

CIGNA CORP  
Form 424B3  
September 05, 2017  
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Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-219729

**The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Subject to completion, dated September 5, 2017**

**Preliminary Prospectus Supplement**

**(To Prospectus dated August 4, 2017)**

**Cigna Corporation**

**\$ % Senior Notes due 2027**

**\$ % Senior Notes due 2047**

We are offering \$ of our % Senior Notes due 2027 (the 10-Year Notes ) and \$ of our % Senior Notes due 2047 (the 30-Year Notes and, together with the 10-Year Notes, the Notes ).

The 10-Year Notes will bear interest at the rate of % per year. Interest on the 10-Year Notes is payable on and of each year, beginning , 2018. The 10-Year Notes will mature on , 2027.

The 30-Year Notes will bear interest at the rate of % per year. Interest on the 30-Year Notes is payable on and of each year, beginning , 2018. The 30-Year Notes will mature on , 2047.

We may redeem the Notes, in whole or in part, as described under the caption Description of the Notes Optional Redemption in this prospectus supplement. If a change of control triggering event as described in this prospectus supplement under the caption Description of the Notes Change of Control Offer occurs with respect to the 10-Year Notes or the 30-Year Notes, we will be required to offer to repurchase all of the 10-Year Notes or the 30-Year Notes, as applicable, at a repurchase price equal to 101% of the principal amount of such Notes, plus any accrued and unpaid interest to the date of repurchase.

The Notes will be our senior unsecured and unsubordinated obligations and will rank equally with all of our existing and future senior unsecured and unsubordinated indebtedness and senior to all of our future subordinated indebtedness. The Notes will effectively rank junior to any of our existing and future secured indebtedness to the extent of the assets securing that indebtedness, and will be structurally subordinated to any indebtedness and other liabilities of our subsidiaries.

Concurrently with this offering, we launched a cash tender offer (the Cash Tender Offer) for up to \$1,000,000,000 of our 8.300% Notes due 2023, 7.650% Notes due 2023, 7.875% Debentures due 2027, 8.300% Step Down Notes due 2033, 6.150% Notes due 2036, 5.875% Notes due 2041 and 5.375% Notes due 2042 (collectively, the Existing Notes) validly tendered and accepted by us. We intend to use the net proceeds from this offering and/or cash on hand to pay the consideration for the Cash Tender Offer plus accrued and unpaid interest and related expenses. The Cash Tender Offer is not being made pursuant to this prospectus supplement or the accompanying prospectus. We intend to use the remaining proceeds not applied in the Cash Tender Offer, if any, for general corporate purposes. The closing of the Cash Tender Offer is contingent upon the closing of this offering, but the closing of this offering is not conditioned upon consummation of the Cash Tender Offer.

The Notes will not be listed on any securities exchange. Currently, there is no public market for the Notes.

**Investing in the Notes involves certain risks. See Special Note Regarding Forward-Looking Statements and Risk Factors beginning on page S-ii of this prospectus supplement and the other documents incorporated by reference in this prospectus supplement and the accompanying prospectus.**

	10-Year		30-Year	
	Per 10-Year	Notes	Per 30-Year	Notes
	Note	Total	Note	Total
Public offering price <sup>(1)</sup>	%	\$	%	\$
Underwriting discount	%	\$	%	\$
Proceeds, before expenses, to Cigna Corporation <sup>(1)</sup>	%	\$	%	\$

<sup>(1)</sup> Plus accrued interest, if any, from \_\_\_\_\_, 2017 to the date of delivery.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the Notes in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, S.A. and Euroclear Bank S.A./N.V., as operator of the Euroclear System, against payment in New York, New York on or about \_\_\_\_\_, 2017, which is the seventh business day following the date of the pricing of the Notes (such settlement cycle being referred to as T+7). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or in the next four succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+7, to specify alternative settlement arrangements to prevent a failed settlement. Such purchasers should consult their own advisors.

*Joint Book-Running Managers*

**J.P. Morgan**

**BofA Merrill Lynch**

**Citigroup**

**Wells Fargo Securities**

, 2017

**Morgan Stanley**

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Neither we nor the underwriters have authorized any other person to provide you with different or additional information other than that contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus and in any related free writing prospectus filed by the Company with the Securities and Exchange Commission (the "SEC"). We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may provide. This prospectus supplement and the accompanying prospectus may only be used where it is legal to sell these securities. The information in this prospectus supplement and the accompanying prospectus may only be accurate as of the date of this prospectus supplement, the accompanying prospectus or the information incorporated by reference herein or therein, and the information in any free writing prospectus may only be accurate as of the date of such free writing prospectus. Our business, financial condition, results of operations and/or prospects may have changed since those dates.

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Unless otherwise mentioned or unless the context requires otherwise (including when describing the terms of the Notes), when used in this prospectus supplement and accompanying prospectus, the terms Cigna, Company, we, our, and us refer to Cigna Corporation and its consolidated subsidiaries. The term underwriters refers to the financial institutions named in the Underwriting section of this prospectus supplement.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTORS**

This prospectus supplement and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on Cigna's current expectations and projections about future trends, events and uncertainties. These statements are not historical facts. Forward-looking statements may include, among others, statements concerning future financial or operating performance, including our ability to deliver personalized and innovative solutions for our customers and clients; future growth, business strategy, strategic or operational initiatives; economic, regulatory or competitive environments, particularly with respect to the pace and extent of change in these areas; financing or capital deployment plans and amounts available for future deployment; our prospects for growth in the coming years; and other statements regarding Cigna's future beliefs, expectations, plans, intentions, financial condition or performance. You may identify forward-looking statements by the use of words such as believe, expect, plan, intend, anticipate, estimate, predict, potential, may, should, expressions of similar meaning, although not all forward-looking statements contain such terms.

