

Benefitfocus,Inc.  
Form DEF 14A  
April 21, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**  
**SCHEDULE 14A**  
**(RULE 14a-101)**

**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement.

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

Definitive Proxy Statement.

Definitive Additional Materials.

Soliciting Material Pursuant to §240.14a-12.

**BENEFITFOCUS, INC.**

**(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 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:

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(4) Date Filed:

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**Notice of June 2, 2017  
Annual Meeting and  
2017 Proxy Statement**

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**100 Benefitfocus Way  
Charleston, South Carolina 29492**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD JUNE 2, 2017**

To the Stockholders of Benefitfocus, Inc.:

Notice is hereby given that the Annual Meeting of Stockholders of Benefitfocus, Inc. will be held on June 2, 2017, at our principal executive offices located at 100 Benefitfocus Way, Charleston, South Carolina 29492 at 9:00 AM EDT. The meeting is called for the following purposes:

1. To elect the three Class I directors named in the Proxy Statement for a three-year term expiring in 2020 or until their successors have been elected and qualified;
2. To approve the Benefitfocus, Inc. Amended and Restated 2012 Stock Plan; and
3. To consider and take action upon such other matters as may properly come before the meeting or any adjournment or postponement thereof.

These matters are more fully described in the Proxy Statement accompanying this Notice.

If you were a stockholder of record of Benefitfocus common stock as of the close of business on April 5, 2017, you are entitled to receive this Notice and vote at the Annual Meeting of Stockholders and any adjournments or postponements thereof, provided that the board of directors may fix a new record date for an adjourned meeting. Our stock transfer books will not be closed. A list of the stockholders entitled to vote at the meeting may be examined at our principal executive offices in Charleston, South Carolina during ordinary business hours for the 10-day period preceding the meeting for any purposes related to the meeting.

We are pleased to take advantage of the Securities and Exchange Commission rules that allow us to furnish these proxy materials (including an electronic Proxy Card for the meeting) and our 2016 Annual Report to Stockholders (including our 2016 Annual Report on Form 10-K) to stockholders via the Internet. On or about April 21, 2017, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and 2016 Annual Report to Stockholders and how to vote. We believe that posting these materials on the Internet enables us to provide stockholders with the information they need to vote more quickly, while lowering the cost and reducing the environmental impact of printing and delivering annual meeting materials.

**You are cordially invited to attend the meeting. Whether or not you expect to attend, the board of directors respectfully requests that you vote your stock in the manner described in the Proxy Statement. You may revoke your proxy in the manner described in the Proxy Statement at any time before it has been voted at the meeting.**

By Order of the Board of Directors of Benefitfocus, Inc.,

/s/ Mason R. Holland, Jr.  
Mason R. Holland, Jr.  
Executive Chairman of the Board

Charleston, South Carolina  
Dated: April 21, 2017

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**BENEFITFOCUS, INC.**  
**Proxy Statement**  
**for the**  
**Annual Meeting of Stockholders**  
**To Be Held June 2, 2017**

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**BENEFITFOCUS, INC.**

**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD JUNE 2, 2017**

**Information Concerning Solicitation and Voting**

This Proxy Statement is furnished to the holders of our common stock in connection with the solicitation of proxies on behalf of the board of directors for use at the Annual Meeting of Stockholders to be held on June 2, 2017 at 9:00 AM EDT at our principal executive offices located at 100 Benefitfocus Way, Charleston, South Carolina 29492, or for use at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. Only stockholders of record at the close of business on April 5, 2017 are entitled to notice of and to vote at the meeting.

In accordance with the rules of the Securities and Exchange Commission, instead of mailing a printed copy of our proxy materials to each stockholder of record, we are furnishing proxy materials, including the Notice, this Proxy Statement, our 2016 Annual Report to Stockholders, including financial statements, and a Proxy Card for the meeting, by providing access to them on the Internet to save printing costs and benefit the environment. These materials were first available on the Internet on April 21, 2017. We mailed a Notice of Internet Availability of Proxy Materials on or about April 21, 2017 to our stockholders of record and beneficial owners as of April 5, 2017, the record date for the meeting. This Proxy Statement and the Notice of Internet Availability of Proxy Materials contain instructions for accessing and reviewing our proxy materials on the Internet and for voting by proxy over the Internet. You will need to obtain your own Internet access if you choose to access the proxy materials and/or vote over the Internet. If you prefer to receive printed copies of our proxy materials, the Notice of Internet Availability of Proxy Materials contains instructions on how to request the materials by mail. You will not receive printed copies of the proxy materials unless you request them. If you elect to receive the materials by mail, you may also vote by proxy on the Proxy Card or Voter Instruction Card that you will receive in response to your request.

Each holder of our common stock is entitled to one vote for each share held as of the record date with respect to all matters that may be considered at the meeting. Stockholder votes will be tabulated by persons appointed by the board of directors to act as inspectors of election for the meeting.

We bear the expense of soliciting proxies. Our directors, officers, or employees may also solicit proxies personally or by telephone, telegram, facsimile, or other means of communication. We do not intend to pay additional compensation for doing so. In addition, we might reimburse banks, brokerage firms, and other custodians, nominees, and fiduciaries representing beneficial owners of our common stock, for their expenses in forwarding soliciting materials to those beneficial owners.





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**QUESTIONS AND ANSWERS ABOUT THE 2017 ANNUAL MEETING**

**Q: Who may vote at the meeting?**

**A:** The board of directors set April 5, 2017 as the record date for the meeting. If you owned shares of our common stock at the close of business on April 5, 2017, you may attend and vote at the meeting. Each stockholder is entitled to one vote for each share of common stock held on all matters to be voted on. As of April 5, 2017, there were 30,801,642 shares of our common stock outstanding and entitled to vote at the meeting.

**Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

**A:** If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered, with respect to those shares, a stockholder of record. As a stockholder of record, you have the right to vote in person at the meeting. You will need to present a form of personal photo identification in order to be admitted to the 2017 annual meeting of stockholders.

If your shares are held in a brokerage account or by another nominee or trustee, you are considered the beneficial owner of shares held in street name. In that case, the Notice of Internet Availability of Proxy Materials or proxy materials have been forwarded to you by your broker, bank or other holder of record who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record on how to vote your shares by using the voting instructions included in the Notice of Internet Availability or proxy materials.

**Q: What is the quorum requirement for the meeting?**

**A:** A majority of our outstanding shares of capital stock entitled to vote as of the record date must be present at the meeting in order for us to hold the meeting and conduct business. This is called a quorum. Your shares will be counted as present at the meeting if you:

Are present and entitled to vote in person at the meeting; or

Properly submitted a Proxy Card or Voter Instruction Card.

If you are present in person or by proxy at the meeting, but withhold your vote or abstain from voting on any or all proposals, your shares are still counted as present and entitled to vote. The proposals listed in this Proxy Statement identify the votes needed to approve the proposed actions.

**Q: What proposals will be voted on at the meeting?**

**A:** The two proposals to be voted on at the meeting are as follows:

1. To elect the three Class I directors named in the Proxy Statement for a three-year term expiring in 2020 or until their successors have been elected and qualified; and
2. To approve the Benefitfocus, Inc. Amended and Restated 2012 Stock Plan.

We will also consider any other business that properly comes before the meeting. As of the record date, we are not aware of any other matters to be submitted for consideration at the meeting. If any other matters are properly brought before the meeting, the proxy named in the Proxy Card or Voter Instruction Card will vote the shares it represents using its best judgment.

**Q: Can I access these proxy materials on the Internet?**

**A:** Yes. The Notice of Annual Meeting, Proxy Statement, and 2016 Annual Report to Stockholders (including the 2016 Annual Report on Form 10-K), are available for viewing, printing, and downloading at

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*www.proxyvote.com*. Our Annual Report on Form 10-K for the year ended December 31, 2016 is also available under the *Company Investors Finances Annual Meeting Materials* section of our website at *www.benefitfocus.com* and through the SEC's EDGAR system at *http://www.sec.gov*. All materials will remain posted on *www.proxyvote.com* at least until the conclusion of the meeting.

**Q: How may I vote my shares in person at the meeting?**

**A:** If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered, with respect to those shares, the stockholder of record. As the stockholder of record, you have the right to vote in person at the meeting. You will need to present a form of personal photo identification in order to be admitted to the meeting. If your shares are held in a brokerage account or by another nominee or trustee, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you are also invited to attend the meeting. Because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a legal proxy from the broker, nominee, or trustee that holds your shares, giving you the right to vote the shares at the meeting.

**Q: How can I vote my shares without attending the meeting?**

**A:** If your common stock is held by a broker, bank, or other nominee, they should send you instructions that you must follow in order to have your shares voted. If you hold shares in your own name, you may vote by proxy in any one of the following ways:

Via the Internet by accessing the proxy materials on the secured website *www.proxyvote.com* and following the voting instructions on that website;

Via telephone by calling toll free 1-800-690-6903 and following the recorded instructions; or

By requesting that printed copies of the proxy materials be mailed to you pursuant to the instructions provided in the Notice of Internet Availability and completing, dating, signing and returning the Proxy Card that you receive in response to your request.

The Internet and telephone voting procedures are designed to authenticate stockholders' identities by use of a control number to allow stockholders to vote their shares and to confirm that stockholders' instructions have been properly recorded. Voting via the Internet or telephone must be completed by 11:59 PM EDT on June 1, 2017. Of course, you can always come to the meeting and vote your shares in person. If you submit or return a Proxy Card without giving specific voting instructions, your shares will be voted as recommended by the board of directors, as permitted by law.

**Q: How can I change my vote after submitting it?**

**A:** If you are a stockholder of record, you can revoke your proxy before your shares are voted at the meeting by:

Filing a written notice of revocation bearing a later date than the proxy with our Corporate Secretary at 100 Benefitfocus Way, Charleston, South Carolina 29492 at or before the taking of the vote at the meeting;

Duly executing a later-dated proxy relating to the same shares and delivering it to our Corporate Secretary at 100 Benefitfocus Way, Charleston, South Carolina 29492 at or before the taking of the vote at the meeting;

Attending the meeting and voting in person (although attendance at the meeting will not in and of itself constitute a revocation of a proxy); or

If you voted by telephone or via the Internet, voting again by the same means prior to 11:59 PM EDT on June 1, 2017 (your latest telephone or Internet vote, as applicable, will be counted and all earlier votes will be disregarded).

