of Skinvisible's issued and outstanding common stock was advisable, and (ii) directing that a proposal to approve the Reverse Split be submitted to the holders of Skinvisible's common stock for their approval. The Reverse Split of Skinvisible's issued and outstanding common stock will be effected by a ratio of not less than one-for-ten and not more than one-for-one hundred, with the exact ratio to be set at a whole number within this range as determined by Skinvisible's board of directors in its sole discretion.

Skinvisible's board of directors believes that the Reverse Split is in the best interest of Skinvisible. A Reverse Split typically will initially result in an increase in the price per share of Skinvisible's common stock. Skinvisible's board of directors believes that an increased stock price may encourage investor interest and improve the marketability and liquidity of Skinvisible's common stock. In addition, the Combined Company may in the future seek a listing on a national exchange, for which a higher stock price than the current price will be required. Because of the trading volatility often associated with low-priced stocks, many brokerage firms and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or tend to discourage individual brokers from recommending low-priced stocks to their customers. Some of those policies and practices may function to make the processing of trades in low-priced stocks economically unattractive to brokers and investors. The Board of Directors believes that the anticipated higher market price resulting from a Reverse Split may reduce, to some extent, the negative effects on the liquidity and marketability of the Common Stock inherent in some of the policies and practices of institutional investors and brokerage firms described above. Additionally, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current average price per share of Skinvisible's common stock can result in individual stockholders paying transaction costs representing a higher percentage of their total share value than would be the case if the share price were substantially higher.

Potential Risks of the Reverse Split

There can be no assurance that the bid price of Skinvisible's common stock will continue at a level in proportion to the reduction in the number of outstanding shares resulting from the Reverse Split. Further, we cannot give any assurances that the Reverse Split will encourage investor interest and improve the marketability and liquidity of Skinvisible's common stock.

Additionally, the liquidity of Skinvisible's common stock could be adversely affected by the reduced number of shares outstanding after the Reverse Split. Although the Board of Directors believes that a higher stock price may help generate investor interest, there can be no assurance that the Reverse Split will result in a per-share price that will attract institutional investors or investment funds or that such share price will satisfy the investing guidelines of institutional investors or investment funds. As a result, any decreased liquidity that may result from having fewer shares outstanding may not be offset by increased investor interest in Skinvisible's common stock.

Effects of the Reverse Split on Common Stock

After the effective date of the Reverse Split, each stockholder will own fewer shares of Skinvisible's common stock. However, the Reverse Split will affect all of Skinvisible's Common Stock stockholders uniformly and will not affect any stockholder's percentage ownership interest in us, except to the extent that the Reverse Split results in any of Skinvisible's stockholders receiving additional shares as a result of or owning a fractional share that is rounded up, each as described below. The number of stockholders of record will not be affected by the Reverse Split. Proportionate voting rights and other rights and preferences of the holders of Skinvisible's common stock will not be affected by the Reverse Split other than as a result of and rounding up of fractional shares. All shares underlying outstanding options and warrants will also be automatically adjusted on the effective date of the Reverse Split.

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Fractional Shares

No fractional shares of Skinvisible’s common stock will be issued as a result of the proposed Reverse Split. In lieu of issuing fractional shares, we will round fractions up to the nearest whole share.

Implementation and Exchange of Stock Certificates

As of the effective date of the Reverse Split, if implemented by Skinvisible’s Board of Directors, each certificate representing shares of Skinvisible common stock before the Reverse Split would be deemed, for all corporate purposes, to evidence ownership of the reduced number of shares of Skinvisible’s common stock resulting from the Reverse Split.

Skinvisible’s transfer agent will be available to effect the exchange of stock certificates. After the effective date, stockholders and holders of securities exercisable for Skinvisible’s common stock will be notified of the effectiveness of the Reverse Split. Stockholders of record will receive a letter suggesting to them that they surrender their old stock certificates for new stock certificates reflecting the adjusted number of shares as a result of the Reverse Split. Persons who hold their shares in brokerage accounts or “street name” will not be required to take any further actions to effect the exchange of their shares. No new certificates will be issued to a stockholder until such stockholder has surrendered any outstanding certificates to the transfer agent. Until surrendered, each certificate representing shares before the Reverse Split will continue to be valid and will represent the adjusted number of shares based on the ratio of the Reverse Split. Stockholders should not destroy any stock certificate and should not submit any certificates until after the Reverse Split has become effective.

Material U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE U.S. INTERNAL REVENUE SERVICE, WE INFORM YOU THAT ANY FEDERAL TAX ADVICE CONTAINED IN THIS INFORMATION STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR PURPOSES OF (I) AVOIDING PENALTIES UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR (II) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY TRANSACTION OR TAX-RELATED MATTER ADDRESSED HEREIN. YOU ARE ENCOURAGED TO CONSULT YOUR TAX ADVISOR TO DETERMINE FOR YOURSELF THE TAX EFFECTS OF THE REVERSE SPLIT, IF ANY, INCLUDING SUCH TAX EFFECTS UNDER STATE, LOCAL AND FOREIGN TAX LAWS.

The following discussion sets forth the anticipated material U.S. federal income tax consequences that management believes will apply to Skinvisible and Skinvisible’s stockholders who are U.S. holders at the effective time of the Reverse Split, if any. This discussion does not address the tax consequences of transactions effectuated prior to or after the Reverse Split, including, without limitation, the tax consequences of the exercise of options, warrants or similar rights to purchase stock. Furthermore, no foreign, state or local tax considerations are addressed herein. For this purpose, a U.S. holder is a stockholder that is: (a) a citizen or resident of the United States, (b) a domestic corporation, (c) an estate whose income is subject to U.S. federal income tax regardless of its source, or (d) a trust if a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

The following discussion is not binding on the Internal Revenue Service. The following discussion is based upon the Internal Revenue Code, laws, regulations, rulings and decisions in effect as of the date of this information statement, all of which are subject to change, possibly with retroactive effect. Holders of shares of the Common Stock are strongly urged to consult their tax advisors as to the specific tax consequences to them of the Reverse Split, including the applicability and effect of federal, state, local and foreign income and other tax laws in their particular circumstances.

No gain or loss should be recognized by a stockholder upon his or her exchange of pre-Reverse Split shares for post-Reverse Split shares. The aggregate tax basis of the post-Reverse Split shares received (including any fraction of a new share deemed to have been received) will be the same as the stockholder’s aggregate tax basis in the pre-Reverse Split shares exchanged therefor. The stockholder’s holding period for the post-Reverse Split shares will include the period during which the stockholder held the pre-Reverse Split shares surrendered in the Reverse Split.

Skinvisible should not recognize any gain or loss as a result of the Reverse Split.

The Reverse Split will require the approval of the holders of a majority of the outstanding shares of Skinvisible’s common stock. Abstentions and Broker non-votes will have the same effect as voting against the proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE REVERSE SPLIT.

PROPOSAL 3 NAME CHANGE

The Board of Directors is soliciting your consent to an amendment to the Current Charter to change the name of Skinvisible, Inc. to “Quoin Pharmaceuticals, Inc.” (the “Name Change”). If approved by the stockholders of Skinvisible, after the effective date of the Merger, Skinvisible, Inc. will become “Quoin Pharmaceuticals, Inc. An amendment to Skinvisible’s Articles of Incorporation is required to effect the name change.

The board of directors believes that changing the name of the combined company to Quoin Pharmaceuticals better reflects the future direction and focus of the combined company, which will not be focused solely on dermatological products as the name Skinvisible suggests.

SKINVISIBLE’S BOARD RECOMMENDS A VOTE “FOR” THE PROPOSAL TO CHANGE THE NAME OF SKINVISIBLE, INC. AFTER THE EFFECTIVE DATE OF THE MERGER TO “QUOIN PHARMACEUTICALS, INC.”

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PROPOSAL NO. 4: THE ADJOURNMENT PROPOSAL

The adjournment proposal allows Skinvisible's board of directors to submit a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event, based on the tabulated votes, there are not sufficient votes at the time of the special meeting to approve the consummation of the Merger. In no event will Skinvisible solicit proxies to adjourn the Special Meeting or consummate the Merger beyond the date by which it may properly do so under Nevada law. The purpose of the adjournment proposal is to provide more time for the Skinvisible's stockholders to make purchases of public shares or other arrangements that would increase the likelihood of obtaining a favorable vote on the Merger Proposal.

In addition to an adjournment of the Special Meeting upon approval of an adjournment proposal, the board of directors of Skinvisible is empowered under Nevada law to postpone the meeting at any time prior to the meeting being called to order. In such event, Skinvisible will issue a press release and take such other steps as it believes are necessary and practical in the circumstances to inform its stockholders of the postponement.

Consequences if the Adjournment Proposal is not Approved

If an adjournment proposal is presented at the Special Meeting and such proposal is not approved by its stockholders, Skinvisible's board of directors may not be able to adjourn the Special Meeting to a later date in the event, based on the tabulated votes, there are not sufficient votes at the time of the Special Meeting to approve the consummation of the Merger. In such event, the Merger would not be completed.

Required Vote

Approval of the proposal to adjourn the Special Meeting, whether or not a quorum is present, requires the affirmative vote of a majority of the votes cast by the holders of shares of Skinvisible's common stock entitled to vote. Adoption of the adjournment proposal is not conditioned upon the adoption of any of the other proposals.

Recommendation of the Board of Directors

SKINVISIBLE'S BOARD RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE ADJOURNMENT PROPOSAL.

OTHER MATTERS

As of the date of this proxy statement/prospectus, the board of directors of Skinvisible knows of no matters that will be presented for consideration at the Special Meeting other than as described in this proxy statement/prospectus. If any other matters properly come before the Special Meeting or any adjournments or postponements of the meeting and are voted upon, the enclosed proxy will confer discretionary authority on the individuals named as proxy to vote the shares represented by the proxy as to any other matters. The individuals named as proxies intend to vote in accordance with their best judgment as to any other matters.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other documents with the SEC under the Exchange Act. You may read and copy any reports, statements or other information that we file with the Securities and Exchange Commission at the SEC's public reference room at the following location: Station Place, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of those documents at prescribed rates by writing to the Public Reference Section of the SEC at that address. Please call the SEC at (800) SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from commercial document retrieval services and at www.sec.gov. In addition, stockholders may obtain free copies of certain documents filed with the SEC by Skinvisible through the "SEC Filings" section of Skinvisible's website.

You may obtain any of the documents we file with the SEC, without charge, by requesting them in writing or by telephone from us at the following address:

Skinvisible, Inc.
6320 SOUTH SANDHILL ROAD, SUITE 10
LAS VEGAS, NV 89120

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ANNEX A

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

by and among

SKINVISIBLE, INC.,

QUOIN MERGER SUB, INC.,

QUOIN PHARMACEUTICALS, INC.,

Dated as of March 26, 2018

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AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

THIS AGREEMENT AND PLAN OF MERGER AND REORGANIZATION (this "***Agreement***") is made and entered into as of March 26, 2018, by and among Skinvisible, Inc., a Nevada corporation (referred to as "***Parent***"), Quoin Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of Parent ("***Merger Sub***"), Quoin Pharmaceuticals, Inc., a Delaware corporation (the "***Company***"). Certain capitalized terms used in this Agreement are defined in Section 8.14.

RECITALS

WHEREAS, Parent and the Company intend to merge Merger Sub with and into the Company, with the Company as the surviving corporation in such merger (the "***Merger***"), in accordance with this Agreement and the DGCL. Upon consummation of the Merger, Merger Sub will cease to exist, and the Company will continue as a direct wholly owned subsidiary of Parent;

WHEREAS, pursuant to the terms and conditions of this Agreement, and subject to the adjustment provision in Section 5.15(a), the holders of the outstanding equity of the Company immediately prior to the Effective Time will own approximately 72.5% of the outstanding equity of Parent immediately following the Effective Time (and prior to the equity to be issued in the Private Placement) and the holders of the outstanding equity of Parent immediately prior to the Effective Time will own approximately 27.5% of the outstanding equity of Parent immediately following the Effective Time (and prior to the equity to be issued in the Private Placement);

WHEREAS, the Board of Directors of Parent has unanimously (a) determined that the Merger and this Agreement are advisable and in the best interests of Parent and its stockholders, (b) approved this Agreement, the Merger, the issuance of shares of Parent Common Stock to the Company Stockholders pursuant to the terms of this Agreement, and the other actions contemplated by this Agreement, and (c) determined to recommend that the stockholders of Parent vote to approve this Agreement, the issuance of shares of Parent Common Stock to the Company Stockholders pursuant to the terms of this Agreement and such other actions as contemplated by this Agreement including the Parent Stockholder Proposals;

WHEREAS, the Board of Directors of Merger Sub has unanimously (a) determined that the Merger and this Agreement are advisable and in the best interests of Merger Sub and its sole stockholder, (b) approved this Agreement, the Merger, and the other actions contemplated by this Agreement, and (c) determined to recommend that the stockholder of Merger Sub vote to approve this Agreement, the Merger and such other actions as contemplated by this Agreement;

WHEREAS, the Board of Directors of the Company has unanimously (a) determined that the Merger and this Agreement are advisable and in the best interests of the Company and its stockholders, (b) approved this Agreement, the Merger and the other actions contemplated by this Agreement, and (c) determined to recommend that the Company Stockholders vote to approve this Agreement, the Merger and such other actions as contemplated by this Agreement;

WHEREAS, in order to induce Parent and Merger Sub to enter into this Agreement and to cause the Merger to be consummated, the Company has entered into a definitive agreement (as the same may be amended from time to time in accordance with the terms thereof, the "***Company Financing Agreement***") with certain Persons who are contractually obligated to participate in a private placement of Parent Common Stock, subject to completion of the Merger pursuant to the terms of this Agreement, to raise an aggregate of no less than $10,000,000 of gross proceeds for the Company to be received by Parent within five (5) days after the Effective Time (the "***Private Placement***");

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WHEREAS, in order to induce the Company to enter into this Agreement and to cause the Merger to be consummated, Terry Howlett (President & Chief Executive Officer of Parent) and Doreen McMorran (Vice President, Business Development & Marketing of Parent) are executing voting and support agreements in favor of the Company concurrently with the execution and delivery of this Agreement in the form substantially attached hereto as Exhibit A (the "***Parent Voting Agreements***");

WHEREAS, in order to induce the Company to cause the Merger to be consummated, Terry Howlett (President & Chief Executive Officer of Parent) and Doreen McMorran (Vice President, Business Development & Marketing of Parent) are executing lock-up agreements relating to sales and certain other dispositions of shares of Parent Common Stock or certain other securities for a period of 180 days after the Closing (the "***Parent Lock-up Agreements***");

WHEREAS, in order to induce Parent and Merger Sub to cause the Merger to be consummated, Michael Myers and Denise Carter, the founders of the Company, are executing lock-up agreements relating to sales and certain other dispositions of shares of Parent Common Stock or certain other securities for a period of 180 days after the Closing (the "***Company Lock-up Agreements***"); and

WHEREAS, for U.S. federal income tax purposes, Parent, Merger Sub, and the Company intend that the Merger, together with the issuance of shares of Parent Common Stock to the Company Stockholders, will qualify as a "reorganization" within the meaning of Section 368(a) of the Code, that this Agreement will constitute a "plan of reorganization" with the meaning of Treasury Regulations Sections 1.368-1(c), 1.368-2(g) and 1.368-3(a), and that Parent and the Company will each be a "party to the reorganization" within the meaning of Section 368(b) of the Code.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

Article 1
THE MERGER AND CERTAIN GOVERNANCE MATTERS

Section 1.1 **Structure of the Merger**. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, Merger Sub shall be merged with and into the Company, and the separate existence of Merger Sub shall cease, and the Company will continue as the surviving corporation following the Merger (the "***Surviving Corporation***").

Section 1.2 **Effects of the Merger**. The Merger shall have the effects set forth in this Agreement and in the applicable provisions of the DGCL.

Section 1.3 **Closing; Effective Time**. Unless this Agreement is earlier terminated pursuant to the provisions of Section 7.1 of this Agreement, and subject to the satisfaction or waiver of the conditions set forth in Article 6 of this Agreement, the consummation of the Merger (the "***Closing***") shall take place at the offices of Dentons US LLP, 1221 Avenue of the Americas, New York, NY 10020, no later than three (3) Business Days following the satisfaction (or waiver by the party entitled to the benefit thereof) of the conditions to the Closing set forth in Article 6 (other than the conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or waiver of each of such conditions), or at such other time, date and place as Parent and the Company may mutually agree in writing. The date on which the Closing actually takes place is referred to as the "***Closing Date***." At the Closing, the Parties shall cause the Merger to be consummated by executing and filing with the Secretary of State of the State of Delaware a Certificate of Merger (the "***Certificate of Merger***") with respect to the Merger, satisfying the applicable requirements of the DGCL and in a form reasonably acceptable to Parent and the Company. The Merger shall become effective at the time of the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, or at such later time as may be specified in the Certificate of Merger with the consent of Parent and the Company (the time as of which the Merger becomes effective being referred to as the "***Effective Time***").

Section 1.4 Conversion of Shares.

(a) At the Effective Time, by virtue of the Merger and without any further action on the part of Parent, Merger Sub, the Company or any stockholder of any of the foregoing:

(i) any shares of Company Common Stock owned as treasury stock of the Company or owned by Parent or by any direct or indirect wholly owned Subsidiary of Parent immediately prior to the Effective Time shall be automatically canceled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor; and

(ii) each share of Company Common Stock outstanding immediately prior to the Effective Time (excluding shares to be canceled pursuant to Section 1.4(a)(i) and Dissenting Shares) shall be automatically converted solely into the right to receive a number of shares of Parent Common Stock equal to the Exchange Ratio (the "***Merger Shares***"). No fractional shares of Parent Common Stock shall be issued in connection with the Merger as a result of the conversion provided for in this Section 1.4(a)(ii), and no certificates or scrip for any such fractional shares shall be issued. Any fractional shares of Parent Common Stock that that would be issuable as a result of the conversion provided for in Section 1.4(a)(ii) shall be rounded up to the next whole share. For the avoidance of any doubt, no Shares of Parent Preferred Stock will be issued in connection with the Merger to former holders of Company Common Stock (or any other class of capital stock of the Company).

(b) Each share of common stock, $0.001 par value per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall be automatically converted into and exchanged for one validly issued, fully paid and nonassessable share of common stock, $0.001 par value per share, of the Company as the surviving corporation of the Merger. Each stock certificate of Merger Sub evidencing ownership of any such shares shall, as of the Effective Time, evidence ownership of such shares of common stock of the Company as the surviving corporation of the Merger.

Section 1.5 Closing of the Company's Transfer Books. At the Effective Time, the stock transfer books of the Company shall be closed with respect to all shares of Company Common Stock outstanding immediately prior to the Effective Time. No further transfer of any such shares of Company Common Stock shall be made on such stock transfer books after the Effective Time. If, after the Effective Time, a valid certificate previously representing any shares of Company Common Stock outstanding immediately prior to the Effective Time (a "***Company Stock Certificate***") is presented to Parent, the Surviving Corporation or the Exchange Agent, such Company Stock Certificate shall be canceled and shall be exchanged as provided in Section 1.4 and Section 1.6.

Section 1.6 Surrender of Certificates.

(a) Exchange Agent. At the Effective Time, Parent shall deposit with the Exchnt-size:10pt;background-color:#ffffff;"> 2016. This decrease was due to lower revenues in the 2017 period, and reduced use of third parties on higher value cases in Europe and Asia-Pacific and in Canada where the Fort McMurray wildfires occurred in 2016.

Case Volume Analysis

International case volumes by region for 2017 and 2016 were as follows:

Year Ended December 31,	2017	2016	Variance
U.K.	114,774	133,252	(13.9)%

Canada	173,337	167,065	3.8 %
Asia-Pacific	84,165	96,496	(12.8)%
Europe and Rest of World	289,039	285,293	1.3 %
Total International Cases Received	661,315	682,106	(3.0)%

Overall case volumes were 3.0% lower in 2017 compared with 2016. The U.K. case volumes were lower in the 2017 period due primarily to flooding-related cases received in 2016. The increase in Canada cases was due to an increase in high-frequency, low-complexity vehicle appraisal cases in the 2017 period. The decrease in Asia-Pacific cases was primarily due to a decline in high-frequency, low-complexity motor cases in Singapore and China. The increase in case volumes in Europe and Rest of World was due to an increase in high-frequency, low-complexity cases in Germany and an increase in weather-related activity in Peru.

Direct Compensation, Fringe Benefits & Non-Employee Labor

The most significant expense in our International segment is the compensation of employees, including related payroll taxes and fringe benefits, and payments to outsourced service providers that augment the functions performed by our employees. Direct compensation expenses, fringe benefits, and non-employee labor, as a percent of International segment revenues before reimbursements, increased from 63.7% in 2016 to 65.0% in 2017. The increase in expenses as a percent of revenues was due to lower revenues. Excluding the impact of the change in the operating model in the U.K. contractor repair business discussed above, direct compensation expenses, fringe benefits, and non-employee labor as a percent of International segment revenues before reimbursements would have been 62.8% in 2017. The U.S. dollar amount of these expenses decreased in 2017 by $11.6 million. The decrease was due to the impact of cost reduction initiatives, a reduction in employees, and the impact of foreign exchange rates. There was an average of 4,202 International FTEs in this segment in 2017, a decrease from an average of 4,236 FTEs in the 2016 period.

Expenses Other than Reimbursements, Direct Compensation, Fringe Benefits & Non-Employee Labor

Expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor decreased as a percent of International segment revenues before reimbursements, from 27.2% in 2016 to 24.5% in 2017, and the U.S. dollar amount of these expenses also decreased by $19.7 million. Expenses decreased by 2.6% due to the change in the operating model in the U.K. contractor repair business discussed above. The decrease in amount was due to the impact of cost reduction initiatives and changes in exchange rates. The decrease in expenses as a percent of revenues is primarily due to the impact of cost reduction initiatives in 2016 and 2017.

BROADSPIRE SEGMENT

Operating Earnings

Broadspire recorded operating earnings of $32.7 million in 2017, or 10.6% of revenues before reimbursements, compared with operating earnings of $30.0 million in 2016, or 9.9% of revenues before reimbursements. Operating earnings improved from 2016 to 2017 due to higher revenues in our Workers' Compensation, Disability, and Liability Claims Management service line, operational efficiency gains, and a reduction in administrative support costs.

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Revenues before Reimbursements

Broadspire segment revenues are primarily derived from workers' compensation, disability, and liability claims management, medical management services, such as medical bill review, medical case management and vocational rehabilitation; for workers' compensation; and risk management information services provided to the U.S. self-insured marketplace. Broadspire revenues before reimbursements by major service line were as follows:

Year Ended December 31,	2017	2016	Variance
	(In thousands)		
Workers' Compensation, Disability, and Liability Claims Management	$133,665	$127,618	4.7 %
Medical Management	161,264	160,185	0.7 %
Risk Management Information Services	15,173	14,174	7.0 %
Total Broadspire Revenues before Reimbursements	$310,102	$301,977	2.7 %

Broadspire segment revenues before reimbursements increased 2.7% to $310.1 million in 2017 compared with $302.0 million in 2016. The overall increase in 2017 was primarily due to an increase in our Workers' Compensation, Disability, and Liability Claims Management service line, as growth from new Disability clients continues. There were also increases in Medical Management revenues and Risk Management Information Services due to increased referrals in 2017.

Revenues were positively impacted by an increase in unit volumes, measured principally by cases received, which increased revenues by 8.6% from 2016 to 2017. This increase was partially offset by changes in the mix of services provided and in the rates charged for those services, which decreased revenues by approximately 5.9% in 2017. This change is primarily due to an increase in cases in the Disability service line which has lower average case values than Workers' Compensation and Liability cases.

Reimbursed Expenses Included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our Broadspire segment which are included in total Company revenues were $4.1 million in 2017, decreasing slightly from $4.3 million in 2016 due to a reduction in Claims Management referrals.

Case Volume Analysis

Broadspire unit volumes by major underlying case category, as measured by cases received, for 2017 and 2016 were as follows:

Year Ended December 31,	2017	2016	Variance
Workers' Compensation	174,272	178,804	(2.5)%
Casualty	132,541	154,724	(14.3)%
Other	167,709	103,345	62.3 %
Total Broadspire Cases Received	474,522	436,873	8.6 %

Overall, there was an 8.6% increase in cases received in 2017 compared with 2016. This was primarily due to an increase in Disability case referrals from new clients, and an increase Medical Management referrals, both of which are reported in the Other category above. This increase was partially offset by declines in Workers' Compensation and Casualty cases from existing clients. The reduction in Casualty cases was due to a decrease in high-frequency, low-complexity affinity claims.

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Direct Compensation, Fringe Benefits & Non-Employee Labor

The most significant expense in our Broadspire segment is the compensation of employees, including related payroll taxes and fringe benefits, and payments to outsourced service providers that augment the functions performed by our employees. Broadspire direct compensation, fringe benefits, and non-employee labor expense, as a percent of the related revenues before reimbursements, decreased slightly from 55.4% in 2016 to 55.3% in 2017. The amount of these expenses increased from $167.0 million in 2016 to $171.5 million in 2017 due to an increase in employees related to the growth in revenues. Average FTEs in this segment totaled 2,054 in 2017, up from an average of 1,995 FTEs in 2016. The increase in employees was due to the conversion of certain outsourced contractors to full time employees in the Global Business Services Center and the increase in work supporting the increased revenues. The slight decrease in expenses as a percent of revenues was due to the higher revenues in the 2017 period.

Expenses Other than Reimbursements, Direct Compensation, Fringe Benefits & Non-Employee Labor

Broadspire segment expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor decreased slightly as a percent of segment revenues before reimbursements to 34.2% in 2017 from 34.7% in 2016, and the dollar amount of these expenses also decreased by $1.0 million. The decrease in both the amount and the percent of segment revenues was due to a reduction in rent and occupancy and other administrative expenses compared with 2016.

GARDEN CITY GROUP SEGMENT

Garden City Group revenues in 2017 declined compared with the 2016 level primarily because of lower revenues from the Deepwater Horizon class action settlement special project, and a lower volume of case administration work on projects in the 2017 period. We expect activity on the Deepwater Horizon class action settlement project to continue in 2018, although at further reduced rates.

Operating (Loss) Earnings

Our Garden City Group segment reported a 2017 operating loss of $(4.4) million, decreasing 160.5% from $7.2 million operating earnings in 2016, with the related operating margin decreasing from 7.3% in 2016 to (5.7)% in 2017. The change in the operating margin was primarily the result of the winding down of the special project, lower volumes discussed above, and a reduction in employee utilization.

Revenues before Reimbursements

Garden City Group revenues are derived primarily from legal settlement administration services related to class action settlements, mass tort claims, and bankruptcies, primarily in the U.S. Garden City Group revenues are project-based and can fluctuate significantly due to the timing of projects awarded. Garden City Group revenues before reimbursements decreased 22.8% to $76.2 million in 2017, compared with $98.7 million in 2016. The decrease in Garden City Group revenues was due primarily to the reduction in activity from the special project discussed above, and a lower volume of case administration work on new and existing projects in 2017.

At December 31, 2017, we had an estimated revenue backlog related to projects awarded totaling $66.0 million, compared to $81.0 million at December 31, 2016. Of the $66.0 million backlog at December 31, 2017, approximately $40.0 million is expected to be included in revenues within the next 12 months.

Reimbursed Expenses Included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our Garden City Group segment which are included in total Company revenues may vary materially from year to year depending on the amount and types of projects and were $13.0 million in 2017, decreasing from $21.3 million in 2016. This decrease was due to a lower volume of case administration work in 2017.

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Transaction Volume

Garden City Group services are generally project-based and not denominated by individual claims. Depending upon the nature of projects and their respective stages of completion, the volume of transactions or tasks performed by us in any period can vary, sometimes significantly.

Direct Compensation, Fringe Benefits & Non-Employee Labor

Garden City Group direct compensation expense, fringe benefits, and non-employee labor expenses, as a percent of segment revenues before reimbursements, increased to 71.2% in 2017 compared with 65.7% in 2016. The increase as a percent of revenues was due to the decline in revenues and excess capacity resulting from a decrease in employee utilization in 2017. The U.S. dollar amount of related expenses declined to $54.2 million in 2017 compared with $64.8 million in 2016. The decrease was primarily due to reduced activity associated with the reduction in revenues from the special project discussed above. There was an average of 467 FTEs in 2017, compared with an average of 519 FTEs in 2016, decreasing due to the lower revenues.

Expenses Other than Reimbursements, Direct Compensation, Fringe Benefits & Non-Employee Labor

Garden City Group expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor decreased 1.1% to $26.3 million in 2017 from $26.6 million in 2016, but increased as a percent of related segment revenues before reimbursements to 34.5% in 2017 from 27.0% in 2016. The increase in expenses as a percent of revenues before reimbursements was due to the reduction in both fixed and variable expenses being less than the reduction in revenues in 2017.

YEAR ENDED DECEMBER 31, 2016 COMPARED WITH YEAR ENDED DECEMBER 31, 2015

U.S. SERVICES SEGMENT

Operating Earnings

Operating earnings for our U.S. Services segment increased from $32.6 million in 2015 to $35.6 million in 2016, representing an operating margin of 15.4% in 2016 compared with 13.4% in 2015. Operating earnings improved 9.2% from 2015 to 2016 due to the impact of cost reduction initiatives in 2015.

Revenues before Reimbursements

U.S. Services revenues are primarily generated from the property and casualty insurance company markets in the U.S. U.S. Services revenues before reimbursements by major service line were as follows:

Year Ended December 31,	2016	2015	Variance
	(In thousands)		
U.S. Claims Field Operations	$81,456	$85,451	(4.7)%
U.S. Technical Services	28,659	28,612	0.2 %
U.S. Catastrophe Services	50,549	69,290	(27.0)%
Subtotal U.S. Claims Services	160,664	183,353	(12.4)%
U.S. Contractor Connection	70,720	59,323	19.2 %
Total U.S. Services Revenues before Reimbursements	$231,384	$242,676	(4.7)%

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Overall, there was a decrease in revenues in the U.S. Services segment in 2016 compared with 2015. This decrease was primarily due to a reduction in revenues in U.S. Claims Services, partially offset by an increase in revenues in U.S. Contractor Connection. Within U.S. Claims Services, there was a decrease in revenues in U.S. Catastrophe Services discussed below, and a decrease in revenues in our U.S. Claims Field Operations service line due to a decrease in weather-related case volumes in 2016. Revenues were positively impacted in 2016 by segment unit volume, measured principally by cases received, which increased by 0.9% over 2015. Changes in the overall mix of services provided and rates charged for those services increased revenues by approximately 1.3% in 2016 compared with 2015.

Revenues in our U.S. Catastrophe Services service line include revenues from an outsourcing project for a major U.S. insurance carrier, which resulted in $34.9 million of revenues in 2016, compared with $51.3 million in 2015. This decrease represents a 6.8% negative variance in U.S. Services revenue. The services provided to this customer are primarily project-based and are covered by the terms of multiple contractual arrangements which expire at various times in the future. In the event we are not able to retain these relationships, or replace any lost revenues from these projects as they reach their respective end dates, segment revenues and operating earnings would be negatively impacted.