Forward-looking statements are subject to risks and uncertainties, both known and unknown, that could cause actual results to differ materially from those expressed or implied in forward-looking statements. Such risks and uncertainties include, but are not limited to: our ability to achieve our financial, strategic and operational plans or initiatives; our ability to predict and manage medical costs and price effectively and develop and maintain good relationships with physicians, hospitals and other health care providers; the impact of modifications to our operations and processes, including those in our disability business; our ability to identify potential strategic acquisitions or transactions and realize the expected benefits of such transactions; the substantial level of government regulation over our business and the potential effects of new laws or regulations or changes in existing laws or regulations; the outcome of litigation, regulatory audits, investigations, actions and/or guaranty fund assessments; uncertainties surrounding participation in government-sponsored programs such as Medicare; the effectiveness and security of our information technology and other business systems; unfavorable industry, economic or political conditions including foreign currency movements; acts of war, terrorism, natural disasters or pandemics; and uncertainty as to the outcome of the litigation between Cigna and Anthem, Inc. with respect to the termination of the merger agreement, the reverse termination fee and/or contract and non-contract damages for claims each party has filed against the other, including the risk that a court finds that Cigna has not complied with its obligations under the merger agreement, is not entitled to receive the reverse termination fee or is liable for breach of the merger agreement.

This list of important factors is not intended to be exhaustive. The discussions in our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2017 and June 30, 2017, including the Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations sections therein, as such discussions may be updated from time to time in our periodic filings with the Securities and Exchange Commission (SEC) incorporated by reference in this prospectus supplement and the accompanying prospectus, include both expanded discussion of these factors and additional risk factors and uncertainties that could affect the matters discussed in the forward-looking statements. Cigna does not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should not place undue reliance on forward-looking statements because such statements speak only as of the date they are made, are not guarantees of future performance or results, and are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Cigna undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by law.

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**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act ). You may read and copy all or any portion of this information at the SEC's principal office in Washington, D.C., and copies of all or any part thereof may be obtained from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549 after payment of fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room.

The SEC also maintains a website that contains reports, proxy statements and other information about issuers, like Cigna, who file electronically with the SEC. The address of that site is *www.sec.gov*.

Our website address is *www.cigna.com*. Information on, or accessible through, our website is expressly not incorporated by reference into, and does not constitute a part of, this prospectus supplement or any accompanying prospectus, except for the SEC filings posted thereon that are referenced below.

**INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

This prospectus supplement and the accompanying prospectus are part of the registration statement and do not contain all of the information included in the registration statement. Whenever a reference is made in this prospectus supplement or the accompanying prospectus to any contract or other document of Cigna, the reference may not be complete and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or document.

The SEC allows us to incorporate by reference information we file with the SEC into this prospectus supplement and the accompanying prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference in this prospectus supplement or the accompanying prospectus is an important part of such document and information that we will file later with the SEC will automatically update and supersede this information.

This prospectus supplement incorporates by reference the documents set forth below that Cigna has previously filed with the SEC and that are not delivered with this prospectus supplement. These documents contain important information about Cigna and its financial condition. Since information that we file with the SEC in the future will update and supersede previously incorporated information, you should look at all of the SEC filings that we incorporate by reference to determine if any of the statements in this prospectus supplement or the accompanying prospectus or in any documents previously incorporated by reference have been modified or superseded.

**SEC Filings (File No. 1-8323)**

Annual Report on Form 10-K  
 Quarterly Reports on Form 10-Q  
 Annual Proxy Statement  
 Current Reports on Form 8-K

**Period**

For the year ended December 31, 2016  
 For the quarterly periods ended March 31, 2017 and June 30, 2017  
 Filed on March 17, 2017  
 Filed on January 19, 2017, February 1, 2017, February 9, 2017, February 14, 2017 (as to Item 1.02 only), February 16, 2017, February 23, 2017 (as to Item 5.02 only), February 24, 2017, March 24, 2017, April 28, 2017, May 1, 2017, as amended by Form 8-K/A filed July 31, 2017, May 12, 2017 (Item 8.01), May 12, 2017 (as to Item 1.02

only), June 16, 2017, June 19, 2017 and July 31, 2017

We also incorporate by reference into this prospectus supplement and the accompanying prospectus all documents filed by us under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date of such

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document until the offering of the particular securities covered by this prospectus supplement has been terminated or completed, other than any portion of the respective filings that are furnished, rather than filed, under the applicable SEC rules. This additional information is a part of this prospectus supplement and the accompanying prospectus from the date of filing of those documents.

To obtain a copy of these filings at no cost, you may write or telephone us at the following address:

Cigna Corporation

Two Liberty Place

1601 Chestnut Street

Philadelphia, Pennsylvania 19192-1550

Attention: Investor Relations

(215) 761-1000

Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference into such document.

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**SUMMARY**

*This summary highlights selected information about Cigna and this offering. It does not contain all of the information that may be important to you in deciding whether to purchase the Notes. We encourage you to read the entire prospectus supplement, the accompanying prospectus and the documents that we have filed with the SEC that are incorporated by reference herein prior to deciding whether to purchase the Notes.*

**Cigna Corporation**

Cigna Corporation, together with its subsidiaries, is a global health services organization dedicated to a mission of helping individuals improve their health, well-being and sense of security. Cigna's strategy, which we execute through a differentiated set of medical, dental, disability, life and accident insurance and related products and services offered by our subsidiaries, is to:

***Go Deeper*** by expanding and deepening our customer, client and partner relationships as well as deepening our relationships in targeted sub-segments and geographies;

***Go Local*** by ensuring our products, solutions and services are both personalized and highly localized for the benefit of our customers, clients and partners; and

***Go Beyond*** by innovating and further differentiating our businesses, the experiences we deliver, and overall social impact.

In an increasingly retail-oriented marketplace, we focus on delivering affordable and personalized products and services to customers through employer-based, government sponsored and individual coverage arrangements. We increasingly collaborate with health care providers to continue the transition from volume-based fee for service arrangements toward a more value-based system designed to increase quality of care, lower costs and improve health outcomes. We operate a customer-centric organization enabled by keen insights regarding customer needs, localized decision-making and talented professionals committed to bringing our "Together All the Way" brand promise to life.

Cigna's principal executive offices are located at 900 Cottage Grove Road, Bloomfield, CT 06002. Our telephone number is (860) 226-6000. Cigna was incorporated in the State of Delaware in 1981.

For additional information concerning Cigna, please see our most recent Annual Report on Form 10-K and our other filings with the SEC. See "Where You Can Find More Information."