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If you are a beneficial owner of shares, you may submit new voting instructions by contacting your bank, broker, or other holder of record. You may also vote in person at the meeting if you obtain a legal proxy from them as described in the answer to a previous question.

**Q: Where can I find the voting results of the meeting?**

**A:** We will announce the preliminary voting results at the meeting. We will publish the results in a Form 8-K filed with the SEC within four business days of the meeting.

**Q: For how long can I access the proxy materials on the Internet?**

**A:** The Notice of Annual Meeting, Proxy Statement, 2016 Annual Report to Stockholders, and Annual Report on Form 10-K for the fiscal year ended December 31, 2016 are also available, free of charge, in PDF and HTML format under the *Company Investors Finances Annual Meeting Material* section of our website at [www.benefitfocus.com](http://www.benefitfocus.com) and will remain posted on this website at least until the conclusion of the meeting.

**Table of Contents****PROPOSAL ONE****ELECTION OF DIRECTORS****Nominees**

Our board of directors currently consists of eight members and is divided into three classes, the members of which each serve for a staggered three-year term or until a successor has been elected and qualified. The term of office of one class of directors expires each year in rotation so that one class is elected at each annual meeting for a full three-year term. Our Class I directors, Shawn A. Jenkins, Joseph P. DiSabato and A. Lanham Napier, have been nominated to fill a three-year term expiring in 2020. The two other classes of directors, who were elected or appointed for terms expiring at the annual meetings in 2018 and 2019, respectively, will remain in office.

If you are a stockholder of record, unless you mark your proxy card to withhold authority to vote, the proxy holder will vote the proxies received by it for the three Class I nominees named below, each of whom is currently a director and each of whom has consented to be named in this Proxy Statement and to serve if elected. In the event that any nominee is unable or declines to serve as a director at the time of the meeting, your proxy will be voted for any nominee designated by the board of directors to fill the vacancy. We do not expect that either nominee will be unable or will decline to serve as a director. If you are a beneficial owner of shares held in street name and you do not provide your broker with voting instructions, your broker may not vote your shares on the election of directors. Therefore, it is important that you vote.

The name of and certain information regarding each Class I nominee as of April 5, 2017 is set forth below, together with information regarding our directors remaining in office. This information is based on data furnished to us by the nominees and directors. There is no family relationship between any director, executive officer or person nominated to become a director or executive officer. The business address for each nominee for matters regarding the Company is 100 Benefitfocus Way, Charleston, South Carolina 29492.

**Class I Director Nominees for Terms Expiring in 2020**

<b>Name</b>	<b>Age</b>	<b>Position(s) with Benefitfocus</b>	<b>Director Since</b>
Shawn A. Jenkins	49	Chief Executive Officer and Director	June 2000
Joseph P. DiSabato	50	Director	February 2007
A. Lanham Napier	46	Director	September 2014

**Class II Directors with Terms Expiring in 2018**

<b>Name</b>	<b>Age</b>	<b>Position(s) with Benefitfocus</b>	<b>Director Since</b>
Mason R. Holland, Jr.	52	Executive Chairman, Director	June 2000
Ann H. Lamont	60	Director	July 2010
Stephen M. Swad	55	Director	December 2013

**Class III Directors with Terms Expiring in 2019**

<b>Name</b>	<b>Age</b>	<b>Position(s) with Benefitfocus</b>	<b>Director Since</b>
Douglas A. Dennerline	58	Director	August 2014
Francis J. Pelzer V	46	Director	May 2013





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### **Class I Director Nominees**

#### *Shawn A. Jenkins Chief Executive Officer, Director*

Shawn Jenkins, one of our founders, has been our Chief Executive Officer and a member of our board of directors since our founding in June 2000, and in addition to these roles, served as our President from June 2000 to April 2015. Prior to founding Benefitfocus, from 1995 to 2000, he served as Vice President with American Pensions, Inc., leading sales, operations, and technology. From 1994 to 1995, Mr. Jenkins was a program analyst with Rockwell Automation, Inc. (NYSE: ROK). He is a major benefactor of the Medical University of South Carolina (MUSC) Shawn Jenkins Children's Hospital in Charleston. Mr. Jenkins serves on the Advisory Board for the School of Computing at Clemson University, and has previously served on the Medical University of South Carolina Foundation Board of Directors, College of Charleston Board of Governors, and Charleston Southern University Board of Visitors. Mr. Jenkins received an M.B.A. from Charleston Southern University and a B.A. from Geneva College in Beaver Falls, Pennsylvania.

Among other experience, qualifications, attributes and skills, we believe Mr. Jenkins' perspective as one of our founders and as a large stockholder, his extensive leadership and experience as our Chief Executive Officer since our founding, his knowledge of our operations, and oversight of our sales organization bring to our board of directors critical strategic planning and operational leadership that qualify him to serve as one of our directors.

#### *Joseph P. DiSabato Director*

Joe DiSabato has served on our board of directors since February 2007. Mr. DiSabato has been a Managing Director in the Principal Investment Area at The Goldman Sachs Group, Inc., Merchant Banking Division, since 2000. Mr. DiSabato joined Goldman Sachs in 1988 and served as a Financial Analyst until 1991, re-joining as an Associate in 1994. He serves as a director of American Traffic Solutions, Inc., The Endurance International Group Holdings, Inc., Infusion Software, Inc., and Backoffice Associates, LLC. Mr. DiSabato holds an M.B.A. from the Anderson Graduate School of Management at the University of California at Los Angeles and a B.S. from the Massachusetts Institute of Technology.

We believe Mr. DiSabato's experience as a director of various software and technology companies, and his experience with expansion-stage growth companies, brings to our board critical skills related to financial oversight of complex organizations, strategic planning and corporate governance and qualify him to serve as one of our directors.

#### *A. Lanham Napier Director*

Lanham Napier has served as a member of our board of directors since September 2014. He serves on the Company's compensation and nominating and governance committees. Mr. Napier is a Co-Founder of BuildGroup Management LLC. BuildGroup Management LLC is a privately-held company based in Austin, Texas, that operates and invests in emerging software companies in select technology categories. Mr. Napier was formerly the Chief Executive Officer of Rackspace Hosting, Inc. (NYSE: RAX). At various times during his 14 years at Rackspace, he also served in other capacities at the company, including as its President, Chief Financial Officer, and member of its board of directors. Prior to that, Mr. Napier was an analyst of Merrill Lynch & Co., Inc. Mr. Napier holds an M.B.A. from Harvard University and a B.A. in Economics from Rice University.

We believe Mr. Napier's experience as chief executive officer of a public company, familiarity with the software industry and his experience as a director of a software company brings to our board critical skills related to strategic planning and corporate governance and qualifies him to serve on our board.

**Other Directors Not Up for Re-election at this Meeting**

*Douglas A. Dennerline Director*

Doug Dennerline has served as a member of our board of directors since August 2014. He serves on the audit, compensation and nominating and governance committees. He is currently Chief Executive Officer of

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Alfresco Software, Inc. and was previously President and a director of SuccessFactors, Inc. Prior to joining SuccessFactors, Mr. Dennerline was Executive Vice President of Sales, Americas and EMEA for Salesforce.com, Inc. (NYSE: CRM). Mr. Dennerline holds a B.S. in Business Administration from Arizona State University.

We believe Mr. Dennerline's experience as chief executive officer of a software company and familiarity with the software industry brings to our board of directors important skills. In addition, his experience as a director of a software and technology company brings to our board critical skills related to financial oversight of complex organizations, strategic planning and corporate governance. All of this qualifies him to serve as one of our directors.

### *Mason R. Holland, Jr. Executive Chairman, Director*

Mason Holland, one of our founders, has been our Executive Chairman and a member of our board of directors since our founding in June 2000. Mr. Holland is responsible for the coordination of strategic partnerships with industry leaders and client relations. Mr. Holland founded American Pensions, Inc. in 1988, serving as its Chairman and President from 1988 to 2003. Mr. Holland also has established a number of other business entities throughout his 30 plus year career, including Holland Properties LLC, a real estate development firm, in 1989, and he acquired Eclipse Aerospace, Inc., a jet aircraft manufacturer, in May 2009, for which he served as Chairman and Chief Executive Officer until April 2015. Mr. Holland attended Old Dominion University in Norfolk, Virginia.

We believe Mr. Holland brings to our board of directors valuable perspective and experience as our Executive Chairman and one of our founders and as a large stockholder, as well as knowledge of the benefits industry and experience managing and directing companies through various stages of development, all of which qualify him to serve as one of our directors.

### *Ann H. Lamont Director*

Ann Lamont has served on our board of directors since July 2010. She serves on the compensation and nominating and governance committees and is the chair of the nominating and governance committee. Ms. Lamont has been Managing Partner of Oak HC/FT Partners LLC since 2014 and served as General Partner from 1986 to 2006 and as Managing Partner since 2006 of Oak Investment Partners. She currently leads the healthcare and financial services technology teams at Oak. Prior to joining Oak, Ms. Lamont served as a research associate with Hambrecht & Quist. Ms. Lamont serves on the boards of Accullink, Inc., FreshBooks USA, Inc., Independent Living Systems, LLC, Precision Medicine Group, Inc., Candescend Health, Inc., and xG Health Solutions, Inc. Ms. Lamont also served on the board of Castlight Health, Inc. (NYSE: CSLT) from August 2009 to April 2017. Additionally, in March 2013, Ms. Lamont completed a five-year term on the Stanford University Board of Trustees. Ms. Lamont holds a B.A. in political science from Stanford University.

We believe Ms. Lamont's experience analyzing corporate performance as a venture capitalist and managing her firm's investments in private companies, knowledge of the healthcare and payment services industries, and service on multiple boards of directors bring to our board of directors important skills related to corporate finance, oversight of management and strategic positioning, and qualify her to serve as one of our directors.