U.S. Contractor Connection revenues increased 19.2% in 2016 compared with 2015 primarily due to the ongoing expansion of this service solution as insurance carriers continued the trend of moving high-frequency, low-complexity property cases directly to managed repair networks. There was also an increase in the average fee per claim in 2016 compared to 2015.

Reimbursed Expenses Included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our U.S. Services segment which are included in total Company revenues were $8.2 million in both 2016 and 2015. Although there was an overall reduction in revenues, the outsourcing project in U.S. Claims Services discussed above does not have reimbursed expenses.

Case Volume Analysis

U.S. Services unit volumes by underlying case category, as measured by cases received, for 2016 and 2015 were as follows:

Year Ended December 31,	2016	2015	Variance
U.S. Claims Field Operations	151,941	160,035	(5.1)%
U.S. Technical Services	9,532	7,705	23.7 %
U.S. Catastrophe Services	21,737	20,543	5.8 %
Subtotal U.S. Claims Services	183,210	188,283	(2.7)%
U.S. Contractor Connection	202,550	194,113	4.3 %
Total U.S. Services Cases Received	385,760	382,396	0.9 %

Overall, there was as 0.9% increase in cases received in U.S. Services in 2016 compared to 2015. This was due to an increase in U.S. Contractor Connection cases, partially offset by a decrease in U.S. Claims Services cases. The decrease in U.S. Claim Services cases received was primarily due to a decrease in cases in U.S. Claims Field Operations resulting from decreased weather-related activity in 2016 partially offset by increases in U.S. Technical Services and U.S. Catastrophe Services resulting from new clients. The previously described outsourcing project involved the Company providing adjusters to work on the client's premises; accordingly, there are no associated case volumes referred to the Company for these revenues in either year.

The 2016 increase in U.S. Contractor Connection cases was due to the ongoing expansion of our contractor network, the continued trend of insurance carriers moving high-frequency, low-complexity property cases directly to our contractor managed repair networks, which we expect to continue, and expansion into adjacent services including consumer segments.

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Direct Compensation, Fringe Benefits & Non-Employee Labor

The most significant expense in our U.S. Services segment is the compensation of employees, including related payroll taxes and fringe benefits, and payments to outsourced service providers that augment our staff. U.S. Services direct compensation, fringe benefits, and non-employee labor expense, as a percent of segment revenues before reimbursements, was 59.0% for 2016 and 61.8% for 2015. The decrease was due to the impact of certain cost reduction initiatives in 2015 and improved staff utilization.

The dollar amount of these expenses decreased from $149.9 million in 2015 to $136.2 million in 2016. There was an average of 1,371 FTEs (including 359 catastrophe adjusters) in 2016 compared with an average of 1,491 FTEs (including 454 catastrophe adjusters) in 2015. The decrease in expenses and FTEs in 2016 was primarily due to cost reduction initiatives and a decline in compensation costs and personnel required to service the outsourcing project referred to above.

Expenses Other than Reimbursements, Direct Compensation, Fringe Benefits & Non-Employee Labor

U.S. Services segment expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor decreased from $60.2 million in 2015 to $59.6 million in 2016, although as a percent of segment revenues, increased from 24.8% in 2015 to 25.7% in 2016. The slight decrease in costs was primarily due to the impact of a reduction of office locations in the U.S. and related administrative cost reductions. The increase in expense as a percent of revenues was due to the reduction in variable expenses being less than the reduction in revenues in 2016.

INTERNATIONAL SEGMENT

Operating Earnings

International segment operating earnings increased to $43.2 million in 2016, an increase of 139.1% from 2015 operating earnings of $18.1 million. The operating margin increased from 3.6% in 2015 to 9.1% in 2016. The increase in operating earnings was the result of improvements in all of our major operating regions and the impact of cost reduction initiatives implemented in 2015.

Revenues before Reimbursements

International revenues are primarily derived from the property and casualty insurance company markets, with additional revenues from the self-insured markets in the U.K., Canada, Asia-Pacific (which includes Australia and New Zealand, as well as the Middle East and Africa) and Europe and Rest of World (which together consist of continental Europe and Latin America). Revenues before reimbursements by major region were as follows:

	In thousands (except percentages)				
	Based on actual exchange rates			Based on exchange rates for year ended December 31, 2015	
Year Ended December 31,	2016	2015	Variance	2016	Variance
U.K.	$171,869	$186,375	(7.8)%	$189,388	1.6 %
Canada	104,261	103,618	0.6 %	107,829	4.1 %
Asia-Pacific	108,456	107,536	0.9 %	112,050	4.2 %
Europe and Rest of World	92,676	102,371	(9.5)%	97,361	(4.9)%
Total International Revenues before Reimbursements	$477,262	$499,900	(4.5)%	$506,628	1.3 %

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Revenues before reimbursements from our International segment totaled $477.3 million in 2016, compared to $499.9 million in 2015. Changes in foreign exchange rates decreased our International segment revenues by $29.4 million, or approximately 5.8%, for 2016 compared with 2015. Absent foreign exchange rate fluctuations, International segment revenues would have been $506.6 million in 2016. Overall case volumes in the International segment decreased 12.5% in 2016 compared with 2015. Changes in product mix and in the rates charged for those services accounted for a 13.8% revenue increase for 2016 compared with 2015, due primarily to a reduction in high-frequency, low-complexity motor cases discussed below.

The decrease in revenues in the U.K. for 2016 compared with 2015 was due to the change in foreign exchange rates. Absent foreign exchange rate fluctuations, U.K. revenues would have increased, primarily as a result of cases received from flooding in that country during the 2016 first quarter.

Revenues in Canada increased from 2015 due primarily to an increase from the Fort McMurray wildfires, partially offset by a decrease in high-frequency, low-complexity motor cases.

Revenues increased in Asia-Pacific due to an increase in weather-related activity in Australia, partially offset by a reduction in high-frequency, low-complexity motor cases in Singapore and China where we have exited that product line in those countries.

The lower revenues in Europe and Rest of World were due to a reduction in case volumes and changes in the mix of services provided in Scandinavia, the change in foreign exchange rates, and a reduction in high-frequency, low-complexity motor cases in Brazil where we have exited that product line in that country.

Reimbursed Expenses Included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our International segment which are included in total Company revenues increased to $34.4 million in 2016 from $28.6 million in 2015. This increase was due to the increased use of third parties on higher value cases in Europe and Asia-Pacific and in Canada from the Fort McMurray wildfires.

Case Volume Analysis

International case volumes by region for 2016 and 2015 were as follows:

Year Ended December 31,	2016	2015	Variance
U.K.	133,252	129,252	3.1 %
Canada	167,065	180,987	(7.7)%
Asia-Pacific	96,496	150,859	(36.0)%
Europe and Rest of World	285,293	318,054	(10.3)%
Total International Cases Received	682,106	779,152	(12.5)%

Overall case volumes were 12.5% lower in 2016 compared with 2015. The U.K. case volumes were higher due primarily to flooding-related cases received in the 2016 first quarter, partially offset by a reduction in high-frequency, low complexity cases. The decrease in Canada cases was due to a decline in high-frequency, low-complexity vehicle appraisal cases in 2016 which offset the increase in cases associated with the Fort McMurray wildfires. The decrease in Asia-Pacific cases was due to a decline in high-frequency, low-complexity motor cases in Singapore and China described above. The reduction in case volumes in Europe and Rest of World was primarily due to a reduction in high-frequency, low-complexity motor cases in Brazil described above, and a reduction of cases in Scandinavia.

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Direct Compensation, Fringe Benefits & Non-Employee Labor

The most significant expense in our International segment is the compensation of employees, including related payroll taxes and fringe benefits, and payments to outsourced service providers that augment the functions performed by our employees. Direct compensation expenses, fringe benefits, and non-employee labor, as a percent of International segment revenues before reimbursements, decreased from 66.9% in 2015 to 63.7% in 2016. The U.S. dollar amount of these expenses also decreased in 2016 by $30.4 million. These decreases were due to the impact of cost reduction initiatives implemented in 2015 and improved staff utilization. There was an average of 4,236 International FTEs in this segment in 2016, a decrease from 4,645 FTEs in the 2015 period.

Expenses Other than Reimbursements, Direct Compensation, Fringe Benefits & Non-Employee Labor

As a component of our acquisition of GAB Robins, the Company acquired a contractor repair business where we are the principal in the relationship with clients. As the principal in this business, both revenues and the corresponding contractor costs are reported at gross values. These contractor expenses are recorded within "Expenses Other than Reimbursements, Direct Compensation, Fringe Benefits & Non-Employee Labor." They are reported in this category instead of "Direct Compensation, Fringe Benefits & Non-Employee Labor," as the services performed by these outside contractors are not services that can be performed by our workforce.

Expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor decreased as a percent of International segment revenues before reimbursements, from 29.5% in 2015 to 27.2% in 2016, and the U.S. dollar amount of these expenses also decreased by $17.4 million. The decrease in both amount and percentage is primarily due to cost reduction initiatives implemented in 2015.

BROADSPIRE SEGMENT

Operating Earnings

Broadspire recorded operating earnings of $30.0 million in 2016, or 9.9% of revenues before reimbursements, compared with operating earnings of $24.0 million in 2015, or 8.2% of revenues before reimbursements. Operating earnings improved from 2015 to 2016 due to higher revenues and improved control over operating expenses.

Revenues before Reimbursements

Broadspire segment revenues are primarily derived from workers' compensation, disability, and liability claims management, medical management services, such as medical bill review, medical case management and vocational rehabilitation; for workers' compensation; and risk management information services provided to the U.S. self-insured marketplace. Broadspire revenues before reimbursements by major service line were as follows:

Year Ended December 31,	2016	2015	Variance
	(In thousands)		
Workers' Compensation, Disability, and Liability Claims Management	$127,618	$121,875	4.7 %
Medical Management	160,185	156,290	2.5 %
Risk Management Information Services	14,174	14,867	(4.7)%
Total Broadspire Revenues before Reimbursements	$301,977	$293,032	3.1 %

Broadspire segment revenues before reimbursements increased 3.1% to $302.0 million in 2016 compared with $293.0 million in 2015. The overall increase in 2016 was primarily due to increased claims and medical management revenues as well as higher average case values in 2016.

Revenues were positively impacted by changes in the mix of services provided and in the rates charged for those services, which increased revenues by approximately 3.6% in 2016. This increase was partially offset by unit volumes, measured principally by cases received, which decreased revenues by 0.5% from 2015 to 2016.

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Reimbursed Expenses Included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our Broadspire segment which are included in total Company revenues were $4.3 million in 2016, increasing slightly from $4.2 million in 2015 due to the growth in revenues.

Case Volume Analysis

Broadspire unit volumes by major underlying case category, as measured by cases received, for 2016 and 2015 were as follows:

Year Ended December 31,	2016	2015	Variance
Workers' Compensation	178,804	175,938	1.6 %
Casualty	154,724	148,650	4.1 %
Other	103,345	114,475	(9.7)%
Total Broadspire Cases Received	436,873	439,063	(0.5)%

Overall, there was a 0.5% decrease in cases received in 2016 compared with 2015. This was primarily due to a decrease in Medical Management case referrals, which is reported in the Other category above, partially offset by increases in workers' compensation and casualty cases resulting from new clients.

Direct Compensation, Fringe Benefits & Non-Employee Labor

The most significant expense in our Broadspire segment is the compensation of employees, including related payroll taxes and fringe benefits, and payments to outsourced service providers that augment the functions performed by our employees. Broadspire direct compensation, fringe benefits, and non-employee labor expense, as a percent of the related revenues before reimbursements, increased to 55.4% in 2016 compared with 54.3% in 2015. The amount of these expenses increased from $159.2 million in 2015 to $167.0 million in 2016 due to the growth in revenues. The increase as a percent of revenues was due to an increase in employees and increased incentive compensation. Average FTEs in this segment totaled 1,995 in 2016, up from 1,910 FTEs in 2015. The increase in employees was due to the conversion of certain outsourced contractors to full time employees in the Global Business Services Center and the increase in work supporting the increased revenues.

Expenses Other than Reimbursements, Direct Compensation, Fringe Benefits & Non-Employee Labor

Broadspire segment expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor decreased as a percent of segment revenues before reimbursements to 34.7% in 2016 from 37.5% in 2015, and the dollar amount of these expenses also decreased by $4.9 million. The decrease in both the amount and the percent of segment revenues was due to a reduction in office expenses, rent and occupancy, and other administrative expenses compared with 2015.

GARDEN CITY GROUP SEGMENT

Garden City Group revenues in 2016 declined compared with the 2015 level primarily because of lower revenues from the Deepwater Horizon class action settlement special project. We expect activity on the Deepwater Horizon class action settlement project to continue in 2017, although at further reduced rates.

Operating Earnings

Our Garden City Group segment reported 2016 operating earnings of $7.2 million, decreasing 41.3% from $12.3 million in 2015, with the related operating margin decreasing from 9.1% in 2015 to 7.3% in 2016. The change in the operating margin was primarily the result of changes in the mix of services provided and the winding down of a major gulf-related special project, partially offset by cost reduction initiatives implemented in 2016.

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Revenues before Reimbursements

Garden City Group revenues are derived primarily from legal settlement administration services related to class action settlements, mass tort claims, and bankruptcies, primarily in the U.S. Garden City Group revenues are project-based and can fluctuate significantly due to the timing of projects awarded. Garden City Group revenues before reimbursements decreased 26.8% to $98.7 million in 2016, compared with $134.8 million in 2015. The decrease in Garden City Group revenues was due primarily to the reduction in activity from the special project discussed above.

At December 31, 2016, we had an estimated revenue backlog related to projects awarded totaling $81.0 million, the same as at December 31, 2015. Of the $81.0 million backlog at December 31, 2016, approximately $73.3 million is expected to be included in revenues within the next 12 months.

Reimbursed Expenses Included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our Garden City Group segment which are included in total Company revenues may vary materially from year to year depending on the amount and types of projects and were $21.3 million in 2016, decreasing from $30.1 million in 2015. This decrease was due to a lower volume of case administration work in 2016.

Transaction Volume

Garden City Group services are generally project-based and not denominated by individual claims. Depending upon the nature of projects and their respective stages of completion, the volume of transactions or tasks performed by us in any period can vary, sometimes significantly.

Direct Compensation, Fringe Benefits & Non-Employee Labor

Garden City Group direct compensation expense, fringe benefits, and non-employee labor expenses, as a percent of segment revenues before reimbursements, decreased to 65.7% in 2016 compared with 69.0% in 2015. The decrease as a percent of revenues was due to improved employee utilization in 2016. The dollar amount of related expenses declined to $64.8 million in 2016 compared with $93.0 million in 2015. The decrease was primarily due to reduced activity associated with the reduction in revenues from the special project discussed above. There was an average of 519 FTEs in 2016, compared with an average of 709 FTEs in 2015, decreasing due to the decreased revenues.

Expenses Other than Reimbursements, Direct Compensation, Fringe Benefits & Non-Employee Labor

Garden City Group expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor decreased 9.8% to $26.6 million in 2016 from $29.5 million in 2015, but increased as a percent of related segment revenues before reimbursements to 27.0% in 2016 from 21.9% in 2015. The dollar amount of these expenses decreased due to reduced activity associated with the reduction in revenues in 2016. The increase in expenses as a percent of revenues before reimbursements was due to the reduction in variable expenses being less than the reduction in revenues in 2016.

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EXPENSES AND CREDITS EXCLUDED FROM SEGMENT OPERATING EARNINGS

Income Taxes

Our consolidated effective income tax rate for financial reporting purposes may change periodically due to changes in enacted tax rates, changes in tax law, fluctuations in the mix of income earned from our various domestic and international operations, which are subject to income taxes at different rates, our ability to utilize loss and tax credit carryforwards, and amounts related to uncertain income tax positions. Income tax provisions totaled $15.0 million, $25.6 million, and $13.8 million for 2017, 2016, and 2015, respectively. Our effective tax rate for financial reporting purposes was 35.6%, 40.4%, and (43.5)% for 2017, 2016, and 2015, respectively. The Company's 2017 effective income tax rate was impacted by the Tax Cuts and Jobs Act in the U.S. and international restructuring activities. The Company's 2015 effective income tax rate was distortive, primarily due to the largely nondeductible goodwill impairment charge, our inability to recognize tax benefits for certain international net operating losses, and fluctuations in the mix of income earned. Additionally, 2015 losses in certain operations, including losses due to restructuring and special charges, were in jurisdictions with lower tax rates or where the losses are unable to be benefited. Based on our 2018 operating plans, we anticipate our effective tax rate for financial reporting purposes in 2018 to be in the 31% to 33% range before considering any discrete items and assuming no changes to U.S. tax law and policy.

Net Corporate Interest Expense

Net corporate interest expense consists of interest expense that we incur on our short- and long-term borrowings, partially offset by interest income we earn on available cash balances and short-term investments. These amounts vary based on interest rates, borrowings outstanding, and the amounts of invested cash. Corporate interest expense totaled $9.9 million, $9.9 million, and $9.0 million for 2017, 2016, and 2015, respectively. Corporate interest income was relatively consistent in each year, totaling $0.8 million, $0.7 million, and $0.6 million in 2017, 2016, and 2015, respectively. We pay interest on borrowings under our Credit Facility based on variable rates. Whether we can expect to see future reductions in interest expense compared with prior periods is dependent on the future direction of interest rates as well as the level of outstanding borrowings relative to prior periods.

Stock Option Expense

Stock option expense, a component of stock-based compensation, is comprised of non-cash expenses related to stock options granted under our various stock option and employee stock purchase plans. Stock option expense is not allocated to our operating segments. Stock option expense of $1.7 million, $0.6 million and $0.4 million was recognized during 2017, 2016, and 2015, respectively. The increase in the 2017 period was due to a higher proportion of options having been granted in 2017 as a component of our Long Term Incentive Plans. Other stock-based compensation expense related to our Executive Stock Bonus Plan and our 2016 Omnibus Stock and Incentive Plan (pursuant to which we have authority to grant performance shares and restricted shares) is charged to our operating segments and included in the determination of segment operating earnings or loss.

Amortization of Customer-Relationship Intangible Assets

Amortization of customer-relationship intangible assets represents the non-cash amortization expense for finite-lived customer-relationship and trade name intangible assets. Amortization expense associated with these intangible assets totaled $11.0 million, $9.6 million, and $9.7 million in 2017, 2016, and 2015, respectively. The increase in 2017 compared to 2016 was due to amortization of intangible assets acquired in the WeGoLook acquisition. This amortization is included in "Selling, general and administrative expenses" in our Consolidated Statements of Operations.

Unallocated Corporate and Shared Costs and Credits

Certain unallocated costs and credits are excluded from the determination of segment operating earnings. These unallocated corporate and shared costs and credits represent costs of our frozen U.S. defined benefit pension plan, expenses for our chief executive officer and our Board of Directors, certain adjustments to our self-insured liabilities, certain unallocated professional fees, and certain adjustments and recoveries to our allowances for doubtful accounts receivable. From time to time, we evaluate which corporate costs and credits are appropriately allocated to one or more of our operating segments. If changes are made to our allocation methodology, prior period allocations are revised to conform to our then-current allocation methodology.

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Unallocated corporate and shared costs and credits were $15.6 million, $24.0 million, and $16.6 million in 2017, 2016, and 2015, respectively. The decrease in 2017 compared with 2016 was due to a decrease in U.S. defined benefit plan expense, self-insured expenses, and unallocated professional fees. These costs increased in 2016 compared with 2015 due primarily to an increase in U.S. defined benefit plan expense, unallocated professional fees, and incentive compensation, partially offset by a decrease in acquisition-related costs and self-insured expenses.

Goodwill Impairment Charges

The Company incurred a non-cash goodwill impairment charge of $19.6 million in the fourth quarter of 2017 related to its Garden City Group reporting unit. There were no goodwill impairment charges in 2016. We incurred non-cash goodwill impairment charges of $49.3 million in 2015. See the "Critical Accounting Policies" in Item 7 and Note 3, "Goodwill and Intangible Assets" of our accompanying audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further discussion about goodwill impairment charges.

Restructuring and Special Charges

Total restructuring and special charges were $12.1 million for 2017, $9.5 million in 2016, and $34.4 million in 2015. See Note 16, "Restructuring and Special Charges" of our accompanying audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further discussion about the restructuring and special charges.

Liquidity, Capital Resources, and Financial Condition

We fund our working capital requirements, capital expenditures and acquisitions from net cash provided by operating activities and borrowings under bank credit facilities.

On October 11, 2017, the Company, its subsidiaries Crawford & Company Risk Services Investments Limited (the "UK Borrower"), Crawford & Company (Canada) Inc. (the "Canadian Borrower") and Crawford & Company (Australia) Pty. Ltd. (the "Australian Borrower") (the Company, together with such subsidiaries, as borrowers, the "Borrowers", Wells Fargo Bank, National Association, as administrative agent and a lender ("Wells Fargo"), Bank of America, N.A., as syndication agent and a lender, Citizens Bank, N.A., as documentation agent and a lender, and the other lenders party thereto, entered into an Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement"), which amended and restated that certain Credit Agreement, dated as of December 8, 2011, by and among, inter alia, the Borrowers, Wells Fargo and the other lenders from time to time party thereto (as previously amended, the "Original Credit Agreement"). In connection with the Amended and Restated Credit Agreement, the Company, the Company’s guarantor subsidiaries party thereto and Wells Fargo entered into an Amended and Restated Pledge and Security Agreement (the "Amended and Restated Pledge and Security Agreement") and an Amended and Restated Guaranty Agreement (the "Amended and Restated Guaranty Agreement"), each dated as of the date of the Amended and Restated Credit Agreement.

The Amended and Restated Credit Agreement: (i) increases the aggregate commitments under the Original Credit Agreement from $400.0 million to $450.0 million, without impacting the Company’s ability, subject to the satisfaction of certain conditions and its receipt of additional commitments, to exercise its option to further increase the revolving loan commitments by up to $200.0 million (previously $100.0 million under the Original Credit Agreement); (ii) extends the maturity date under the Amended and Restated Credit Agreement to November 23, 2022 (the maturity date was November 25, 2018 under the Original Credit Agreement); (iii) reduces the interest margin ranges to 1.30% to 2.10% for LIBOR loans (previously 1.50% to 2.25%) and 0.30% to 1.10% for Base Rate loans (previously 0.50% to 1.25%); (iv) reduces the minimum required fixed charge coverage ratio to 1.10 to 1.00 (previously 1.25 to 1.00);

and (v) amends the leverage ratio tests to set a maximum permitted senior secured leverage ratio of 3.25 to 1.00 and set a maximum permitted total leverage ratio of 4.25 to 1.00, among other things.

The credit facility under the Amended and Restated Credit Agreement (as amended, the "Credit Facility") consists of a $450.0 million revolving credit facility, with a letter of credit subfacility of $200.0 million. The Credit Facility contains sublimits of $185.0 million for borrowings by the UK Borrower, $75.0 million for borrowings by the Canadian Borrower, and $32.5 million for borrowings by the Australian Borrower. The Credit Facility matures, and all amounts outstanding thereunder, will be due and payable on November 23, 2022.

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Borrowings under the Credit Facility may be made in U.S. dollars, Euros, the currencies of Canada, Japan, Australia or United Kingdom and, subject to the terms of the Credit Facility, other currencies. Borrowings under the Credit Facility bear interest, at the option of the applicable Borrower, based on the Base Rate (as defined below) or the London Interbank Offered Rate ("LIBOR"), in each case plus an applicable interest margin based on the Company's leverage ratio (as defined below), provided that borrowings in foreign currencies may bear interest based on LIBOR only. The interest margin for LIBOR loans ranges from 1.30% to 2.10% and for Base Rate loans ranges from 0.30% to 1.10%. Base Rate is defined as the highest of (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1%, (ii) the prime commercial lending rate of the Administrative Agent and (iii) LIBOR for a one month interest period plus 1.0%.

At December 31, 2017 and 2016, a total of $224.3 million and $186.2 million, respectively, was outstanding under the Credit Facility. In addition, undrawn commitments under letters of credit totaling $14.5 million and $14.8 million were outstanding at December 31, 2017 and 2016, respectively, under the letters of credit subfacility of the Credit Facility. These letter of credit commitments were for the Company's own obligations. Including the amounts committed under the letters of credit subfacility, the available borrowing capacity under the Credit Facility totaled $241.3 million and $198.5 million at December 31, 2017 and 2016.

The obligations of the Borrowers under the Amended and Restated Credit Agreement are guaranteed by each existing material domestic subsidiary of the Company, certain other domestic subsidiaries of the Company and certain existing material foreign subsidiaries of the Company that are disregarded entities for U.S. income tax purposes (each such foreign subsidiary, a "Disregarded Foreign Entity"), and such obligations are required to be guaranteed by each subsequently acquired or formed material domestic subsidiary and Disregarded Foreign Entity (each, a "Guarantor"), and the obligations of the Borrowers other than the Company ("Foreign Borrowers") for which the Company is not the primary obligor are also guaranteed by the Company. In addition, (i) the Borrowers' obligations under the Amended and Restated Credit Agreement are secured by a first priority lien (subject to liens permitted by the Amended and Restated Credit Agreement) on substantially all of the personal property of the Company and the Guarantors as set forth in the Amended and Restated Pledge and Security Agreement and (ii) the obligations of the Foreign Borrowers are secured by a first priority lien on 100% of the capital stock of the Foreign Borrowers.

The representations, covenants and events of default in the Credit Facility are customary for financing transactions of this nature, including required compliance with a minimum fixed charge coverage ratio and a maximum leverage ratio (each as defined below).

Under the Credit Facility the fixed charge coverage ratio, defined as the ratio of (i)(A) consolidated earnings before interest expense, income taxes, depreciation, amortization, stock-based compensation expense, and certain other charges and expenses ("EBITDA") minus (B) aggregate income taxes to the extent paid in cash minus (C) unfinanced capital expenditures to (ii) the sum of: (A) consolidated interest expense to the extent paid (or required to be paid) in cash, plus (B) the aggregate of all scheduled payments of principal on funded debt (including the principal component of payments made in respect of capital lease obligations) required to have been made (whether or not such payments are actually made), plus (C) the aggregate of all restricted payments (as defined) paid, plus (D) the aggregate of all earnouts paid or required to be paid, must not be less than 1.10 to 1.00 for the four-quarter period ending at the end of each fiscal quarter.

The leverage ratio, as of the last day of any fiscal quarter, defined as the ratio of (i) consolidated total funded debt minus unrestricted cash to (ii) consolidated EBITDA, must not be greater than 3.25 to 1.00 at the end of each fiscal quarter.

At December 31, 2017, the Company was in compliance with the financial covenants under the Credit Facility. If the Company does not meet the covenant requirements in the future, it would be in default under the Credit Facility. Upon the occurrence of an event of default, the lenders may terminate the loan commitments, accelerate all loans and exercise any of their rights under the Credit Facility and ancillary documents.

We are not aware of any additional restrictions placed on us, or being considered to be placed on us, related to our ability to access capital, such as borrowings under the Credit Facility. We do not rely on repurchase agreements or the commercial paper market to meet our short-term or long-term funding needs. For additional information on the key covenants contained in our Credit Facility, see "Other Matters Concerning Liquidity and Capital Resources" below.

We continue the ongoing monitoring of our customers' ability to pay us for the services that we render to them. Based on historical results, we currently believe there is a low likelihood that write-offs of our existing accounts receivable will have a material impact on our financial results. However, if one or more of our key customers files bankruptcy or otherwise becomes unable to make required payments to us, or if overall economic conditions deteriorate, we may need to make material provisions in the future to increase our allowance for accounts receivable.

The operations of our International segment expose us to a number of risks, including foreign currency exchange rate changes that can impact translations of foreign-denominated assets and liabilities into U.S. dollars and future earnings and cash flows from transactions denominated in different currencies, as well as the risk of changes in tax rates or tarriffs on earnings or services provided outside the U.S. Changes in the relative values of non-U.S. currencies to the U.S. dollar affect our financial results. Increases in the value of the U.S. dollar compared with the other functional currencies in certain of the locations in which we do business negatively impacted our revenues and operating earnings in 2017, 2016, and 2015. We cannot predict the impact that foreign currency exchange rates may have on our future revenues or operating earnings in our International segment.

At December 31, 2017, our working capital balance (current assets less current liabilities) was approximately $113.8 million, compared with $134.4 million at December 31, 2016. The decrease in working capital was due to an increase in short-term borrowings largely to fund the WeGoLook acquisition. Cash and cash equivalents at the end of 2017 totaled $54.0 million, compared with $81.6 million at the end of 2016. The decrease in cash was primarily related to certain international cash balances being utilized to reduce foreign borrowings under our Credit Facility.

Cash and cash equivalents as of December 31, 2017 consisted of $17.8 million held in the U.S. and $36.2 million held in our foreign subsidiaries. All of the cash and cash equivalents held by our foreign subsidiaries is available for general corporate purposes. The Company generally does not provide for additional U.S. and foreign income taxes on undistributed earnings of foreign subsidiaries because they are considered to be indefinitely reinvested. The Company's current expectation is that such earnings will be reinvested by the subsidiaries or will be repatriated only when it would be tax effective or otherwise strategically beneficial to the Company, such as if a very unusual event or project generated profits significantly in excess of ongoing business reinvestment needs. If such an event occurs, we would analyze the potential tax impact or our anticipated investment needs in that region and provide for taxes for earnings that are not expected to be permanently reinvested. Other historical earnings and future foreign earnings necessary for business reinvestment are expected to remain permanently reinvested and will be used to provide working capital for these operations, fund defined benefit pension plan obligations, repay non-U.S. debt, fund capital improvements, and fund future acquisitions. We currently believe that funds expected to be generated from our U.S. operations, along with potential borrowing capabilities in the U.S., will be sufficient to fund our U.S. operations and other obligations, including our funding obligations under our U.S. defined benefit pension plan, for the foreseeable future and, therefore, except in limited circumstances such as those described above, do not foresee a need to repatriate cash held by our foreign subsidiaries in a taxable transaction to fund our U.S. operations. However, if at a future date or time these funds are necessary for our operations in the U.S. or we otherwise believe it is in our best interests to repatriate all or a portion of such funds, we may be required to accrue and pay taxes to repatriate these funds. No assurances can be provided as to the amount or timing thereof, the tax consequences related thereto, or the ultimate impact any such action may have on our results of operations or financial condition. No additional income or withholding taxes have been provided for any undistributed foreign earnings, other than those subject to the Transition Tax nor have any taxes been provided for outside basis difference inherent in these entities as these amounts continue to be indefinitely reinvested in foreign operations. Additionally, due to withholding tax, basis computations, and other related tax considerations, it is not practicable to estimate any taxes to be provided on outside basis differences at this time. The ultimate tax impact related to the Tax Act may differ, possibly materially, due to further refinement of our calculations, changes in interpretation and assumptions, or issuance of additional guidance issued by the relevant tax authorities and we will continue to refine these estimates and our indefinite reinvestment assertion in accordance with SAB 118.