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*The terms of the Notes are summarized below solely for your convenience. This summary is not a complete description of the Notes. You should read the full text and more specific details contained elsewhere in this prospectus supplement and the accompanying prospectus. For a more detailed description of the Notes, see the discussion under the caption Description of the Notes beginning on page S-6 of this prospectus supplement.*

<b>Issuer</b>	Cigna Corporation.
<b>Securities Offered</b>	\$ aggregate principal amount of % senior notes due 2027 and \$ aggregate principal amount of % senior notes due 2047.
<b>Maturity</b>	The 10-Year Notes will mature on , 2027 and the 30-Year Notes will mature on , 2047.
<b>Interest Payment Dates</b>	Interest on the 10-Year Notes will accrue from , 2017 and will be payable on and of each year, beginning , 2018. Interest on the 30-Year Notes will accrue from , 2017 and will be payable on and of each year, beginning , 2018.
<b>Optional Redemption</b>	At any time prior to , 2027 (three months prior to the maturity date of the 10-Year Notes) or , 2047 (six months prior to the maturity date of the 30-Year Notes), we may redeem the 10-Year Notes or the 30-Year Notes, respectively, in whole or in part, at the redemption price described in this prospectus supplement. At any time on or after , 2027 (three months prior to the maturity date of the 10-Year Notes) or , 2047 (six months prior to the maturity date of the 30-Year Notes), we may redeem the 10-Year Notes or the 30-Year Notes, respectively, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes being redeemed, plus any interest accrued but not paid to but excluding the date of redemption.
<b>Ranking</b>	The Notes will be our senior unsecured and unsubordinated obligations and will rank equally with all of our existing and future senior unsecured and unsubordinated indebtedness and senior to all of our future subordinated indebtedness. The Notes will effectively rank junior to any of our existing and future secured indebtedness to the extent of the assets securing that indebtedness, and will be structurally subordinated to any indebtedness and other liabilities of our subsidiaries. See Description of the Notes Ranking.
<b>Use of Proceeds</b>	We estimate that the net proceeds from the issuance and sale of the Notes will be approximately \$ million, after deducting underwriting discounts and estimated offering expenses. We intend to use the net proceeds from this offering and/or cash on hand to pay the consideration for the Cash Tender Offer, accrued and unpaid interest and related expenses. We intend to use the remaining proceeds, if any, for general corporate purposes. The closing of the Cash Tender Offer is contingent upon the closing of this offering, but the closing of this offering is not conditioned upon consummation of the Cash Tender Offer. See Use of Proceeds and Capitalization.

**Change of Control Redemption at  
the Option of the Holders**

A Change of Control Triggering Event will be deemed to occur if both a Change of Control and a Below Investment Grade Rating Event (each as

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defined under **Description of the Notes Change of Control Offer** ) occur with respect to the 10-Year Notes or the 30-Year Notes, in which case, unless we have exercised our right to redeem the 10-Year Notes or the 30-Year Notes, as applicable, as described under **Description of the Notes Optional Redemption**, we will be required to make an offer to repurchase all of the 10-Year Notes or the 30-Year Notes, as applicable, at a price equal to 101% of the principal amount of the 10-Year Notes or the 30-Year Notes, as applicable, plus any accrued and unpaid interest to the date of repurchase. See **Description of the Notes Change of Control Offer**.

**Covenants**

The Senior Indenture (as defined herein) for the Notes contains limitations on liens on common stock of our Designated Subsidiaries (as defined in the Senior Indenture) and limits our ability to consolidate with or merge with or into any other person (other than in a merger or consolidation in which we are the surviving person) or sell our property or assets as, or substantially as, an entirety to any person. These covenants are subject to important qualifications and limitations. See **Description of Debt Securities Limitations on Liens on Common Stock of Designated Subsidiaries and Consolidation, Merger and Sale of Assets** in the accompanying prospectus.

**Minimum Denominations**

The Notes will be issued and may be transferred only in minimum denominations of \$2,000 and multiples of \$1,000 in excess thereof.

**Risk Factors**

For a discussion of factors you should carefully consider before deciding to purchase the Notes, see **Special Note Regarding Forward-Looking Statements and Risk Factors** beginning on page S-ii of this prospectus supplement and the **Risk Factors** discussed in our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2017 and June 30, 2017, incorporated by reference in this prospectus supplement and the accompanying prospectus.

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The following table sets forth our selected consolidated financial data for the six-month periods ended June 30, 2017 and 2016 and the years ended December 31, 2016, 2015, 2014, 2013 and 2012.

The following information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 and our Annual Report on Form 10-K for the year ended December 31, 2016, each filed with the SEC and incorporated by reference in this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information in this prospectus supplement.

	Six-Months Ended June 30,		Year Ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
(in millions)							
<b>Income Statement Data:</b>							
<b>Revenues:</b>							
Premiums and fees and other revenues	\$ 18,528	\$ 17,798	\$ 35,386	\$ 34,130	\$ 31,355	\$ 29,176	\$ 26,308
Net investment income	611	566	1,147	1,153	1,166	1,164	1,144
Mail order pharmacy revenues	1,467	1,445	2,966	2,536	2,239	1,827	1,623
Realized investment gains	97	35	169	57	154	213	44
<b>Total Revenues</b>	<b>20,703</b>	<b>19,844</b>	<b>39,668</b>	<b>37,876</b>	<b>34,914</b>	<b>32,380</b>	<b>29,119</b>
<b>Benefits and Expenses:</b>							
Global Health Care medical costs	9,909	9,538	19,009	18,354	16,694	15,867	14,228
Other benefit expenses	2,702	2,782	5,477	4,936	4,640	4,998	3,672
Mail order pharmacy costs	1,207	1,204	2,468	2,134	1,907	1,509	1,328
Other operating expenses and amortization of other acquired intangible assets, net	4,861	4,688	9,735	9,125	8,369	7,830	7,414
<b>Total Benefits and Expenses</b>	<b>18,679</b>	<b>18,212</b>	<b>36,689</b>	<b>34,549</b>	<b>31,610</b>	<b>30,204</b>	<b>26,642</b>
Income before Income Taxes	2,024	1,632	2,979	3,327	3,304	2,176	2,477
<b>Income taxes:</b>							
Current	590	632	1,062	1,229	1,232	501	719
Deferred	31	(17)	74	21	(22)	197	134
<b>Total Taxes</b>	<b>621</b>	<b>615</b>	<b>1,136</b>	<b>1,250</b>	<b>1,210</b>	<b>698</b>	<b>853</b>