### *Francis J. Pelzer V Director*

Frank Pelzer has served as a member of our board of directors since May 2013. He serves on the audit and compensation committees and is the chair of the audit committee. Since 2015, Mr. Pelzer has served as President and Chief Operating Officer of the SAP SE's Business Network & Applications Group, and he was its Chief Financial Officer prior to that, starting in January 2015. From May 2010 to January 2015, Mr. Pelzer served as the Chief

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Financial Officer of Concur Technologies, Inc., a provider of web-based and mobile, integrated travel and expense management solutions. From 2004 to May 2010, Mr. Pelzer served as a Director and Vice President in the Software Investment Banking group at Deutsche Bank AG (NYSE: DB). Prior to that,

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Mr. Pelzer was a Vice President with Credit Suisse First Boston and a management consultant with Kurt Salmon Associates, now a part of Accenture plc (NYSE: ACN). Mr. Pelzer serves on the board of directors of Limeade, Inc. and is the chairman of their audit committee. He also serves on the board of directors for two SAP portfolio companies, ClearTrip Pvt. Ltd. and RideCharge, Inc.. Mr. Pelzer graduated with an M.B.A. as an Edward Tuck Scholar with Distinction from the Tuck School of Business at Dartmouth and holds a B.A. from Dartmouth College.

We believe Mr. Pelzer's experience as a chief financial officer of a public company, familiarity with the software industry, accounting standards and public company disclosure requirements, and his ability to serve as our audit committee financial expert, bring to our board of directors important skills and qualify him to serve on our board.

*Stephen M. Swad Director*

Steve Swad has served on our board of directors since December 2013. He serves on the audit and compensation committees and is the chair of the compensation committee. Since January 2016, Mr. Swad has served as Chief Financial Officer of Vox Media, Inc. From February 2012 until April 2015, Mr. Swad served as the President, Chief Executive Officer, and a director of Rosetta Stone Inc. (NYSE: RST), a publicly held language-learning software company. He was previously its Chief Financial Officer beginning in November 2010. Prior to joining Rosetta Stone, Mr. Swad served as the Executive Vice President and Chief Financial Officer of Converse Technology, Inc., beginning in May 2009. Prior to that, he served as Executive Vice President and Chief Financial Officer of Federal National Mortgage Association (Fannie Mae) (NASDAQ: FNMA) from May 2007 until August 2008. He has also held various senior financial management positions with public companies, including AOL Inc. (NYSE: AOL) and Time Warner Inc. (NYSE: TWX) and its subsidiaries. Mr. Swad, a former partner of KPMG LLP, has also served as a Deputy Chief Accountant at the SEC. He served on the board of Eloqua, Inc. from August of 2011 until February 2013, including between August 2012 and February 2013, during which time it was a publicly held company. Mr. Swad holds a B.A. in business administration from the University of Michigan and is a Certified Public Accountant.

Among other experience, qualifications, attributes and skills, we believe Mr. Swad's financial and accounting experience, ability to lead public companies, and familiarity with technology companies bring to our board important skills related to corporate finance and governance, and qualify him to serve on our board.

**Required Vote**

The three Class I director nominees receiving the highest number of affirmative votes of our common stock present or represented and entitled to be voted for them shall be elected as Class I directors. In accordance with Delaware law, votes withheld from any nominee are counted for purposes of determining the presence or absence of a quorum for the transaction of business, but they have no legal effect on the election of directors. Broker non-votes will be not counted for purposes of determining the presence or absence of a quorum. In addition, under applicable NASDAQ Stock Market listing rules, brokers are not permitted to vote shares held for a customer on non-routine matters without specific instructions from the customer. As such, broker non-votes will have no effect on the outcome of this proposal.

**The board of directors unanimously recommends that stockholders vote FOR the three Class I director nominees listed above.**

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**PROPOSAL TWO**  
**APPROVAL OF THE**  
**BENEFITFOCUS, INC.**  
**AMENDED AND RESTATED 2012 STOCK PLAN**

Pursuant to the Benefitfocus.com, Inc. 2012 Stock Plan, as amended, ( 2012 Plan ) we may grant long-term equity incentives in the form of stock options, stock bonuses (including restricted stock, restricted stock units or RSUs, and performance restricted stock units or PRSUs), stock purchase rights, and stock appreciation rights, or collectively, stock rights, to employees, consultants, and non-employee directors of our Company. We believe that the effective use of long-term equity incentives is essential to attract, motivate, and retain employees of our Company, to further align participants' interests with those of our stockholders, and to provide participants incentive compensation opportunities that are competitive with those offered by other companies in the same industry and locations as ours.

In this Proposal Two, we are asking our stockholders to approve the Benefitfocus, Inc. Amended and Restated 2012 Stock Plan (the Restated Plan ). The full text of the Restated Plan is attached as Exhibit A to this Proxy Statement.

The Restated Plan increases the total number of shares of common stock reserved for issuance under the 2012 Plan to 9,244,525 shares. The Restated Plan also decreases the annual limit on the number of shares that may be granted to any employee in calendar year to 1,000,000. As of April 5, 2017, of the 6,544,525 shares of the Company's common stock originally reserved for issuance under the 2012 Plan, only 58,889 shares remained available for future grant. The board of directors believes that the increase in the share reserve is necessary for the Company to continue to attract and retain the highest caliber of employees, link incentive awards to Company performance, encourage employee ownership in the Company and align the interests of employees and directors with those of the Company's stockholders. Increasing the 2012 Plan's share reserve will allow the Company to continue to provide a variety of equity awards as part of the Company's compensation program, an important tool for motivating, attracting and retaining talented employees and for creating stockholder value. It supports the Company's balanced approach to employee compensation, wherein the Company uses a mix of components, including equity awards, to facilitate management decisions that favor longer-term stability. If the additional shares are not approved, the board believes that the remaining shares of common stock reserved for issuance under the 2012 Plan will be insufficient to accomplish the purposes of the 2012 Plan.

To further align the interests of the Company and its stockholders, our board recently adopted stock ownership guidelines for officers. Under these guidelines, the Company's Chief Executive Officer is required to hold Company common stock worth at least five (5) times his annual base salary. Our President is required to hold stock worth three (3) times his annual base salary and our other officers subject to Section 16 of the Securities Exchange Act of 1934 one (1) time his or her annual base salary. All of these executives are required to achieve the accumulated value requirement within the later of (a) three (3) years from the date the executive assumes or assumed his or her position, and (b) March 23, 2020. For purposes of calculating the number of shares held by an executive, shares that are owned directly are counted along with (a) shares over which the executive has investment or voting power, and (b) shares that may be acquired pursuant to vested, in-the-money options to acquire Company stock. The Company also maintains similar stock ownership guidelines for its directors, which are described under Director Compensation below.

In addition to increasing the total number of shares of common stock reserved for issuance under the 2012 Plan, the Restated Plan lists in Appendix A thereto the business measures that may be used for performance goals for awards that are intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code

of 1986, as amended (the Code ). Under Section 162(m) of the Code, compensation paid to Covered Employees (typically high level executives) in excess of \$1 million in any fiscal year is not deductible from a company's taxable income unless it constitutes performance-based compensation (or satisfies another limited exception enumerated in Code Section 162(m)). In order for grants to our high level executives under the

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Restated Plan to constitute performance-based compensation, the material terms of the plan under which such awards may be granted must be disclosed to and periodically approved by the stockholders. The business measures in [Appendix A](#) were most recently approved by the stockholders at our 2014 Annual Meeting.

The Restated Plan also includes a provision clarifying that the Company will not, without approval of the Company's stockholders, amend any award granted under the Plan to reduce its exercise price per share, cancel and regrant an award with a lower exercise price per share than the original price per share of the cancelled award, or cancel any award under the Plan in exchange for cash or the grant of replacement award with an exercise price that is less than the exercise price of the cancelled award. Although the Company has not previously engaged in such repricing or replacement transactions under the Plan, the board of directors believes that it is in the best interest of the Company's stockholders to make clear that the Company will not do so in the future without the approval of the Company's stockholders.

Finally, the Restated Plan makes several administrative changes, including changing all Company references in the document from Benefitfocus.com, Inc. to Benefitfocus, Inc., which accurately reflects the corporate structure of the Company following our pre-IPO September 2013 restructuring in preparation for our initial public offering, or IPO. The Restated Plan also clarifies that all awards of nonstatutory stock options and stock appreciation rights under the Plan must have an exercise that is no less than the fair market value of the Company's stock on the date of grant of such awards. Additionally, the Restated Plan contains language adjusting the tax withholding provisions of the Plan in light of recently-changed accounting standards. The Restated Plan moves the expiration date of the plan from January 31, 2022 to March 23, 2027.

As of April 5, 2017, approximately 1,432 employees and six nonemployee directors were eligible to participate in the Restated Plan. The closing price of the Company's common stock on the Nasdaq Global Market on April 5, 2017 was \$27.60.

## **Required Vote**

Approval of the Restated Plan requires the affirmative vote of a majority of the shares represented at the meeting which are entitled to vote on the proposal. In accordance with Delaware law, abstentions and non-broker non-votes will be counted for purposes of determining the presence or absence of a quorum at the meeting. Abstentions will be counted and will have the same effect as a vote against the proposal. However, under applicable NASDAQ Stock Market listing rules, brokers are not permitted to vote shares held for a customer on non-routine matters without specific instructions from the customer. As such, broker non-votes will have no effect on the outcome of this proposal.

**The board of directors unanimously recommends that stockholders vote FOR the Restated Plan.**

## **Summary of the Restated Stock Plan**

Our board adopted the 2012 Plan on January 31, 2012 and our stockholders approved it on November 8, 2012. Our board and stockholders approved an amendment to the 2012 Plan on August 26 and September 13, 2013, respectively, and a second amendment on April 7, 2014 and June 7, 2014, respectively. The Restated Plan was approved by our board on March 23, 2017 and provides for the grant of various stock rights to employees, consultants, and non-employee directors of our Company. Incentive stock options may be granted only to employees of our Company, or our parent company (if any) and any of our subsidiaries, or related corporations. All other stock rights under the Restated Plan may be granted to employees (including officers and employee directors), consultants and non-employee directors.