Cash Provided by Operating Activities

Cash provided by operating activities decreased by $58.1 million in 2017, from $98.9 million in 2016 to $40.8 million in 2017. This decrease was primarily due to a decrease in accrued incentive compensation, accounts payable, and pension liabilities, and an increase in receivables and prepaid expenses. Interest payments on our debt were $8.4 million in 2017, and tax payments, net of refunds, were $15.6 million in 2017. During the 2016 period the Company settled a cross currency swap for $4.1 million increasing cash from operations for the prior year period.

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Cash provided by operating activities increased by $37.2 million in 2016, from $61.7 million in 2015 to $98.9 million in 2016. This increase was largely due to higher net income and a decrease in working capital requirements in 2016 compared to 2015. Interest payments on our debt were $8.5 million in 2016, and tax payments, net of refunds, were $16.2 million in 2016.

Cash Used in Investing Activities

Cash used in investing activities increased by $48.9 million in 2017, from $33.0 million in 2016 to $81.9 million in 2017. This increase was primarily due to $36.0 million for the acquisition of WeGoLook and certain non-compete agreements as discussed in Note 2, "Acquisitions and Dispositions of Businesses." Cash used to acquire property and equipment and capitalized software, including capitalization of costs for internally developed software, was $44.9 million in 2017 compared with $29.2 million in 2016. This increase also includes costs incurred for the consolidation and relocation of our Atlanta Support Center as discussed in Note 6, "Commitments Under Operating Leases." We forecast that our property and equipment additions in 2018, including capitalized software, will approximate $45 million due to investments required to fund initiatives in our three-year strategic plan.

Cash used in investing activities decreased by $68.2 million in 2016, from $101.2 million in 2015 to $33.0 million in 2016. This decrease was primarily due to $68.3 million in cash payments for business acquisitions in 2015. Cash used to acquire property and equipment and capitalized software, including capitalization of costs for internally developed software, was $29.2 million in 2016 compared with $32.9 million in 2015.

Cash Provided by (Used in) Financing Activities

Cash provided by financing activities was $10.3 million in 2017. In 2017, we borrowed $94.4 million in short-term borrowings for working capital needs and we repaid a total of $58.5 million in short-term borrowings and $1.2 million in debt and capital lease obligations. The increase in borrowings in the 2017 period was primarily due to borrowings to fund the WeGoLook acquisition and increased working capital requirements. We used cash to pay cash dividends totaling $13.7 million. Also in 2017, we repurchased shares of CRD-A and CRD-B stock totaling $7.4 million, and we received shares of CRD-A stock that were surrendered by employees to settle $1.9 million of withholding taxes owed on the issuance of restricted and performance shares.

Cash used by financing activities was $55.2 million in 2016. We borrowed $80.2 million in short-term borrowings for working capital needs and we repaid a total of $118.0 million in short-term borrowings and $1.5 million in debt and capital lease obligations. We used cash to pay cash dividends totaling $13.6 million. Also in 2016, we received shares of CRD-A stock that were surrendered by employees to settle $1.3 million of withholding taxes owed on the issuance of restricted and performance shares.

Other Matters Concerning Liquidity and Capital Resources

Our short-term debt obligations typically peak during the first quarter of each year due to the payment of incentive compensation awards, contributions to retirement plans, and certain other recurring payments, and generally decline during the balance of the year. Our maximum month-end short-term debt obligations were $32.0 million and $23.3 million in 2017 and 2016, respectively. Our average month-end short-term debt obligations were $8.3 million and $13.3 million in 2017 and 2016, respectively. The outstanding balance of our short-term borrowings, excluding outstanding but undrawn letters of credit under our Credit Facility, was $24.6 million and $30 thousand at December 31, 2017 and 2016, respectively. The balance in short-term borrowings at December 31, 2017 represents amounts under our revolving Credit Facility that we expect, but are not required, to repay in the next twelve months. We have historically used the proceeds from our long-term borrowings to finance, among other things, business acquisitions.

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As described above, we have two principal financial covenants in our Credit Facility. The leverage ratio covenant requires us to comply with a maximum leverage ratio, defined in our Credit Facility as the ratio of (i) consolidated total funded debt minus unrestricted cash to (ii) consolidated earnings before interest expense, income taxes, depreciation, amortization, stock-based compensation expense, and certain other charges and expenses ("EBITDA"). This ratio must not exceed 3.25 to 1.00 as of the last day of each fiscal quarter. The fixed charge coverage ratio covenant requires us to comply with a minimum fixed charge coverage ratio, defined as the ratio of (i)(A) consolidated EBITDA minus (B) aggregate income taxes to the extent paid in cash minus (C) unfinanced capital expenditures to (ii) the sum of: (A) consolidated interest expense to the extent paid (or required to be paid) in cash, plus (B) the aggregate of all scheduled payments of principal on funded debt (including the principal component of payments made in respect of capital lease obligations) required to have been made (whether or not such payments are actually made), plus (C) the aggregate of all restricted payments (as defined) paid, plus (D) the aggregate of all earnouts paid or required to be paid, must not be less than 1.10 to 1.00 for the four-quarter period ending at the end of each fiscal quarter. At December 31, 2017, we were in compliance with all required ratios under our Credit Facility. Based on our financial plans, we expect to be able to remain in compliance with all required covenants throughout 2018. Our compliance with the leverage ratio and fixed charge coverage ratio is particularly sensitive to changes in our EBITDA, and if our financial plans for 2018 or other future periods do not meet our current projections, we could fail to remain in compliance with these financial covenants in our Credit Facility.

Our compliance with the leverage ratio covenant is also sensitive to changes in our level of consolidated total funded debt, as defined in our Credit Facility. In addition to short- and long-term borrowings, capital leases, and bank overdrafts, among other things, consolidated total funded debt includes letters of credit, the need for which can fluctuate based on our business requirements. An increase in borrowings under our Credit Facility could negatively impact our leverage ratio, unless those increased borrowings are offset by a corresponding increase in our EBITDA. In addition, a reduction in EBITDA in the future could limit our ability to utilize available credit under the Credit Facility, which could negatively impact our ability to fund our current operations or make needed capital investments.

Our compliance with the fixed charge coverage ratio covenant, which measures our ability to pay certain recurring expenses such as interest and lease payments, is also sensitive to the level of capital expenditures and restricted payments, as defined in our Credit Facility. A decrease in EBITDA could negatively impact our fixed charge coverage ratio, as could increases in our capital expenditures, interest expense, tax expense or restricted payments. If we do not manage those items carefully, we could be in default under the Credit Agreement, which would negatively impact our ability to fund our current operations or make needed capital investments.

We believe our current financial resources, together with funds generated from operations and existing and potential borrowing capabilities, will be sufficient to maintain our current operations for the next 12 months.

Contractual Obligations

As of December 31, 2017, the impact that our contractual obligations, including estimated interest payments, are expected to have on our liquidity and cash flow in future periods is as follows:

(Note references in the following table refer to the note in the accompanying audited consolidated financial statements in Item 8 of this Annual Report on Form 10-K).

	Payments Due by Period				
	One Year or Less	1 to 3 Years	3 to 5 Years	After 5 Years	Total
	(In thousands)				
Operating lease obligations (Note 6)	$39,321	$61,101	$30,721	$28,010	$159,153

Long-term debt, including current portions (Note 4) [1]	24,641	—	199,642	—	224,283
Capital lease obligations (Note 4) [1]	571	540	278	—	1,389
Total, before interest payments	64,533	61,641	230,641	28,010	384,825
Estimated interest payments under Credit Facility	10,820	22,421	21,199	—	54,440
Total contractual obligations	$75,353	$84,062	$251,840	$28,010	$439,265

[1] Assumes principal amounts are repaid at maturity and not refinanced.

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Approximately $17.2 million of operating lease obligations included in the table above are expected to be funded by sublessors under existing sublease agreements. See Note 6, "Commitments Under Operating Leases" to the audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Borrowings under our Credit Facility bear interest at a variable rate, based on LIBOR or a Base Rate, in either case plus an applicable margin. Long-term debt refers to the required principal repayment at maturity of the Credit Facility, and may differ significantly from estimates, due to, among other things, actual amounts outstanding at maturity or any refinancings prior to such date. Interest amounts are based on projected borrowings under our Credit Facility and interest rates in effect on December 31, 2017, and the actual interest payments may differ significantly from estimates due to, among other things, changes in outstanding borrowings and prevailing interest rates in the future.

At December 31, 2017, we had approximately $11.3 million of unrecognized income tax benefits related to uncertain tax positions. We cannot reasonably estimate when all of these unrecognized income tax benefits may be settled. We expect $6.2 million in reductions to unrecognized income tax benefits within the next 12 months as a result of projected resolutions of income tax uncertainties.

Gross deferred income tax liabilities as of December 31, 2017 were approximately $51.1 million. This amount is not included in the contractual obligations table because we believe this presentation would not be meaningful. Deferred income tax liabilities are calculated based on temporary differences between the tax basis of assets and liabilities and their respective book basis, which will result in taxable amounts in future years when the liabilities are settled at their reported financial statement amounts. The results of these calculations do not have a direct connection with the amount of cash taxes to be paid in any future periods. As a result, we believe scheduling deferred income tax liabilities as payments due by period could be misleading, because this scheduling would not relate to liquidity needs.

Defined Benefit Pension Funding and Cost

We sponsor a qualified defined benefit pension plan in the U.S., (the "U.S. Qualified Plan") three defined benefit plans in the U.K. (the "U.K. Plans"), and defined benefit pension plans in the Netherlands, Norway, Germany, and the Philippines (the "other international plans"). Future cash funding of our defined benefit pension plans will depend largely on future investment performance, interest rates, changes to mortality tables, and regulatory requirements. Effective December 31, 2002, we froze our U.S. Qualified Plan. The aggregate deficit in the funded status of the U.S. Plan and other international plans totaled $87.0 million and $105.2 million at the end of 2017 and 2016, respectively. The 2017 decrease in the unfunded deficit of our defined benefit pension plans primarily resulted from the return on plan assets, contributions and adoption of updated mortality tables used to determine U.S. Qualified Plan liabilities. During 2017, we made contributions of $9.0 million and $5.6 million to our U.S. Qualified Plan and U.K. Plans, respectively. In 2016, we made contributions of $9.0 million and $5.1 million to our U.S. Qualified Plan and U.K. Plans, respectively. The U.K. Plans were in a funded status totaling $34.7 million and $21.6 million at the end of 2017 and 2016, respectively with the fair value of plan assets exceeding the projected benefit obligation. There was a $13.1 million increase during 2017 in the net prepaid pension balances of the U.K. defined benefit plan that is in an overfunded position.

Our frozen U.S. Qualified Plan was underfunded by $85.8 million at December 31, 2017 based on an accumulated benefit obligation of $474.6 million. Crawford expects to make discretionary contributions of $9.0 million per annum to the U.S. Qualified Plan for the next five fiscal years to improve the funded status of the plan and minimize future required contributions. We estimate that we will make the following annual minimum contributions over the next five years to our frozen U.S. Qualified Plan and the U.K. Plans:

Year Ending December 31,	Estimated U.S. Pension	Estimated U.K. Pension

	Funding (In thousands)	Funding
2018	$ 9,000	$ 5,600
2019	9,000	5,200
2020	9,000	5,200
2021	9,000	5,200
2022	9,000	5,200

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Funding requirements are no longer as sensitive to changes in the expected rate of return on plan assets and the discount rate used to determine the present value of projected benefits payable under the U.S. Qualified plan. The Bipartisan Budget Act of 2015 ("BBA2015") included pension funding reform which greatly reduced the contributions required to the U.S. Qualified Plan. In addition to BBA2015 legislation, pension funding has been governed by rules under the Pension Protection Act of 2006, as amended by the Worker, Retiree and Employer Recovery Act of 2008, the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010, and the Moving Ahead for Progress in the 21st Century Act, and the Highway Transportation Funding Act of 2014. Volatility in the capital markets and future legislation may have a negative impact on our U.S., U.K. and other international pension plans, which may further increase the underfunded portion of our pension plans and our attendant funding obligations. Expected and required contributions to our underfunded defined benefit pension plans will reduce our liquidity, restrict available cash for our operating, financing, and investing needs and may materially adversely affect our financial condition and our ability to deploy capital to other opportunities.

Commercial Commitments

As a component of our Credit Facility, we maintain a letter of credit facility to satisfy certain contractual obligations. At December 31, 2017, the issued, but undrawn, letters of credit totaled approximately $14.5 million. These letters of credit are typically renewed annually, but unless renewed, will expire as follows:

	Amount of Commitment Expiration per Period				
	One Year or Less	1 to 3 Years	3 to 5 Years	After 5 Years	Total
	(In thousands)				
Standby Letters of Credit	$14,500	$ —	$ —	$ —	$14,500

Off-Balance Sheet Arrangements

At December 31, 2017, we were not party to any off-balance sheet arrangements, other than operating leases, which could materially impact our operations, financial condition, or cash flows. We have certain material obligations under operating lease agreements to which we are a party. In accordance with GAAP, these operating lease obligations and the related leased assets are not reported on our consolidated balance sheets.

We maintain funds in trusts to administer claims for certain clients. These funds are not available for our general operating activities and, as such, have not been recorded in the accompanying consolidated balance sheets. We have concluded that we do not have material off-balance sheet financial risk related to these funds at December 31, 2017.

Changes in Financial Condition

The following addresses changes in our financial condition not addressed elsewhere in this MD&A.

Significant changes on our consolidated balance sheet as of December 31, 2017, compared with our consolidated balance sheet as of December 31, 2016, were as follows:

- Accounts receivable increased by $20.6 million, or $14.8 million excluding the effect of foreign currency exchange impacts and other adjustments, in 2017 compared with 2016. The increase was primarily due to increased receivables in U.S. Services related to the hurricane activity and International operations.
-

Prepaid expenses and other current assets and other noncurrent assets increased by $17.6 million in 2017 compared with 2016 primarily due to an increase of $13.1 million in the net prepaid pension balances of the U.K. defined benefit plan that is in a overfunded position.

- Noncurrent deferred income tax assets decreased by $5.0 million primarily due to the tax impact of the Tax Cuts and Jobs Act in the U.S., the adjustments to retirement liabilities recorded in accumulated other comprehensive loss, and the utilization of foreign tax credits and net operating losses.

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Critical Accounting Policies and Estimates

This MD&A addresses our consolidated financial statements, which are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate these estimates and judgments based upon historical experience and various other factors that we believe are reasonable under then-existing circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies require significant judgments and estimates in the preparation of our consolidated financial statements. Changes in these underlying estimates could potentially materially affect consolidated results of operations, financial position and cash flows in the period of change. Although some variability is inherent in these estimates, the amounts provided for are based on the best information available to us and we believe these estimates are reasonable.

We have discussed the following critical accounting policies and estimates with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed our related disclosure in this MD&A.

Revenue Recognition

Our revenues are primarily comprised of claims processing or program administration fees. Fees for professional services are recognized as unbilled revenues at estimated collectible amounts at the time such services are rendered. Substantially all unbilled revenues are billed within one year. Out-of-pocket costs incurred in administering a claim are typically passed on to our clients and included in our revenues under GAAP. Deferred revenues represent the estimated unearned portion of fees related to future services to be performed under certain fixed-fee service arrangements. Deferred revenues are recognized into revenues based on the estimated rate at which the services are provided. These rates are primarily based on an evaluation of historical claim closing rates by major claim type. Additionally, recent claim closing rates are evaluated to ensure that current claim closing history does not indicate a significant deterioration or improvement in the longer-term historical closing rates used.

Our fixed-fee service arrangements typically require us to handle claims on either a one- or two-year basis, or for the lifetime of the claim. In cases where we handle a claim on a non-lifetime basis, we typically receive an additional fee on each anniversary date that the claim remains open. For service arrangements where we provide services for the life of the claim, we are only paid one fee for the life of the claim, regardless of the duration of the claim. As a result, our deferred revenues for claims handled for one or two years are not as sensitive to changes in claim closing rates since the revenues are recognized in the near future, and additional fees are generated for handling long-lived claims. Deferred revenues for lifetime claim handling are considered more sensitive to changes in claim closing rates since we are obligated to handle these claims to their conclusion with no additional fees received for long-lived claims. For all fixed fee service arrangements, revenues are recognized over the expected service periods, by type of claim.

Based upon our historical averages, we close approximately 98% of all cases referred to us under lifetime claim service arrangements within five years from the date of referral. Also, within that five-year period, the percentage of cases remaining open in any one particular year has remained relatively consistent from period to period. Each quarter we evaluate our historical case closing rates by type of claim and make adjustments as necessary. Any changes in estimates are recognized in the period in which they are determined.

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As of December 31, 2017, deferred revenues related to lifetime claim handling arrangements approximated $41.8 million. If the rate at which we close cases changes, the amount of revenues recognized within a period could be affected. In addition, given the competitive environment in which we operate, we may be unable to raise our prices to offset the additional expense associated with handling longer-lived claims should such case closing rates change. The change in our first-year case closing rates over the last ten years has ranged from a decrease of 3.6% to an increase of 4.8%, and has averaged an increase of 0.2%. A 1.0% change is a reasonably likely change in our estimate based on historical data. Absent an increase in per-claim fees from our clients, a 1.0% decrease in claim closing rates for lifetime claims would have resulted in the deferral of additional revenues of approximately $1.4 million for the year ended December 31, 2017, $1.5 million for the year ended December 31, 2016, and $1.4 million for the year ended December 31, 2015. If our average claim closing rates for lifetime claims increased by 1.0%, we would have recognized additional revenues of approximately $1.3 million for the year ended December 31, 2017, $1.1 million for the year ended December 31, 2016, and $1.3 million for the year ended December 31, 2015.

The Company has contracts with multi-element arrangements. The Company often sells multiple lines of claims processing and different levels of processing depending on the complexity of the claims within a contract. The Company typically provides a menu of offerings from which the customer chooses to purchase or not at their discretion. The price of each service is separate and distinct and provides a separate and distinct value to the customer. Pricing is consistent for each service irrespective of the other service(s) or quantities requested by the customer. For example, if we provide claims processing for auto and general liability, those services are priced and delivered independently.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments and for adjustments to invoiced amounts. Losses resulting from the inability of clients to make required payments are accounted for as bad debt expense, while adjustments to invoices are accounted for as reductions to revenues. These allowances are established by using historical write-off or adjustment information intended to determine future loss expectations and by considering the current credit worthiness of our clients, any known specific collection problems, and our assessment of current industry conditions. Actual experience may differ significantly from historical or expected loss results. Each quarter, we evaluate the adequacy of the assumptions used in determining these allowances and make adjustments as necessary. Changes in estimates are recognized in the period in which they are determined. Historically, our estimates have been materially accurate.

As of December 31, 2017 and 2016, our allowance for doubtful accounts totaled $12.6 million and $14.5 million, or approximately 6.7% and 8.6% of gross billed receivables at December 31, 2017 and 2016, respectively. If the financial condition of our clients deteriorates, resulting in an inability to make required payments to us, or if economic conditions deteriorate, additional allowances may be deemed to be appropriate or required. If the allowance for doubtful accounts changed by 1.0% of gross billed receivables, reflecting either an increase or decrease in expected future write-offs, the impact to consolidated pretax income would have been approximately $1.9 million, $1.7 million, and $1.8 million in 2017, 2016, and 2015, respectively.

Valuation of Goodwill, Indefinite-Lived Intangible Assets, and Other Long-Lived Assets

We regularly evaluate whether events and circumstances have occurred which indicate that the carrying amounts of goodwill, indefinite-lived intangible assets, or other long-lived assets have been impaired. Goodwill is an asset that represents the excess of the purchase price over the fair value of the separately identifiable net assets (tangible and intangible) acquired in certain business combinations. Our indefinite-lived intangible assets consist of trade names associated with acquired businesses. Goodwill and indefinite-lived intangible assets are not amortized, but are subject to impairment testing at least annually. When factors indicate that such assets should be evaluated for possible impairment between the scheduled annual impairment tests, we perform an interim impairment test. Our other long-lived assets consist primarily of property and equipment, deferred income tax assets, capitalized software, and amortizable intangible assets related to customer relationships, technology, and trade names with finite lives. Other long-lived assets are evaluated for impairment when impairment indicators are identified.

We currently have five reporting units for goodwill impairment purposes. These reporting units are our U.S. Services segment excluding U.S. Contractor Connection operations, our U.S. Contractor Connection operations on a stand-alone basis, and our other operating segments - International, Broadspire, and Garden City Group.

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In the annual impairment analysis of goodwill, we compare the carrying value of our reporting units, including goodwill, to the estimated fair values of those reporting units as determined by a combination of the income approach, specifically discounting future projected cash flows, and the market approach, specifically the Guideline Public Company Method, as described in more detail in Note 1, "Significant Accounting and Reporting Policies," of our accompanying audited consolidated financial statements in Item 8 of this Annual Report on Form 10-K. We perform an interim impairment analysis of goodwill when an event occurs or circumstances change between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying value. The estimated fair values of our reporting units are based upon certain assumptions made by us. The estimated fair values of our reporting units are reconciled to the Company's total market value as determined by its stock price in order to assist in evaluating the reasonableness of the estimated fair values of each of the reporting units.

Goodwill impairment testing is performed on a reporting unit basis. If the fair value of the reporting unit exceeds its carrying value, including goodwill, goodwill is considered not impaired. If the carrying value of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The loss recognized cannot subsequently be reversed.

We have the option to perform a qualitative assessment of goodwill prior to completing the quantitative analysis described above to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If we conclude that this is the case, we perform the quantitative analysis discussed above.

The estimated fair value of our U.S. Contractor Connection operations, International, and Broadspire reporting units exceed their carrying value by a significant margin. The estimated fair value of our U.S. Services segment excluding U.S. Contractor Connection operations reporting unit exceeds its carrying value but not by as much of a margin. The U.S. Services segment excluding U.S. Contractor Connection operations reporting unit has $19.4 million of goodwill at risk of potential future impairment. An increase in the discount rate of 125 basis points could potentially trigger an impairment of our U.S. Services segment excluding U.S. Contractor Connection operations reporting unit goodwill, assuming no change in the other key inputs. The Company recognized goodwill impairment charges for the entire goodwill allocated to its Garden City Group reporting unit of $19.6 million in the fourth quarter 2017 due to the reporting unit achieving less than forecasted revenue and operating earnings and based on future expected operating results. We intend to continue to monitor the performance of our reporting units for potential indicators of impairment. If impairment indicators exist, we will perform an interim goodwill impairment analysis.

The key assumptions used in estimating the fair value of our reporting units utilizing the income approach include the discount rate and the terminal growth rate. The discount rates utilized in estimating the fair value of our reporting units in 2017 range between 10.0% and 13.5%, reflecting our assessment of a market participant's view of the risks associated with the projected cash flows. The terminal growth rate used in the analysis was 2.0%. The assumptions used in estimating the fair values are based on currently available data and management's best estimates of revenues and cash flows and, accordingly, a change in market conditions or other factors could have a material effect on the estimated values. There are inherent uncertainties related to the assumptions used and to management's application of these assumptions.

The indefinite-lived intangible assets consisting of the Broadspire, SLS and WeGoLook trade names, with carrying values of $29.1 million, $1.7 million and $1.0 million, respectively, are also evaluated for potential impairment on an annual basis or when indicators of potential impairment are identified. Based on our 2017 analysis, we do not believe these trade names are impaired. The indefinite-lived intangible asset impairment test involves estimating the fair value using an internally prepared discounted cash flow analysis. The fair values of the Company's trade names are established using the relief-from-royalty method, a form of the income approach. This method recognizes that, by virtue of owning the trade name as opposed to licensing it, a company or reporting unit is relieved from paying a royalty, usually expressed as a percentage of net sales, for the asset's use. The present value of the after-tax costs savings (i.e., royalty relief) at an appropriate discount rate including a tax amortization benefit indicates the value of the trade name. We determined the discount rate based on our performance compared to similar market participants, factored by risk in forecasting using a modified capital asset pricing model.

The values of the Broadspire, SLS and WeGoLook trade names are each sensitive to changes in the assumptions used above. The estimated fair value of our Broadspire and SLS trade names exceed their carrying value by a significant margin. An increase in the discount rate by 2.5% could potentially trigger an impairment of the WeGoLook trade name, assuming no changes in the other key inputs. We will continue to monitor the value of these trade names for potential indicators of impairment.

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Defined Benefit Pension Plans

We sponsor various defined benefit pension plans in the U.S. and U.K. that cover a substantial number of current and former employees in each location. Certain other employees located in the Netherlands, Germany, and the Philippines have retirement benefits that are accounted for as defined benefit pension plans under GAAP. We utilize the services of independent actuaries to help us estimate our pension obligations and measure pension costs. Our U.S. Qualified Plan was frozen on December 31, 2002. Our U.K. Plans were closed to new employees as of October 31, 1997, but existing participants may still accrue additional limited benefits based on salary levels existing at the close date. Benefits payable under our U.S. Qualified Plan are generally based on career compensation; however, no additional benefits accrue on our frozen U.S. Qualified Plan after December 31, 2002. Benefits payable under the U.K. Plans are generally based on an employee's salary at the time the applicable plan was closed. Our funding policy is to make cash contributions in amounts sufficient to maintain the plans on an actuarially sound basis, but not in excess of amounts deductible under applicable income tax regulations. Note 8, "Retirement Plans," of our accompanying audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K provides details about the assumptions used in determining the funded status of the plans, the unrecognized actuarial gain/(loss), the components of net periodic benefit cost, benefit payments expected to be made in the future and plan asset allocations.

Investment objectives for the Company's U.S. and U.K. pension plan assets are to:

- ensure availability of funds for payment of plan benefits as they become due;
- provide for a reasonable amount of long-term growth of capital, without undue exposure to volatility, and protect the assets from erosion of purchasing power; and
- provide investment results that meet or exceed the plans' actuarially assumed long-term rate of return.

The long-term goal for the U.S. and U.K. defined benefit pension plans is to reach fully-funded status and to maintain that status. The investment policies contemplate the plans' asset return requirements and risk tolerances changing over time. Accordingly, reallocation of the portfolios' mix of return-seeking assets and liability-hedging assets will be performed as the plans' funded status improves. In conjunction with our investment policies we have rebalanced the U.S. and U.K. defined benefit pension plans' target allocation mix from an equity-weighted to a fixed-income weighted investment strategy, as we have made cash contributions to the plan and the plans' funded status has improved.

The rules for pension accounting are complex and the assumptions used can produce volatility in our results, financial condition and liquidity. Our pension expense is primarily a function of the value of our plan assets and the discount rate used to measure our pension liability at a single point in time at the end of our fiscal year (the measurement date). Both of these factors are significantly influenced by the stock and bond markets, which are subject to volatility.

In addition to expense volatility, we are required to record mark-to-market adjustments to our balance sheet on an annual basis for the net funded status of our pension plans. These adjustments have fluctuated significantly over the past several years and, like our pension expense, are a result of the discount rate and value of our plan assets at each measurement date, as well as periodic changes to mortality tables used to estimate the life expectancy of plan participants. The funded status of our plans may also impact our liquidity, as changes to funding laws in the U.S. may require higher funding levels for our pension plans.

The principal assumptions used in accounting for our defined benefit pension plans are the discount rate, the expected long-term return on plan assets, and the mortality expectations for plan participants. The discount rate assumptions reflect the rates at which the benefit obligations could be effectively settled. Our discount rates were determined with the assistance of actuaries, who calculate the yield on a theoretical portfolio of high-grade corporate bonds (rated Aa or better) with cash flows that generally match our expected benefit payments in future years. At December 31, 2017, the discount rate used to compute the benefit obligations of the U.S. and U.K. defined benefit pension plans were 3.63% and 2.61%, respectively.

The estimated average rate of return on plan assets is a long-term, forward-looking assumption that also materially affects our pension cost. It is required to be the expected future long-term rate of earnings on plan assets. Our pension plan assets are invested primarily in collective funds. As part of our strategy to manage future pension costs and net funded status volatility, we have transitioned to a liability-driven investment strategy with a greater concentration of fixed-income securities as described above.

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Establishing the expected future rate of investment return on our pension assets is a judgmental matter. Management considers the following factors in determining this assumption:

- the duration of our pension plan liabilities, which drives the investment strategy we can employ with our pension plan assets;
- the types of investment classes in which we invest our pension plan assets and the expected return we can reasonably expect those investment classes to earn over time; and
- the investment returns we can reasonably expect our investment management program to achieve in excess of the returns we could expect if investments were made strictly in indexed funds.

We review the expected long-term rate of return on an annual basis and revise it as appropriate. To support our conclusions, we periodically commission asset/liability studies performed by third-party professional investment advisors and actuaries to assist us in our reviews. These studies project our estimated future pension payments and evaluate the efficiency of the allocation of our pension plan assets into various investment categories. These studies also generate probability-adjusted expected future returns on those assets. As a result of the transition to a liability-driven investment strategy described previously, the expected long-term rates of return on plan assets assumption used to determine 2018 net periodic pension cost were estimated to be 6.20% and 3.85% for the U.S. and U.K. plans, respectively.

We review our employee demographic assumptions annually and update the assumptions as necessary. During 2017, we revised the mortality assumptions for the U.S. plans to incorporate the new mortality tables issued by the Society of Actuaries, adjusted to reflect Company-specific experience and future expectations. This resulted in a $3.2 million decrease in the projected benefit obligation for the U.S. plans.

Pension expense is also affected by the accounting policy used to determine the value of plan assets at the measurement date. We apply our expected return on plan assets using fair market value as of the annual measurement date. The fair market value method results in greater volatility to our pension expense than the calculated value method. The amounts recognized in the balance sheet reflect a snapshot of the state of our long-term pension liabilities at the plan measurement date and the effect of mark-to-market accounting on plan assets. At December 31, 2017, we recorded an increase to equity through other comprehensive income ("OCI") of $0.7 million (net of tax at the applicable jurisdictional rate) to reflect unrealized actuarial gains during 2017. At December 31, 2016, we recorded an increase to equity through OCI of $11.3 million (net of tax at the applicable jurisdictional rate) to reflect unrealized actuarial gains during 2016. Those changes are subject to amortization over future years and may be reflected in future income statements.

Cumulative unrecognized actuarial losses for all plans were $268.5 million through December 31, 2017, compared with $280.0 million through December 31, 2016. These unrecognized losses reflect changes in the discount rates, differences between expected and actual asset returns, and changes to mortality expectations for plan participants, which are being amortized over future periods. These unrecognized losses may be recovered in future periods through actuarial gains. However, unless the minimum amount required to be amortized is below a corridor amount equal to 10.0% of the greater of the projected benefit obligation or the market-related value of plan assets, these unrecognized actuarial losses are required to be amortized and recognized in future periods. For example, projected pension plan expense for 2018 includes $10.3 million of amortization of these actuarial losses versus $11.2 million in 2017, $12.8 million in 2016 and $13.4 million in 2015.