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Net income	1,403	1,017	1,843	2,077	2,094	1,478	1,624
Less: Income (loss) attributable to noncontrolling interests	(8)	(12)	(24)	(17)	(8)	2	1

<b>Shareholders net income</b>	<b>\$ 1,411</b>	<b>\$ 1,029</b>	<b>\$ 1,867</b>	<b>\$ 2,094</b>	<b>\$ 2,102</b>	<b>\$ 1,476</b>	<b>\$ 1,623</b>
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**Balance Sheet Data (as of Period End):**

Total assets	\$ 61,738	\$ 59,506	\$ 59,360	\$ 57,088	\$ 55,870	\$ 54,306	\$ 53,700
Long-term debt	\$ 4,622	\$ 4,789	\$ 4,756	\$ 5,020	\$ 4,979	\$ 4,984	\$ 4,952
Shareholders equity	\$ 14,546	\$ 13,356	\$ 13,723	\$ 12,035	\$ 10,774	\$ 10,567	\$ 9,769

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Our net proceeds from this offering are estimated to be approximately \$ \_\_\_\_\_ million, after deducting underwriting discounts and estimated offering expenses.

We intend to use the net proceeds from this offering and/or cash on hand to pay the consideration for the Cash Tender Offer, accrued and unpaid interest and related expenses. We intend to use the remaining proceeds, if any, for general corporate purposes. The closing of the Cash Tender Offer is contingent upon the closing of this offering, but the closing of this offering is not conditioned upon consummation of the Cash Tender Offer. See Capitalization.

Pending such use, the proceeds may be invested temporarily in short-term, interest-bearing, investment-grade securities or similar assets.

**CAPITALIZATION**

The following table shows our capitalization on a consolidated basis as of June 30, 2017 (i) on an actual basis and (ii) on an as-adjusted basis after giving effect to (a) the sale of \$ \_\_\_\_\_ aggregate principal amount of Notes offered pursuant to this prospectus supplement and (b) the consummation of the Cash Tender Offer (assuming \$1,000,000,000 principal amount of Existing Notes are validly tendered and accepted for purchase therein). See Use of Proceeds in this prospectus supplement. You should read this table in conjunction with our consolidated financial statements and the related notes as of and for the six-month period ended June 30, 2017, which are included in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017, filed with the SEC and incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of June 30, 2017	
	Actual	As Adjusted
	(in millions)	
<b>Short-term debt</b>	\$ 141	\$
<b>Long-term debt</b>	4,622	
<b>Total debt</b>	4,763	
<b>Shareholders' equity:</b>		
Common stock (\$0.25 par value)	74	74
Additional paid-in capital	2,922	2,922
Accumulated other comprehensive (loss)	(1,146)	(1,146)
Retained earnings	15,102	15,102 <sup>(1)</sup>
Treasury stock, at cost	(2,406)	(2,406)
<b>Total shareholders' equity</b>	14,546	14,546
<b>Total capitalization</b>	\$ 19,309	\$

<sup>(1)</sup> Does not give effect to costs associated with the Cash Tender Offer of Existing Notes.



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**DESCRIPTION OF THE NOTES**

The Notes offered by this prospectus supplement are senior debt securities as described in the accompanying prospectus. This description supplements the description of the general terms and provisions of the debt securities found in the accompanying prospectus.

Capitalized terms used and not otherwise defined below or elsewhere in this prospectus supplement or the accompanying prospectus are used with the respective meanings given thereto in the Senior Indenture, dated as of August 16, 2006, between Cigna Corporation and U.S. Bank National Association (the Trustee), as amended and supplemented as of the closing date of this offering between Cigna Corporation and the Trustee (collectively, the Senior Indenture). In this Description of the Notes section, when we refer to Cigna, we, our, or us, we refer to Corporation not including its consolidated subsidiaries.

The Senior Indenture does not restrict our ability to incur additional indebtedness, other than certain indebtedness secured by liens on common stock of our Designated Subsidiaries. The Senior Indenture contains negative covenants that apply to us; however, the limitation on liens and the limitation on consolidation, merger and sale of assets contain important exceptions. See Description of Debt Securities Limitations on Liens on Common Stock of Designated Subsidiaries and Consolidation, Merger and Sale of Assets in the accompanying prospectus.

**General**

The 10-Year Notes initially will be limited to \$ aggregate principal amount. The 30-Year Notes initially will be limited to \$ aggregate principal amount.

The 10-Year Notes and the 30-Year Notes constitute separate series under the Senior Indenture. We may, without the consent of the holders of the other series of Notes, issue additional Notes of any series in the future, on the same terms and conditions (except that their issue price may, and their issue date will, vary) and with the same CUSIP number as the Notes of such series being offered by this prospectus supplement; *provided, however*, that no such additional Notes may be issued under the Senior Indenture unless fungible for U.S. federal income tax purposes with the Notes of such series offered hereby. Any such additional Notes will be treated as a single series of debt securities with the associated series of Notes offered hereby for all purposes under the Senior Indenture.

We will issue the Notes only in fully registered form, without coupons, in denominations of \$2,000 and multiples of \$1,000 in excess thereof.

**Interest; Maturity; No Sinking Fund**

The 10-Year Notes will mature on , 2027, and will bear interest at a rate of % per year. Interest on the 10-Year Notes will accrue from , 2017, or from the most recent interest payment date to which interest has been paid or duly provided for. Interest on the 10-Year Notes is payable semi-annually in arrears on and of each year, beginning , 2018.

The 30-Year Notes will mature on , 2047, and will bear interest at a rate of % per year. Interest on the 30-Year Notes will accrue from , 2017, or from the most recent interest payment date to which interest has been paid or duly provided for. Interest on the 30-Year Notes is payable semi-annually in arrears on and of each year, beginning , 2018.