*Share Reserve and Limitations.* The aggregate number of shares of our common stock that may be issued pursuant to the Restated Plan is 9,244,525, less any shares issued or subject to outstanding options under the Amended and Restated 2000 Stock Option Plan, or 2000 Plan, subject to adjustment as provided in the Restated Plan. The aggregate fair market value of common stock (determined as of the date of the option grant) for which

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incentive stock options may for the first time become exercisable by any individual in any calendar year may not exceed \$100,000. To the extent we are subject to Section 162(m) of the Code, no employee will be eligible to be granted stock rights under the Restated Plan covering more than 1,000,000 shares of our common stock during any calendar year.

If any award granted under the Restated Plan expires or terminates for any reason prior to its full exercise, or if we reacquire any shares issued pursuant to awards, then the shares subject to such award or any shares so reacquired by us will again be available for grants of awards under the Restated Plan. Shares of our common stock which are withheld to pay the exercise price of an award or any related withholding obligations will not be available for issuance under the Restated Plan.

*Administration.* The Restated Plan provides for administration by our board of directors or a committee of the board. The board may increase the size of the committee and appoint additional members, remove members of the committee and appoint new members, fill vacancies on the committee, or remove all members of the committee and directly administer the Restated Plan. Our compensation committee will administer the Restated Plan. Subject to the restrictions of the Restated Plan, the compensation committee will determine to whom we grant incentive awards under the Restated Plan, the terms of the award, including the exercise or purchase price, the number of shares subject to the stock right and the exercisability of the award. All questions of interpretation will be determined by the committee, and its decisions will be final and binding upon all participants, unless otherwise determined by the board.

*Stock Bonuses and Purchase Rights.* The Restated Plan provides for shares of common stock to be awarded or sold under terms determined by the compensation committee to participants as an incentive for the performance of past or future services to us. Stock bonuses include PRSUs, which only vest upon attainment of performance goals established by the compensation committee for a specified performance period, and restricted stock and RSUs, which generally vest equally over a period determined by the compensation committee, subject to the grantee's continued employment or service with us. We expect that all our RSUs will be settled in shares of our common stock.

*Stock Options.* The Restated Plan provides for the grant of incentive stock options within the meaning of Section 422 of the Code, solely to employees, and for the grant of non-statutory stock options to employees, consultants and non-employee directors.

The compensation committee determines the exercise price of options granted under the Restated Plan on the date of grant, and the exercise price must be at least 100% of the fair market value per share at the time of grant; provided that the exercise price of any incentive stock option granted to an employee who owns stock possessing more than 10% of the voting power of our outstanding capital stock must equal at least 110% of the fair market value of the common stock on the date of grant. The aggregate fair market value of common stock (determined as of the date of the option grant) for which incentive stock options may for the first time become exercisable by any individual in any calendar year may not exceed \$100,000.

Options granted to employees, directors, and consultants under the Restated Plan generally become exercisable in increments, based on the optionee's continued employment or service with us. The term of an incentive stock option may not exceed 10 years. Options granted under the Restated Plan, whether incentive stock options or non-statutory options, will generally expire 10 years from the date of grant, except that incentive stock options granted to an employee who owns stock possessing more than 10% of the voting power of our outstanding capital stock will not be exercisable for longer than five years after the date of grant.

*Stock Appreciation Rights.* The Restated Plan provides for the grant of stock appreciation rights, or SARs, pursuant to an SAR agreement adopted by the compensation committee. An SAR may be granted in connection with a stock

option or alone, without reference to any related stock option. The committee will determine the exercise price of an SAR on the date of grant, and the exercise price may not be less than 100% of the fair market value of a share of our common stock on the date of grant.

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The holder of an SAR will have the right to receive, in cash or common stock, all or a portion of the difference between the fair market value of a share of our common stock at the time of exercise of the SAR and the exercise price of the SAR established by the compensation committee, subject to such terms and conditions set forth in the SAR agreement.

*Means of Exercising Stock Options and SARs.* The exercise price of stock options and SARs is payable in cash or by check, or at the discretion of the compensation committee, as follows: (a) by delivery of the grantee's personal recourse note bearing interest payable not less than annually at a market rate that is no less than 100% of the lowest applicable Federal rate, as defined in Section 1274(d) of the Code, (b) through the surrender of shares of our common stock then issuable upon exercise of the award having a fair market value on the date of exercise equal to the aggregate exercise price of the award and/or any related withholding tax obligations, (c) through the delivery of already-owned shares of our common stock having a fair market value on the date of exercise equal to the aggregate exercise price of the award and/or any related withholding tax obligations, (d) delivery of a notice that the grantee has placed a market sell order with a broker with respect to shares of our common stock then issuable upon exercise of the award and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to us in satisfaction of the award exercise price, provided that payment of such proceeds is then made to us upon settlement of the sale, or (e) by any combination of the foregoing, or such other consideration and method of payment for the issuance of shares to the extent permitted by applicable law or the Restated Plan.

*Termination of Employment or Affiliation.* The Restated Plan provides that if a grantee ceases to be employed by us other than by reason of death or disability, the grantee may (subject to the instrument granting such stock right) exercise any stock right held by him or her to the extent such stock right could have been exercised on the date of termination of employment until the stock right's specified expiration date. In the event the grantee exercises any incentive stock option after the date that is three months following the date of termination, such incentive stock option will be converted into a non-statutory stock option.

*Death or Disability.* The Restated Plan provides that if a grantee ceases to be employed by us by reason of death, or if a grantee dies within three months of the date his or her employment or other affiliation with us has been terminated, then the grantee's estate, personal representative or beneficiary who acquired the stock right by will or by the laws of descent and distribution may exercise that stock right for shares of our common stock, to the extent the stock right could have been exercised on the date of the grantee's death. Unless otherwise specified in the instrument granting the stock right, the acquirer of the stock right may exercise the stock right within 12 months of the date of the grantee's termination or before the stock right's specified expiration date, whichever is earlier. In the event the acquirer of the stock right exercises any incentive stock option after the date that is 12 months following the date of termination, such incentive stock option will be converted into a non-statutory stock option.

The Restated Plan provides that if a grantee ceases to be employed by us by reason of disability, he or she will have the right to exercise any stock right held by him or her on the date of termination to the extent the stock right could have been exercised on the date of the grantee's termination. Unless otherwise provided by the instrument granting the stock right, the grantee may exercise such stock right within 12 months of the date of termination or before the stock right's specified expiration date, whichever is earlier.

*Transferability.* Except for transfers made by will or the laws of descent and distribution in the event of the holder's death, no stock right may be transferred, pledged or assigned by the holder of the stock right. During a grantee's lifetime, an incentive stock option may be exercised only by such grantee. Non-statutory stock options, SARs, or other awards may be transferred, pledged or assigned by the holder thereof to family members (as defined in the Restated Plan), or by will or the laws of descent and distribution in the event of the holder's death. We are not required to recognize any attempted assignment of such rights by any participant that is not in compliance with the Restated Plan.

*Changes in Capitalization.* In the event of a change in the number of shares of our common stock through a combination or subdivision, or if we issue shares of common stock as a stock dividend, then the number of

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shares deliverable upon the exercise of outstanding stock rights will be increased or decreased proportionately, and appropriate adjustments will be made in the purchase price per share to reflect such subdivision, combination, or stock dividend. Additionally, in the event of such a subdivision, combination, or stock dividend, the aggregate number of stock rights that have been or subsequently may be granted under the Restated Plan will also be appropriately adjusted.

*Corporate Transactions.* The Restated Plan provides that in the event of our consolidation or merger with or into another corporation or a sale of all or substantially all of our assets, which we refer to as an acquisition, whereby the acquiring entity or our successor does not agree to assume the incentive awards or replace them with substantially equivalent incentive awards, all outstanding options, stock bonuses, SARs, or other stock rights will vest and will become immediately exercisable in full and, if not exercised on the date of the acquisition, will terminate on such date regardless of whether the participant to whom such stock rights have been granted remains in our employ or service or in the employ or service of any acquiring or successor entity. In the event of an acquisition in which the acquiring entity agrees to assume the incentive awards, and, 60 days prior to the acquisition or 180 days after the acquisition, the holder of an award is terminated as an employee or consultant other than for cause or the holder terminates his or her employment for good reason, then upon such termination any incentive award held by the holder will vest and will become immediately exercisable in full.

In the event of the proposed dissolution or liquidation of our Company, each stock right will terminate immediately prior to the consummation of the proposed action, or at such other time and subject to such other conditions determined by the compensation committee.

*Termination or Amendment.* Our board of directors may terminate, amend or modify the Restated Plan at any time before its expiration, which was January 31, 2022, but the amendment and restatement would reset the expiration date to be March 23, 2027. However, stockholder approval is required to increase the total number of shares that may be issued under the Restated Plan, change the provisions regarding the persons eligible to receive incentive stock options under the plan, change the provisions regarding the exercise price at which shares may be offered pursuant to incentive stock options under the Restated Plan, amend any outstanding award to reduce its exercise price per share or cancel and regrant an award with a lower exercise price per share than the original price per share of the cancelled award, and to extend the expiration date of the Restated Plan.

*Appendix A.* Appendix A of the Restated Plan establishes procedures for our Company to grant high level executives restricted stock and RSUs that will qualify as performance-based compensation within the meaning of Section 162(m) of the Code. It requires the compensation committee (which currently consists entirely of outside directors within the meaning of Section 162(m)) to grant and administer performance-based awards of restricted stock and RSUs for our high level executives, though it may also grant such executives other forms of restricted stock and RSUs.

Performance-based restricted stock and RSUs, in addition to meeting the regular requirements of the Restated Plan for the grant of stock bonuses, including a maximum grant per employee of 1,000,000 shares of common stock per Performance Period (a period measured by the fiscal year or years), will be structured so that they will vest only upon attainment of performance goals established by the compensation committee for a specified Performance Period. The compensation committee will establish the performance goals within 90 days of the beginning of the first fiscal year of our Company included in the Performance Period. The performance goals will be based upon one or more objectively determinable business measures, which may be applied with respect to our Company, any business unit, or, if applicable, any covered employee, and may be measured on absolute terms or relative to a peer-group or other market measure basis.