Net periodic pension expense for our defined benefit pension plans is sensitive to changes in the underlying assumptions for the expected rates of return on plan assets and the discount rates used to determine the present value of projected benefits payable under the plans. If our assumptions for the expected returns on plan assets of our U.S. and U.K. defined benefit pension plans changed by 0.5%, representing either an increase or decrease in expected returns, the impact to 2017 consolidated pretax income would have been approximately $3.3 million. If our assumptions for the discount rates used to determine the present value of projected benefits payable under the plans changed by 0.25%, representing either an increase or decrease in interest rates used to value pension plan liabilities, the impact to 2017 consolidated pretax income would have been approximately $0.8 million.

Beginning with the December 31, 2016 measurement, we changed the method we use to estimate the service and interest components of net periodic benefit cost for U.S. and international pension and other postretirement benefits. This new estimation approach discounts the individual expected cash flows underlying the service cost and interest cost using the applicable spot rates derived from the yield curve used to discount the cash flows used to measure the benefit obligation. Historically, we estimated these service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period.

We made this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. We accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and accordingly have accounted for it prospectively. While the benefit obligation measured under this approach is unchanged, the more granular application of the spot rates reduced the service and interest cost for the pension plans for fiscal 2017 by $3.2 million. We do not expect this change will have a material effect in periods beyond 2017. For the pension plans, the weighted average spot rates used to determine service and interest costs were 3.23% for the Company’s U.S. plans and 2.66% for the U.K. plans.

Determination of Effective Tax Rate Used for Financial Reporting

We account for certain income and expense items differently for financial reporting and income tax purposes. Provisions for deferred taxes are made in recognition of these temporary differences. The most significant differences relate to revenue recognition, accrued compensation and pensions, self-insurance, and depreciation and amortization.

For financial reporting purposes in accordance with the liability method of accounting for income taxes, the provision for income taxes is the sum of income taxes both currently payable and deferred. Currently payable income taxes represent the liability related to our income tax returns for the current year, while the net deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reported on our consolidated balance sheets that are not related to balances in "Accumulated other comprehensive loss." The changes in deferred tax assets and liabilities are determined based upon changes between the basis of assets and liabilities for financial reporting purposes and the basis of assets and liabilities for income tax purposes, multiplied by the enacted statutory tax rates for the year in which we estimate these differences will reverse. We must estimate the timing of the reversal of temporary differences, as well as whether taxable income in future periods will be sufficient to fully recognize any gross deferred tax assets.

Other factors which influence our effective tax rate used for financial reporting purposes include changes in enacted statutory tax rates, changes in tax law or policy, changes in the composition of taxable income from the countries in which we operate, our ability to utilize net operating loss and tax credit carryforwards, and changes in unrecognized tax benefits.

Our effective tax rate, defined as our provision for income taxes divided by income before income taxes, for financial reporting purposes in 2017, 2016, and 2015 was 35.6%, 40.4%, and (43.5)%, respectively. If our effective tax rate used for financial reporting purposes changed by 1.0%, we would have recognized an increase or decrease to income taxes of approximately $421,000, $635,000, and $316,000 for the years ended December 31, 2017, 2016, and 2015, respectively. Our effective tax rate for financial reporting purposes is expected to range between 31% and 33% in 2018 before considering any discrete items and assuming no changes in tax law or policy.

It is possible that future changes in the tax laws of jurisdictions in which we operate, including but not limited to changes in tax law or policy, could have a significant impact on U.S.-based multinational companies such as our Company. At this time we cannot predict the likelihood or details of any such changes or their specific potential impact on our Company.

Our most significant deferred tax assets are related to the unfunded liability of our defined benefit pension plans, tax credit carryforwards and net operating loss ("NOL") carryforwards. The tax deduction for defined benefit pension plans generally occurs upon funding of plan liabilities. Assuming that the estimated minimum funding requirements for the defined benefit pension plans and the income projections are met, the deferred tax asset should be realized.

In accordance with GAAP, we have considered the four possible sources of taxable income that may be available to realize a tax benefit for deductible temporary differences and carryforwards and have an $18.8 million valuation allowance on certain net operating loss and tax credit carryforwards in our international and domestic operations. For our remaining deferred tax assets, we believe that it is more likely than not that we will realize these assets based on our forecast of future taxable income and tax planning strategies that are available to the Company. Future changes in the valuation allowance, if required, should not affect our liquidity or our compliance with any existing debt covenants.

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Our tax credit carryforwards for which we have not recorded a valuation allowance primarily consist of $22.0 million of foreign tax credit ("FTC") carryforwards, which materially expire in 2020. Companies that cannot credit all the foreign taxes paid or deemed paid in a particular tax year because their foreign taxes exceed their FTC limitation are allowed to carry their excess taxes back to the preceding tax year and then forward to the ten succeeding years. Utilization of our FTCs is dependent upon sufficient U.S. regular taxable income and foreign source income in the relevant foreign tax credit basket which is impacted by the interaction of overall domestic and overall foreign loss rules. Based on our projections of income through 2020, including the estimated impact of the Tax Cuts and Jobs Act in the U.S., we expect to fully utilize the FTC carryforwards before expiration without implementing available tax planning strategies. Accordingly, we concluded that it was more likely than not that the FTC carryforwards will be utilized.

The NOL carryforwards for which a valuation allowance is not recorded primarily consists of $11.4 million of U.K. NOL carryforwards and $8.0 million of state NOL carryforwards generated by our domestic companies.

In the U.K., NOL carryforwards have an unlimited life. Based on our evaluation of sources of taxable income, we expect to fully utilize the U.K. NOL carryforwards. Accordingly, we concluded that it was more likely than not that we should be able to utilize our U.K. NOL carryforwards.

In order to fully utilize these state NOL carryforwards, our domestic operations must generate taxable income prior to the expiration of the carryforwards. Based on our projections of income, the Company expects to fully utilize its state NOL carryforwards in the majority of jurisdictions before expiration without implementing available tax planning strategies. Accordingly, we concluded that it was more likely than not that the Company should be able to utilize its state NOL carryforwards for these jurisdictions. There are certain states with unique rules that result in the Company not expecting to utilize the state NOL carryforwards before expiration. For those jurisdictions, we concluded that it was not more likely than not that the Company should be able to utilize its state NOL carryforwards and a valuation allowance was recorded. The valuation allowance against state NOL carryforwards was $0.8 million as of December 31, 2017.

The remaining NOL carryforwards were generated by certain foreign jurisdictions and are generally offset by full valuation allowances.

Self-Insured Risks

We self-insure certain insurable risks consisting primarily of professional liability, auto liability, employee medical, disability, and workers' compensation. Insurance coverage is obtained for catastrophic property and casualty exposures, including professional liability on a claims-made basis, and those risks required to be insured by law or contract. Most of these self-insured risks are in the U.S. Provisions for claims incurred under self-insured programs are made based on our estimates of the aggregate liabilities for claims incurred, including estimated legal fees, losses that have occurred but have not been reported to us, and the adverse developments on reported losses. These estimated liabilities are calculated based on historical claim payment experience, the expected life of the claims, and other factors considered relevant to the claims. The liabilities for claims incurred under our self-insured workers' compensation and employee disability programs are discounted at the prevailing risk-free rate for government issues of an appropriate duration. All other self-insured liabilities are undiscounted. Each quarter we evaluate the adequacy of the assumptions used in developing these estimated liabilities and make adjustments as necessary. Changes in estimates are recognized in the period in which they are determined. Historically, our estimates have been materially accurate.

As of December 31, 2017 and 2016, our estimated liabilities for self-insured risks totaled $22.9 million and $26.3 million, respectively. The estimated liability is most sensitive to changes in the ultimate liability for a claim and, if applicable, the interest rate used to discount the liability. We believe our provisions for self-insured losses are adequate to cover the expected cost of losses incurred, net of insurance recoveries. However, these provisions are estimates and amounts ultimately settled may be significantly greater or less than the provisions established. We used a discount rate of 2.05% to determine the present value of our self-insured workers' compensation liabilities as of December 31, 2017. If the average discount rate was reduced by 1.0% or increased by 1.0%, reflecting either an increase or decrease in underlying interest rates, our estimated liabilities for these self-insured risks at December 31, 2017 would have been impacted by approximately $529,000, resulting in an increase or decrease to 2017 consolidated net income of approximately $329,000.

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New Accounting Standards

See Note 1, "Significant Accounting and Reporting Policies," of our accompanying audited consolidated financial statements in Item 8 of this Annual Report on Form 10-K for a description of recent accounting pronouncements including the dates, or expected dates of adoption, and effects, or expected effects, on our disclosures, results of operations, financial condition and cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our operations expose us to various market risks, primarily from changes in foreign currency exchange rates and interest rates. Our objective is to identify and understand these risks and implement strategies to manage them. When evaluating potential strategies, we consider the fundamentals of each market and the underlying accounting and business implications. To implement our various strategies, we may enter into various hedging or similar transactions. The sensitivity analysis we present below do not consider the effect of possible adverse changes in the general economy, nor do they consider additional actions we may take from time to time in the future to mitigate our exposure to these or other market risks. There can be no assurance of the manner in which we will manage or continue to manage any risks in the future or that any of our efforts will be successful.

Foreign Currency Exchange Rate Risk

Our international operations expose us to foreign currency exchange rate changes that can impact translations of foreign-denominated assets and liabilities into U.S. dollars and future earnings and cash flows from transactions denominated in different currencies. Revenues before reimbursements from our international operations included in the International segment were 40.7%, 43.0%, and 42.7% of consolidated revenues before reimbursements for 2017, 2016, and 2015, respectively. We do not presently engage in any hedging activities to compensate for the effect of potential currency exchange rate fluctuations on the net assets or operating results of our foreign subsidiaries.

In February 2011, we entered into a U.S. dollar and Canadian dollar ("CAD") cross currency basis swap with an initial notional amount of CAD34,749,000 as an economic hedge to an intercompany note payable to us by a Canadian subsidiary. The cross currency basis swap required the Canadian subsidiary to deliver quarterly payments of CAD589,000 to the counterparty and entitled us to receive quarterly payments of U.S. $593,000. The Canadian subsidiary also made interest payments to the counterparty based on 3-month Canada Bankers Acceptances plus a spread, and we received payments based on U.S. 3-month LIBOR. The cross currency basis swap had a scheduled expiration date of September 30, 2025. We elected not to designate this swap as a hedge of the intercompany note from the Canadian subsidiary. Accordingly, changes in the fair value of this swap, as well as changes in the value of the intercompany note, were recorded as gains or losses in "Selling, general, and administrative expenses" in our Consolidated Statements of Operations substantially offset one another prior to the settlement date described below. The changes in the fair value of the cross currency basis swap did not exactly offset changes in the value of the intercompany note, as the fair value of this swap was determined based on forward rates while the value of the intercompany note was determined based on end of period spot rates. The net gains and losses for the swap were not significant.

During September 2016, we entered into a transaction ("settlement") in which the Canadian subsidiary repaid the intercompany note payable to us, and we terminated the cross currency basis swap. In connection with the settlement we received proceeds of $4,100,000 in exchange for terminating the cross currency basis swap. For the year ended December 31, 2016, we recognized a net loss of $585,000 due to changes in the fair value of the cross currency basis swap, the value of the intercompany note, and on the settlement. We recognized a net loss on the settlement due to a change in the forward rates used to value the cross currency basis swap which was not substantially offset by the change in the value of the intercompany note based on the spot rate on the day of the settlement.

We measure foreign currency exchange rate risk based on changes in foreign currency exchange rates using a sensitivity analysis. The sensitivity analysis measures the potential change in earnings based on a hypothetical 10.0% change in currency exchange rates. Exchange rates and currency positions as of December 31, 2017 were used to perform the sensitivity analysis. Such analysis indicated that a hypothetical 10.0% change in foreign currency exchange rates would have increased or decreased consolidated pretax income during 2017 by approximately $1.5 million had the U.S. dollar exchange rate increased or decreased relative to the currencies to which we had exposure.

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Interest Rate Risk

Borrowings under the Credit Facility bear interest at a variable rate, based on LIBOR or a Base Rate (as defined), at our option. As a result, we have market risk exposure to changes in interest rates. Based on the amounts of our floating rate debt at December 31, 2017 and December 31, 2016, if market interest rates had increased or decreased an average of 100 basis points our pretax interest expense would have changed by $2.3 million and $1.8 million in 2017 and 2016, respectively. We determined these amounts by considering the impact of the hypothetical change in interest rates on our borrowing costs.

Changes in the projected benefit obligations of our defined benefit pension plans are largely dependent on changes in prevailing interest rates as of the plans' respective measurement dates, which are used to value these obligations under ASC 715, "Compensation--Retirement Benefits." If our assumptions for the discount rates used to determine the present value of the projected benefit obligations changed by 0.25%, representing either an increase or decrease in the discount rate, the projected benefit obligations of our U.S. and U.K. defined benefit pension plans would have changed by approximately $22.0 million at December 31, 2017. The impact of this change to 2017 consolidated pretax income would have been approximately $0.8 million.

Periodic pension cost for our defined benefit pension plans is impacted primarily by changes in long-term interest rates whereas interest expense for our variable-rate borrowings is impacted more directly by changes in short-term interest rates. To the extent changes in interest rates on our variable-rate borrowings move in the same direction as changes in the discount rates used for our defined benefit pension plans, changes in our interest expense on our borrowings would be offset to some degree by changes in our defined benefit pension cost. We are unable to quantify the extent of any such offset.

Credit Risk Related to Performing Certain Services for Our Clients

We process payments for claims settlements, primarily on behalf of our self-insured clients. The liability for the settlement cost of claims processed, which is generally pre-funded, remains with the client. Accordingly, we do not incur significant credit risk in the performance of these services.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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CRAWFORD & COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

Year Ended December 31,	2017	2016	2015
Revenues from Services:			
Revenues before reimbursements	$1,105,832	$1,109,286	$1,170,385
Reimbursements	57,877	68,302	71,135
Total Revenues	1,163,709	1,177,588	1,241,520
Costs and Expenses:			
Costs of services provided, before reimbursements	784,111	788,373	869,217
Reimbursements	57,877	68,302	71,135
Total costs of services	841,988	856,675	940,352
Selling, general, and administrative expenses	239,840	239,852	241,602
Corporate interest expense, net of interest income of $847, $749, and $600, respectively	9,062	9,185	8,383
Goodwill impairment charges	19,598	—	49,314
Restructuring and special charges	12,084	9,490	34,395
Total Costs and Expenses	1,122,572	1,115,202	1,274,046
Other Income	1,125	855	753
Income (Loss) Before Income Taxes	42,262	63,241	(31,773)
Provision for Income Taxes	15,039	25,565	13,832
Net Income (Loss)	27,223	37,676	(45,605)
Net Loss (Income) Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests	442	(1,710)	117
Net Income (Loss) Attributable to Shareholders of Crawford & Company	$27,665	$35,966	$(45,488)
Earnings (Loss) Per Share - Basic:			
Class A Common Stock	$0.53	$0.68	$(0.79)
Class B Common Stock	$0.45	$0.60	$(0.87)
Earnings (Loss) Per Share - Diluted:			
Class A Common Stock	$0.52	$0.67	$(0.79)
Class B Common Stock	$0.45	$0.60	$(0.87)
Weighted-Average Shares Used to Compute Basic Earnings (Loss) Per Share:			
Class A Common Stock	31,322	30,793	30,596
Class B Common Stock	24,606	24,690	24,690
Weighted-Average Shares Used to Compute Diluted Earnings (Loss) Per Share:			
Class A Common Stock	32,158	31,530	30,596
Class B Common Stock	24,606	24,690	24,690
Cash Dividends Per Share:			
Class A Common Stock	$0.28	$0.28	$0.28
Class B Common Stock	$0.20	$0.20	$0.20

The accompanying notes are an integral part of these consolidated financial statements.

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CRAWFORD & COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands) Year Ended December 31,	2017	2016	2015
Net Income (Loss)	$27,223	$37,676	$(45,605)
Other Comprehensive Income (Loss):			
Net foreign currency translation income (loss), net of tax benefit of $0, $0 and $0, respectively	6,323	(10,620)	(20,426)
Amounts reclassified into net income for defined benefit pension plans, net of tax provision of $3,432, $4,563 and $3,265, respectively	7,501	8,623	10,806
Net unrealized gain on defined benefit plans arising during the year, net of tax benefit (provision) of $236, $(5,175), and $(2,349), respectively	666	11,337	8,209
Other Comprehensive Income (Loss)	14,490	9,340	(1,411)
Comprehensive Income (Loss)	41,713	47,016	(47,016)
Comprehensive loss (income) attributable to noncontrolling interests and redeemable noncontrolling interests	1,248	(192)	855
Comprehensive Income (Loss) Attributable to Shareholders of Crawford & Company	$42,961	$46,824	$(46,161)

The accompanying notes are an integral part of these consolidated financial statements.

CRAWFORD & COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands)

December 31,	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$54,011	$81,569
Accounts receivable, less allowance for doubtful accounts of $12,588 and $14,499, respectively	174,172	153,566
Unbilled revenues, at estimated billable amounts	108,745	101,809
Income taxes receivable	7,987	3,781
Prepaid expenses and other current assets	25,452	24,006
Total Current Assets	370,367	364,731
Net Property and Equipment	41,664	29,605
Other Assets:		
Goodwill	96,916	91,750
Intangible assets arising from business acquisitions, net	97,147	86,931
Capitalized software costs, net	89,824	80,960
Deferred income tax assets	24,359	30,379
Other noncurrent assets	67,659	51,503
Total Other Assets	375,905	341,523
TOTAL ASSETS	$787,936	$735,859

The accompanying notes are an integral part of these consolidated financial statements.

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CRAWFORD & COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value amounts)

December 31,	2017	2016
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Short-term borrowings	$24,641	$30
Accounts payable	49,303	51,991
Accrued compensation and related costs	75,892	74,466
Self-insured risks	13,407	14,771
Income taxes payable	2,703	3,527
Deferred rent	15,717	12,142
Other accrued liabilities	36,563	34,922
Deferred revenues	37,794	37,456
Current installments of capital leases	571	982
Total Current Liabilities	256,591	230,287
Noncurrent Liabilities:		
Long-term debt and capital leases, less current installments	200,460	187,002
Deferred revenues	22,515	25,884
Accrued pension liabilities	87,035	105,175
Other noncurrent liabilities	27,596	28,247
Total Noncurrent Liabilities	337,606	346,308
Redeemable Noncontrolling Interests	6,775	—
Shareholders' Investment:		
Class A common stock, $1.00 par value, 50,000 shares authorized; 31,439 and 31,296 shares issued and outstanding, respectively	31,439	31,296
Class B common stock, $1.00 par value, 50,000 shares authorized; 24,502 and 24,690 shares issued and outstanding, respectively	24,502	24,690
Additional paid-in capital	53,170	48,108
Retained earnings	269,686	261,562
Accumulated other comprehensive loss	(196,477)	(211,773)
Shareholders' Investment Attributable to Shareholders of Crawford & Company	182,320	153,883
Noncontrolling interests	4,644	5,381
Total Shareholders' Investment	186,964	159,264
TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT	$787,936	$735,859

The accompanying notes are an integral part of these consolidated financial statements.

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CRAWFORD & COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

Year Ended December 31,	2017	2016	2015
Cash Flows from Operating Activities:			
Net income (loss)	$27,223	$37,676	$(45,605)
Reconciliation of net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	41,658	40,743	43,498
Impairment of goodwill	19,598	—	49,314
Deferred income taxes	(2,358)	10,531	4,120
Stock-based compensation costs	6,661	5,252	3,229
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Accounts receivable, net	(14,844)	2,781	26,526
Unbilled revenues, net	(2,644)	(7,782)	3,053
Accrued or prepaid income taxes	(508)	1,755	5,948
Accounts payable and accrued liabilities	(14,678)	17,120	(21,151)
Deferred revenues	(3,482)	(8,846)	363
Accrued retirement costs	(15,364)	(9,046)	(16,402)
Prepaid expenses and other operating activities	(505)	8,680	8,762
Net cash provided by operating activities	40,757	98,864	61,655
Cash Flows from Investing Activities:			
Acquisitions of property and equipment	(19,044)	(10,354)	(12,144)
Capitalization of computer software costs	(25,867)	(18,845)	(20,775)
Payments for business acquisitions, net of cash acquired	(36,029)	(3,672)	(68,259)
Other investing activities	(926)	(95)	—
Net cash used in investing activities	(81,866)	(32,966)	(101,178)
Cash Flows from Financing Activities:			
Cash dividends paid	(13,700)	(13,565)	(13,511)
Payments related to shares received for withholding taxes under stock-based compensation plans	(1,933)	(1,342)	(479)
Proceeds from shares purchased under employee stock-based compensation plans	1,154	1,743	1,320
Decrease in note payable for share repurchase	—	(2,206)	—
Repurchases of common stock	(7,422)	—	(1,240)
Increases in short-term and revolving credit facility borrowings	94,407	80,164	147,509
Payments on short-term and revolving credit facility borrowings	(58,490)	(118,044)	(62,017)
Payments on capital lease obligations	(1,233)	(1,508)	(1,993)
Capitalized loan costs	(1,926)	(12)	(1,299)
Dividends paid to noncontrolling interests	(514)	(381)	(401)
Net cash provided by (used in) financing activities	10,343	(55,151)	67,889
Effects of exchange rate changes on cash and cash equivalents	3,208	(5,244)	(4,756)
(Decrease) Increase in Cash and Cash Equivalents	(27,558)	5,503	23,610
Cash and Cash Equivalents at Beginning of Year	81,569	76,066	52,456
Cash and Cash Equivalents at End of Year	$54,011	$81,569	$76,066

The accompanying notes are an integral part of these consolidated financial statements.

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CRAWFORD & COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT
(In thousands)

	Common Stock							
	Class A Non-Voting	Class B Voting	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Shareholders' Investment Attributable to Shareholders of Crawford & Company	Noncontrolling Interests	Total Shareholders' Investment
Balance at December 31, 2014	$30,497	$24,690	$38,617	$301,091	$(221,958)	$172,937	$6,416	$179,353
Net (loss)	—	—	—	(45,488)	—	(45,488)	(117)	(45,605)
Other comprehensive loss	—	—	—	—	(673)	(673)	(738)	(1,411)
Cash dividends paid	—	—	—	(13,511)	—	(13,511)	—	(13,511)
Stock-based compensation	—	—	3,198	—	—	3,198	—	3,198
Repurchases of common stock	(517)	—	—	(2,931)	—	(3,448)	—	(3,448)
Shares issued in connection with stock-based compensation plans, net	557	—	121	—	—	678	—	678
Increase in value of noncontrolling interest due to acquisition of controlling interest	—	—	—	—	—	—	5,498	5,498
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(401)	(401)
Balance at December 31, 2015	30,537	24,690	41,936	239,161	(222,631)	113,693	10,658	124,351
Net income	—	—	—	35,966	—	35,966	1,710	37,676
Other comprehensive income (loss)	—	—	—	—	10,858	10,858	(1,518)	9,340
Cash dividends paid	—	—	—	(13,565)	—	(13,565)	—	(13,565)
Stock-based compensation	—	—	5,252	—	—	5,252	—	5,252
Shares issued in connection with stock-based compensation plans, net	759	—	(368)	—	—	391	—	391

Decrease in value of noncontrolling interest due to sale of controlling interest	—	—	1,288	—	—	1,288	(5,088)	(3,800)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(381)	(381)
Balance at December 31, 2016	31,296	24,690	48,108	261,562	(211,773)	153,883	5,381	159,264
Net income (loss) [1]	—	—	—	27,665	—	27,665	526	28,191
Other comprehensive income (loss)	—	—	—	—	15,296	15,296	(806)	14,490
Cash dividends paid	—	—	—	(13,700)	—	(13,700)	—	(13,700)
Stock-based compensation	—	—	6,661	—	—	6,661	—	6,661
Repurchases of common stock	(701)	(188)	—	(6,533)	—	(7,422)	—	(7,422)
Shares issued in connection with stock-based compensation plans, net	844	—	(1,623)	692	—	(87)	—	(87)
Increase in value of noncontrolling interest due to acquisition of controlling interest	—	—	24	—	—	24	57	81
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(514)	(514)
Balance at December 31, 2017	$31,439	$24,502	$53,170	$269,686	$(196,477)	$182,320	$4,644	$186,964

The accompanying notes are an integral part of these consolidated financial statements.

[1] The total net income presented in the consolidated statement of shareholders' investment for the year ended December 31, 2017 excludes $968 in net loss attributable to the redeemable noncontrolling interests.

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Notes to Consolidated Financial Statements

1. Significant Accounting and Reporting Policies

Nature of Operations

Based in Atlanta, Georgia, Crawford & Company ("Crawford" or the "Company") is the world's largest publicly listed independent provider of claims management solutions to the risk management and insurance industry, as well as to self-insured entities, with an expansive global network serving clients in more than 70 countries. The Crawford Solution® offers comprehensive, integrated claims services, business process outsourcing and consulting services for major product lines including property and casualty claims management, workers' compensation claims and medical management, and legal settlement administration.

Shares of the Company's two classes of common stock are traded on the New York Stock Exchange ("NYSE") under the symbols CRD-A and CRD-B, respectively. The Company's two classes of stock are substantially identical, except with respect to voting rights and the Company's ability to pay greater cash dividends on the non-voting Class A Common Stock than on the voting Class B Common Stock, subject to certain limitations. In addition, with respect to mergers or similar transactions, holders of Class A Common Stock must receive the same type and amount of consideration as holders of Class B Common Stock, unless different consideration is approved by the holders of 75% of the Class A Common Stock, voting as a class. The Company's website is www.crawfordandcompany.com. The information contained on, or hyperlinked from, the Company's website is not a part of, and is not incorporated by reference into, this report.

Principles of Consolidation

The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP") and include the accounts of the Company, its majority-owned subsidiaries, and variable interest entities in which the Company is deemed to be the primary beneficiary. Significant intercompany transactions are eliminated in consolidation. Financial results from the Company's operations outside of the U.S., Canada, the Caribbean, and certain subsidiaries in the Philippines, are reported and consolidated on a two-month delayed basis in accordance with the provisions of Accounting Standards Codification ("ASC") 810, "Consolidation," in order to provide sufficient time for accumulation of their results. Accordingly, the Company's December 31, 2017, 2016, and 2015 consolidated financial statements include the financial position of such operations as of October 31, 2017 and 2016, respectively, and the results of their operations and cash flows for the fiscal periods ended October 31, 2017, 2016, and 2015, respectively.

The Company has controlling ownership interests in several entities that are not wholly-owned by the Company. The financial results and financial positions of these controlled entities are included in the Company's consolidated financial statements, including the controlling interests, noncontrolling interests, and redeemable noncontrolling interests. The noncontrolling interests and redeemable noncontrolling interests represent the equity interests in these entities that are not attributable, either directly or indirectly, to the Company. On the Company's Consolidated Statements of Operations, net income or loss is attributed to the controlling interests, noncontrolling interests and redeemable noncontrolling interests separately.

Noncontrolling interests represent the minority shareholders' share of the net income or loss and shareholders' investment in consolidated subsidiaries. Noncontrolling interests are presented as a component of shareholders' investment in the Consolidated Balance Sheets and reflect the initial fair value of these investments by noncontrolling shareholders, along with their proportionate share of the income or loss of the subsidiaries, less any dividends or distributions. Noncontrolling interests that are redeemable at the option of the holder are presented outside of shareholders' investment as "Redeemable Noncontrolling Interests" and are carried at either their initial fair value plus any profits or losses or estimated redemption value if an adjustment is required.

The Company consolidates the results of a variable interest entity ("VIE") when it is determined to be the primary beneficiary. In accordance with GAAP, in determining whether the Company is the primary beneficiary of a VIE for financial reporting purposes, it considers whether it has the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether it has the obligation to absorb losses or the right to receive returns that would be significant to the VIE.

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The Company consolidates the results of Lloyd Warwick International Limited ("LWI"), of which it owns 51% of the capital stock. LWI is a VIE primarily because it does not meet the business scope exception, as Crawford provides more than half of the financial support, and because LWI lacks sufficient equity at risk to permit LWI to carry on its activities without additional financial support. Crawford has agreed to provide financial support to LWI of approximately $10,000,000. Crawford is considered to be the primary beneficiary of LWI because of its controlling ownership interest and because Crawford has the obligation to absorb LWI's losses through the additional financial support that Crawford may be obligated to provide. Creditors of LWI have no recourse to Crawford's general credit. Total assets and liabilities of LWI as of December 31, 2017 were $10,083,000 and $10,685,000, respectively. Total assets and liabilities of LWI as of December 31, 2016 were $9,300,000 and $10,554,000, respectively. Included in LWI's total liabilities at December 31, 2017 and 2016 were loans from Crawford of $8,580,000 and $8,704,000, respectively.

The Company consolidates the liabilities of its deferred compensation plan and the related assets, which are held in a rabbi trust and also considered a VIE of the Company. The rabbi trust was created to fund the liabilities of the Company's deferred compensation plan. The Company is considered the primary beneficiary of the rabbi trust because the Company directs the activities of the trust and can use the assets of the trust to satisfy the liabilities of the Company's deferred compensation plan. At December 31, 2017 and 2016, the liabilities of this deferred compensation plan were $9,337,000 and $9,385,000, respectively, which represented obligations of the Company rather than of the rabbi trust, and the values of the assets held in the related rabbi trust were $16,538,000 and $16,227,000, respectively. These liabilities and assets are included in "Other noncurrent liabilities" and "Other noncurrent assets" on the Company's Consolidated Balance Sheets, respectively.

Prior Year Reclassifications

The prior year presentation of certain segment information has been reclassified to conform to the current year presentation.

Management's Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Revenue Recognition

The Company's revenues are primarily comprised of claims processing or program administration fees and are generated from the Company's four operating segments.

Both the U.S. Services segment and the International segment earn revenues by providing field investigation and evaluation of property and casualty claims for insurance companies and self-insured entities and by providing access to Company-owned networks of direct repair service providers. The Company's Broadspire segment earns revenues by providing field investigation and claims evaluation of workers' compensation and liability claims, initial loss reporting services for its clients' claimants, loss mitigation services such as medical bill review, medical case management and vocational rehabilitation, administration of trust funds established to pay claims, and risk management information services. The Garden City Group segment earns revenues by providing administration services related to settlements of class actions, regulatory matters, mass tort, bankruptcy administrations, and other legal settlements by identifying and qualifying class members, determining and dispensing settlement payments, and administering settlement funds.

Fees for professional services are recognized in unbilled revenues at the time such services are rendered, at estimated collectible amounts. Substantially all unbilled revenues are billed within one year.