The Notes are not subject to any sinking fund provision.



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In each case, we:

will pay interest to the person in whose name a Note is registered at the close of business on the fifteenth calendar day prior to the relevant interest payment date;

will compute interest on the basis of a 360-day year consisting of twelve 30-day months;

will make payments on the Notes held in certificated form at the designated office of the Trustee; and

may make payments by wire transfer for Notes held in book-entry form or by check mailed to the address of the person entitled to the payment as it appears in the note register.

If any interest payment date or maturity or redemption date falls on a day that is not a business day, the required payment shall be made on the next business day as if it were made on the date such payment was due, and no interest shall accrue on the amount so payable from and after such interest payment date or maturity or redemption date, as the case may be, to such next business day. Business day means any day other than a Saturday, Sunday or other day on which banking institutions in The City of New York are authorized or obligated by law or executive order to be closed.

## **Ranking**

The Notes will be our senior unsecured and unsubordinated obligations and will rank equally with all of our existing and future senior unsecured and unsubordinated indebtedness and senior to all of our future subordinated indebtedness. The Notes will effectively rank junior to any of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, and will be structurally subordinated to any indebtedness and other liabilities of our subsidiaries.

Because a significant part of our operations are conducted through subsidiaries, a significant portion of our cash flow, and consequently, our ability to service debt, including the Notes, is dependent upon the earnings of our subsidiaries and the transfer of funds by those subsidiaries to us in the form of dividends or other transfers.

In addition, holders of the Notes will have a junior position to claims of creditors against our subsidiaries, including policyholders, trade creditors, debtholders, secured creditors, taxing authorities, guarantee holders and any preferred shareholders, except to the extent that we are recognized as a creditor of our subsidiary. Any claims of the Company as the creditor of its subsidiary would be subordinate to any security interest in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by us.

In addition to general state law restrictions on payments of dividends and other distributions to shareholders applicable to all corporations, HMOs and insurance companies, including some of Cigna's indirect subsidiaries, are subject to further state regulations that, among other things, may require those companies to maintain certain levels of equity, and restrict the amount of dividends and other distributions that may be paid to the Company.



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**Optional Redemption**

At any time prior to \_\_\_\_\_, 2027 (three months prior to the maturity date of the 10-Year Notes) or \_\_\_\_\_, 2047 (six months prior to the maturity date of the 30-Year Notes), we may redeem the 10-Year Notes or the 30-Year Notes, respectively, in whole or in part, at a redemption price equal to the greater of:

100% of the principal amount of the 10-Year Notes or the 30-Year Notes to be redeemed, and

the sum of the present values of the remaining scheduled payments of principal and interest (excluding interest accrued to the redemption date) on the 10-Year Notes or the 30-Year Notes to be redeemed from the redemption date to the maturity date discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus basis \_\_\_\_\_ points in the case of the 10-Year Notes and plus \_\_\_\_\_ basis points in the case of the 30-Year Notes, plus accrued and unpaid interest, if any, on the principal amount of the Notes being redeemed to but excluding the redemption date.

At any time on or after \_\_\_\_\_, 2027 (three months prior to the maturity date of the 10-Year Notes) or \_\_\_\_\_, 2047 (six months prior to the maturity date of the 30-Year Notes), we may redeem the 10-Year Notes or the 30-Year Notes, respectively, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes being redeemed, plus any interest accrued but not paid to but excluding the date of redemption.

For purposes of these Optional Redemption provisions, the following definitions are applicable:

*Comparable Treasury Issue* means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the 10-Year Notes or the 30-Year Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the 10-Year Notes or the 30-Year Notes to be redeemed.

*Comparable Treasury Price* means, with respect to any redemption date for any 10-Year Notes or any 30-Year Notes, the average of all Reference Treasury Dealer Quotations obtained by us.

*Independent Investment Banker* means one of the Reference Treasury Dealers appointed by us from time to time.

*Reference Treasury Dealer* means each of J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc. and their successors. If any Reference Treasury Dealer ceases to be a primary U.S. government securities dealer in the United States (a *Primary Treasury Dealer*), we will substitute another Primary Treasury Dealer for that dealer.

*Reference Treasury Dealer Quotations* means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.



*Treasury Rate* means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15 or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities

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adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the maturity date for the 10-Year Notes or the 30-Year Notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate shall be interpolated or extrapolated from those yields on a straight line basis, rounding to the nearest month), or (2) if the release referred to in clause (1) (or any successor release) is not published during the week preceding the calculation date or does not contain the yields referred to above, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

The Treasury Rate will be calculated on the third business day preceding the redemption date.

Notice of any redemption will be mailed or otherwise delivered in accordance with the applicable procedures of DTC (as defined below) at least 15 days but not more than 60 days before the redemption date to each holder of the 10-Year Notes or the 30-Year Notes to be redeemed.

Unless we default in payment of the redemption price, interest will cease to accrue on the 10-Year Notes or the 30-Year Notes or portion of the 10-Year Notes or the 30-Year Notes called for redemption on and after the redemption date.

We may at any time and from time to time purchase Notes in the open market, by tender offer, through privately negotiated transactions or otherwise.

**Change of Control Offer**

If a Change of Control Triggering Event (as defined below) occurs with respect to the 10-Year Notes or the 30-Year Notes, unless we have exercised our right to redeem the 10-Year Notes or the 30-Year Notes, as applicable, in full, as described under Optional Redemption above, we will make an offer to each holder (the Change of Control Offer ) to repurchase any and all of such holder's 10-Year Notes or 30-Year Notes, as applicable, at a repurchase price in cash equal to 101% of the aggregate principal amount of the 10-Year Notes or the 30-Year Notes, as applicable, repurchased, plus any accrued and unpaid interest thereon to the date of repurchase (the Change of Control Payment ).

Within 30 days following any Change of Control Triggering Event, we will be required to mail a notice to holders of 10-Year Notes or 30-Year Notes, as applicable, describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the 10-Year Notes or the 30-Year Notes, as applicable, on the date specified in the notice, which date will be no less than 30 days and no more than 60 days from the date such notice is mailed (the Change of Control Payment Date ), pursuant to the procedures required by the 10-Year Notes or the 30-Year Notes, as applicable, and described in such notice.