The business measures that may be used to establish the performance goals are limited to one or more of the following:

corporate operating profit;

business unit operating profit;

revenue;

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net revenue;

new business authorizations;

backlog;

customer cancellation rate;

total shareholder return;

stock price increase;

return on equity;

return on capital;

earnings per share;

gross profit;

adjusted gross profit (profit before depreciation and amortization expense, as well as stock-based compensation expense);

EBIT, or earnings before interest and taxes;

EBITDA, or earnings before interest, taxes, depreciation and amortization;

adjusted EBITDA, or earnings before net interest and other expense, taxes, and depreciation and amortization expense, adjusted to eliminate stock-based compensation expense and expense related to the impairment of goodwill;

ongoing earnings;



cash flow (including operating cash flow, free cash flow, discounted cash flow return on investment, and cash flow in excess of costs of capital);

EVA, or economic value added;

economic profit, or net operating profit after tax, less a cost of capital charge;

SVA, or shareholder value added;

net income;

net loss (maximum);

operating income;

pre-tax profit margin;

performance against business plan;

customer service;

corporate governance quotient or rating;

market share;

employee satisfaction;

safety;

employee engagement;

supplier diversity;

workforce diversity;

operating margins;

credit rating;

dividend payments;

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expenses;

retained earnings;

completion of acquisitions, divestitures and corporate restructurings;

construction projects;

new technology, service or product development;

environmental efforts; and

individual goals based on objective business criteria underlying the goals listed above and which pertain to individual effort as to achievement of those goals or to one or more business criteria in the areas of litigation, human resources, information services, production, support services, facility development, government relations, market share or management.

Under IRS rules, once the stockholders have approved these business measures, they may be used as the basis for performance goals for restricted stock and RSU awards that meet the conditions of Section 162(m) of the Code only until the first stockholders meeting that occurs in the fifth calendar year following the calendar year in which the measures were approved, in other words 2022, if approved at the 2017 stockholder meeting.

Following the applicable Performance Period and after receiving the financial and other necessary data for the applicable Performance Period, the compensation committee will determine whether and to what extent the performance goals for the performance-based restricted stock or RSU award have been met. If the performance goals are entirely or partially met, the compensation committee will determine, based entirely upon the objectively determined achievement of the performance goals, the number of performance-based shares of restricted stock or RSUs of the award that are vested. The compensation committee, in its sole discretion, may decrease, but may not increase, the number of shares of restricted stock and RSUs that are vested. In the case of RSUs, our Company will then grant the executive shares of our common stock equal to the number of vested performance-based RSUs at the determination date. However, a condition for payment is that the executive be in the employ of our Company (or on military or family medical leave) at the payment date, although that condition may be waived by the compensation committee in its discretion.

The above description of the Restated Plan is a summary of some, but not all, of the essential provisions of the Restated Plan, and is qualified by reference to the full text of the Restated Plan included in Exhibit A to this Proxy Statement.

**Summary of Federal Income Tax Consequences Relating to the Restated Plan**

The following summary is intended only as a general guide to certain U.S. federal income tax consequences under current law of participation in the Restated Plan and does not attempt to describe all possible federal, state, local, foreign or other tax consequences of such participation or tax consequences based on a participant's particular

circumstances. Furthermore, the tax consequences are complex and subject to change, and a taxpayer's particular situation may be such that some variation of the described rules is applicable. Participants should, therefore, consult their own tax advisors with respect to such matters.

*Stock Bonuses.* Stock bonuses under the Restated Plan comprise restricted stock and RSUs and performance-based restricted stock and RSUs. A grantee of restricted stock generally will recognize ordinary income equal to the difference between the fair market value of the shares on the determination date and their purchase price, if any. The determination date is the date on which the participant acquires the shares unless they are subject to a substantial risk of forfeiture and are not transferable, in which case the determination date is the earlier of (i) the date on which the shares become transferable, or (ii) the date on which the shares are no longer subject to a substantial risk of forfeiture. If the determination date will be after the date on which the participant acquires the shares, the grantee may elect, pursuant to Section 83(b) of the Code, to have the date of acquisition be the determination date by filing an election with the Internal Revenue Service, or IRS, no later than 30 days after the date the shares are acquired. Upon the taxable disposition of shares acquired pursuant to a restricted

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stock award, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will generally be taxed as capital gain or loss; however, for any shares returned to the Company pursuant to a forfeiture provision, a grantee's loss may be computed based only on the purchase price (if any) of the shares and may not take into account any income recognized by reason of a Code Section 83(b) election. No taxable income is recognized upon receipt of RSUs or performance-based RSUs. In general, the grantee will recognize ordinary income in the year in which the performance-based RSUs vest and performance-based RSUs are settled in an amount equal to the fair market value of any shares of our common stock received. If the grantee is an employee, such ordinary income generally is subject to withholding of income and employment taxes.

*Incentive Stock Options.* A grantee recognizes no taxable income for regular income tax purposes as a result of the grant or exercise of an incentive stock option qualifying under Section 422 of the Code. If a grantee holds stock acquired through exercise of an incentive stock option for more than two years from the date on which the option was granted and more than one year after the date the option was exercised for those shares, any gain or loss on a disposition of those shares (a "qualifying disposition") will be a long-term capital gain or loss. Upon such a qualifying disposition, we will not be entitled to any income tax deduction.

If a grantee disposes of shares within two years after the date of grant or within one year after the date of exercise (a "disqualifying disposition"), the difference between the fair market value of the shares on the option exercise date and the exercise price (not to exceed the gain realized on the sale if the disposition is a transaction with respect to which a loss, if sustained, would be recognized) will be taxed as ordinary income at the time of disposition. Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. To the extent the grantee recognizes ordinary income by reason of a disqualifying disposition, generally we will be entitled to a corresponding income tax deduction in the tax year in which the disqualifying disposition occurs, except to the extent such deduction is limited by applicable provisions of the Code.

The difference between the option exercise price and the fair market value of the shares on the exercise date of an incentive stock option is treated as an adjustment in computing the grantee's alternative minimum taxable income for the year of exercise and may be subject to an alternative minimum tax which is paid if such tax exceeds the regular tax for the year. Special rules may apply with respect to certain subsequent sales of the shares in a disqualifying disposition, certain basis adjustments for purposes of computing the alternative minimum taxable income on a subsequent sale of the shares and certain tax credits which may arise with respect to participants subject to the alternative minimum tax.

*Nonstatutory Stock Options.* Options not designated or qualifying as incentive stock options will be nonstatutory stock options having no special tax status. A grantee generally recognizes no taxable income as the result of the grant of such an option unless the option (and not the underlying stock) has a readily ascertainable fair market value at such time or is issued with an exercise price less than the fair market value at the time of the grant. Upon exercise of a nonstatutory stock option, the grantee normally recognizes ordinary income in the amount of the difference between the option exercise price and the fair market value of the shares purchased. If the grantee is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Generally, we will be entitled to an income tax deduction in the tax year in which such ordinary income is recognized by the participant, except to the extent such deduction is limited by applicable provisions of the Code.

Upon the disposition of stock acquired by the exercise of a nonstatutory stock option, any gain or loss, based on the difference between the sale price and the fair market value on the exercise date, will be taxed as capital gain or loss.

*Stock Appreciation Rights.* A grantee recognizes no taxable income upon the receipt of an SAR. Upon the exercise of an SAR, the grantee will recognize ordinary income in an amount equal to the excess of the fair market value of the

underlying shares of common stock on the exercise date over the exercise price. If the grantee is an employee, such ordinary income generally is subject to withholding of income and employment

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taxes. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the grantee in connection with the exercise of the SAR, except to the extent such deduction is limited by applicable provisions of the Code.

*Potential Limitation on Deductions.* Compensation of persons who are our Covered Employees is subject to the tax deduction limits of Section 162(m) of the Code. Awards that qualify as performance-based compensation are exempt from Section 162(m), thereby permitting us to claim the full federal tax deduction otherwise allowed for such compensation. The Amendment is intended to allow us to make grants that qualify as exempt under Section 162(m).

In accordance with U.S. Treasury Regulations issued under Section 162(m), compensation attributable to stock options and SARs will qualify as performance-based compensation if (i) such awards are approved by a compensation committee composed solely of outside directors, (ii) the plan contains a per-employee limitation on the number of shares for which such awards may be granted during a specified period, (iii) the per-employee limitation is approved by the stockholders, and (iv) the exercise or strike price of the award is no less than the fair market value of the stock on the date of grant. Compensation attributable to other stock-based awards, including RSUs, will qualify as performance-based compensation, provided that (i) the award is approved by a compensation committee composed solely of outside directors, (ii) the award is vested or is settled, as applicable, only upon the achievement of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, (iii) the compensation committee certifies in writing prior to the settlement of the award that the performance goal has been satisfied, and (iv) prior to settlement of the award, the stockholders have approved the material terms of the award (including the class of employees eligible for such award, the business criteria on which the performance goal is based, and the maximum amount, or formula used to calculate the amount, payable upon attainment of the performance goal).

The foregoing is only a summary, based on the current Code and Treasury Regulations thereunder, of the U.S. federal income tax consequences to the participant and our Company with respect to the grant and exercise of options and the grant or receipt of other awards under the Restated Plan. The summary does not purport to be complete, and it does not address the tax consequences of the participant's death, any tax laws of any municipality, state or foreign country in which a participant might reside, or any other laws other than U.S. federal income tax laws.