Deferred revenues represent the estimated unearned portion of fees derived from certain fixed-rate claim service agreements. The Company's fixed-fee service arrangements typically require the Company to handle claims on either a one- or two-year basis, or for the lifetime of the claim. In cases where the claim is handled on a non-lifetime basis, an additional fee is typically received on each anniversary date that the claim remains open. For service arrangements where the Company provides services for the life of the claim, the Company receives only one fee for the life of the claim, regardless of the duration of the claim. Deferred revenues are recognized into revenues based on the estimated rate at which the services are provided. These rates are primarily based on a historical evaluation of actual claim durations by major line of coverage, and assumptions based on average case closure rates and pricing for each claim type.

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The Company has contracts with multi-element arrangements. The Company often sells multiple lines of claims processing and different levels of processing depending on the complexity of the claims within a contract. The Company typically provides a menu of offerings from which the customer chooses to purchase or not at their discretion. The price of each service is separate and distinct and provides a separate and distinct value to the customer. Pricing is consistent for each service irrespective of the other service(s) or quantities requested by the customer. For example, if the Company provides claims processing for auto and general liability, those services are priced and delivered independently.

In the normal course of business, the Company incurs certain out-of-pocket expenses that are thereafter reimbursed by the Company's clients. Under GAAP, these out-of-pocket expenses and associated reimbursements are required to be included when reporting expenses and revenues, respectively, in the Company's consolidated results of operations. The amounts of reimbursed expenses and related revenues from reimbursements offset each other in the Company's consolidated statements of operations with no impact to its net income.

Intersegment sales are recorded at cost and are not material.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less. The fair value of cash and cash equivalents approximates book value due to their short-term nature. At December 31, 2017, cash and cash equivalents included time deposits of approximately $1,181,000 that were in financial institutions outside the U.S.

Accounts Receivable and Allowance for Doubtful Accounts

The Company extends credit based on an evaluation of a client's financial condition and, generally, collateral is not required. Accounts receivable are typically due upon receipt of the invoice and are stated on the Company's Consolidated Balance Sheets at amounts due from clients net of an estimated allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The fair value of accounts receivable approximates book value due to their short-term contractual stipulations.

The Company maintains an allowance for doubtful accounts for estimated losses resulting primarily from the inability of clients to make required payments and for adjustments to invoiced amounts. Such losses are accounted for as bad debt expense, while adjustments to invoices are accounted for as reductions to revenue. These allowances are established using historical write-off or adjustment information to project future experience and by considering the current creditworthiness of clients, any known specific collection problems, and an assessment of current industry and economic conditions. Actual experience may differ significantly from historical or expected loss results. The Company writes off accounts receivable when they become uncollectible, and any payments subsequently received are accounted for as recoveries. A summary of the activities in the allowance for doubtful accounts for the years ended December 31, 2017, 2016, and 2015 is as follows:

	2017	2016	2015
	(In thousands)		
Allowance for doubtful accounts, January 1	$14,499	$13,133	$10,960
Add/ (Deduct):			
Provision for bad debt expense	1,554	2,654	1,432
Write-offs, net of recoveries	(4,045)	50	(684)
Currency translation and other changes	580	(937)	(868)
Adjustments for business acquisitions and dispositions	—	(401)	2,293

Allowance for doubtful accounts, December 31	$12,588	$14,499	$13,133

For the years ended December 31, 2017, 2016, and 2015, the Company's adjustments to revenues associated with client invoice adjustments totaled $1,567,000, $2,704,000, and $2,704,000, respectively.

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Goodwill, Indefinite-Lived Intangible Assets, and Other Long-Lived Assets

Goodwill is an asset that represents the excess of the purchase price over the fair value of the separately identifiable net assets (tangible and intangible) acquired in certain business combinations. Indefinite-lived intangible assets consist of trade names associated with acquired businesses. Goodwill and indefinite-lived intangible assets are not amortized, but are subject to impairment testing at least annually. Other long-lived assets consist primarily of property and equipment, deferred income tax assets, capitalized software, and amortizable intangible assets related to customer relationships, technology, and trade names with finite lives. Other long-lived assets are evaluated for impairment when impairment indicators are identified.

Subsequent to a business acquisition in which goodwill and indefinite-lived intangibles are recorded as assets, post-acquisition accounting requires that both be tested to determine whether there has been an impairment. The Company performs an impairment test of goodwill and indefinite-lived intangible assets at least annually on October 1 of each year. The Company regularly evaluates whether events and circumstances have occurred which indicate potential impairment of goodwill or indefinite-lived intangible assets. When factors indicate that such assets should be evaluated for possible impairment between the scheduled annual impairment tests, the Company performs an interim impairment test.

Goodwill impairment testing is performed on a reporting unit basis. If the fair value of the reporting unit exceeds its carrying value, including goodwill, goodwill is considered not impaired. If the carrying value of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The loss recognized cannot subsequently be reversed.

The Company currently has five reporting units for goodwill impairment purposes. These reporting units are the Company's U.S. Services segment excluding U.S. Contractor Connection operations, U.S. Contractor Connection operations on a stand-alone basis, and the Company's other operating segments - International, Broadspire, and Garden City Group.

The carrying value of the reporting unit, including goodwill, is compared with the estimated fair value of the reporting unit as determined utilizing a combination of the income and market approaches. The income approach, which is a level 3 fair value measurement, is based on projected debt-free cash flow which is discounted to the present value using discount factors that consider the timing and risk of the cash flows. The market approach is based on the Guideline Public Company Method, which uses market pricing metrics to select multiples to value the Company's reporting units. The resulting estimated fair values of the combined reporting units are reconciled to the Company's market capitalization including an estimated implied control premium. The Company believes that the combination of these approaches is appropriate because it provides a fair value estimate based upon the combination of the reporting unit's expected long-term operating cash flow performance and multiples with which similar publicly traded companies are valued. The Company weights the income and market approaches equally.

During 2017, the Company performed the goodwill impairment testing on all reporting units. The estimated fair value of the Company's U.S. Contractor Connection operations, International, and Broadspire reporting units exceed their carrying value by a significant margin. The estimated fair value of its U.S. Services segment excluding U.S. Contractor Connection operations reporting unit exceeds its carrying value but not by as much of a margin. The U.S. Services segment excluding U.S. Contractor Connection operations has $19.4 million of goodwill at risk of potential future impairment. An increase in the discount rate of 125 basis points could potentially trigger an impairment in our U.S. Services segment excluding U.S. Contractor Connection operations reporting unit goodwill, assuming no change in the other key inputs. The Company recognized goodwill impairment of the entire goodwill allocated to its Garden City Group reporting unit of $19.6 million in the 2017 fourth quarter due to the reporting unit achieving less than forecasted revenue and operating earnings and based on future operating results. The Company intends to continue to monitor the performance of its reporting units for potential indicators of impairment. If impairment indicators exist, the Company will perform an interim goodwill impairment analysis.

The key assumptions used in estimating the fair value of our reporting units utilizing the income approach include the discount rate and the terminal growth rate. The discount rates utilized in estimating the fair value of our reporting units in 2017 range between 10.0% and 13.5%, reflecting the Company's assessment of a market participant's view of the risks associated with the projected cash flows. The terminal growth rate used in the analysis was 2.0%. The assumptions used in estimating the fair values are based on currently available data and management's best estimates of revenues and cash flows and, accordingly, a change in market conditions or other factors could have a material effect on the estimated values. There are inherent uncertainties related to the assumptions used and to management's application of these assumptions.

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If changes to the Company's reporting structure impact the composition of its reporting units, existing goodwill is reallocated to the revised reporting units based on their relative estimated fair values as determined by a combination of the income and market approaches. If all of the assets and liabilities of an acquired business are assigned to a specific reporting unit, the goodwill associated with that acquisition is assigned to that reporting unit at acquisition unless another reporting unit is also expected to benefit from the acquisition.

For impairment testing of indefinite-lived intangible assets, the book value is compared with the estimated fair value, which is estimated based on the present value of the after-tax cash flows attributable solely to the asset. If book value exceeds the estimated fair value, an impairment is recognized based on the excess. The fair values of the Company's trade names are established using the relief-from-royalty method, a form of the income approach. This method recognizes that, by virtue of owning the trade name as opposed to licensing it, a company or reporting unit is relieved from paying a royalty, usually expressed as a percentage of net sales, for the asset's use. The present value of the after-tax costs savings (i.e., royalty relief) at an appropriate discount rate including a tax amortization benefit indicates the value of the trade name. The Company determined the discount rate based on its performance compared to similar market participants, factored by risk in forecasting using a modified capital asset pricing model.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Company depreciates the cost of property and equipment, including assets recorded under capital leases, over the shorter of the remaining lease term or the estimated useful lives of the related assets, primarily using the straight-line method. The estimated useful lives for property and equipment classifications are as follows:

Classification	Estimated Useful Lives
Furniture and fixtures	3-10 years
Data processing equipment	3-5 years
Automobiles and other	3-4 years
Buildings and improvements	7-40 years

Property and equipment, including assets under capital leases, consisted of the following at December 31, 2017 and 2016:

December 31,	2017	2016
	(In thousands)	
Land	$343	$321
Buildings and improvements	32,802	26,612
Furniture and fixtures	38,016	36,726
Data processing equipment	67,748	60,381
Automobiles	594	1,453
Total property and equipment	139,503	125,493
Less accumulated depreciation	(97,839)	(95,888)
Net property and equipment	$41,664	$29,605

Additions to property and equipment under capital leases, which are excluded from acquisitions of property and equipment in the Company's Statements of Cash Flows, totaled $760,000, $242,000, and $1,283,000 for 2017, 2016, and 2015, respectively.

Depreciation on property and equipment, including property under capital leases and amortization of leasehold improvements, was $12,557,000, $14,729,000, and $17,715,000 for the years ended December 31, 2017, 2016, and

2015, respectively.

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Capitalized Software

Capitalized software costs reflects costs related to internally developed or purchased software used by the Company that has expected future economic benefits. Certain internal and external costs incurred during the application development stage are capitalized. Costs incurred during the preliminary project and post implementation stages, including training and maintenance costs, are expensed as incurred. The majority of these capitalized software costs consist of internal payroll costs and external payments for software development, purchases and related services. These capitalized software costs are typically amortized over periods ranging from three to ten years, depending on the estimated life of each software application. Amortization expense for capitalized software was $18,118,000, $16,045,000, and $15,372,000 for the years ended December 31, 2017, 2016, and 2015, respectively.

Self-Insured Risks

The Company self-insures certain risks consisting primarily of professional liability, auto liability, and employee medical, disability, and workers' compensation liability. Insurance coverage is obtained for catastrophic property and casualty exposures, including professional liability on a claims-made basis, and those risks required to be insured by law or contract. Most of these self-insured risks are in the U.S. Provisions for claims under the self-insured programs are made based on the Company's estimates of the aggregate liabilities for claims incurred, including estimated legal fees, losses that have occurred but have not been reported to the Company, and for adverse developments on reported losses. The estimated liabilities are calculated based on historical claims experience, the expected lives of the claims, and other factors considered relevant by management. Changes in these estimates may occur as additional information becomes available. The estimated liabilities for claims incurred under the Company's self-insured workers' compensation and employee disability programs are discounted at the prevailing risk-free interest rate for U.S. government securities of an appropriate duration. All other self-insured liabilities are undiscounted. At December 31, 2017 and 2016, accrued liabilities for self-insured risks totaled $22,854,000 and $26,311,000, respectively, including current liabilities of $13,407,000 and $14,771,000, respectively. The noncurrent liabilities are included in "Other noncurrent liabilities" on the Company's Consolidated Balance Sheets.

Income Taxes

The Company accounts for certain income and expense items differently for financial reporting and income tax purposes. Provisions for deferred taxes are made in recognition of these temporary differences. The most significant differences relate to revenue recognition, accrued compensation, pension plans, self-insurance, and depreciation and amortization.

For financial reporting purposes, the provision for income taxes is the sum of income taxes both currently payable and payable on a deferred basis. Currently payable income taxes represent the liability related to the income tax returns for the current year, while the net deferred tax expense or benefit represents the change in the balance of deferred income tax assets or liabilities as reported on the Company's Consolidated Balance Sheets that are not related to balances in "Accumulated other comprehensive loss." The changes in deferred income tax assets and liabilities are determined based upon changes in the differences between the basis of assets and liabilities for financial reporting purposes and the basis of assets and liabilities for income tax purposes, measured by the enacted statutory tax rates in effect for the year in which the Company estimates these differences will reverse. The Company must estimate the timing of the reversal of temporary differences, as well as whether taxable income in future periods will be sufficient to fully recognize any gross deferred tax assets. A valuation allowance is provided when it is deemed more-likely-than-not that some portion or all of a deferred tax asset will not be realized.

The Company has estimated the impact of the Tax Cuts and Jobs Act (the "Tax Act") incorporating assumptions made based upon its current interpretation of the Tax Act and included them in its consolidated financial statements for the year ended December 31, 2017. The SEC Staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. The Company has recognized provisional tax impacts related to Transition Tax and revaluation of domestic deferred tax balances, and included those amounts in its consolidated financial statements for the year ended December 31, 2017. The actual impact of the Tax Act may differ from the Company's estimates due to, among other things, further refinement of our calculations, changes in interpretations and assumptions we have made, guidance that may be issued and actions we may take as a result of the Tax Act. The Company expects the accounting to be completed within the one year measurement period, as allowed under SAB 118.

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Other factors which influence the effective tax rate used for financial reporting purposes include changes in enacted statutory tax rates, changes in tax law or policy, changes in the composition of taxable income from the countries in which it operates, the Company's ability to utilize net operating loss and tax credit carryforwards, and changes in unrecognized tax benefits. See Note 7, "Income Taxes" for further discussion.

Sales and Other Taxes

In certain jurisdictions, both in the U.S. and internationally, various governments and taxing authorities require the Company to assess and collect sales and other taxes, such as value added taxes, on certain services that the Company renders and bills to its customers. The majority of the Company's revenues are not currently subject to these types of taxes. These taxes are not recorded as additional revenues or expenses in the Company's Consolidated Statements of Operations, but are recorded on the Consolidated Balance Sheets as pass-through amounts until remitted.

Foreign Currency

Foreign currency transactions for the years ended December 31, 2017, 2016, and 2015 resulted in net losses of $685,000, $339,000, and $684,000 respectively.

For operations outside the U.S. that prepare financial statements in currencies other than the U.S. dollar, results of operations and cash flows are translated into U.S. dollars at average exchange rates during the period, and assets and liabilities are translated at end-of-period exchange rates. The resulting translation adjustments, on a net basis, are included in "Other Comprehensive Income (Loss)" in the Company's Consolidated Statements of Comprehensive Income (Loss), and the accumulated translation adjustment is reported as a component of "Accumulated other comprehensive loss" in the Company's Consolidated Balance Sheets.

Advertising Costs

Advertising costs are expensed in the period in which the costs are incurred. Advertising expenses were $7,091,000, $3,382,000, and $3,803,000, respectively, for the years ended December 31, 2017, 2016, and 2015. The increase in 2017 was due to costs associated with a branding campaign for the Contractor Connection service line within the Company's U.S. Services segment.

Adoption of New Accounting Standards

Clarifying the Definition of a Business

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-1, "Clarifying the Definition of a Business." The ASU was issued to clarify the definition of a business for purposes of acquisitions and dispositions. The amendments in this update provide a more robust framework than prior guidance to use in determining when a set of assets and activities constitutes a business. The Company elected to early adopt this ASU effective January 1, 2017, with no effect on its results of operations, financial condition or cash flows.

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued ASU 2017-4, "Simplifying the Test for Goodwill Impairment." The ASU was issued to simplify subsequent measurement of goodwill. The update eliminates Step 2 from the goodwill impairment test. Under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The Company elected to early adopt this ASU effective January1, 2017, with no effect on its results of operations, financial condition or cash flows.

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Restricted Cash

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash." The ASU was issued to address diversity in practice in the classification and presentation of a change in restricted cash on the statement of cash flows. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company elected to early adopt this ASU effective January1, 2017, with no effect on its statement of cash flows.

Simplifying the Transition to the Equity Method of Accounting

In March 2016, the FASB issued ASU 2016-07, "Simplifying the Transition to the Equity Method of Accounting." This update eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The company adopted this standard effective January 1, 2017, with no impact to its results of operations, financial condition and cash flows.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." This update was issued as part of a simplification effort for the accounting of share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, change in forfeiture accounting, and classification on the statement of cash flows. The Company adopted this standard prospectively effective January 1, 2017. Prior periods have not been adjusted. As a result of adoption, the Company recorded an entry to increase deferred tax assets and increased retained earnings in the amount of $692,000 for tax benefits not previously recorded related to stock compensation. The Company will record all excess tax benefits and tax deficiencies on share-based payment awards as a discrete item in the income statement as these awards vest or are exercised. Forfeitures will be recognized as they occur. The Company reflects all payments made to taxing authorities on behalf of employees by withholding shares as a financing activity in the statement of cash flows. During the year ended December 31, 2017, the Company recorded tax benefits of $111,000 as a result of adoption of this standard.

Pending Adoption of Recently Issued Accounting Standards

Derivatives and Hedging-Targeted Improvements to Accounting for Hedging Activities

In August 2017, the FASB issued ASU 2017-12, "Targeted Improvements to Accounting for Hedging Activities." The ASU was issued to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. Additionally, the amendments in this update simplify the application of the hedge accounting guidance. The update is effective for annual periods beginning after December 15, 2018, and interim periods thereafter. Early adoption is permitted, with the effect of adoption reflected as of the beginning of the fiscal year of adoption. The Company does not expect this ASU will impact its results of operations, financial condition and cash flows.

Earning Per Share-Distinguishing Liabilities from Equity-Derivatives and Hedging

In July 2017, the FASB issued ASU 2017-11, "Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception." The ASU Part I changes the classification analysis of certain equity-linked financial instruments with down round features and the related disclosures. Part II of the amendments recharacterizes the indefinite deferral of certain provisions of Topic 480 and do not have an accounting effect. The update is effective for annual periods beginning after December 15, 2018, and interim periods thereafter. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the effect this ASU will have on its results of operations, financial condition and cash flows however does not expect any impact.

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Compensation-Stock Compensation: Scope of Stock Compensation Modification Accounting

In May 2017, the FASB issued ASU 2017-9, "Compensation-Stock Compensation: Scope of Stock Compensation Modification Accounting." The ASU was issued to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The update is effective for annual periods beginning after December 15, 2017, and interim periods thereafter. Early adoption is permitted, including adoption in any interim period. The Company is currently evaluating the effect this ASU will have on its results of operations, financial condition and cash flows however does not expect any impact.

Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In March 2017, the FASB issued ASU 2017-7, "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The ASU requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. The amendments in this update also allow only the service cost component to be eligible for capitalization when applicable. The update is effective for annual periods beginning after December 15, 2017, and interim periods thereafter. Early adoption is permitted, including adoption in any interim period. The Company is currently evaluating the effect this ASU may have on its results of operations, financial condition and cash flows however the Company anticipates that the service cost component of net periodic pension cost and net periodic postretirement benefit cost will be reflected within the Cost of services provided, before reimbursements and Selling, general, and administrative expenses line items of the Consolidated Statements of Operations based on where the compensation costs of the pertinent employees are presented and the other components within Other Income.

Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory." The update was issued to improve the accounting for income tax consequences of intra-entity transfers of assets other than inventory. The initiative is designed to reduce the complexity in accounting standards. Under the amendment an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the amendments in this update eliminate the exception for an intra-entity transfer of an asset other than inventory. The update is effective for annual periods beginning after December 15, 2017, and interim periods thereafter. Early adoption is permitted. The Company is currently evaluating the effect this ASU will have on its results of operations, financial condition and cash flows however does not expect any impact.

Classification of Certain Cash Receipts and Cash Payments in the Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows Classification of Certain Cash Receipts and Cash Payments." The update addresses diversity in cash flow reporting issues. The guidance specifically addresses issues concerning debt repayment costs, settlement of zero coupon debt instruments, contingent consideration payments made after a business combination, proceeds from insurance claims and corporate owned life insurance beneficial interests in securitization transactions, and distributions from equity method investees. The guidance also clarifies how the predominant principle should be applied when cash receipts and cash payments have more than one class of cash flows. The update is effective for annual periods beginning after December 15, 2017, and interim periods thereafter. Early adoption is permitted. The Company is currently evaluating the effect this ASU may have on its statement of cash flows however the only impact the Company expects is the presentation of contingent consideration payments made after a business combination.

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Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." This update replaces the incurred loss methodology to record credit losses with a methodology that reflects the expected credit losses for financial assets not accounted for at fair value with gains and losses recognized through income. The ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted beginning with fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the effect this amendment may have on its results of operations, financial condition and cash flows.

Financial Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, "Financial Accounting for Leases." Under this update, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, this ASU will require both types of leases to be recognized on the balance sheet. The ASU also will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The update is effective for annual periods beginning after December 15, 2018, and interim periods thereafter. Early adoption is permitted. The Company anticipates the impact of adopting this standard will result in an increase in operating lease liabilities and right to use assets on its balance sheet. The Company is updating its inventory of real estate, equipment, and automobile leases for attributes required by this ASU.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." Under ASU 2014-09, companies will be required to recognize revenue to depict the transfer of control for goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and modify guidance for multiple-element arrangements. In August 2015, the FASB issued ASU 2015-14, which deferred by one year the effective date of ASU 2014-09. The one year deferral of the effective date of this standard changed the effective date for the Company to January 1, 2018. Early adoption is permitted, but not before the original effective date. The FASB issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" in March 2016, ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing" in April 2016, ASU 2016-12, "Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients," in May 2016, and ASU 2016-20, “Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers,” in December 2016. All of these amendments are intended to improve and clarify the implementation guidance of ASU 2014-09 and have the same effective date as the original standard.

The Company has reviewed a sample of contracts with its customers that the Company believes is representative of its significant revenue streams identified to date, and is performing procedures to confirm the initial assessment as applied to all revenue streams. While the assessment of the impact on revenue and expenses and the Company’s results of operations, financial position and cash flows as a result of this guidance is ongoing, the Company expects that revenue for its primary revenue streams will be recognized over time which is similar to how revenue is recognized for these services today.

As the Company completes its overall assessment, it is also identifying and preparing to implement changes to its accounting policies and disclosure requirements. For example, the ASU requires increased disclosure, which in turn is expected to require certain new processes and system changes. The Company's evaluation indicated that process and system changes were required to capture the amounts and expected timing of revenues to be recognized from the remaining performance obligations during and as of each reporting period and the Company has completed a majority of these process and system changes at this time.

The Company will adopt this new standard as of January 1, 2018 using the modified retrospective method that may result in a cumulative effect adjustment as of the date of adoption. As a result of the deferred revenue in its Broadspire segment, the Company anticipates it will record a transition adjustment related to a significant financing component of

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certain Broadspire revenue contracts that is not currently recognized. Other transition adjustments may be identified as the Company completes its assessment.

2. Acquisitions and Dispositions of Businesses

On January 4, 2017, the Company acquired 85% of the outstanding membership interests of WeGoLook®, LLC and certain non-compete agreements for cash consideration of $36,125,000. WeGoLook provides a variety of on-demand inspection, verification, and other field services for businesses and consumers through a mobile platform of independent contractors.

Net tangible assets acquired totaled $1,040,000, including $96,000 of cash. The difference between the purchase price and the net tangible assets acquired represents indefinite and definite-lived intangible assets, goodwill and redeemable non-controlling interests. The acquisition was funded primarily through additional borrowings under the Credit Facility.

The purchase agreement also provides that: (a) $250,000 of the purchase price will be held in escrow to secure the net working capital post-closing adjustment; and (b) $800,000 of the purchase price will be held in escrow for a period of 15 months, and $1,000,000 of the purchase price will be held in escrow for a period of 24 months, after the closing date in each case, to secure any valid indemnification claims that the Company may assert for specified breaches of representations, warranties or covenants under the purchase agreement. As of December 31, 2017, the $250,000 net working capital post-closing adjustment escrow has been released.

The Company has an option, beginning on January 1, 2022 and expiring on December 31, 2023, to acquire the remaining 15% outstanding membership interest of WeGoLook. In the event the Company does not exercise the option, beginning on January 1, 2024, the minority members shall have the right to require the Company to acquire the minority members' interest on or before December 31, 2024. In addition, at the time of the exercise of the option or the put, the minority members may be entitled to additional consideration depending on whether certain financial targets of WeGoLook are achieved between closing and December 31, 2021.

The acquisition was accounted for under the guidance of ASC 805-10, as a business combination under the acquisition method. The assets acquired, and liabilities and redeemable noncontrolling interests assumed, as well as the results of operations of WeGoLook including income or loss attributable to redeemable noncontrolling interests, are reported within the Company's U.S. Services operating segment.

As a result of the acquisition of WeGoLook and certain non-compete agreements, the Company recognized definite-lived intangible assets of $17,794,000 consisting of developed technology, customer relationships, non-compete agreements and established relationships with independent contractors. The estimated useful lives of these definite-lived intangible assets range from three to ten years. The Company recognized related amortization expense of $2,574,000 in its audited Condensed Consolidated Statements of Operations for the twelve months ended December 31, 2017. The Company recognized goodwill of $23,977,000 related to the acquisition. The goodwill attributable to the acquisition will be deductible for tax purposes. The Company recognized noncontrolling interests of $7,743,000 which were measured at fair value at the acquisition date. The noncontrolling interests have been recorded as "Redeemable Noncontrolling Interests" in the Company's audited Consolidated Balance Sheets. During the twelve months ended December 31, 2017, no changes were made to the redemption value of the redeemable noncontrolling interests; the change in value was due to the operating loss for the period. See Note 1, "Significant Accounting and Reporting Policies" for a discussion of noncontrolling interests and redeemable noncontrolling interests.

The measurement period has ended and the acquisition accounting has been finalized during the period ended December 31, 2017. The WeGoLook operations did not have a material impact on the Company's consolidated results of operations or its earnings per share during 2017. For the twelve months ended December 31, 2017, WeGoLook recorded $8,744,000 of revenues before reimbursements.

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3. Goodwill and Intangible Assets

Goodwill

The following table shows the changes in the carrying amount of goodwill for the years ended December 31, 2017 and 2016:

	U.S. Services	International	Broadspire	Garden City Group	Total
	(In thousands)				
Balance at December 31, 2015:					
Goodwill	$31,829	$ 94,070	$151,133	$19,598	$296,630
Accumulated impairment losses	(5,465)	(44,416)	(151,133)	—	(201,014)
Net goodwill	26,364	49,654	—	19,598	95,616
2016 Activity:					
Other activity [1]	—	(531)	—	—	(531)
Foreign currency effects	—	(3,335)	—	—	(3,335)
Balance at December 31, 2016:					
Goodwill	31,829	90,204	151,133	19,598	292,764
Accumulated impairment losses	(5,465)	(44,416)	(151,133)	—	(201,014)
Net goodwill	26,364	45,788	—	19,598	91,750
2017 Activity:					
Goodwill of acquired business	19,423	4,554	—	—	23,977
Impairment of goodwill	—	—	—	(19,598)	(19,598)
Other activity [1]	—	(603)	—	—	(603)
Foreign currency effects	—	1,390	—	—	1,390
Balance at December 31, 2017:					
Goodwill	51,252	95,545	151,133	19,598	317,528
Accumulated impairment losses	(5,465)	(44,416)	(151,133)	(19,598)	(220,612)
Net goodwill	$45,787	$ 51,129	$—	$—	$96,916

(1) "Other activity" relates to adjustments for deferred taxes and other liabilities acquired in connection with prior period business combinations.

As discussed in Note 1, "Significant Accounting and Reporting Policies," the Company recognized goodwill impairment in the Garden City Group reporting unit of $19,598,000 during the year ended December 31, 2017.

The $19,598,000 noncash goodwill impairment charge is not reflected in Garden City Group operating earnings. This impairment charge did not affect the Company's liquidity and had no effect on the Company's compliance with the financial covenants under its Credit Facility.

There were no goodwill impairments in 2016. The Company recognized goodwill impairments in the U.S. Services excluding Contractor Connection operations and International reporting units of $5,465,000 and $43,849,000, respectively during the year ended December 31, 2015.

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Intangible Assets

The following is a summary of finite-lived intangible assets acquired through business acquisitions as of December 31, 2017 and 2016:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Weighted-Average Amortization Period
	(In thousands, except years)			
December 31, 2017:				
Customer relationships	$127,076	$ (75,419)	$51,657	6.0 years
Technology-based	16,562	(7,039)	9,523	8.3 years
Trade name	1,825	(1,825)	—	0.0 years
Other	5,265	(1,240)	4,025	3.2 years
Total	$150,728	$ (85,523)	$65,205	8.8 years
December 31, 2016:				
Customer relationships	$122,403	$ (66,281)	$56,122	6.7 years
Technology-based	5,913	(5,913)	—	0.0 years
Trade name	1,697	(1,639)	58	0.1 years
Total	$130,013	$ (73,833)	$56,180	6.1 years

Amortization of finite-lived intangible assets was $10,982,000, $9,969,000, and $10,410,000 for the years ended December 31, 2017, 2016, and 2015, respectively. For the years ended December 31, 2017, 2016, and 2015, amortization expense for finite-lived customer relationships and trade name intangible assets in the amounts of $10,982,000, $9,592,000, and $9,668,000, respectively, were excluded from segment operating earnings (see Note 13, "Segment and Geographic Information"). The amortization expense for the technology-based intangible assets is included in segment operating earnings. Intangible assets subject to amortization are amortized on a straight-line basis over lives ranging from 2 to 12 years.

At December 31, 2017, annual estimated aggregate amortization expense for intangible assets subject to amortization is as follows:

Year Ending December 31,	Annual Amortization Expense (In thousands)
2018	$ 11,016
2019	11,009
2020	10,951
2021	9,945
2022	5,045

The following is a summary of indefinite-lived intangible assets at December 31, 2017 and 2016:

	Gross Carrying Amount	Accumulated Impairments	Net Carrying Value
	(In thousands)		
December 31, 2017:			
Trade names	$32,542	$ (600)	$31,942

December 31, 2016:			
Trade names	$31,351	$ (600)	$30,751

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4. Short-Term and Long-Term Debt, Including Capital Leases

Long-term debt consisted of the following at December 31, 2017 and 2016:

December 31,	2017	2016
	(In thousands)	
Credit Facility	$224,283	$186,196
Capital lease obligations	1,389	1,818
Total long-term debt and capital leases	225,672	188,014
Less: portion of Credit Facility classified as short-term	(24,641)	(30)
Less: current installments of capital leases	(571)	(982)
Total long-term debt and capital leases, less current installments	$200,460	$187,002

On October 11, 2017, the Company, its subsidiaries Crawford & Company Risk Services Investments Limited (the "UK Borrower"), Crawford & Company (Canada) Inc. (the "Canadian Borrower") and Crawford & Company (Australia) Pty. Ltd. (the "Australian Borrower") (the Company, together with such subsidiaries, as borrowers (the "Borrowers")), Wells Fargo Bank, National Association, as administrative agent and a lender ("Wells Fargo"), Bank of America, N.A., as syndication agent and a lender, Citizens Bank, N.A., as documentation agent and a lender, and the other lenders party thereto, entered into an Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement"), which amended and restated that certain Credit Agreement, dated as of December 8, 2011, by and among, inter alia, the Borrowers, Wells Fargo and the other lenders from time to time party thereto (as previously amended, the "Original Credit Agreement"). In connection with the Amended and Restated Credit Agreement, the Company, the Company’s guarantor subsidiaries party thereto and Wells Fargo entered into an Amended and Restated Pledge and Security Agreement (the "Amended and Restated Pledge and Security Agreement") and an Amended and Restated Guaranty Agreement (the "Amended and Restated Guaranty Agreement"), each dated as of the date of the Amended and Restated Credit Agreement.