We must comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the 10-Year Notes or the 30-Year Notes, as applicable, as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control repurchase provisions of the 10-Year Notes or the 30-Year Notes, as applicable, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control repurchase provisions of the 10-Year Notes or the 30-Year Notes, as applicable, by virtue of such conflicts. We will not be required to offer to repurchase the 10-Year Notes or the 30-Year Notes, as applicable, upon the occurrence of a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in

compliance with the requirements for an offer made by us and the third party repurchases on the applicable date all 10-Year Notes or 30-Year Notes, as applicable, properly tendered and not withdrawn under its offer; *provided* that for all purposes of the 10-Year Notes or 30-Year Notes and the

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Senior Indenture, a failure by such third party to comply with the requirements of such offer and to complete such offer shall be treated as a failure by us to comply with our obligations to offer to purchase the 10-Year Notes or the 30-Year Notes, as applicable, unless we promptly make an offer to repurchase the 10-Year Notes or the 30-Year Notes, as applicable, at 101% of the principal amount thereof plus accrued and unpaid interest, if any, thereon, to the date of repurchase, which shall be no later than 30 days after the third party's scheduled Change of Control Payment Date.

On the Change of Control Payment Date, we will, to the extent lawful:

accept or cause a third party to accept for payment all 10-Year Notes or 30-Year Notes, as applicable, properly tendered pursuant to the Change of Control Offer;

deposit or cause a third party to deposit with the paying agent an amount equal to the Change of Control Payment in respect of all 10-Year Notes or 30-Year Notes, as applicable, properly tendered; and

deliver or cause to be delivered to the Trustee the 10-Year Notes or the 30-Year Notes, as applicable, properly accepted, together with an officer's certificate stating the principal amount of the 10-Year Notes or the 30-Year Notes, as applicable, being purchased.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the properties or assets of Cigna and its subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise, established definition of the phrase under applicable law. Accordingly, the applicability of the requirement that we offer to repurchase the 10-Year Notes or the 30-Year Notes, as applicable, as a result of a sale, transfer, conveyance or other disposition of less than all of the assets of Cigna and its subsidiaries taken as a whole to any person (as that term is used in Section 13(d)(3) of the Exchange Act) may be uncertain.

For purposes of the foregoing discussion of the applicable Change of Control provisions, the following definitions are applicable:

*Below Investment Grade Rating Event* with respect to the 10-Year Notes or the 30-Year Notes, as applicable, means such Notes are rated below all Investment Grade Ratings by at least two of the three Rating Agencies on any date from the earlier of (1) the occurrence of a Change of Control and (2) public notice of our intention to effect a Change of Control, in each case until the end of the 60-day period following public notice of the occurrence of the Change of Control; *provided, however*, that if (a) during such 60-day period, one or more Rating Agencies has publicly announced that it is considering the possible downgrade of the 10-Year Notes or the 30-Year Notes, as applicable, and (b) a downgrade by each of the Rating Agencies that has made such an announcement would result in a Below Investment Grade Rating Event, then such 60-day period shall be extended for such time as the rating of the 10-Year Notes or the 30-Year Notes, as applicable, by any such Rating Agency remains under publicly announced consideration for possible downgrade to a rating below an Investment Grade Rating and a downgrade by such Rating Agency to a rating below an Investment Grade Rating could cause a Below Investment Grade Rating Event. Notwithstanding the foregoing, a rating event otherwise arising by virtue of a particular reduction in rating will not be deemed to have occurred in respect of a particular Change of Control (and thus will not be deemed a rating event for purposes of the definition of Change of Control Triggering Event) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in

writing at our or the Trustee's request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control has occurred at the time of the rating event).

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*Change of Control* means the occurrence of any of the following:

- (1) direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of Cigna and its subsidiaries taken as a whole to any person (as that term is used in Section 13(d)(3) of the Exchange Act) other than to Cigna or one of its subsidiaries; or
- (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person (as that term is used in Section 13(d)(3) of the Exchange Act) other than Cigna or one of its subsidiaries becomes the beneficial owner, directly or indirectly, of more than 50% of the then outstanding number of shares of Cigna's voting stock;

*provided, however*, that a transaction will not be deemed to involve a Change of Control if (A) we become a wholly owned subsidiary of a holding company and (B)(x) the holders of the voting stock of such holding company immediately following that transaction are substantially the same as the holders of Cigna's voting stock immediately prior to that transaction or (y) immediately following that transaction no Person is the beneficial owner, directly or indirectly, of more than 50% of the voting stock of such holding company. For purposes of this definition, voting stock means capital stock of any class or kind the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of Cigna, even if the right to vote has been suspended by the happening of such a contingency.

*Change of Control Triggering Event* means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

*Fitch* means Fitch Ratings Inc. and any successor to its rating agency business.

*Investment Grade Rating* means a rating by Moody's equal to or higher than Baa3 (or the equivalent under a successor rating category of Moody's), a rating by S&P equal to or higher than BBB (or the equivalent under any successor rating category of S&P), a rating by Fitch equal to or higher than BBB (or the equivalent under any successor rating category of Fitch), and the equivalent investment grade credit rating from any replacement rating agency or rating agencies selected by us under the circumstances permitting us to select a replacement agency and in the manner for selecting a replacement agency, in each case as set forth in the definition of Rating Agencies.

*Moody's* means Moody's Investors Service, Inc. and any successor to its rating agency business.

*Rating Agencies* means (1) Moody's, S&P and Fitch; and (2) if any or all of Moody's, S&P or Fitch ceases to rate the 10-Year Notes or 30-Year Notes or fails to make a rating of the 10-Year Notes or 30-Year Notes publicly available for reasons outside of our control, a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act that we select (pursuant to a resolution of the Cigna Board of Directors) as a replacement agency for any of Moody's, S&P or Fitch, or all of them, as the case may be, with respect to the 10-Year Notes or the 30-Year Notes, as applicable.

*S&P* means Standard & Poor's Ratings Group Inc., a division of The McGraw-Hill Companies, Inc., and any successor to its rating agency business.