**Equity Incentive Plans**

The following table sets forth the indicated information as of December 31, 2016 with respect to our equity compensation plans:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
<b>Equity compensation plans approved by security holders</b>			
2016 Employee Stock Purchase Plan	3,965	\$ 28.22	146,035
2012 Stock Plan, as amended	1,789,660	\$ 1.90	809,059

Amended and Restated 2000 Stock Option Plan	405,710	\$	6.13	
<b>Total</b>	2,199,335	\$	4.78	955,094

Our equity compensation plans consist of the Benefitfocus, Inc. 2016 Employee Stock Purchase Plan, 2012 Plan, and 2000 Plan, which were approved by our stockholders. We do not have any equity compensation plans or arrangements that have not been approved by our stockholders.



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**CORPORATE GOVERNANCE MATTERS**

**Information about the Board**

The board of directors currently comprises eight members, divided into three classes as follows: Class I, consisting of Messrs. DiSabato, Jenkins and Napier; Class II, consisting of Messrs. Holland and Swad and Ms. Lamont; and Class III, consisting of Messrs. Dennerline and Pelzer. Upon the expiration of the term of office for each class of directors, each director in such class will be elected for a term of three years and will serve until a successor is duly elected and qualified or until his or her earlier death, resignation or removal. Any additional directorships resulting from an increase in the number of directors or a vacancy may be filled by the directors then in office or the stockholders (as provided in our bylaws). Because only one-third of our directors will be elected at each annual meeting, two consecutive annual meetings of stockholders could be required for the stockholders to change a majority of the board.

As Executive Chairman, Mr. Holland has authority to, among other things, call and preside over meetings of the board of directors, set meeting agendas, and determine materials to be distributed to the board. Accordingly, Mr. Holland has substantial ability to shape the work of the board. Mr. Holland, as a co-founder of our Company, possesses detailed and in-depth knowledge of the issues, opportunities, and challenges facing our Company and our business, and is well positioned to develop agendas that ensure the board's time and attention are focused on critical matters.

We have historically separated the position of Executive Chairman and that of Chief Executive Officer, currently Mr. Jenkins, who is also a co-founder of our Company. While our board of directors believes the separation of these positions has served our Company well, and intends to maintain this separation where appropriate and practicable, the board does not believe that it is appropriate to prohibit one person from serving as both Chairman and Chief Executive Officer. We believe our leadership structure is appropriate given the size of our Company in terms of the number of employees and the historical experience and understanding of our Company and industry of each of Messrs. Holland and Jenkins.

**Director Independence**

Our board of directors has established an audit committee, compensation committee, and nominating and governance committee. Our audit committee consists of independent directors Messrs. Pelzer (Chair), Dennerline and Swad. Our compensation committee consists of independent directors Messrs. Swad (Chair), Dennerline, Napier and Pelzer, and Ms. Lamont. Our nominating and governance committee consists of independent directors Ms. Lamont (Chair), and Messrs. Dennerline and Napier. The audit committee, compensation committee, and nominating and governance committee were established in May 2013 in anticipation of our IPO.

Our board has undertaken a review of the independence of our directors and has determined that Messrs. Dennerline, Pelzer and Swad are independent within the meaning of the NASDAQ Stock Market listing rules and meet the additional test for independence for audit committee members imposed by SEC regulation and the NASDAQ Stock Market listing rules.

**Family Relationships**

There is no family relationship between any director, executive officer or person nominated to become a director or executive officer of our Company.

**Executive Sessions of Non-Employee Directors**

In order to promote open discussion among non-employee directors, our board of directors has a policy of regularly conducting executive sessions of non-employee directors at scheduled meetings and at such other times requested by a non-employee director.

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**Selection of Nominees for the Board of Directors**

The nominating and governance committee of our board of directors is responsible for establishing the criteria for recommending which directors should stand for re-election to the board and the selection of new directors to serve on the board. In addition, the committee is responsible for establishing the procedures for our stockholders to nominate candidates to the board. The committee has not formulated any specific minimum qualifications for director candidates, but has determined certain desirable characteristics, including strength of character, mature judgment, career specialization, relevant technical skills and independence. The Nominating and Governance Committee Charter calls for the committee to consider diversity to be an additional desirable characteristic in potential nominees.

Our bylaws permit any stockholder of record to nominate directors. Stockholders wishing to nominate a director must deliver written notice of the nomination either by personal delivery or by U.S. certified mail, postage prepaid, to the Corporate Secretary (i) with respect to an election to be held at an annual meeting of stockholders, not more than 90 and not less than 60 days before the meeting at which directors are to be elected, and (ii) with respect to an election to be held at a special meeting of stockholders called for the purpose of the election of directors, not later than the close of business on the tenth business day following the date on which notice of such meeting is first given to stockholders.

Any such notice must set forth the following: (A) the name and address, as they appear on the Company's books, of (i) the stockholder who intends to make the nomination and the name and residence address of the person or persons to be nominated, and (ii) any Stockholder Associated Person (as defined below); (B) (i) any material interest in the director nomination of such stockholder or any Stockholder Associated Person, individually or in the aggregate, (ii) as to the stockholder or any Stockholder Associated Person, their holdings of our stock and whether the stockholder has entered into transactions to manage risk with respect to such stock, (iii) as to the stockholder and any Stockholder Associated Person, the name and address of such stockholder and Stockholder Associated Person, as they appear on the Company's stock ledger, and current name and address, if different, and (iv) to the extent known by the stockholder, the name and address of any other stockholder supporting the nominee for election as a director; (C) a representation that the stockholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (D) a description of all arrangements or understandings between the stockholder and any Stockholder Associated Person and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (E) such other information regarding each nominee proposed by such stockholder as would be required to be disclosed in solicitations of proxies for election of directors, or as would otherwise be required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, or the Exchange Act, including any information that would be required to be included in a proxy statement filed pursuant to Regulation 14A had the nominee been nominated by the board of directors; and (F) the written consent of each nominee to be named in a proxy statement and to serve as director of the Company if so elected. Our bylaws define "Stockholder Associated Person" as (A) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (B) any beneficial owner of our shares of stock owned of record or beneficially by such stockholder and (C) any person controlling, controlled by or under common control with such Stockholder Associated Person.

Our nominating and governance committee will evaluate a nominee recommended by a stockholder in the same manner in which the committee evaluates nominees recommended by other persons as well as its own nominee recommendations.

**Information Regarding Meetings of the Board and Committees**

During 2016, our board of directors held six meetings. During 2016, our board's three permanent committees, the audit committee, compensation committee and nominating and governance committee, collectively held 14 meetings.

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All of our directors attended at least 75% of the aggregate of all meetings of the board of directors and the committees on which he or she served during 2016. We do not have a formal written policy with respect to directors' attendance at our annual meetings of stockholders. In 2016, director Mason R. Holland, Jr. attended the annual meeting of stockholders.

**Board Committees*****Committees of our Board of Directors***

In May 2013, our board of directors adopted written charters for each of its permanent committees, all of which are available under *Overview* in the *Company Investors Corporate Governance* section of our website at [www.benefitfocus.com](http://www.benefitfocus.com). The following table provides membership information of our directors in each committee of our board as of April 5, 2017.

	Audit Committee	Compensation Committee	Nominating & Governance Committee
Mason R. Holland, Jr. (Executive Chairman) <sup>(1)</sup>			
Douglas A. Dennerline			
Joseph P. DiSabato			
Ann H. Lamont			
A. Lanham Napier			
Francis J. Pelzer V			
Stephen M. Swad			

= Committee Chair

= Member

(1) Mr. Holland served on our nominating and governance committee until July 1, 2016.

***Audit Committee***

Our audit committee consists of Messrs. Pelzer (Chair), Dennerline, and Swad. Each of Messrs. Pelzer, Dennerline and Swad satisfy the independence requirements of Rule 5605(a)(2) and Rule 5605(c)(2) of the NASDAQ Stock Market listing rules and SEC Rule 10A-3. Our audit committee met seven times during our 2016 fiscal year. Our audit committee is responsible for, among other things:

appointing, terminating, compensating, and overseeing the work of any accounting firm engaged to prepare or issue an audit report or other audit, review or attest services;

reviewing and approving, in advance, all audit and non-audit services to be performed by the independent auditor, taking into consideration whether the independent auditor's provision of non-audit services to us is compatible with maintaining the independent auditor's independence;

reviewing and discussing the adequacy and effectiveness of our accounting and financial reporting processes and controls and the audits of our financial statements;

establishing and overseeing procedures for the receipt, retention, and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by our employees regarding questionable accounting or auditing matters;

investigating any matter brought to its attention within the scope of its duties and engaging independent counsel and other advisors as the audit committee deems necessary;

determining compensation of the independent auditors and of advisors hired by the audit committee and ordinary administrative expenses;

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reviewing and discussing with management and the independent auditor the annual and quarterly financial statements prior to their release;

monitoring and evaluating the independent auditor's qualifications, performance, and independence on an ongoing basis;

reviewing reports to management prepared by the internal audit function, as well as management's response;

reviewing and assessing the adequacy of the formal written charter on an annual basis;

reviewing and approving related-party transactions for potential conflict of interest situations on an ongoing basis; and

handling such other matters that are specifically delegated to the audit committee by our board from time to time.

Our board of directors has affirmatively determined that Mr. Pelzer is designated as the audit committee financial expert and that he meets the definition of an independent director for purposes of serving on an audit committee under the NASDAQ Stock Market listing rules. The designation does not impose on Mr. Pelzer any duties, obligations or liabilities that are greater than those generally imposed on members of our audit committee and our board of directors.

*Compensation Committee*

Our compensation committee consists of Messrs. Swad (Chair), Dennerline, Napier and Pelzer, and Ms. Lamont. Each of Messrs. Swad, Dennerline, Napier and Pelzer and Ms. Lamont satisfy the independence requirements of Rule 5605(a)(2) and Rule 5605(d)(2) of the NASDAQ Stock Market listing rules. Our compensation committee met five times during our 2016 fiscal year. Our compensation committee is responsible for, among other things:

reviewing and approving the compensation, employment agreements and severance arrangements, and other benefits of all of our executive officers and key employees;

reviewing and approving, on an annual basis, the corporate goals and objectives relevant to the compensation of the executive officers, and evaluating their performance in light thereof;

reviewing and making recommendations, on an annual basis, to the board with respect to director compensation;

reviewing any analysis or report on executive compensation required to be included in the annual proxy statement and periodic reports pursuant to applicable federal securities rules and

regulations, and recommending the inclusion of such analysis or report in our proxy statement and period reports;

reviewing and assessing, periodically, the adequacy of the formal written charter; and

such other matters that are specifically delegated to the compensation committee by our board from time to time.