The Amended and Restated Credit Agreement: (i) increases the aggregate commitments under the Original Credit Agreement from $400.0 million to $450.0 million, without impacting the Company’s ability, subject to the satisfaction of certain conditions and its receipt of additional commitments, to exercise its option to further increase the revolving loan commitments by up to $200.0 million (previously $100.0 million under the Original Credit Agreement); (ii) extends the maturity date under the Amended and Restated Credit Agreement to November 23, 2022 (the maturity date was November 25, 2018 under the Original Credit Agreement); (iii) reduces the interest margin ranges to 1.30% to 2.10% for LIBOR loans (previously 1.50% to 2.25%) and 0.30% to 1.10% for Base Rate loans (previously 0.50% to 1.25%); (iv) reduces the minimum required fixed charge coverage ratio to 1.10 to 1.00 (previously 1.25 to 1.00); and (v) amends the leverage ratio tests to set a maximum permitted senior secured leverage ratio of 3.25 to 1.00 and set a maximum permitted total leverage ratio of 4.25 to 1.00, among other things.

The credit facility under the Amended and Restated Credit Agreement (as amended, the "Credit Facility") consists of a $450.0 million revolving credit facility, with a letter of credit subfacility of $200.0 million. The Credit Facility contains sublimits of $185.0 million for borrowings by the UK Borrower, $75.0 million for borrowings by the Canadian Borrower, and $32.5 million for borrowings by the Australian Borrower. The Credit Facility matures, and all amounts outstanding thereunder, will be due and payable on November 23, 2022.

Borrowings under the Credit Facility may be made in U.S. dollars, Euros, the currencies of Canada, Japan, Australia or United Kingdom and, subject to the terms of the Credit Facility, other currencies. Borrowings under the Credit Facility bear interest, at the option of the applicable Borrower, based on the Base Rate (as defined below) or the London Interbank Offered Rate ("LIBOR"), in each case plus an applicable interest margin based on the Company's leverage ratio (as defined below), provided that borrowings in foreign currencies may bear interest based on LIBOR only. The interest margin for LIBOR loans ranges from 1.30% to 2.10% and for Base Rate loans ranges from 0.30%

to 1.10%. Base Rate is defined as the highest of (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1%, (ii) the prime commercial lending rate of the Administrative Agent and (iii) LIBOR for a one month interest period plus 1.0%.

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At December 31, 2017 and 2016, a total of $224,283,000 and $186,196,000, respectively, was outstanding under the Credit Facility. In addition, undrawn commitments under letters of credit totaling $14,500,000 and $14,809,000 were outstanding at December 31, 2017 and 2016, respectively, under the letters of credit subfacility of the Credit Facility. These letter of credit commitments were for the Company's own obligations. Including the amounts committed under the letters of credit subfacility, the available borrowing capacity under the Credit Facility totaled $241,300,000 and $198,477,000 at December 31, 2017 and 2016, respectively.

The obligations of the Borrowers under the Amended and Restated Credit Agreement are guaranteed by each existing material domestic subsidiary of the Company, certain other domestic subsidiaries of the Company and certain existing material foreign subsidiaries of the Company that are disregarded entities for U.S. income tax purposes (each such foreign subsidiary, a "Disregarded Foreign Entity"), and such obligations are required to be guaranteed by each subsequently acquired or formed material domestic subsidiary and Disregarded Foreign Entity (each, a "Guarantor"), and the obligations of the Borrowers other than the Company ("Foreign Borrowers") for which the Company is not the primary obligor are also guaranteed by the Company. In addition, (i) the Borrowers’ obligations under the Amended and Restated Credit Agreement are secured by a first priority lien (subject to liens permitted by the Amended and Restated Credit Agreement) on substantially all of the personal property of the Company and the Guarantors as set forth in the Amended and Restated Pledge and Security Agreement and (ii) the obligations of the Foreign Borrowers are secured by a first priority lien on 100% of the capital stock of the Foreign Borrowers.

The representations, covenants and events of default in the Credit Facility are customary for financing transactions of this nature, including required compliance with a minimum fixed charge coverage ratio and a maximum leverage ratio (each as defined below).

Under the Credit Facility as amended, the fixed charge coverage ratio, defined as the ratio of (i)(A) consolidated earnings before interest expense, income taxes, depreciation, amortization, stock-based compensation expense, and certain other charges and expenses ("EBITDA") minus (B) aggregate income taxes to the extent paid in cash minus (C) unfinanced capital expenditures to (ii) the sum of: (A) consolidated interest expense to the extent paid (or required to be paid) in cash, plus (B) the aggregate of all scheduled payments of principal on funded debt (including the principal component of payments made in respect of capital lease obligations) required to have been made (whether or not such payments are actually made), plus (C) the aggregate of all restricted payments (as defined) paid, plus (D) the aggregate of all earnouts paid or required to be paid, must not be less than 1.10 to 1.00 for the four-quarter period ending at the end of each fiscal quarter.

Also under the Credit Facility as amended, the leverage ratio, as of the last day of any fiscal quarter, defined as the ratio of (i) consolidated total funded debt minus unrestricted cash to (ii) consolidated EBITDA, must not be greater 3.25 to 1.00 at the end of each fiscal quarter.

At December 31, 2017, the Company was in compliance with the financial covenants under the Credit Facility. If the Company does not meet the covenant requirements in the future, it would be in default under the Credit Facility. Upon the occurrence of an event of default, the lenders may terminate the loan commitments, accelerate all loans and exercise any of their rights under the Credit Facility and ancillary loan documents.

Short-term borrowings under the Credit Facility totaled $24,641,000 and $30,000 at December 31, 2017 and 2016, respectively. The Company expects, but is not required, to repay all of such short-term borrowings at December 31, 2017 in 2018.

The Company's capital leases are primarily comprised of equipment leases with terms ranging from 24 to 60 months.

Interest expense, including amortization of capitalized loan costs, on the Company's short-term and long-term borrowings was $9,909,000, $9,934,000, and $8,983,000 for the years ended December 31, 2017, 2016, and 2015, respectively. Interest paid on the Company's short-term and long-term borrowings was $8,394,000, $8,451,000, and $7,973,000 for the years ended December 31, 2017, 2016, and 2015, respectively.

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Principal repayments of long-term debt, including current portions and capital leases, as of December 31, 2017 are expected to be as follows, assuming no prepayments or extensions beyond the stated maturity:

	Long-term Debt	Capital Lease Obligations	Total
Year Ending December 31,	(In thousands)		
2018	$24,641	$ 571	$25,212
2019	—	338	338
2020	—	202	202
2021	—	187	187
2022	199,642	91	199,733
Total	$224,283	$ 1,389	$225,672

5. Derivative Instruments

In February 2011, the Company entered into a U.S. dollar and Canadian dollar ("CAD") cross currency basis swap with an initial notional amount of CAD34,749,000 as an economic hedge to an intercompany note payable to the U.S. parent by a Canadian subsidiary. The cross currency basis swap required the Canadian subsidiary to deliver quarterly payments of CAD589,000 to the counterparty and entitled the U.S. parent to receive quarterly payments of U.S.$593,000. The Canadian subsidiary also made interest payments to the counterparty based on 3-month Canada Bankers Acceptances plus a spread, and the U.S. parent received payments based on U.S. 3-month LIBOR. The cross currency basis swap had a scheduled expiration date of September 30, 2025. The Company elected not to designate this swap as a hedge of the intercompany note from the Canadian subsidiary. Accordingly, changes in the fair value of this swap, as well as changes in the value of the intercompany note, were recorded as gains or losses in "Selling, general, and administrative expenses" in the Company's audited Consolidated Statements of Operations over the term of the swap and substantially offset one another prior to the settlement defined below. The changes in the fair value of the cross currency basis swap did not exactly offset changes in the value of the intercompany note, as the fair value of this swap was determined based on forward rates while the value of the intercompany note was determined based on end of period spot rates. The net gains and losses for the swap historically were not significant.

During September 2016, the Company entered into a transaction ("settlement") in which the Canadian subsidiary repaid the intercompany note payable to the U.S. parent and the Company terminated the cross currency basis swap. In connection with the settlement, the Company received proceeds of $4,100,000 in exchange for terminating the cross currency basis swap. For the year ended December 31, 2016, the Company recognized a net loss of $585,000 due to changes in the fair value of the cross currency basis swap, the value of the intercompany note, and on the settlement. A net loss was recognized on the settlement due to a change in the forward rates used to value the cross currency basis swap which was not substantially offset by the change in the value of the intercompany note based on the spot rate on the day of the settlement.

6. Commitments Under Operating Leases

The Company and its subsidiaries lease certain office space, computer equipment, and automobiles under operating leases. For office leases that contain scheduled rent increases or rent concessions, the Company recognizes monthly rent expense based on a calculated average monthly rent amount that considers the rent increases and rent concessions over the life of the lease term. Leasehold improvements of a capital nature that are made to leased office space under operating leases are amortized over the shorter of the term of the lease or the estimated useful life of the improvement.

License and maintenance costs related to leased vehicles are paid by the Company and are expensed as incurred.

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Rental expenses, net of amortization of any incentives provided by lessors, for operating leases consisted of the following:

Year Ended December 31,	2017	2016	2015
	(In thousands)		
Office space	$40,927	$43,245	$44,577
Automobiles	5,794	6,043	7,319
Computers and equipment	288	111	13
Total operating leases	$47,009	$49,399	$51,909

At December 31, 2017, future minimum payments under non-cancelable operating leases with terms of more than 12 months were as follows:

Year Ending December 31,	(In thousands)
2018	$ 39,321
2019	35,024
2020	26,077
2021	20,002
2022	10,719
2023 and Thereafter	28,010

Where applicable, the amounts above include sales taxes.

Significant Operating Leases and Subleases

Effective October 10, 2016, the Company entered into a 13-year operating lease for approximately 109,000 square feet of office space in Atlanta, Georgia, as a replacement and consolidation for its Atlanta Support Center beginning late 2017. The Company has future total lease payments associated with this lease of approximately $31,500,000. Additionally, the Company is responsible for certain related property operating expenses above 2018 base year costs, which are excluded from the table above.

Effective June 24, 2015, the Company entered into 10-year operating leases for approximately 16,000 square feet of office space in London, England, for its International segment as a replacement and consolidation of certain of its London facilities. The Company has total lease payments associated with the leases of approximately $10,500,000 subject to market rate adjustments on the fifth anniversary of the lease commitment date. Additionally, the Company is responsible for certain value-added taxes and operating expenses, which are excluded from the table above.

In November 2014, the Company entered into an amendment and extension of an existing lease, resulting in a 7 years, 5 months operating lease agreement for approximately 50,000 square feet of office space in Jacksonville, FL, for its U.S. Contractor Connection service line in its U.S. Services segment. The amended lease on the expanded premises began January 1, 2015. Total lease payments over the remaining lease term are approximately $3,388,000. Additionally, the Company is responsible for certain related real estate taxes and operating expenses, which are excluded from the table above.

In January 2013, the Company entered into a 10-year operating lease for approximately 24,000 square feet of office space in Berkeley Heights, NJ, primarily for its Broadspire segment. The lease began July 1, 2013. Total lease payments over the remaining lease term are approximately $4,016,000. Additionally, the Company is responsible for certain related real estate taxes and operating expenses, which are excluded from the table above.

Effective May 1, 2012, the Company entered into a 10-year operating lease for the lease of approximately 45,000 square feet of office space in Seattle, Washington for its Garden City Group segment. Total lease payments over the remaining lease term are approximately $6,281,000. Additionally, the Company is responsible for certain related real estate taxes and operating expenses, which are excluded from the table above.

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On March 16, 2010, the Company entered into an 11-year operating lease for the lease of approximately 44,000 square feet of office space in Lake Success, New York, for use as its Garden City Group segment's corporate headquarters. The lease, as amended, includes a total of approximately 47,000 square feet. Total lease payments over the remaining lease term are approximately $7,082,000. Additionally, the Company is responsible for certain related real estate taxes and operating expenses, which are excluded from the table above.

Effective February 9, 2010, the Company entered into a 10-year operating lease for approximately 64,000 square feet of office space in Sunrise, Florida, primarily for its Broadspire segment as a replacement for the subleased space in Plantation, Florida described below. Total lease payments over the remaining lease term are approximately $3,136,000. Additionally, the Company is responsible for certain related real estate taxes and other expenses, which are excluded from the table above.

Included in the acquired commitments of Broadspire Management Services, Inc. was a long-term operating lease for a two-building office complex in Plantation, Florida. The term of this lease ends in December 2021. Total lease payments over the remaining lease term are approximately $22,363,000. All of the office space was subleased at December 31, 2017. Under executed sublease arrangements at December 31, 2017, the sublessors are obligated to pay the Company minimum sublease payments as follows:

Year Ending December 31,	(In thousands)
2018	$ 4,057
2019	4,146
2020	4,238
2021	4,332
Total minimum sublease payments to be received	$ 16,773

One of the sublease agreements is for three of the four floors of one of the leased buildings in Plantation, Florida; this lease expires in December 2021. The remaining floor was subleased through the remaining lease term during 2016. The other sublease is for an entire building and expires in December 2021.

7. Income Taxes

Income (loss) before income taxes consisted of the following:

Year Ended December 31,	2017	2016	2015
	(In thousands)		
U.S.	$12,303	$33,051	$22,414
Foreign	29,959	30,190	(54,187)
Income (loss) before income taxes	$42,262	$63,241	$(31,773)

The provision for income taxes consisted of the following:

Year Ended December 31,	2017	2016	2015
	(In thousands)		
Current:			
U.S. federal and state	$9,077	$5,196	$5,716
Foreign	8,320	9,838	3,996
Deferred:			
U.S. federal and state	389	9,788	5,786
Foreign	(2,747)	743	(1,666)
Provision for income taxes	$15,039	$25,565	$13,832

Net cash payments for income taxes were $15,574,000, $16,170,000, and $9,690,000 in 2017, 2016, and 2015, respectively.

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The provision for income taxes is reconciled to the federal statutory income tax rate of 35% as follows:

Year Ended December 31,	2017	2016	2015
	(In thousands)		
Federal income taxes at statutory rate	$14,792	$22,134	$(11,121)
State income taxes, net of federal benefit	1,349	2,280	1,872
Goodwill impairment	428	—	15,824
Foreign taxes	(3,226)	2,273	3,804
Change in valuation allowance	2,913	(2,196)	3,643
Research and development credits	(448)	(429)	(1,912)
Foreign tax credits	(2,002)	(865)	(651)
Nondeductible meals and entertainment	1,222	1,111	1,441
Tax Act-revaluation of deferred taxes	(3,756)	—	—
Tax Act-transition tax, net of credits	7,550	—	—
Benefit of international restructuring	(2,989)	—	—
Tax rate changes	(212)	(71)	412
Other	(582)	1,328	520
Provision for income taxes	$15,039	$25,565	$13,832

The Company's consolidated effective income tax rate may change periodically due to changes in enacted statutory tax rates, changes in tax law or policy, changes in the composition of taxable income from the countries in which it operates, the Company's ability to utilize net operating loss and tax credit carryforwards, and changes in unrecognized tax benefits. The Company's 2017 effective income tax rate was impacted by the Tax Act in the U.S. and international restructuring activities. The Company's 2015 effective income tax rate was distortive, primarily due to the largely nondeductible non-cash goodwill impairment charge, the Company's inability to recognize tax benefits for certain international net operating losses, and fluctuations in the mix of income earned. Additionally, 2015 losses in certain operations, including losses due to restructuring and special charges, were in jurisdictions with lower tax rates or where the losses are unable to be benefited.

On December 22, 2017, the Tax Act was enacted. The changes include, but are not limited to: a federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, creation of a new minimum tax on global intangible low taxed income (“GILTI”), and a one-time U.S. tax liability on those earnings which have not previously been repatriated to the U.S. (the “Transition Tax”) as a result of the transition of U.S. international taxation from a worldwide tax system to a modified territorial tax system. At December 31, 2017, the Company has not fully completed its accounting for the tax effects of enactment of the Tax Act in accordance with Staff Accounting Bulletin ("SAB 118") as described in Note 1, “Significant Accounting and Reporting Policies.” However, in certain cases, the Company has made a reasonable estimate of the effects on its existing deferred tax balances and the one-time Transition Tax based on the Tax Act guidance that currently exists. For the items for which the Company was able to determine a reasonable estimate, a provisional tax expense was recognized of $3.8 million, which is included as a component of income tax expense from continuing operations. These adjustments, which are described in further detail below, increased the Company's effective tax rate for 2017 by 9.0%.

The Company remeasured all domestic deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. However, the Company is still analyzing certain aspects of the Tax Act and refining its calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The provisional amount recorded related to the remeasurement of our domestic deferred tax balance resulted in a tax benefit of $3.8 million.

The one-time Transition Tax is based on our total post-1986 earnings and profits ("E&P") in foreign jurisdictions, which was not previously subject to U.S. income taxes. The Company recorded a provisional amount for its one-time

Transition Tax liability for all of its controlled foreign corporations, resulting in an increase in income tax expense of $7.6 million, net of foreign tax credits generated in the current year. The residual tax due will be offset by foreign tax credit carryforwards and is not anticipated to result in a cash tax liability. The Transition Tax is based in part on the total post 1986 foreign E&P and the amount of those earnings held in cash and other specified assets. The Transition Tax may change when the Company finalizes the calculation of post-1986 foreign E&P, which was not previously subject to U.S. taxation.

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No additional income or withholding taxes have been provided for any undistributed foreign earnings, including those subject to the Transition Tax nor have any taxes been provided for the outside basis difference inherent in these entities as these amounts continue to be indefinitely reinvested in foreign operations. Additionally, due to withholding tax, basis computations, and other related tax considerations, it is not practicable to estimate any taxes to be provided on outside basis differences at this time. The ultimate tax impact related to the Tax Act may differ, possibly materially, due to further refinement of our calculations, changes in interpretation and assumptions, or issuance of additional guidance issued by the relevant tax authorities.

The Company has not completed its accounting for the income tax effects of certain elements of the Tax Act, including: GILTI, executive compensation, Transition Tax including associated foreign tax credits, and state taxes. Additionally, any changes to these provisional estimates would require the Company to reassess the realizability of its domestic deferred tax assets. Due to the complexity of the new tax rules of the Tax Act, we are continuing to evaluate these provisions of the Tax Act and whether GILTI taxes are recorded as a current period expense when incurred or whether such amounts should be factored into a company's measurement of its deferred taxes. As a result, the Company has not included an estimate of the tax impacts related to GILTI for the period ended December 31, 2017. The Company will continue to refine these estimates in accordance with SAB 118.

Deferred income taxes consisted of the following at December 31, 2017 and 2016:

	2017	2016
	(In thousands)	
Accounts receivable allowance	$55	$(6,148)
Accrued compensation	8,741	13,862
Accrued pension liabilities	12,482	33,295
Self-insured risks	5,831	9,304
Deferred revenues	6,793	9,949
Accrued rent	3,380	1,511
Interest	6,146	5,258
Tax credit carryforwards	18,490	24,784
Loss carryforwards	29,655	23,518
Other	1,913	895
Gross deferred income tax assets	93,486	116,228
Unbilled revenues	12,689	13,917
Depreciation and amortization	38,339	58,985
Other post-retirement benefits	116	235
Gross deferred income tax liabilities	51,144	73,137
Net deferred income tax assets before valuation allowance	42,342	43,091
Valuation allowance	(18,829)	(14,498)
Net deferred income tax assets	$23,513	$28,593
Amounts recognized in the Consolidated Balance Sheets consist of :		
Long-term deferred income tax assets included in "Deferred income tax assets"	24,359	30,379
Long-term deferred income tax liabilities included in "Other noncurrent liabilities"	(846)	(1,786)
Net deferred income tax assets	$23,513	$28,593

At December 31, 2017, the Company had deferred tax assets related to loss carryforwards of $30,074,000, before netting of unrecognized tax benefits of $419,000. An estimated $17,266,000 of the deferred tax assets will not expire, and $12,808,000 will expire over the next 20 years if not utilized by the Company.

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Changes in the Company's deferred tax valuation allowance are recorded as adjustments to the provision for income taxes. An analysis of the Company's deferred tax asset valuation allowances is as follows for the years ended December 31, 2017, 2016, and 2015.

	2017	2016	2015
	(In thousands)		
Balance, beginning of year	$14,498	$17,204	$15,231
Other changes	4,331	(2,706)	1,973
Balance, end of year	$18,829	$14,498	$17,204

Changes to the valuation allowance for the year ended December 31, 2017 were primarily due to losses in certain of the Company's international operations and domestic operations impacting state NOLs. For the year ended December 31, 2016 the change was primarily due to release of valuation allowances based on expected utilization of deferred tax assets. For the year ended December 31, 2015 the change was primarily due to losses in certain of the Company's international operations.

A reconciliation of the beginning and ending balance of unrecognized income tax benefits follows:

	(In thousands)
Balance at December 31, 2014	$ 5,897
Additions for tax provisions related to the current year	229
Reductions for tax positions related to the current year	(2,224)
Additions for tax positions related to prior years	$ 2,349
Lapses of applicable statutes of limitation	(64)
Balance at December 31, 2015	6,187
Additions for tax provisions related to the current year	159
Reductions for tax positions related to prior years	$ (989)
Additions for tax positions related to prior years	278
Lapses of applicable statutes of limitation	$ (166)
Balance at December 31, 2016	5,469
Additions for tax provisions related to the current year	6,318
Reductions for tax positions related to prior years	(41)
Additions for tax positions related to prior years	823
Lapses of applicable statutes of limitation	(1,232)
Currency translation adjustment	(40)
Balance at December 31, 2017	$ 11,297

The Company accrues interest and, if applicable, penalties related to unrecognized tax benefits in income taxes. Total accrued interest expense at December 31, 2017, 2016, and 2015, was $275,000, $155,000, and $31,000, respectively.

Included in the total unrecognized tax benefits at December 31, 2017, 2016, and 2015 were $9,389,000, $3,332,000, and $3,899,000, respectively, of tax benefits that, if recognized, would affect the effective income tax rate.

The Company conducts business in a number of countries and, as a result, files U.S. federal and various state and foreign jurisdiction income tax returns. In the normal course of business, the Company is subject to examination by various taxing jurisdictions throughout the world, including Canada, the U.K., and the U.S. With few exceptions, the Company is no longer subject to income tax examinations for years before 2007.

Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, including interest and penalties, have been provided for any adjustments that are expected to result from those years.

The Company expects $6,200,000 in reductions to unrecognized income tax benefits within the next 12 months as a result of projected resolutions of income tax uncertainties.

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8. Retirement Plans

The Company and its subsidiaries sponsor various retirement plans. Substantially all employees in the U.S. and certain employees outside the U.S. are covered under the Company's defined contribution plans. Certain employees, retirees, and eligible dependents are also covered under the Company's defined benefit pension plans.

Employer contributions under the Company's defined contribution plans are determined annually based on employee contributions, a percentage of each covered employee's compensation, and years of service. The Company's cost for defined contribution plans totaled $24,036,000, $23,985,000, and $23,652,000 in 2017, 2016, and 2015, respectively.

The Company sponsors a qualified defined benefit pension plan in the U.S. (the "U.S. Qualified Plan") and three defined benefit pension plans in the U.K. (the "U.K. Plans"). Effective December 31, 2002, the Company elected to freeze its U.S. Qualified Plan. Benefits payable under the Company's U.S. Qualified Plan are generally based on career compensation; however, no additional benefits have accrued on this plan since December 31, 2002. The Company's U.K. Plans were closed to new participants as of October 31, 1997, but existing participants may still accrue additional limited benefits based on salary amounts in effect at the time the relevant plan was closed. Benefits payable under the U.K. Plans are generally based on an employee's final salary at the time the plan was closed. Benefits paid under the U.K. Plans are also subject to adjustments for the effects of inflation. The actuarial present value of the projected benefit payments under the U.K. Plans are based on the employees' expected dates of separation by retirement.

The Bipartisan Budget Act of 2015 ("BBA2015") included pension funding reform which greatly reduced the contributions required to the U.S. Qualified Plan. Required contributions are anticipated in future years as the impact of the BBA2015 pension funding reform is phased out. Currently, the Company plans to contribute $9,000,000 per annum to the U.S. Qualified Plan for the next five fiscal years to improve the funded status of the plan and minimize future required contributions. The Company expects to make contributions of approximately $9,000,000 to its U.S. Qualified Plan and $5,600,000 to its U.K. Plans in 2018.

Certain other employees located in the Netherlands, Norway, Germany, and the Philippines (referred to herein as the "other international plans") have retirement benefits that are accounted for as defined benefit pension plans under GAAP.

External trusts are maintained to hold assets of the Company's U.S. Qualified Plan, U.K. Plans, and other international plans. The Company's funding policy is to make cash contributions in amounts at least sufficient to meet regulatory funding requirements and, in certain instances, to make contributions in excess thereof if such contributions would otherwise be in accordance with the Company's capital allocation plans. Assets of the plans are measured at fair value at the end of each reporting period, but the plan assets are not recorded on the Company's Consolidated Balance Sheets. Instead, the funded or unfunded status of the Company's U.S. Qualified Plan, U.K. Plans, and other international plans are recorded in "Accrued pension liabilities" or "Other noncurrent assets" on the Company's Consolidated Balance Sheets based on the projected benefit obligations less the fair values of the plans' assets.

The majority of the Company's defined benefit pension plans have projected benefit obligations in excess of the fair value of plan assets. For these plans, the projected benefit obligations and the fair value of plan assets were as follows as of December 31, 2017 and 2016:

December 31,	2017	2016
	(In thousands)	
Projected benefit obligations	$515,343	$520,906
Fair value of plans' assets	424,804	412,205

Certain of the Company's U.K. Plans have fair values of plan assets that exceed the projected benefit obligations. For these plans, the projected benefit obligations and the fair value of plan assets were as follows as of December 31, 2017 and 2016:

December 31,	2017	2016
	(In thousands)	
Projected benefit obligations	$249,397	$243,661
Fair value of plans' assets	284,091	265,253

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In addition, the Company sponsors two frozen nonqualified, unfunded defined benefit pension plans for certain employees and retirees, which are based on career compensation. These plans were frozen effective December 31, 2002. The liabilities of these plans, which equal their projected benefit obligations, are included in "Other accrued liabilities" and "Other noncurrent liabilities" on the Company's Consolidated Balance Sheets based on the expected timing of funding these obligations, since they are funded as needed from Company assets.

A reconciliation of the beginning and ending balances of the projected benefit obligations and the fair value of plans' assets for the Company's defined benefit pension plans as of the plans' most recent measurement dates is as follows:

Year Ended December 31,	2017	2016
	(In thousands)	
Projected Benefit Obligations:		
Beginning of measurement period	$764,567	$799,693
Service cost	1,288	1,218
Interest cost	22,723	30,129
Employee contributions	82	86
Actuarial loss	19,100	51,859
Plan settlements	(7,552)	—
Benefits paid	(58,092)	(63,537)
Foreign currency effects	22,624	(54,881)
End of measurement period	764,740	764,567
Fair Value of Plans' Assets:		
Beginning of measurement period	677,458	689,499
Actual return on plans' assets	57,245	94,750
Employer contributions	15,331	14,727
Employee contributions	82	86
Plan settlements	(7,552)	—
Benefits paid	(58,092)	(63,537)
Foreign currency effects	24,423	(58,067)
End of measurement period	708,895	677,458
Unfunded Status	$(55,845)	$(87,109)

Due to the frozen status of the U.S. Qualified Plan and the closed status of the U.K. Plans, the accumulated benefit obligations and the projected benefit obligations are not materially different.

The underfunded status of the Company's defined benefit pension plans recognized in the Consolidated Balance Sheets at December 31 consisted of:

December 31,	2017	2016
	(In thousands)	
U.S. Qualified Plan	$85,834	$103,545
Other international plans	1,201	1,630
Subtotal, included in "Accrued pension liabilities"	87,035	105,175
U.K. Prepaid pension asset included in "Other noncurrent assets"	(34,698)	(21,591)
Unfunded status of nonqualified defined benefit deferred pension plans included in "Other accrued liabilities"	319	320
Unfunded status of nonqualified defined benefit pension plans included in "Other noncurrent liabilities"	3,189	3,205
Total unfunded status	$55,845	$87,109
Accumulated other comprehensive loss, before income taxes	$(268,059)	$(279,422)

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A fixed number of U.S. employees, retirees, and eligible dependents were previously covered under a frozen post-retirement medical benefits plan and are now provided Company-subsidized premiums for participation in health care exchanges. The liabilities for this plan are included in the Company's self-insured risks liabilities and are not material. This plan was frozen effective December 31, 2002.

The following tables set forth the 2017 and 2016 changes in accumulated other comprehensive loss for the Company's defined benefit retirement plans and post-retirement medical benefits plan on a combined basis:

	Defined Benefit Pension Plans	Post-Retirement Medical Benefits Plan
	(In thousands)	
Net unrecognized actuarial (loss) gain, December 31, 2015	$(309,880)	$ 760
Amortization of net loss (gain)	13,338	(152)
Net gain arising during the year	6,183	—
Currency translation	10,329	—
Net unrecognized actuarial (loss) gain, December 31, 2016	(280,030)	608
Amortization of net loss (gain)	11,727	(152)
Net gain arising during the year	3,537	—
Currency translation	(3,749)	—
Net unrecognized actuarial (loss) gain, December 31, 2017	$(268,515)	$ 456

Unrecognized losses reflect changes in the discount rates and differences between expected and actual asset returns, which are being amortized over future periods. These unrecognized losses may be recovered in future periods through actuarial gains. However, unless the minimum amount required to be amortized is below a corridor amount equal to 10.0% of the greater of the projected benefit obligation or the market-related value of plan assets, these unrecognized actuarial losses are required to be amortized and recognized in future periods. Net unrecognized actuarial losses included in accumulated other comprehensive loss and expected to be recognized in net periodic benefit costs during the year ending December 31, 2018 for the U.S. and U.K. defined benefit pension plans are $10,277,000 ($7,143,000 net of tax).