**Defeasance and Covenant Defeasance**

The full defeasance and covenant defeasance provisions of the Senior Indenture described in the accompanying prospectus under **Description of Debt Securities Defeasance and Covenant Defeasance** will apply to the Notes. If we exercise our covenant defeasance option, in addition to the provisions described in the accompanying prospectus, the provisions of the Notes described under **Change of Control Offer** will no longer apply.

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**Global Notes; Book-Entry System**

*Global Notes*

The Notes will be issued initially in book-entry form and will be represented by one or more global notes in fully registered form without interest coupons which will be deposited with the Trustee as custodian for The Depository Trust Company, which we refer to as DTC, and registered in the name of Cede & Co. or another nominee designated by DTC. Except as set forth below, the global notes may be transferred, in whole and not in part, only to DTC or another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for certificated notes except in the limited circumstances described below.

All interests in the global notes will be subject to the rules and procedures of DTC.

Investors in the global notes may hold their interests therein directly through DTC, if they are participants in such system or indirectly through such organizations (including Euroclear and Clearstream) which are participants in such system. Euroclear and Clearstream will hold interests in the global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank, S.A./N.V., as operator of Euroclear, and Clearstream Banking, S.A., as operator of Clearstream. The depositories, in turn, will hold interests in the global notes in customers' securities accounts in the depositories' names on the books of DTC. All interests in a global note, including those held through Euroclear or Clearstream, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream will also be subject to the procedures and requirements of those systems.

*Certain Book-Entry Procedures for the Global Notes*

The descriptions of the operations and procedures of DTC set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of DTC and are subject to change by DTC from time to time. Neither we, the Trustee, nor the underwriters take any responsibility for these operations or procedures, and investors are urged to contact DTC or its participants directly to discuss these matters.

DTC has advised us that it is:

- a limited-purpose trust company organized under the laws of the State of New York;
- a banking organization within the meaning of the New York Banking Law;
- a member of the Federal Reserve System;
- a clearing corporation within the meaning of the New York Uniform Commercial Code, as amended; and
- a clearing agency registered pursuant to Section 17A of the Exchange Act.



DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's participants include securities brokers and dealers (including one or more of the underwriters), banks and trust companies, clearing corporations and certain other organizations.

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Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies, which we refer to collectively as the indirect participants, that clear through or maintain a custodial relationship with a participant either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

We expect that, pursuant to procedures established by DTC:

upon deposit of each global note, DTC will credit, on its book-entry registration and transfer system, the accounts of participants designated by the underwriters with an interest in the global note; and

ownership of beneficial interests in the global notes will be shown on, and the transfer of ownership of beneficial interests in the global notes will be effected only through, records maintained by DTC (with respect to the interests of participants) and the participants and the indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of those securities in definitive form. Accordingly, the ability to transfer beneficial interests in the Notes represented by a global note to those persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person holding a beneficial interest in a global note to pledge or transfer that interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of that interest, may be affected by the lack of a physical security in respect of that interest.

So long as DTC or its nominee is the registered owner of a global note, DTC or that nominee, as the case may be, will be considered the sole legal owner or holder of the Notes represented by that global note for all purposes of the Notes and the Senior Indenture. Except as provided below, owners of beneficial interests in a global note will not be entitled to have the Notes represented by that global note registered in their names, will not receive or be entitled to receive physical delivery of certificated Notes and will not be considered the owners or holders of the Notes represented by that beneficial interest under the Senior Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee. Accordingly, each holder owning a beneficial interest in a global note must rely on the procedures of DTC and, if that holder is not a participant or an indirect participant, on the procedures of the participant through which that holder owns its interest, to exercise any rights of a holder of Notes under the Senior Indenture or that global note. We understand that under existing industry practice, in the event that we request any action of holders of Notes, or a holder that is an owner of a beneficial interest in a global note desires to take any action that DTC, as the holder of that global note, is entitled to take, DTC would authorize the participants to take that action and the participants would authorize holders owning through those participants to take that action or would otherwise act upon the instruction of those holders. Neither we nor the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC or for maintaining, supervising or reviewing any records of DTC relating to the Notes.

Payments with respect to the principal of and interest on a global note will be payable by the Trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the global note under the Senior Indenture. Under the terms of the Senior Indenture, we and the Trustee may treat the persons in whose names the Notes, including the global notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither we nor the Trustee has or will have any responsibility or liability for the payment of those amounts to owners of beneficial interests in a global note. Payments by the

participants and the indirect participants to the owners of beneficial interests in a global note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants and indirect participants and not of DTC.

Although DTC has agreed to the foregoing procedures to facilitate transfers of interests in the global notes among participants in DTC, it is under no obligation to perform or to continue to perform those procedures,

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and those procedures may be discontinued at any time. Neither we nor the Trustee will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Clearstream and Euroclear have provided us with the following information and neither we nor the underwriters take any responsibility for its accuracy:

*Clearstream.* Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic securities markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*). Clearstream participants include underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Clearstream's U.S. participants are limited to securities brokers and dealers and banks. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

Distributions with respect to Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by the U.S. depository for Clearstream.

*Euroclear.* Euroclear was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear performs various other services, including securities lending and borrowing and interacts with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A/N.V. under contract with Euroclear plc, a U.K. corporation. All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator, not Euroclear plc. Euroclear plc establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator is a Belgian bank. As such it is regulated by the National Bank of Belgium.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the Terms and Conditions). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific clearance accounts. The Euroclear operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the U.S. depository for Euroclear.

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Euroclear has further advised us that investors who acquire, hold and transfer interests in the Notes by book-entry through accounts with the Euroclear operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the global securities certificates.

*Global Clearance and Settlement Procedures.* Initial settlement for the Notes will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds using DTC's Same Day Funds Settlement System. Secondary market trading between Clearstream participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional eurobonds in immediately available funds.

Cross market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. depository; however, such cross market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. depository to take action to effect final settlement on its behalf by delivering or receiving Notes through DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to their respective U.S. depositories.

Because of time zone differences, credits of Notes received through Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Euroclear participants or Clearstream participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of Notes by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. Neither we nor the paying agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective direct or indirect participants of their obligations under the rules and procedures governing their operations.