Pursuant to its written charter, our compensation committee has the authority to engage the services of outside advisors as it deems appropriate to assist it in the evaluation of the compensation of our directors, principal executive officer or other executive and non-executive officers, and in the fulfillment of its other duties. Additionally, our compensation committee has the authority to review and approve the compensation of our other officers and employees and may delegate its authority to review and approve the compensation of other non-executive officer employees to specified executive officers. Our compensation committee engaged Compensia, Inc. as its compensation consultants in 2016, as more fully described in Executive Compensation Employment Agreements .



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### *Nominating and Governance Committee*

Our nominating and governance committee consists of Ms. Lamont (Chair), and Messrs. Dennerline and Napier. Our nominating and governance committee met twice during our 2016 fiscal year. It is responsible for, among other things:

identifying and screening candidates for our board, and recommending nominees for election as directors;

establishing procedures to exercise oversight of the evaluation of the board and management;

developing and recommending to the board a set of corporate governance guidelines, as well as reviewing these guidelines and recommending any changes to the board;

reviewing the structure of the board's committees and recommending to the board for its approval directors to serve as members of each committee, and where appropriate, making recommendations regarding the removal of any member of any committee;

developing and reviewing our code of conduct, evaluating management's communication of the importance of our code of conduct, and monitoring compliance with our code of conduct;

reviewing and assessing the adequacy of the formal written charter on an annual basis; and

generally advising our board on corporate governance and related matters.

### **Risk Oversight**

While our Company's senior management has responsibility for the management of risk, our board of directors plays an important role in overseeing this function. Our board of directors regularly reviews our market and business risks during its meetings and, since its formation, each of its committees began overseeing risks associated with its respective area of responsibility. In particular, our audit committee oversees risk related to our accounting, tax, financial and public disclosure processes. It also assesses risks associated with our financial assets. Our compensation committee oversees risks related to our compensation and benefit plans and policies to ensure sound pay practices that do not cause risks to arise that are reasonably likely to have a material adverse effect on our Company. Our nominating and governance committee seeks to minimize risks related to our governance structure by implementing sound corporate governance principles and practices. Each of our committees reports to the full board of directors as appropriate on its efforts at risk oversight and on any matter that rises to the level of a material or enterprise level of risk.

### **Code of Conduct**

We have adopted a code of ethics relating to the conduct of our business by all of our employees, officers, and directors, as well as a code of conduct specifically for our principal executive officer and senior financial officers. We have also adopted a corporate communications policy for our employees and directors establishing guidelines for the disclosure of information related to our Company to the investing public, market analysts, brokers, dealers, investment advisors, the media, and any persons who are not our employees or directors. Additionally, we have adopted an insider trading policy to establish guidelines for our employees, officers, directors, and consultants regarding transactions in our securities and the disclosure of material nonpublic information related to our Company. Each of these policies is posted under *Overview* in the *Company Investors Corporate Governance* section of our website at [www.benefitfocus.com](http://www.benefitfocus.com).

### **Communications with the Board of Directors**

Stockholders who wish to communicate with members of our board of directors, including the independent directors individually or as a group, may send correspondence to them in care of our Corporate Secretary at our principal executive offices at 100 Benefitfocus Way, Charleston, South Carolina 29492. Such communication will be forwarded to the intended recipient(s). We currently do not intend to have our Corporate Secretary screen this correspondence, but we may change this policy if directed by the board due to the nature or volume of the correspondence.

**Table of Contents****DIRECTOR COMPENSATION**

In June 2014, our board of directors established a compensation program for our Company's independent directors not serving as a designee of an investor under our Second Amended and Restated Voting Agreement, or the Voting Agreement. Each such director will receive an annual retainer of \$150,000, payable at the director's election either 50% in cash and 50% in RSUs, or 100% in RSUs. We also will pay such directors the following cash fees for each quarter they chair one of the board committees: audit, \$6,250; compensation, \$2,500; and any other committee, \$1,875.

Our Company maintains stock ownership guidelines for directors. The guidelines require our Company's non-employee directors, not serving as a designee of an investor under the Voting Agreement, to own stock in our Company with a cash value of \$225,000 or 3,750 shares, whichever is less. Such director need not own the requisite number of shares until he or she has completed three years of service as a director of our Company. If the ownership requirement is not met after the director has completed three years of service as a director of our Company, then all payments made to him by our Company will be entirely in the form of RSUs until the required ownership level is reached. For purposes of calculating the number of shares held by a director, shares that are owned directly are counted along with (a) shares over which the director has investment or voting power, and (b) shares that may be acquired pursuant to vested, in-the-money options to acquire Company stock. Shares used to achieve the minimum director ownership requirement may not be pledged, used as security, or otherwise encumbered by a director.

The following table sets forth the total compensation paid to each of our non-employee directors in 2016.

Name	Fees Earned or Paid in		Stock Awards	Total
	Cash			
	(\$)	(\$)		(\$)
Douglas A. Dennerline	-	\$ 160,302 <sup>(1)</sup>		\$160,302
Joseph P. DiSabato	-	-		-
Ann H. Lamont	-	-		-
A. Lanham Napier	\$75,000	\$ 80,132 <sup>(2)</sup>		\$155,132
Francis J. Pelzer V	\$25,000	\$ 160,302 <sup>(1)(3)</sup>		\$185,302
Stephen M. Swad	\$10,000	\$ 160,302 <sup>(1)</sup>		\$170,302

- (1) On June 6, 2016, our board of directors approved grants of RSUs to each of Messrs. Dennerline, Pelzer, and Swad for 4,277 shares of our common stock with an aggregate grant date fair value for each director of \$160,302, computed in accordance with FASB ASC Topic 718. These grants of RSUs vest on the earlier of June 3, 2017 or the 2017 annual meeting of stockholders of our Company, subject to the director's continued service on our board.
- (2) On June 6, 2016, our board of directors approved a grant of RSUs to Mr. Napier for 2,138 shares of our common stock with an aggregate grant date fair value of \$80,132, computed in accordance with FASB ASC Topic 718. This grant of RSUs vests on the earlier of June 3, 2017 or the 2017 annual meeting of stockholders of our Company, subject to Mr. Napier's continued service on our board.
- (3) Mr. Pelzer also holds an option to purchase 50,000 shares of our common stock, granted to him in 2013 for service on our board. On December 31, 2016, 44,791 shares subject to this option were vested.

The compensation earned by Mr. Jenkins as an employee in 2016, 2015 and 2014 is included in Executive Compensation Summary Compensation Table. Mr. Holland is an executive officer (but not a named executive officer)

who serves as a director and did not receive additional compensation for service provided as a director in 2016, 2015 or 2014.

**Table of Contents****AUDIT COMMITTEE REPORT**

Our audit committee has (1) reviewed and discussed with management the audited financial statements for the year ended December 31, 2016, (2) discussed with Ernst & Young LLP, or EY, our independent registered public accounting firm, the matters required to be discussed by Auditing Standards No. 16, as adopted by the Public Company Accounting Oversight Board, and (3) received the written disclosures and the letter from EY concerning applicable requirements of the Public Company Accounting Oversight Board regarding EY's communications with the audit committee concerning independence, and has discussed with EY its independence. Based upon these discussions and reviews, the audit committee recommended to the board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which is filed with the SEC.

Our audit committee is currently composed of the following three directors: Messrs. Pelzer (Chair), Dennerline and Swad. All are independent directors as defined in Rule 5605(a)(2) of the NASDAQ Stock Market listing rules and Section 10A(m)(3) of the Exchange Act. The board of directors has determined that Mr. Pelzer is an audit committee financial expert as such term is defined in Item 407(D) of Regulation S-K promulgated by the SEC. Our audit committee operates under a written charter adopted by the board, a copy of which is available under *Overview* in the *Company Investors Corporate Governance* section of our website at [www.benefitfocus.com](http://www.benefitfocus.com).

EY has served as our independent registered public accounting firm since 2007 and audited our consolidated financial statements for the years ended December 31, 2006 through December 31, 2016.

**Summary of Fees**

The audit committee has adopted a policy for the pre-approval of all audit and permitted non-audit services that may be performed by our independent registered public accounting firm. Under this policy, each year, at the time it engages an independent registered public accounting firm, the audit committee pre-approves the engagement terms and fees and may also pre-approve detailed types of audit-related and permitted tax services, subject to certain dollar limits, to be performed during the year. All other permitted non-audit services are required to be pre-approved by the audit committee on an engagement-by-engagement basis.

The following table summarizes the aggregate fees billed for professional services rendered to us by EY in 2015 and 2016. A description of these various fees and services follows the table.

	<b>2015</b>	<b>2016</b>
Audit Fees	\$ 1,240,139	\$ 1,018,719
Audit-Related Fees		
Tax Fees		
All Other Fees		

**Audit Fees**

The aggregate fees billed to us by EY in connection with the annual audit of our financial statements, for the review of our financial statements included in our Quarterly Report on Form 10-Q and Annual Report on Form 10-K and for other services normally provided in connection with statutory and regulatory filings, were \$1,240,139 and \$1,018,719 for the years ended December 31, 2015 and 2016, respectively. The decrease in audit fees in 2016 relates primarily to the decrease in filings associated with Company transactions in 2016.

**Audit-Related Fees**

No aggregate audit-related fees were billed to us by EY for the years ended December 31, 2015 or 2016.

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**Tax Fees**

No tax fees were billed to us by EY for the years ended December 31, 2015 or 2016.

**All Other Fees**

No other fees were billed to us by EY for the years ended December 31, 2015 or 2016.

THE AUDIT COMMITTEE OF

THE BOARD OF DIRECTORS

Francis J. Pelzer V (Chair)

Douglas A. Dennerline

Stephen M. Swad

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of April 5, 2017 unless otherwise noted below for the following:

each person or entity known to own beneficially more than 5% of our outstanding common stock as of the date indicated in the corresponding footnote;

each of the named executive officers named in the Summary Compensation table;

each director; and

all current directors and executive officers as a group.