Pension expense is affected by the accounting policy used to determine the value of plan assets at the measurement date. The Company applies the expected return on plan assets using fair market value as of the annual measurement date. The fair market value method results in greater volatility to pension expense than the calculated value method. The amounts recognized in the Consolidated Balance Sheets reflect a snapshot of the state of the Company's long-term pension liabilities at the plan measurement date and the effect of mark-to-market accounting on plan assets. Net periodic benefit cost related to all of the Company's defined benefit pension plans recognized in the Company's Consolidated Statements of Operations for the years ended December 31, 2017, 2016, and 2015 included the following components:

Year Ended December 31,	2017	2016	2015
	(In thousands)		
Service cost	$1,288	$1,218	$1,698
Interest cost	22,723	30,129	32,655
Expected return on assets	(34,056)	(36,406)	(41,710)
Amortization of actuarial loss	11,154	12,840	13,371
Net periodic benefit cost	$1,109	$7,781	$6,014

Benefit cost for the U.S. Qualified Plan does not include service cost since the plan is frozen.

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Over the next ten years, the following benefit payments are expected to be required to be made from the Company's U.S. and U.K. defined benefit pension plans:

Year Ending December 31,	Expected Benefit Payments (In thousands)
2018	$ 43,719
2019	44,189
2020	44,601
2021	44,822
2022	44,970
2023-2027	222,939

The Company reviews its employee demographic assumptions annually and updates the assumptions as necessary. The Company updates the mortality assumptions for the U.S. plans to incorporate the current mortality tables issued by the Society of Actuaries, adjusted to reflect the Company's specific experience and future expectations. This resulted in a $3,200,000 decrease in the projected benefit obligation for the U.S. plans for the year ended December 31, 2017. Certain assumptions used in computing the benefit obligations and net periodic benefit cost for the U.S. and U.K. defined benefit pension plans were as follows:

U.S. Qualified Plan:	2017	2016
Discount rate used to compute benefit obligations	3.63%	4.15%
Discount rate used to compute periodic benefit cost	4.15%	4.40%
Expected long-term rates of return on plans' assets	6.30%	6.50%

U.K. Defined Benefit Plans:	2017	2016
Discount rate used to compute benefit obligations	2.61%	2.65%
Discount rate used to compute periodic benefit cost	2.65%	3.85%
Expected long-term rates of return on plans' assets	4.23%	5.85%

The discount rate assumptions reflect the rates at which the Company believes the benefit obligations could be effectively settled. The discount rates were determined based on the yield for a portfolio of investment grade corporate bonds with maturity dates matched to the estimated future payments of the plans' benefit obligations.

Beginning with the December 31, 2016 measurement, the Company changed the method used to estimate the service and interest components of net periodic benefit cost for its U.S. and international pension and other postretirement benefits. This estimation approach discounts the individual expected cash flows underlying the service cost and interest cost using the applicable spot rates derived from the yield curve used to discount the cash flows used to measure the benefit obligation. Historically, the Company estimated these service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period.

The Company made this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. The Company accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and accordingly has accounted for it prospectively. While the benefit obligation measured under this approach is unchanged, the more granular application of the spot rates reduced the service and interest cost for the pension plans for fiscal 2017 by $3,200,000. The Company does not expect this change will have a material effect in periods beyond 2017. For the pension plans, the weighted average spot rates used to determine service and interest costs were 3.23%

for the U.S. Qualified plan and 2.66% for the U.K. plans.

The expected long-term rates of return on plan assets were based on the plans' asset mix, historical returns on equity securities and fixed income investments, and an assessment of expected future returns. The expected long-term rates of return on plan assets assumption used to determine 2018 net periodic pension cost are estimated to be 6.20% and 3.85% for the U.S.Qualified Plan and U.K. plans, respectively. If actual long-term rates of return differ from those assumed or if the Company used materially different assumptions, actual funding obligations could differ materially from these estimates. Due to the frozen status of the U.S. plan and closed status of the U.K. plans, increases in compensation rates are not material to the computations of benefit obligations or net periodic benefit cost.

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Plans' Assets

Asset allocations at the respective measurement dates, by asset category, for the Company's U.S. and U.K. qualified defined benefit pension plans were as follows:

	U.S. Qualified Plan		U.K. Plans	
December 31,	2017	2016	2017	2016
Equity securities	27.8 %	30.2 %	24.8 %	26.7 %
Fixed income securities	62.0 %	66.7 %	62.8 %	60.1 %
Alternative strategies	3.9 %	1.1 %	10.9 %	11.8 %
Cash, cash equivalents and short-term investment funds	6.3 %	2.0 %	1.5 %	1.4 %
Total asset allocation	100.0%	100.0%	100.0%	100.0%

Investment objectives for the Company's U.S. and U.K. pension plan assets are to ensure availability of funds for payment of plan benefits as they become due; provide for a reasonable amount of long-term growth of capital, without undue exposure to volatility; protect the assets from erosion of purchasing power; and provide investment results that meet or exceed the plans' actuarially assumed long-term rate of return.

Alternative strategies include funds that invest in derivative instruments such as futures, forward contracts, options and swaps, and funds that invest in real estate. These investments are used to help manage risks.

The long-term goal for the U.S. and U.K. plans is to reach fully-funded status and to maintain that status. The investment policies recognize that the plans' asset return requirements and risk tolerances will change over time. Accordingly, reallocation of the portfolios' mix of return-seeking assets and liability-hedging assets will be performed as the plans' funded status improves.

See Note 12, "Fair Value Measurements" for the fair value disclosures of the U.S. and U.K. qualified defined benefit pension plan assets. The assets of the Company's other international plans are primarily insurance contracts, which are measured at contract value and are not measured at fair value. Obligations of the U.S. nonqualified plans are paid from Company assets.

9. Common Stock and Earnings (Loss) per Share

Shares of the Company's two classes of common stock are traded on the NYSE under the symbols CRD-A and CRD-B, respectively. The Company's two classes of stock are substantially identical, except with respect to voting rights and the Company's ability to pay greater cash dividends on the non-voting Class A Common Stock than on the voting Class B Common Stock, subject to certain limitations. In addition, with respect to mergers or similar transactions, holders of Class A Common Stock must receive the same type and amount of consideration as holders of Class B Common Stock, unless different consideration is approved by the holders of 75% of the Class A Common Stock, voting as a class. As described in Note 11, "Stock-Based Compensation," certain shares of CRD-A are issued with restrictions under incentive compensation plans.

The Company's share repurchase authorization, approved in August 2014, (the "2014 Repurchase Authorization") provided the Company with the ability to repurchase up to 2,000,000 shares of CRD-A or CRD-B (or both). The 2014 Repurchase Authorization was terminated on July 28, 2017.

Effective July 29, 2017, the Company's Board of Directors authorized the repurchase of up to 2,000,000 shares of CRD-A or CRD-B (or both) through July 2020 (the "2017 Repurchase Authorization"). Under the 2017 Repurchase Authorization, repurchases may be made for cash, in the open market or privately negotiated transactions at such times and for such prices as management deems appropriate, subject to applicable contractual and regulatory restrictions.

Through December 31, 2017, the Company had repurchased 699,800 shares of CRD-A and 188,200 shares of CRD-B under the 2014 and 2017 Repurchase Authorizations at an average cost of $8.21 and $8.88, respectively. At December 31, 2017, the Company had remaining authorization to repurchase 1,666,671 shares under the 2017 Repurchase Authorization.

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Net Income (Loss) Attributable to Shareholders of Crawford & Company per Common Share

The Company computes earnings (loss) per share of CRD-A and CRD-B using the two-class method, which allocates the undistributed earnings (loss) for each period to each class on a proportionate basis. The Company's Board of Directors has the right, but not the obligation, to declare higher dividends on CRD-A than on CRD-B, subject to certain limitations. In periods when the dividend is the same for CRD-A and CRD-B or when no dividends are declared or paid to either class, the two-class method generally will yield the same earnings (loss) per share for CRD-A and CRD-B. During 2017, 2016 and 2015, the Board of Directors declared a higher dividend on CRD-A than on CRD-B.

The computations of basic net income (loss) attributable to shareholders of Crawford & Company per common share were as follows:

Year Ended December 31,	2017		2016		2015	
	CRD-A	CRD-B	CRD-A	CRD-B	CRD-A	CRD-B
	(In thousands, except earnings (loss) per share)					
Earnings (loss) per share - basic:						
Numerator:						
Allocation of undistributed earnings (loss)	$7,821	$6,144	$12,432	$9,969	$(32,651)	$(26,348)
Dividends paid	8,780	4,920	8,627	4,938	8,573	4,938
Net income (loss) available to common shareholders, basic	16,601	11,064	21,059	14,907	(24,078)	(21,410)
Denominator:						
Weighted-average common shares outstanding, basic	31,322	24,606	30,793	24,690	30,596	24,690
Earnings (loss) per share - basic	$0.53	$0.45	$0.68	$0.60	$(0.79)	$(0.87)

The computations of diluted net income (loss) attributable to shareholders of Crawford & Company per common share were as follows:

Year Ended December 31,	2017		2016		2015	
	CRD-A	CRD-B	CRD-A	CRD-B	CRD-A	CRD-B
	(In thousands, except earnings (loss) per share)					
Earnings (loss) per share - diluted:						
Numerator:						
Allocation of undistributed earnings (loss)	$7,911	$6,053	$12,563	$9,838	$(32,651)	$(26,348)
Dividends paid	8,780	4,920	8,627	4,938	8,573	4,938
Net income (loss) available to common shareholders, diluted	16,691	10,973	21,190	14,776	(24,078)	(21,410)
Denominator:						
Weighted-average common shares outstanding, basic	31,322	24,606	30,793	24,690	30,596	24,690
Weighted-average effect of dilutive securities (1)	836	—	737	—	—	—
Weighted-average number of shares outstanding, diluted	32,158	24,606	31,530	24,690	30,596	24,690
Earnings (loss) per share - diluted	$0.52	$0.45	$0.67	$0.60	$(0.79)	$(0.87)

(1) For the year ended December 31, 2015, the Company excluded from its loss per share calculations all common share equivalents because their inclusion would have been anti-dilutive. The weighted-average number of these common share equivalents for the year ended December 31, 2015 totaled approximately 494,000.

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Listed below are the shares excluded from the denominator in the above computation of diluted earnings (loss) per share for CRD-A because their inclusion would have been antidilutive:

Year Ended December 31,	2017	2016	2015
	(In thousands)		
Shares underlying stock options excluded due to the options' respective exercise prices being greater than the average stock price during the period	711	115	24
Performance stock grants excluded because performance conditions had not been met [1]	402	—	1,045

(1) Compensation cost is recognized for these performance stock grants based on expected achievement rates; however no consideration is given for these performance stock grants when calculating earnings per share until the performance measurements are actually achieved.

10. Accumulated Other Comprehensive Loss

Comprehensive income (loss) for the Company consists of the total of net income, foreign currency translation adjustments, and accrued pension and retiree medical liability adjustments. Foreign currency translation adjustments include net unrealized gains (losses) from intra-entity loans that are long-term in nature of $(836,000), $2,547,000, and $(6,894,000) for the years ended December 31, 2017, 2016, and 2015, respectively. The changes in components of "Accumulated other comprehensive loss" ("AOCL"), net of taxes and noncontrolling interests, included in the Company's audited Consolidated Balance Sheets were as follows:

	Foreign currency translation adjustments	Retirement liabilities	AOCL attributable to shareholders of Crawford & Company
	(In thousands)		
Balance at December 31, 2015	$(24,347)	$(198,284)	$(222,631)
Other comprehensive loss before reclassifications	(9,102)	—	(9,102)
Unrealized net gains arising during the year	—	11,337	11,337
Amounts reclassified from accumulated other comprehensive income [1]	—	8,623	8,623
Net current period other comprehensive (loss) income	(9,102)	19,960	10,858
Balance at December 31, 2016	(33,449)	(178,324)	(211,773)
Other comprehensive loss before reclassifications	7,129	—	7,129
Unrealized net gains arising during the year	—	7,501	7,501
Amounts reclassified from accumulated other comprehensive income to net income [1]	—	666	666
Net current period other comprehensive income	7,129	8,167	15,296
Balance at December 31, 2017	$(26,320)	$(170,157)	$(196,477)

(1) Retirement liabilities reclassified to net income are related to the amortization of actuarial losses and are included in "Selling, general, and administrative expenses" in the Company's Consolidated Statements of Operations. See Note 8, "Retirement Plans" for additional details.

Other comprehensive loss amounts attributable to noncontrolling interests shown in the Company's audited Consolidated Statements of Shareholders' Investment are foreign currency translation adjustments.

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11. Stock-Based Compensation

The Company has various stock-based incentive compensation plans for its employees and members of its Board of Directors. Only shares of CRD-A can be issued under these plans. The fair value of an equity award is estimated on the grant date without regard to service or performance conditions. The fair value is recognized as compensation expense over the requisite service period for all awards that vest. When recognizing compensation expense, estimates are made for the number of awards that are expected to vest, and subsequent adjustments are made to reflect both changes in the number of shares expected to vest and actual vesting. Compensation expense recognized at the end of any year equals at least the portion of the grant-date value of an award that has vested at that date.

The pretax compensation expense recognized for all stock-based compensation plans was $6,661,000, $5,252,000, and $3,229,000 for the years ended December 31, 2017, 2016, and 2015, respectively. The increase in the 2017 period was due to a higher proportion of options having been granted in 2017 as a component of the Company's Long Term Incentive Plans.

The total income tax benefit recognized in the Consolidated Statements of Operations for stock-based compensation arrangements was approximately $2,219,000, $1,983,000, and $921,000 for the years ended December 31, 2017, 2016, and 2015, respectively. Some of the Company's stock-based compensation awards are granted under plans which are designed not to be taxable as compensation to the recipient based on tax laws of the U.S. or other applicable country. Accordingly, the Company does not recognize tax benefits on all of its stock-based compensation expense. Adjustments to additional paid-in capital for differences between deductions taken on its income tax returns related to stock-based compensation plans and the related income tax benefits previously recognized for financial reporting purposes were not significant in any year.

Stock Options

The Company has granted nonqualified and incentive stock options to key employees and directors. All stock options are for shares of CRD-A. Option awards are granted with an exercise price equal to the fair market value of the Company's stock on the date of grant. The Company's stock option plans have been approved by shareholders, and the Company's Board of Directors is authorized to make specific grants of stock options under active plans. Employee stock options typically are subject to graded vesting over three years (33% each year) and have a typical life of ten years. Compensation cost for stock options is recognized on an accelerated basis over the requisite service period for the entire award. For the years ended December 31, 2017, 2016, and 2015, compensation expense of $1,233,000, $280,000, and $25,000, respectively, was recognized for employee stock option awards.

A summary of option activity as of December 31, 2017, 2016, and 2015, and changes during each year, is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(In thousands)			(In thousands)
Outstanding at December 31, 2014	836	$ —	6.7 years	$ 2,647
Exercised	(106)	5.20		
Forfeited or expired	(212)	5.86		
Outstanding at December 31, 2015	518	5.26	5.0 years	8
Granted	250	8.90		
Exercised	(164)	5.08		
Forfeited or expired	(115)	5.20		

Outstanding at December 31, 2016	489	7.19	7.0 years	1,168
Granted	654	9.44		
Exercised	(70)	5.77		
Forfeited or expired	(186)	9.24		
Outstanding at December 31, 2017	887	$ 8.53	8.4 years	$ 527
Vested and Exercisable at December 31, 2017	205	$ 6.55	6.2 years	$ 467

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The weighted average grant date fair value of stock options granted during the year ended December 31, 2017 and 2016 was $2.73 and $4.11, respectively. No stock options were granted in 2015. Options exercised in 2017, 2016, and 2015 had an intrinsic value of $234,000, $752,000, and $199,000, respectively. The fair value of options that vested in 2017, 2016 and 2015 was $33,000, $467,000, and $0, respectively.

At December 31, 2017, the unrecognized compensation cost related to unvested employee stock options was $937,000. Directors' stock options had no unrecognized compensation cost since directors' options vest upon grant, and the grant-date fair values were fully expensed on the grant date.

The fair value of each option was estimated on the date of grant using the Black-Scholes-Merton option-pricing formula, with the following weighted average assumptions:

	2017	2016
Expected dividend yield	4.00 %	2.75 %
Expected volatility	43.62 %	60.02 %
Risk-free interest rate	2.14 %	2.50 %
Expected term of options	7 years	10 years

The expected dividend yield used for 2017 was based on the Company's historical dividend yield. The expected volatility of the price of CRDA was based on historical realized volatility. The risk-free interest rate was based on the U.S. Treasury Daily Yield Curve Rate on the grant date, with a term equal to the expected term used in the pricing formula. The expected term of the option took into account both the contractual term of the option and the effects of expected exercise behavior.

Performance-Based Stock Grants

Performance share grants are from time to time made to certain key employees of the Company. Such grants entitle employees to earn shares of CRD-A upon the achievement of certain individual and/or corporate objectives. Grants of performance shares are made at the discretion of the Company's Board of Directors, or the Board's Compensation Committee, and are subject to graded or cliff vesting over three-year periods. Shares are not issued until the vesting requirements have been met. Dividends are not paid or accrued on unvested/unissued shares. The grant-date fair value of a performance share grant is based on the market value of CRD-A on the date of grant, reduced for the present value of any dividends expected to be paid on CRD-A prior to the vesting of the award. Compensation expense for each award is recognized ratably from the grant date to the vesting date for each tranche.

A summary of the status of the Company's nonvested performance shares as of December 31, 2017, 2016, and 2015, and changes during each year, is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2014	1,775,711	$ 5.93
Granted	1,104,300	6.46
Vested	(259,150)	6.22
Forfeited or unearned	(1,304,675)	5.56
Nonvested at December 31, 2015	1,316,186	6.65
Granted	1,179,384	4.47
Vested	(499,370)	5.28
Forfeited or unearned	(1,189,319)	6.28
Nonvested at December 31, 2016	806,881	6.17
Granted	930,295	7.54

Vested	(184,185)	5.85
Forfeited or unearned	(668,649)	5.38
Nonvested at December 31, 2017	884,342	$ 7.05

The total fair value of the performance shares that vested in 2017, 2016, and 2015 was $3,597,000, $2,638,000, and $1,612,000, respectively.

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Compensation expense recognized for all performance shares totaled $3,796,000, $3,060,000, and $1,911,000 for the years ended December 31, 2017, 2016 and 2015, respectively. Compensation cost for these awards is net of estimated or actual award forfeitures. Certain performance awards vest ratably over three years, without cumulative earnings per share targets. As of December 31, 2017, there was an estimated $2,575,000 of unearned compensation cost for nonvested performance shares. This unearned compensation cost is expected to be fully recognized by the end of 2019.

Restricted Shares

The Company's Board of Directors may elect to issue restricted shares of CRD-A in lieu of, or in addition to, cash payments to certain key employees. Employees receiving these shares are subject to restrictions on their ability to transfer the shares. Such restrictions generally lapse ratably over vesting periods ranging from several months to five years. The grant-date fair value of a restricted share of CRD-A is based on the market value of the stock on the date of grant. Compensation cost is recognized on an accelerated basis over the requisite service period.

A summary of the status of the Company's restricted shares of CRD-A as of December 31, 2017, 2016, and 2015 and changes during each year, is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2014	88,334	$ 7.83
Granted	53,000	6.72
Vested	(38,332)	3.91
Forfeited or unearned	(2,000)	4.44
Nonvested at December 31, 2015	101,002	5.01
Granted	133,871	6.54
Vested	(160,536)	6.57
Forfeited or unearned	(6,668)	8.90
Nonvested at December 31, 2016	67,669	7.56
Granted	210,875	9.26
Vested	(166,325)	9.50
Forfeited or unearned	—	—
Nonvested at December 31, 2017	112,219	$ 7.89

Compensation expense recognized for all restricted shares for the years ended December 31, 2017, 2016, and 2015 was $1,205,000, $1,567,000, and $886,000, respectively. As of December 31, 2017, there was $627,000 of total unearned compensation cost related to nonvested restricted shares which is expected to be recognized by December 31, 2018.

Employee Stock Purchase Plans

The Company has three employee stock purchase plans: the U.S. Plan, the U.K. Plan, and the International Plan. Eligible employees in Canada, Puerto Rico, and the U.S. Virgin Islands may also participate in the U.S. Plan. The International Plan is for eligible employees located in certain other countries who are not covered by the U.S. Plan or the U.K. Plan. All plans are compensatory.

For all plans, the requisite service period is the period of time over which the employees contribute to the plans through payroll withholdings. For purposes of recognizing compensation expense, estimates are made for the total withholdings expected over the entire withholding period. The market price of a share of stock at the beginning of the withholding period is then used to estimate the total number of shares that will be purchased using the total estimated withholdings. Compensation cost is recognized ratably over the withholding period.

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Under the U.S. Plan, the Company is authorized to issue up to 1,200,000 shares of CRD-A to eligible employees. Participating employees can elect to have up to $25,000 of their eligible annual earnings withheld to purchase shares at the end of the one-year withholding period which starts each July 1 and ends the following June 30. The purchase price of the stock is 85% of the lesser of the closing price of a share of such stock on the first day or the last day of the withholding period. Participating employees may cease payroll withholdings during the withholding period and/or request a refund of all amounts withheld before any shares are purchased.

During the years ended December 31, 2017, 2016 and 2015, a total of 101,708, 99,750, and 90,919 shares, respectively, of CRD-A were issued under the prior U.S. employee stock purchase plan to the Company's employees at purchase prices of $6.61, $6.49, and $5.73 in 2017, 2016, and 2015, respectively. At December 31, 2017, an estimated 137,000 shares will be issued and purchased under the U.S. Plan in 2018. During the years ended December 31, 2017, 2016, and 2015, compensation expense of $278,000, $261,000, and $288,000, respectively, was recognized for the prior U.S. employee stock purchase plan.

Under the U.K. Plan, the Company is authorized to issue up to 2,000,000 shares of CRD-A. Under the U.K. Plan, eligible employees can elect to have up to £250 withheld from payroll each month to purchase shares after the end of a three-year savings period. The purchase price of a share of stock is 85% of the market price of the stock at a date prior to the grant date as determined under the U.K. Plan. Participating employees may cease payroll withholdings and/or request a refund of all amounts withheld before any shares are purchased.

At December 31, 2017, an estimated 212,000 shares will be eligible for purchase under the U.K. Plan at the end of the current withholding periods. This estimate is subject to change based on future fluctuations in the value of the British pound against the U.S. dollar, future changes in the market price of CRD-A, and future employee participation rates. The purchase price per share of CRD-A under the U.K. Plan ranges from $3.69 to $6.66. For the years ended December 31, 2017, 2016, and 2015, compensation expense of $151,000, $80,000, and $123,000, respectively, was recognized for the U.K. Plan. During 2017, 2016, and 2015, a total of 73,986 shares, 159,256 shares, and 104,267 shares, respectively, of CRD-A were issued under the U.K. Plan.

Under the International Plan, up to 1,000,000 shares of CRD-A may be issued. Participating employees can elect to have up to $21,250 of their eligible annual earnings withheld to purchase up to 5,000 shares of CRD-A at the end of the one-year withholding period which starts each July 1 and ends the following June 30. The purchase price of the stock is 85% of the lesser of the closing price for a share of such stock on the first day or the last day of the withholding period. Participating employees may cease payroll withholdings during the withholding period and/or request a refund of all amounts withheld before any shares are purchased. During 2017, 2016, and 2015, 8,342, 6,660, and 6,916 shares, respectively, were issued under the International Plan. Compensation expense was immaterial for this plan in all three years.

12. Fair Value Measurements

GAAP defines fair value as the price that would be received to sell an asset or to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1— Observable inputs that reflect quoted prices in active markets for identical assets or liabilities.

-

Level 2 — Observable inputs other than quoted prices included in Level 1. The Company values assets and liabilities included in this level using dealer and broker quotations, certain pricing models, bid prices, quoted prices for similar assets and liabilities in active markets, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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Recurring Fair Value Measurements

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

December 31,	2017			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In thousands)			
Assets:				
Money market funds [1]	$10,156	$ —	$ —	$10,156

December 31,	2016			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Money market funds [1]	$10,051	$ —	$ —	$10,051
Liabilities:				
Contingent earnout liability [2]	—	—	1,407	1,407

(1) The fair values of the money market funds were based on recently quoted market prices and reported transactions in an active marketplace. Money market funds are included on the Company's Consolidated Balance Sheets in "Cash and cash equivalents."

(2) The fair value of the contingent earnout liability for the Buckley Scott acquisition was estimated using an internally-prepared probability-weighted discounted cash flow analysis. The fair value analysis relied upon both Level 2 data (publicly observable data such as market interest rates and capital structures of peer companies) and Level 3 data (internal data such as the Company's operating projections). As such, these are Level 3 fair value measurements. The contingent liability was paid in 2017.

Fair Value Disclosures

There were no transfers of assets between fair value levels during the years ended December 31, 2017 or 2016. The categorization of assets and liabilities within the fair value hierarchy and the measurement techniques are reviewed quarterly. Any transfers between levels are deemed to have occurred at the end of the quarter.

The fair values of accounts receivable, unbilled revenues, accounts payable and short-term borrowings approximate their respective carrying values due to the short-term maturities of the instruments. The interest rate on the Company's variable rate long-term debt resets at least every 90 days; therefore, the recorded value approximates fair value. These assets and liabilities are measured within Level 2 of the fair value hierarchy.

Nonrecurring Fair Value Disclosures

During 2017 the Company impaired and expensed goodwill of $19,598,000. See Note 1, "Significant Accounting and Reporting Policies" and Note 3, "Goodwill and Intangible Assets," where discussed in more detail.

Fair Value Measurements for Defined Benefit Pension Plan Assets

The fair value hierarchy is also applied to certain other assets that indirectly impact the Company's consolidated financial statements. Assets contributed by the Company to its defined benefit pension plans become the property of the individual plans. Even though the Company no longer has control over these assets, it is indirectly impacted by subsequent fair value adjustments to these assets. The actual return on these assets impacts the Company's future net periodic benefit cost, as well as amounts recognized in its Consolidated Balance Sheets. The Company uses the fair value hierarchy to measure the fair value of assets held by its U.S. and U.K. defined benefit pension plans.

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The following table summarizes the level within the fair value hierarchy used to determine the fair value of the Company's pension plan assets for its U.S Qualified Plan at December 31, 2017 and 2016:

December 31,	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)							
Asset Category:								
Cash and cash equivalents	$17,349	$—	$—	$17,349	$1,441	$—	$ —	$1,441
Short-term investment funds	—	7,175	—	7,175	—	5,844	—	5,844
Common Collective Equity funds:								
U.S.	—	74,591	—	74,591	—	80,229	—	80,229
International	—	33,343	—	33,343	—	33,243	—	33,243
Common Collective Fixed Income Funds and Fixed Income Securities:								
U.S.	19,663	206,008	—	225,671	22,655	212,998	—	235,653
International	—	15,502	—	15,502	—	14,999	—	14,999
Alternative strategy funds	—		15,134	15,134	—	4,222	—	4,222
TOTAL	$37,012	$336,619	$15,134	$388,765	$24,096	$351,535	$ —	$375,631

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The following table summarizes the level within the fair value hierarchy used to determine the fair value of the Company's pension plan assets for its U.K. plans at December 31, 2017 and 2016:

December 31,	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)							
Asset Category:								
Cash and cash equivalents	$4,303	$—	$—	$4,303	$3,770	$—	$—	$3,770
Common Collective Equity funds:								
U.S.	—	55,607	—	55,607	—	54,712	—	54,712
International	—	14,932	—	14,932	—	16,167	—	16,167
Common Collective Fixed Income Funds and Fixed Income Securities:								
Short-term Investment funds:	—	141,663	—	141,663	—	120,458	—	120,458
Government securities	—	36,797	—	36,797	—	28,772	—	28,772
Corporate bonds and debt securities	—	88	—	88	—	9,467	—	9,467
Mortgage-backed securities	—		—	—	—	610	—	610
Alternative strategy funds	—	21,016	—	21,016	—	21,982	—	21,982
Real estate funds	—	—	9,689	9,689	—	—	9,315	9,315
TOTAL	$4,303	$270,103	$9,689	$284,095	$3,770	$252,168	$9,315	$265,253

Short-term investment funds consist primarily of funds with a maturity of 60 days or less and are valued at amortized cost which approximates fair value.

Equity securities consist primarily of common collective funds (Level 2). Common collective funds are valued at the net asset value per share multiplied by the number of shares held as of the measurement date.

Fixed income securities consist of money market funds, government securities, corporate bonds and debt securities, mortgage-backed securities and other common collective funds. Government securities are valued by third-party pricing sources and are valued daily in an active market (Level 1). Corporate bonds are valued using either the yields currently available on comparable securities of issuers with similar credit ratings or using a discounted cash flows approach that utilizes observable inputs, such as current yields of similar instruments, and includes adjustments for valuation adjustments from internal pricing models which use observable inputs such as issuer details, interest rates, yield curves, default rates and quoted prices for similar assets (Level 2). Mortgage-backed securities are valued by pricing service providers that use broker-dealer quotations or valuation estimates from their internal pricing models (Level 2). Other common collective funds are valued at the net asset value per share multiplied by the number of shares held as of the measurement date (Level 2).

Alternative strategy funds valued at the net asset value per share multiplied by the number of shares held as of the measurement date (Level 2). Alternative strategy funds may include derivative instruments such as futures, forward contracts, options and swaps and are used to help manage risks. Derivative instruments are generally valued by the investment managers or in certain instances by third party pricing sources (Level 2) or may, due to the inherent uncertainty of valuation for those investments, differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material (Level 3).

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Real estate funds are primarily property unit trusts whose values are primarily reported by the fund manager and are based on valuation of the underlying investments which include inputs such as cost, discounted cash flows, independent appraisals and market-based comparable data (Level 3). The fair values may, due to the inherent uncertainty of valuation for those investments, differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

The following table provides a reconciliation of the beginning and ending balance of Level 3 assets within the Company's U.K. pension plan during the years ended December 31, 2017 and 2016:

Real Estate Funds	U.S	U.K. (in thousands)
Balance at December 31, 2015	$—	$ 15,627
Actual return on plan assets:		
Related to assets still held at the reporting date	—	(3,145)
Purchases, sales and settlements—net	—	(3,167)
Balance at December 31, 2016	—	9,315
Actual return on plan assets:		
Related to assets still held at the reporting date	—	374
Purchases, sales and settlements—net	15,134	—
Balance at December 31, 2017	$15,134	$ 9,689

13. Segment and Geographic Information

The Company's four reportable segments represent components of the business for which separate financial information is available, and which is evaluated regularly by the CODM. The segments are organized based upon the nature of services and/or geographic areas served and are: U.S. Services, which primarily serves the property and casualty insurance company markets in the U.S.; International, which serves the property and casualty insurance company and self-insurance markets outside the U.S.; Broadspire, which serves the self-insurance marketplace, primarily in the U.S.; and Garden City Group which serves the class action, regulatory, mass tort, bankruptcy, and other legal settlement markets, primarily in the U.S. Intersegment sales are recorded at cost and are not material.

Operating earnings is the primary financial performance measure used by the Company's senior management and the CODM to evaluate the financial performance of the Company's four operating segments and make resource allocation decisions. The Company believes this measure is useful to investors in that it allows them to evaluate segment operating performance using the same criteria used by the Company's senior management and CODM. Operating earnings will differ from net income computed in accordance with GAAP since operating earnings represent segment earnings before certain unallocated corporate and shared costs and credits, net corporate interest expense, stock option expense, amortization of customer-relationship intangible assets, goodwill impairment charges, restructuring and special charges, income taxes, and net income or loss attributable to noncontrolling interests and redeemable noncontrolling interests.

Segment operating earnings includes allocations of certain corporate and shared costs. If the Company changes its allocation methods or changes the types of costs that are allocated to its four operating segments, prior period amounts presented in the current period financial statements are adjusted to conform to the current allocation process.

In the normal course of its business, the Company sometimes pays for certain out-of-pocket expenses that are thereafter reimbursed by its clients. Under GAAP, these out-of-pocket expenses and associated reimbursements are required to be included when reporting expenses and revenues, respectively, in the Company's consolidated results of operations. However, in evaluating segment results, Company management excludes these reimbursements and related expenses from segment results, as they offset each other.

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Financial information as of and for the years ended December 31, 2017, 2016, and 2015 related to the Company's reportable segments is presented below.

	U.S. Services	International	Broadspire	Garden City Group	Total
	(In thousands)				
2017					
Revenues before reimbursements	$269,636	$ 449,894	$ 310,102	$76,200	$1,105,832
Segment operating earnings	35,673	47,236	32,729	(4,373)	111,265
Depreciation and amortization [(1)]	3,361	6,529	9,537	3,599	23,026
Assets	114,788	283,981	94,417	65,763	558,949
2016					
Revenues before reimbursements	$231,384	$ 477,262	$ 301,977	$98,663	$1,109,286
Segment operating earnings	35,624	43,248	30,003	7,225	116,100
Depreciation and amortization [(1)]	2,836	7,593	9,638	3,588	23,655
Assets	55,913	305,496	96,619	79,156	537,184
2015					
Revenues before reimbursements	$242,676	$ 499,900	$ 293,032	$134,777	$1,170,385
Segment operating earnings	32,622	18,087	24,017	12,299	87,025
Depreciation and amortization [(1)]	2,784	8,487	8,841	5,872	25,984
Assets	56,873	331,897	105,518	88,395	582,683

(1) Excludes amortization expense of finite-lived customer relationships and trade name intangible assets.

Substantially all revenues earned in the U.S. Services, Broadspire and Garden City Group segments are earned in the U.S. Substantially all of the revenues earned in the International segment are earned outside of the U.S.

Revenues by major service line for the U.S. Services and the Broadspire segments are shown in the following table. It is not practicable to provide revenues by service line for the International segment. The Company considers all Garden City Group revenues to be derived from one service line.

Year Ended December 31,	2017	2016	2015
	(In thousands)		
U.S. Services			
U.S. Claims Field Operations	$87,951	$81,456	$85,451
U.S. Technical Services	31,733	28,659	28,612
U.S. Catastrophe Services	69,284	50,549	69,290
Subtotal U.S. Claims Services	188,968	160,664	183,353
U.S. Contractor Connection	71,924	70,720	59,323
U.S. WeGoLook	8,744	—	—
Total Revenues before Reimbursements—U.S. Services	$269,636	$231,384	$242,676
Broadspire			
Workers' Compensation, Disability, and Liability Claims Management	$133,665	$127,618	$121,875
Medical Management	161,264	160,185	156,290
Risk Management Information Services	15,173	14,174	14,867
Total Revenues before Reimbursements—Broadspire	$310,102	$301,977	$293,032

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Capital expenditures for the years ended December 31, 2017, 2016, and 2015 are shown in the following table:

Year Ended December 31,	2017	2016	2015
	(In thousands)		
U.S. Services	$3,840	$936	$3,100
International	6,837	6,911	8,874
Broadspire	4,136	4,678	6,574
Garden City Group	9,960	2,607	600
Corporate	20,138	14,067	13,771
Total capital expenditures	$44,911	$29,199	$32,919

The total of the Company's reportable segments' revenues before reimbursements reconciled to total consolidated revenues for the years ended December 31, 2017, 2016, and 2015 was as follows:

Year Ended December 31,	2017	2016	2015
	(In thousands)		
Segments' revenues before reimbursements	$1,105,832	$1,109,286	$1,170,385
Reimbursements	57,877	68,302	71,135
Total consolidated revenues	$1,163,709	$1,177,588	$1,241,520

The Company's reportable segments' total operating earnings reconciled to consolidated income (loss) before income taxes for the years ended December 31, 2017, 2016, and 2015 were as follows:

Year Ended December 31,	2017	2016	2015
	(In thousands)		
Operating earnings of all reportable segments	$111,265	$116,100	$87,025
Unallocated corporate and shared costs and credits	(15,559)	(23,971)	(16,605)
Net corporate interest expense	(9,062)	(9,185)	(8,383)
Stock option expense	(1,718)	(621)	(433)
Amortization of customer-relationship intangible assets	(10,982)	(9,592)	(9,668)
Goodwill impairment charges	(19,598)	—	(49,314)
Restructuring and special charges	(12,084)	(9,490)	(34,395)
Income (loss) before income taxes	$42,262	$63,241	$(31,773)

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The Company's reportable segments' total assets reconciled to consolidated total assets of the Company at December 31, 2017 and 2016 are presented in the following table. All foreign-denominated cash and cash equivalents are reported within the International segment, while all U.S. cash and cash equivalents are reported as corporate assets in the following table:

December 31,	2017	2016
	(In thousands)	
Assets of reportable segments	$558,949	$537,184
Corporate assets:		
Cash and cash equivalents	20,457	20,660
Unallocated allowances on receivables	(3,371)	(4,138)
Prepaid expenses and other current assets	21,793	16,384
Property and equipment	18,233	5,631
Capitalized software costs, net	78,619	77,019
Assets of deferred compensation plan	16,538	16,227
Capitalized loan costs	3,392	2,642
Deferred income tax assets	25,235	30,379
Other noncurrent assets	48,091	33,871
Total corporate assets	228,987	198,675
Total assets	$787,936	$735,859

Revenues and long-lived assets for the countries in which revenues or long-lived assets represent more than 10 percent of the consolidated totals are set out below. For the purposes of these geographic area disclosures, long-lived assets include items such as property and equipment and capital lease assets but exclude intangible assets, including goodwill. In the International segment, only the U.K. and Canada are considered material for disclosure.

	U.K.	Canada	Other	Total International Segment
	(In thousands)			
2017				
Revenues before reimbursements	$140,188	$108,371	$201,335	$ 449,894
Long-lived assets	36,433	8,056	3,668	48,157
2016				
Revenues before reimbursements	171,869	104,261	201,132	477,262
Long-lived assets	37,228	4,984	4,362	46,574
2015				
Revenues before reimbursements	186,375	103,618	209,907	499,900
Long-lived assets	51,457	5,870	3,735	61,062

14. Client Funds

The Company maintains funds in custodial accounts at financial institutions to administer claims for certain clients. These funds are not available for the Company's general operating activities and, as such, have not been recorded in the accompanying Consolidated Balance Sheets. The amount of these funds totaled $480,026,000 and $447,239,000 at December 31, 2017 and 2016, respectively. In addition, the Garden City Group segment administers funds in noncustodial accounts at financial institutions that totaled $542,635,000 and $1,020,443,000 at December 31, 2017 and 2016, respectively.

15. Commitments and Contingencies

As part of the Company's Credit Facility, the Company maintains a letter of credit facility to satisfy certain of its own contractual requirements. At December 31, 2017, the aggregate committed amount of letters of credit outstanding under the facility was $14,500,000.

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From time to time, the Company enters into certain agreements for the purchase or sale of assets or businesses that contain provisions that may require the Company to make additional payments in the future depending upon the achievement of specified operating results of the acquired company, or provide the Company with an option or similar right to purchase additional assets. As a result of the acquisition of WeGoLook, the Company has an option, beginning on January 1, 2022 and expiring on December 31, 2023, to acquire the remaining 15% outstanding membership interest of WeGoLook. In the event the Company does not exercise the option, beginning on January 1, 2024, the minority members shall have the right to require the Company to acquire the minority members’ interest on or before December 31, 2024. In addition, at the time of the exercise of the option or the put, the minority members may be entitled to additional consideration depending on whether certain financial targets of WeGoLook are achieved between closing and December 31, 2021. For additional information on these obligations and rights, see Note 2, "Acquisitions and Dispositions of Businesses."

In the normal course of its business, the Company is sometimes named as a defendant or responsible party in suits or other actions by insureds or claimants contesting decisions made by the Company or its clients with respect to the settlement of claims. Additionally, certain clients of the Company have in the past brought, and may, in the future bring, claims for indemnification on the basis of alleged actions by the Company, its agents, or its employees in rendering services to clients. The majority of these claims are of the type covered by insurance maintained by the Company. However, the Company is responsible for the deductibles and self-insured retentions under various insurance coverages. In the opinion of Company management, adequate provisions have been made for such known and foreseeable risks.

The Company is subject to numerous federal, state, and foreign labor, employment, worker health and safety, antitrust and competition, environmental and consumer protection, import/export, anti-corruption, and other laws, and from time to time the Company faces claims and investigations by employees, former employees, and governmental entities under such laws. Such claims, investigations, and any litigation involving the Company could divert management's time and attention from the Company's business operations and could potentially result in substantial costs of defense, settlement or other disposition, which could have a material adverse effect on the Company's results of operations, financial position, and cash flows. In the opinion of Company management, adequate provisions have been made for any items that are probable and reasonably estimable.

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16. Restructuring and Special Charges

Total restructuring and special charges were $12,084,000, $9,490,000, and $34,395,000 during the years ended December 31, 2017, 2016, and 2015, respectively.

Restructuring charges for the years ended December 31, 2017, 2016 and 2015 of $12,084,000, $8,565,000 and $28,736,000 were recorded related to the establishment and phase in of the Company's Global Business Services Center in the Philippines and Global Technology Services Center in India (the "Centers"), restructuring and integration costs related to reductions of administrative costs and consolidation of management layers in certain operations, and other restructuring charges for asset impairments and lease termination costs.

The following table shows the costs incurred by type of restructuring activity:

Year Ended December 31,	2017	2016	2015
	(In thousands)		
Implementation and phase-in of the Centers	$445	$3,741	$4,429
Restructuring and integration costs	10,119	2,975	18,559
Asset impairments and lease termination costs	1,520	1,849	5,748
Total restructuring charges	$12,084	$8,565	$28,736

Costs associated with the Centers were primarily for severance costs and professional fees. Restructuring and integration costs were predominantly comprised of severance costs, lease costs, and to a lesser extent professional fees and other costs. Asset impairments, including costs incurred for obsolete software, relate to decisions to close certain operations, and lease termination costs related to the exiting of certain leased facilities.

As of December 31, 2017, the following liabilities remained on the Company's Consolidated Balance Sheets related to restructuring charges recorded in 2015, 2016 and 2017. The rollforwards of these costs to December 31, 2017 were as follows:

Restructuring Charges	Deferred rent	Accrued compensation and related costs	Accounts payable	Other accrued liabilities	Total
Balance at December 31, 2014	$1,431	$ 131	$ —	$ 308	$1,870
Additions	2,588	16,262	6,713	3,173	28,736
Adjustments to accruals	(448)	—	—	(13)	(461)
Cash payments	—	(9,387)	(5,647)	(211)	(15,245)
Balance at December 31, 2015	3,571	7,006	1,066	3,257	14,900
Additions	1,526	2,995	3,611	433	8,565
Adjustments to accruals	(1,112)	—	(136)	—	(1,248)
Cash payments	(919)	(8,476)	(3,924)	(1,741)	(15,060)
Balance at December 31, 2016	3,066	1,525	617	1,949	7,157
Additions	1,277	10,299	195	313	12,084
Adjustments to accruals	(1,497)	—	—	977	(520)
Cash payments	—	(7,042)	(812)	(1,454)	(9,308)
Balance at December 31, 2017	$2,846	$ 4,782	$ —	$ 1,785	$9,413

The Company recorded no special charges for the year ended December 31, 2017. For the years ended December 31, 2016 and 2015, the Company recorded $925,000, and $5,659,000, respectively. The special charges incurred during

2016 consisted of legal and professional fees. The special charges recorded for the year ended December 31, 2015 were comprised of two components: (1) $1,627,000 in expenses related to the separation of the Company's former president and chief executive officer, and (2) legal and professional fees of $4,032,000. At December 31, 2017, all special charges had been paid.

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17. Subsequent Events

In connection with the realignment of operating segment manager responsibilities subsequent to December 31, 2017, the Company has realigned its operating segments by moving to a global service line reporting structure consisting of Crawford Claim Solutions, Crawford TPA Solutions: Broadspire and Crawford Specialty Solutions. The Company's revised operating segments are comprised of the following:

- Crawford Claims Solutions, which services the global property and casualty market. This is comprised of Claims Field Operations and Catastrophe Services service lines previously reported within the U.S. Services and International segments based on geography.
- Crawford TPA Solutions: Broadspire, which provides third party administration for workers' compensation, auto and liability, disability absence management, medical management, and accident and health to corporations, brokers and insurers worldwide. This is comprised of the previously reported Broadspire segment and third party administration services within the International segment.
- Crawford Specialty Solutions, which consists of Global Technical Services, Contractor Connection, and Garden City Group service lines. This is comprised of the previously reported Garden City Group segment and the Global Technical Services and Contractor Connection service lines within U.S. Services and International segments based on geography.

The succeeding interim and annual periods will disclose the operating segments under the new basis with prior periods restated to reflect the change.

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Management's Statement on Responsibility for Financial Reporting

The management of Crawford & Company is responsible for the integrity and objectivity of the financial information in this Annual Report on Form 10-K. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, using informed judgments and estimates where appropriate.

The Company maintains a system of internal accounting policies, procedures, and controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are executed and recorded in accordance with management's authorization. The internal accounting control system is augmented by a program of internal audits and reviews by management, written policies and guidelines, and the careful selection and training of qualified personnel.

The Audit Committee of the Board of Directors, comprised solely of outside directors, is responsible for monitoring the Company's accounting and reporting practices. The Audit Committee meets regularly with management, the internal auditors, and the independent auditors to review the work of each and to assure that each performs its responsibilities. The independent registered public accounting firm, Ernst & Young LLP, was selected by the Audit Committee of the Board of Directors. Both the internal auditors and Ernst & Young LLP have unrestricted access to the Audit Committee allowing open discussion, without management present, on the quality of financial reporting and the adequacy of accounting, disclosure and financial reporting controls.

/s/ Harsha V. Agadi
Harsha V. Agadi
President and
Chief Executive Officer

/s/ W. Bruce Swain
W. Bruce Swain
Executive Vice President
and Chief Financial Officer

/s/ Dalerick M. Carden
Dalerick M. Carden
Senior Vice President, Corporate Controller,
and Chief Accounting Officer

March 7, 2018

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Crawford & Company
Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Crawford & Company (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), cash flows, and shareholders' investment for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 7, 2018 expressed an unqualified opinion thereon.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP
We have served as the Company’s auditor since 2002.
Atlanta, Georgia
March 7, 2018

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CRAWFORD & COMPANY

QUARTERLY FINANCIAL DATA (UNAUDITED)

2017 Quarterly Period	First	Second	Third	Fourth [4]	Full Year
	(In thousands, except per share amounts)				
Revenues from services:					
Revenues before reimbursements	$267,267	$269,247	$270,551	$298,767	$1,105,832
Reimbursements	12,263	14,725	16,115	14,774	57,877
Total revenues	279,530	283,972	286,666	313,541	1,163,709
Total costs of services	204,817	201,052	208,092	228,027	841,988
Income before income taxes	12,458	17,085	16,892	(4,173)	42,262
U.S. Services operating earnings (1)	5,517	11,133	9,537	9,486	35,673
International operating earnings (1)	9,224	10,293	10,165	17,554	47,236
Broadspire operating earnings (1)	7,096	8,899	8,240	8,494	32,729
Garden City Group operating (loss) earnings(1)	(802)	(1,653)	188	(2,106)	(4,373)
Unallocated corporate and shared costs, net	(2,742)	487	(4,078)	(9,226)	(15,559)
Goodwill impairment charges	—	—	—	(19,598)	(19,598)
Net corporate interest expense	(2,036)	(2,114)	(2,524)	(2,388)	(9,062)
Stock option expense	(417)	(457)	(468)	(376)	(1,718)
Amortization of customer-relationship intangible assets	(2,777)	(2,721)	(2,737)	(2,747)	(10,982)
Restructuring and special charges	(605)	(6,782)	(1,431)	(3,266)	(12,084)
Income taxes	(4,835)	(6,812)	(4,922)	1,530	(15,039)
Net loss (income) attributable to noncontrolling interests	41	(72)	(157)	630	442
Net income (loss) attributable to shareholders of Crawford & Company	$7,664	$10,201	$11,813	$(2,013)	$27,665
Earnings (Loss) Per Share - Basic: (2) (3)					
Class A Common Stock	$0.15	$0.19	$0.22	$(0.03)	$0.53
Class B Common Stock	$0.13	$0.17	$0.20	$(0.05)	$0.45
Earnings (Loss) Per Share - Diluted: (2) (3)					
Class A Common Stock	$0.14	$0.19	$0.22	$(0.03)	$0.52
Class B Common Stock	$0.12	$0.17	$0.20	$(0.05)	$0.45

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2016 Quarterly Period	First	Second	Third	Fourth	Full Year
	(In thousands, except per share amounts)				
Revenues from services:					
Revenues before reimbursements	$277,234	$282,343	$277,286	$272,423	$1,109,286
Reimbursements	13,674	15,326	18,101	21,201	68,302
Total revenues	290,908	297,669	295,387	293,624	1,177,588
Total costs of services	215,107	215,688	211,554	214,326	856,675
Income before income taxes	13,936	15,277	19,955	14,073	63,241
U.S. Services operating earnings (1)	9,029	9,560	9,354	7,681	35,624
International operating earnings (1)	7,282	11,125	13,460	11,381	43,248
Broadspire operating earnings (1)	8,705	6,529	8,263	6,506	30,003
Garden City Group operating earnings (1)	1,272	2,558	2,152	1,243	7,225
Unallocated corporate and shared costs, net	(4,618)	(5,889)	(6,947)	(6,517)	(23,971)
Net corporate interest expense	(2,768)	(2,523)	(2,262)	(1,632)	(9,185)
Stock option expense	(90)	(137)	(176)	(218)	(621)
Amortization of customer-relationship intangible assets	(2,459)	(2,420)	(2,401)	(2,312)	(9,592)
Restructuring and special charges	(2,417)	(3,526)	(1,488)	(2,059)	(9,490)
Income taxes	(5,307)	(6,116)	(8,606)	(5,536)	(25,565)
Net loss (income) loss attributable to noncontrolling interests	1	(534)	(404)	(773)	(1,710)
Net income attributable to shareholders of Crawford & Company	$8,630	$8,627	$10,945	$7,764	$35,966
Earnings (Loss) Per Share - Basic: (2) (3)					
Class A Common Stock	$0.17	$0.16	$0.21	$0.15	$0.68
Class B Common Stock	$0.15	$0.14	$0.19	$0.13	$0.60
Earnings (Loss) Per Share - Diluted: (2) (3)					
Class A Common Stock	$0.16	$0.16	$0.20	$0.14	$0.67
Class B Common Stock	$0.14	$0.14	$0.18	$0.13	$0.60

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(1) This is a segment financial measure representing segment earnings before certain unallocated corporate and shared costs and credits, goodwill impairment charges, net corporate interest expense, stock option expense, amortization of customer-relationship intangible assets, restructuring and special charges, income taxes, and net income or loss attributable to noncontrolling interests and redeemable noncontrolling interests. See Note 13, "Segment and Geographic Information," in the audited consolidated financial statements contained in this Item 8.

(2) Due to the method used in calculating per share data as prescribed by ASC 260, "Earnings Per Share," the quarterly per share data may not total to the full-year per share data.

(3) The Company may pay a higher dividend on CRD-A than on CRD-B. This dividend differential can result in different earnings (loss) per share for each class of stock due to the two-class method of computing earnings (loss) per share as required by current accounting guidance. CRD-B generally presents a more dilutive measure.

(4) The Company recognized non-cash goodwill impairment in the amount of $19.6 million related to its Garden City Group reporting unit in the fourth quarter of 2017. See Note 3, "Goodwill and Intangible Assets" in the audited consolidated financial statements included in this Item 8. The provision for income taxes in the fourth quarter of 2017 included additional benefit due to the goodwill impairment and the impact of U.S. tax reform.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Registrant maintains a set of disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), designed to ensure that information required to be disclosed by the Registrant in reports that it files or submits under the Exchange Act is recorded, processed, summarized or reported within the time periods specified in SEC rules and regulations.

Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. The Company's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. Judgments in decision-making can be faulty and breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.
The Registrant's management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Registrant's disclosure controls and procedures as of December 31, 2017. Based on that evaluation, the Registrant's Chief Executive Officer and Chief Financial Officer concluded that the Registrant's disclosure controls and procedures were effective as of December 31, 2017.

Report of Management on Internal Control over Financial Reporting

The management of Crawford & Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The 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. The Company's internal control over financial reporting includes those policies and procedures that:

(i) pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the Company's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are made only in accordance with authorizations of the Company's management and directors; 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 all 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.

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Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 framework). Based on this assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2017.

Management’s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of WeGoLook®, LLC, which is included in the 2017 consolidated financial statements of the Company and constituted 5.5% and 19.0% of total and net assets, respectively, as of December 31, 2017 and .8% and (19.2)% of revenues and net income, respectively, for the year then ended, including acquired intangible assets and related amortization expense.

The Company's independent registered public accounting firm, Ernst & Young LLP, is appointed by the Audit Committee. Ernst & Young LLP has audited and reported on the consolidated financial statements of Crawford & Company and the Company's internal control over financial reporting, each as contained in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in the Registrant's internal control over financial reporting during the fourth quarter of 2017 that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Crawford & Company
Opinion on Internal Control over Financial Reporting
We have audited Crawford & Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Crawford & Company (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.
As indicated in the accompanying Report of Management on Internal Control over Financial Reporting, management’s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of WeGoLook®, LLC, which is included in the 2017 consolidated financial statements of the Company and constituted 5.5% and 19.0% of total and net assets, respectively, as of December 31, 2017 and 0.8% and (19.2)% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of WeGoLook®, LLC.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), cash flows, and shareholders' investment for each of the three years in the period ended December 31, 2017, and the related notes and our report dated March 7, 2018 expressed an unqualified opinion thereon.

Basis for Opinion
The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting
A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 7, 2018

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item will be included under the captions "Election of Directors — Nominee Information", "Section 16(a) Beneficial Ownership Reporting Compliance," "Executive Officers," "Corporate Governance—Standing Committees and Attendance at Board and Committee Meetings," and "Corporate Governance — Corporate Governance Guidelines, Committee Charters and Code of Business Conduct" of the Registrant's Proxy Statement for its 2018 Annual Meeting of Shareholders (the "Proxy Statement") to be filed within 120 days after December 31, 2017, and is incorporated herein by reference.

The Registrant has adopted a Code of Business Conduct and Ethics for its CEO, CFO, principal accounting officer and all other officers, directors and employees of the Registrant. The Code of Business Conduct and Ethics, as well as the Registrant's Corporate Governance Guidelines and Committee Charters, are available at www.crawfordandcompany.com. Any amendment or waiver of the Code of Business Conduct and Ethics will be posted on this website within four business days after the effectiveness thereof. The Code of Business Conduct and Ethics may also be obtained without charge by writing to Corporate Secretary, Legal Department, Crawford & Company, 5335 Triangle Parkway, Peachtree Corners, Georgia, 30092.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be included under the captions "Compensation Discussion and Analysis," "Summary Compensation Table," "Employment and Change in Control Arrangements," "Corporate Governance—Director Compensation," "Report of the Compensation Committee of the Board of Directors on Executive Compensation," and "Compensation Committee Interlocks and Insider Participation" of the Registrant's Proxy Statement, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this Item will be included under the captions "Stock Ownership Information" and "Equity Compensation Plans" of the Registrant's Proxy Statement, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be included under the captions "Information with Respect to Certain Business Relationships and Related Transactions" and "Corporate Governance - Director Independence" of the Registrant's Proxy Statement, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding principal accountant fees and services will be included under the caption "Ratification of Independent Auditor — Fees Paid to Ernst & Young LLP" of the Registrant's Proxy Statement, and is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements

The financial statements listed below and the related report of Ernst & Young LLP are incorporated herein by reference and included in Item 8 of this Annual Report on Form 10-K:

- Consolidated Balance Sheets as of December 31, 2017 and 2016
- Consolidated Statements of Operations for the Years Ended December 31, 2017, 2016, and 2015
- Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2017, 2016, and 2015
- Consolidated Statements of Shareholders' Investment for the Years Ended December 31, 2017, 2016, and 2015
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016, and 2015
- Notes to Consolidated Financial Statements

2. Financial Statement Schedule

- Schedule II — Valuation and Qualifying Accounts — Information required by this schedule is included under the caption "Accounts Receivable and Allowance for Doubtful Accounts" in Note 1 and also in Note 7, "Income Taxes" to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, and is incorporated herein by reference.

Other schedules have been omitted because they are not applicable.

3. Exhibits filed with this report.

Exhibit No.	Document
2.1	Membership Interest Purchase Agreement, dated December 6, 2016, by and among Crawford Innovative Ventures, LLC, Robin Smith, Mathew Smith, Kenneth Knoll and Those Additional Sellers Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on January 5, 2017).
3.1	Restated Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 14, 2007).
3.2	Restated By-laws of the Registrant, as amended (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016).
10.1*	Crawford & Company Non-Employee Director Stock Plan (as amended effective May 11, 2016).
10.2*	Crawford & Company Supplemental Executive Retirement Plan as Amended and Restated December 20, 2007, effective as of January 1, 2007 (incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.3*	Crawford & Company Deferred Compensation Plan, as amended and restated as of January 1, 2003 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).
10.4*	

	Crawford & Company amended and restated Executive Stock Bonus Plan (incorporated by reference to Exhibit 99.1 to the Registrant's Registration statement on Form S-8 (File No. 333-199915) filed with the Securities and Exchange Commission on November 6, 2014).
10.5*	Form of Restricted Share Unit Award under the Registrant's Executive Stock Bonus Plan (incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.6*	Form of Performance Share Unit Award under the Registrant's Executive Stock Bonus Plan (incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).

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Exhibit No.	Document
10.7*	Crawford & Company 2007 Management Team Incentive Compensation Plan (incorporated by reference to Appendix B of the Registrant's Proxy Statement for the Annual Meeting of Shareholders held on May 3, 2007).
10.8*	Crawford & Company 2016 Omnibus Stock and Incentive Plan (incorporated by reference to Appendix A to the Registrant's Proxy Statement for the Annual Meeting of Shareholders held on May 11, 2016).
10.9*	Crawford & Company 2016 Management Team Incentive Compensation Plan (incorporated by reference to Appendix C to the Registrant's Proxy Statement for the Annual Meeting of Shareholders held on May 11, 2016).
10.10*	Terms of Employment Agreement between W. Bruce Swain, Jr. and the Registrant, dated August 1, 2012 (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
10.11*	Terms of Employment Agreement between Danielle M. Lisenbey and the Registrant, dated June 30, 2014 (incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014).
10.12*	Terms of Employment Agreement between Dalerick Carden and the Registrant, dated October 2, 2014 (incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
10.13*	Service Agreement between Ian Muress and Crawford & Company Adjusters (U.K.) Limited dated as of January 18, 2002 (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.14*	Variation to Service Agreement between Ian Muress and Crawford & Company Adjusters (U.K.) Limited dated as of December 1, 2006 (incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.15*	Terms of Employment Agreement between Ian Muress and the Registrant dated as of April 12, 2006 (incorporated by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.16*	Settlement Agreement and Further Waiver of Claims effective May 4, 2017, by and between Crawford & Company EMEA/AP Management Limited and Ian V. Muress (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2017).
10.17*	Terms of Employment Agreement between Larry Thomas and the Registrant dated February 11, 2015 (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015).
10.18*	Terms of Employment Agreement between Kenneth Fraser and the Registrant dated May 15, 2015 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015).
10.19*	Terms of Employment Agreement between Bonnie Sawdey and the Registrant dated February 9, 2016 (incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015).
10.20*	Employment Agreement between Rohit Verma and the Registrant dated June 22, 2017 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017).

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Exhibit No.	Document
10.23	Amended and Restated Credit Agreement, dated as of October 11, 2017, by and among Crawford & Company, Crawford & Risk Services Investments Limited, Crawford & Company (Canada) Inc., Crawford & Company (Australia) Pty. Ltd., Wells Fargo Bank, National Association, as administrative agent and a lender, Bank of America, N.A., as syndication agent and a lender, Citizens Bank, N.A., as documentation agent and a lender, and the other signatories party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 12, 2017).
10.24	Amended and Restated Pledge and Security Agreement, dated as of October 11, 2017, by and among the Registrant, the Registrant's guarantor subsidiaries party thereto and Wells Fargo (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 12, 2017).
10.25*	Amended and Restated Guaranty Agreement, dated as of October 11, 2017, by and among the Registrant, the Registrant's guarantor subsidiaries party thereto and Wells Fargo (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 12, 2017).
10.26	Director Compensation Summary Term Sheet.
21.1	Subsidiaries of Crawford & Company.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-19(a).
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-19(a).
32.1	Certification of the Chief Executive Officer pursuant to Section 1350.
32.2	Certification of the Chief Financial Officer pursuant to Section 1350.
101	XBRL Documents.

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* Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 601 of Regulation S-K.

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CRAWFORD & COMPANY

Date March 7, 2018 By /s/ Harsha V. Agadi
HARSHA V. AGADI, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

NAME AND TITLE

Date March 7, 2018 /s/ Harsha V. Agadi
HARSHA V. AGADI, President and Chief Executive Officer (Principal Executive Officer) and Director

Date March 7, 2018 /s/ W. Bruce Swain
W. BRUCE SWAIN, Executive Vice President-Finance (Principal Financial Officer)

Date March 7, 2018 /s/ Dalerick M. Carden
DALERICK M. CARDEN, Senior Vice President and Controller (Principal Accounting Officer)

Date March 7, 2018 /s/ P. George Benson
P. GEORGE BENSON, Director

Date March 7, 2018 /s/ Jesse C. Crawford
JESSE C. CRAWFORD, Director

Date March 7, 2018 /s/ Jesse C. Crawford, Jr.
JESSE C. CRAWFORD, JR, Director

Date March 7, 2018 /s/ James D. Edwards
JAMES D. EDWARDS, Director

Date March 7, 2018 /s/ Joia M. Johnson
JOIA M. JOHNSON, Director

Date March 7, 2018 /s/ Charles H. Ogburn
CHARLES H. OGBURN, Director

Date March 7, 2018 /s/ D. Richard Williams
D. RICHARD WILLIAMS, Director

Date March 7, 2018 /s/ Rahul Patel
RAHUL PATEL, Director