Applicable percentage ownership is based on 30,801,642 shares of our common stock outstanding as of April 5, 2017, unless otherwise noted below, together with applicable options for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC, based on factors including voting and investment power with respect to shares. Common stock subject to options currently exercisable, or exercisable within 60 days after April 5, 2017, and RSUs vesting within 60 days after April 5, 2017, are deemed outstanding for the purpose of computing the percentage ownership of the person holding those securities, but are not deemed outstanding for computing the percentage ownership of any other person. Unless otherwise indicated, the address for each listed stockholder is c/o Benefitfocus, Inc., 100 Benefitfocus Way, Charleston, South Carolina 29492.

<b>Name and Address of Beneficial Owner</b>	<b>Shares Beneficially Owned</b>	<b>Percentage Beneficially Owned</b>
Joseph P. DiSabato <sup>(1)</sup>	6,242,946	20.3%
Mason R. Holland, Jr. <sup>(2)</sup>	2,663,671	8.6%
Shawn A. Jenkins	2,637,994	8.6%
Ann H. Lamont <sup>(3)</sup>	630,378	2.0%
Francis J. Pelzer V <sup>(4)</sup>	65,636	*
Raymond A. August	64,624	*
Stephen M. Swad <sup>(5)</sup>	33,340	*
Douglas A. Dennerline <sup>(6)</sup>	18,096	*
A. Lanham Napier <sup>(7)</sup>	17,381	*
Jeffrey M. Laborde	0	*
Dennis B. Story	0	*
All directors and executive officers as a group (11 individuals)	12,377,996	40.1%
<b>5% or Greater Stockholders:</b>		
The Goldman Sachs Group, Inc. <sup>(1)</sup>	6,242,946	20.3%
BAMCO, Inc. <sup>(8)</sup>	4,251,416	13.8%



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Marsh & McLennan Companies, Inc. <sup>(9)</sup>	3,398,339	10.8%
FMR, LLC <sup>(10)</sup>	3,000,401	9.7%

\* Less than 1%.

- (1) Based solely on a Schedule 13D/A filed with the SEC on August 13, 2015 by The Goldman Sachs Group, Inc. Consists of (i) 801,341 shares of common stock held directly by GS Capital Partners VI Parallel, L.P., (ii) 2,423,887 shares of common stock held directly by GS Capital Partners VI Offshore Fund, L.P., (iii) 2,914,149 shares of common stock held directly by GS Capital Partners VI Fund, L.P., and (iv) 103,569 shares of common stock held directly by GS Capital Partners VI GmbH & CO. KG, collectively the Goldman Funds . Affiliates of Goldman, Sachs & Co. and The Goldman Sachs Group, Inc. are the general partner, managing general partner, managing partner, managing member or member of each of the Goldman Funds. Goldman, Sachs & Co. is a direct and indirect wholly owned subsidiary of The Goldman Sachs Group, Inc. Goldman, Sachs & Co. is the investment manager of the Goldman Funds. Mr. DiSabato is a managing director of Goldman, Sachs & Co. The address of the Goldman Funds and Mr. DiSabato is 200 West Street, New York, New York 10282.

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- (2) Includes 2,649,099 shares held by the Holland Family Trust, five shares held by Mr. Holland as custodian for his minor son. Mr. Holland and his wife share voting and investment control over the shares held by the Holland Family Trust.
- (3) Consists of 630,378 shares of common stock held directly by Oak Investment Partners XII, Limited Partnership. Ms. Lamont is a Managing Partner of Oak Investment Partners.
- (4) Includes 50,000 shares issuable upon the exercise of options exercisable on or before 60 days after April 5, 2017 and 4,277 shares held upon the vesting of RSUs within 60 days after April 5, 2017.
- (5) Consists of 24,726 shares held by the Stephen M Swad Revocable Living Trust and 8,614 shares held upon the vesting of RSUs within 60 days after April 5, 2017.
- (6) Includes 8,766 shares held upon the vesting of RSUs within 60 days after April 5, 2017.
- (7) Includes 6,627 shares held upon the vesting of RSUs within 60 days after April 5, 2017.
- (8) Based solely on a Schedule 13G/A filed with the SEC on February 16, 2016 by BAMCO, Inc. ( BAMCO ). Consists of 4,251,416 shares of common stock held by BAMCO. Baron Capital Management, Inc. ( BCM ) and BAMCO are subsidiaries of Baron Capital Group, Inc. ( BCG ). Baron Growth Fund ( BGF ) is an advisory client of BAMCO. Ronald Baron owns a controlling interest in BCG. The address of BAMCO, BCM, BCG, BGF and Mr. Baron is 767 Fifth Avenue, 49<sup>th</sup> Floor, New York, New York 10153.
- (9) Based solely on a Schedule 13G filed with the SEC on March 6, 2015 by Marsh & McLennan Companies, Inc. Consists of 3,398,339 shares of common stock held directly by Marsh & McLennan Companies, Inc. ( MMC ). MMC directly owns all of the outstanding shares of capital stock of Mercer Consulting Group, Inc. ( Mercer Consulting ). Mercer Consulting, in turn, directly owns all of the outstanding equity interests of Mercer LLC ( Mercer ), and Mercer directly owns the shares of the Company. Each of MMC, Mercer Consulting and Mercer may therefore be deemed to have shared voting and dispositive power over such shares. Includes a warrant for the purchase of up to 580,813 shares of common stock of the Company issued to Mercer by the Company. The address of Marsh & McLennan Companies, Inc. is 1166 Avenue of the Americas, New York, New York 10036.
- (10) Based solely on a Schedule 13G/A filed with the SEC on February 10, 2017 by FRM LLC ( FRM ). Consists of 3,000,401 shares of common stock held by FMR and certain of FMR 's subsidiaries. FMR is a parent holding company and its subsidiaries, Fiam LLC, Fidelity Management & Research (Hong Kong) Limited and FMR Co., Inc. beneficially own shares of the Company. Abigail P. Johnson is a Director, the Chairman and the Chief Executive Officer of FMR and the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR. The address of FMR is 245 Summer Street, Boston, Massachusetts 02210.



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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our executive officers, directors, and persons who beneficially own more than 10% of a registered class of our common stock or other equity securities to file with the SEC certain reports of ownership and reports of changes in ownership of our securities. Executive officers, directors and stockholders who hold more than 10% of our outstanding common stock are required by the SEC to furnish us with copies of all required forms filed under Section 16(a). Based solely on a review of this information and written representations from these persons that no other reports were required, we believe that, during the prior fiscal year all of our executive officers, directors, and to our knowledge, 10% stockholders complied with the filing requirements of Section 16(a) of the Exchange Act, except for Mr. Jenkins, who filed a Form 4 on January 14, 2016 to report an equity grant on January 11, 2016 and Mr. Restivo, who filed a Form 4 on April 5, 2017 to report an equity grant on April 1, 2016.

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**EXECUTIVE COMPENSATION**

The following discussion and analysis of compensation arrangements of our named executive officers for 2016 should be read together with the compensation tables and related disclosures on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we may adopt in the future might differ materially from currently planned programs summarized in this discussion.

The discussion below includes a review of our compensation decisions with respect to 2016 for our named executive officers, including our principal executive officer and our two other most highly compensated executive officers. Our named executive officers for 2016 were:

Shawn A. Jenkins, who serves as our Chief Executive Officer, or CEO, and is our principal executive officer;

Raymond A. August, who serves as our President and Chief Operating Officer;

Jeffrey M. Laborde, who will serve as our Chief Financial Officer through April 30, 2017; and

Dennis B. Story, who served as our Chief Financial Officer from July 1, 2016 to July 25, 2016 (SEC rules require us to include Mr. Story because of his equity grant in 2016, even though none of that vested).

**Key Elements of Our Compensation Program for 2016**

In 2016, we compensated our named executive officers through a combination of base salary, annual bonus payments, and long-term equity incentives in the form of RSUs. In the past, we have granted our executive officers options. Our executive officers are also eligible for our standard benefits programs, which include:

health, vision and dental insurance;

life insurance;

short- and long-term disability insurance;

health savings account contributions; and

a 401(k) plan with a defined matching of contributions.

We do not use specific formulas or weightings in determining the allocation of the various compensation elements. Instead, the compensation for each of our named executive officers has been designed to provide a combination of

fixed and at-risk compensation that is tied to the achievement of our short- and long-term objectives. We believe that this approach achieves the primary objectives of our compensation program.

### **Management Incentive Bonus Programs**

In June 2014, our stockholders approved the Benefitfocus, Inc. Management Incentive Bonus Program, which is designed to provide a long-term framework for performance-based bonus plans going forward, continue to reward high level executives of our Company based on their responsibilities and for their contributions to the successful achievement of certain corporate goals and objectives, and to share the success and risks of our Company based upon the achievement of business goals. This program also permits bonus awards to be structured to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended.

Our named executive officers and other members of our management team participate in our management incentive bonus programs. The foundation of grants made under these programs is the achievement by our Company of consolidated revenues. In 2016, the bonus earned pursuant to the bonus program then in place was a

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function of a percentage of bonus earned, or PBE (based on achieving annual revenue targets), multiplied by the target bonus amount, or TBA (the executive's annual base salary, multiplied by a designated bonus target percent, or BTP). Participants could elect to receive half of their TBA in PRSUs, a percentage of which would vest upon the achievement of annual revenue goals and non-GAAP net income (loss) goals during the period of January 1, 2016 to December 31, 2016. In 2016, Messrs. Jenkins and August made the PRSU election and were granted 9,385 and 7,671 PRSUs respectively, of which 8,835 and 7,222 vested. Messrs. Jenkins and August also earned cash bonuses in 2016 of \$278,154 and \$227,366, respectively, based on the annual revenue target achieved, and BTPs of 100% each. Mr. Laborde, who did not make the PRSU election, earned a cash bonus of \$112,977, based on the an