We obtained the information in this section and elsewhere in this prospectus supplement concerning DTC and its book-entry system, Clearstream and Euroclear from sources that we believe are reliable, but we take no responsibility for the accuracy of any of this information.

## **Certificated Notes**

We will issue certificated notes in fully registered form to each person that DTC identifies as the beneficial owner of the Notes represented by the global securities upon surrender by DTC of the global securities only if:

DTC notifies us that it is no longer willing or able to act as a depository for the global securities, and we have not appointed a successor depository within 90 days of that notice;

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an event of default has occurred and is continuing; or

we determine not to have the Notes represented by a global security.

Neither we nor the Trustee will be liable for any delay by DTC, its nominee or any direct or indirect participant in identifying the beneficial owners of the related Notes. We and the Trustee may conclusively rely on, and will be protected in relying on, instructions from DTC or its nominee for all purposes, including with respect to the registration and delivery, and the respective principal amounts, of the Notes to be issued in certificated form.

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**CERTAIN UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS**

The following is a summary of certain United States federal income and estate tax consequences of the purchase, ownership and disposition of the Notes as of the date hereof. This summary deals only with Notes that are held as capital assets by a non-U.S. holder (as defined below) who acquires the Notes upon original issuance at their initial offering price.

A non-U.S. holder means a beneficial owner of the Notes (other than an entity treated as a partnership for United States federal income tax purposes) that is not for United States federal income tax purposes any of the following:

an individual citizen or resident of the United States;

a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state, local or other tax considerations that may be relevant to non-U.S. holders in light of their personal circumstances. In addition, it does not represent a detailed description of the United States federal income and estate tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws (including if you are a United States expatriate, controlled foreign corporation, passive foreign investment company or a partnership or other pass-through entity for United States federal income tax purposes). We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Notes, you should consult your tax advisors.

**If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular United States federal income and estate tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.**

**United States Federal Withholding Tax**

Subject to the discussions of backup withholding and FATCA below, United States federal withholding tax will not apply to any payment of interest on the Notes under the portfolio interest rule, provided that:

interest paid on the Notes is not effectively connected with your conduct of a trade or business in the United States;

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you do not actually (or constructively) own 10% or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and applicable United States Treasury regulations;

you are not a controlled foreign corporation that is related to us through stock ownership;

you are not a bank whose receipt of interest on the Notes is described in Section 881(c)(3)(A) of the Code; and

either (a) you provide your name and address on an applicable Internal Revenue Service ( IRS ) Form W-8, and certify, under penalties of perjury, that you are not a United States person as defined under the Code or (b) you hold your Notes through certain foreign intermediaries and satisfy the certification requirements of applicable United States Treasury regulations. Special certification rules apply to non-U.S. holders that are pass-through entities rather than corporations or individuals.

If you cannot satisfy the requirements described above, payments of interest made to you will be subject to a 30% United States federal withholding tax, unless you provide the applicable withholding agent with a properly executed:

IRS Form W-8BEN or Form W-8BEN-E (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty; or

IRS Form W-8ECI (or other applicable form) stating that interest paid on the Notes is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States (as discussed below under United States Federal Income Tax ).

The 30% United States federal withholding tax generally will not apply to any payment of principal or gain that you realize on the sale, exchange, retirement or other taxable disposition of a Note.

**United States Federal Income Tax**

If you are engaged in a trade or business in the United States and interest on the Notes is effectively connected with the conduct of that trade or business (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment), then you will be subject to United States federal income tax on that interest on a net income basis in the same manner as if you were a United States person as defined under the Code. In addition, if you are a foreign corporation, you may be subject to a branch profits tax equal to 30% (or lower applicable income tax treaty rate) of your effectively connected earnings and profits, subject to adjustments. Any effectively connected interest will be exempt from the 30% United States federal withholding tax, provided the certification requirements discussed above in United States Federal Withholding Tax are satisfied.

Subject to the discussions of backup withholding and FATCA below, any gain realized on the sale, exchange, retirement or other taxable disposition of a Note generally will not be subject to United States federal income tax unless:

the gain is effectively connected with your conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment), in which case such gain will generally be subject to United States federal income tax (and possibly branch profits tax) in the same manner as effectively connected interest as described above; or

you are an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met, in which case, unless an applicable income tax treaty provides otherwise, you will generally be subject to a 30% United States federal income tax on any gain recognized, which may be offset by certain United States source losses.

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### **United States Federal Estate Tax**

If you are an individual and are not a United States citizen or a resident of the United States (as specifically defined for United States federal estate tax purposes), your estate will not be subject to United States federal estate tax on Notes beneficially owned by you at the time of your death, provided that any payment to you of interest on the Notes, if received at such time, would be eligible for exemption from the 30% United States federal withholding tax under the portfolio interest rule described above under United States Federal Withholding Tax without regard to the statement requirement described in the fifth bullet point of that section.

### **Information Reporting and Backup Withholding**

Interest paid to you and the amount of tax, if any, withheld with respect to those payments generally will be reported to the IRS. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty.

In general, you will not be subject to backup withholding with respect to payments on the Notes that we make to you provided that the applicable withholding agent does not have actual knowledge or reason to know that you are a United States person as defined under the Code, and such withholding agent has received from you the statement described above in the fifth bullet point under United States Federal Withholding Tax.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of Notes made within the United States or conducted through certain United States-related financial intermediaries, unless you certify under penalties of perjury that you are a non-U.S. holder (and the payor does not have actual knowledge or reason to know that you are a United States person as defined under the Code), or you otherwise establish an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the IRS.

### **Additional Withholding Requirements**

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as FATCA), a 30% United States federal withholding tax may apply to any interest income paid on the Notes and, for a disposition of a Note occurring after December 31, 2018, the gross proceeds from such disposition, in each case paid to (i) a foreign financial institution (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner which avoids withholding, or (ii) a non-financial foreign entity (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) adequate information regarding certain substantial United States beneficial owners of such entity (if any). If an interest payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under United States Federal Withholding Tax, the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. You should consult your own tax advisors regarding these rules and whether they may be relevant to your ownership and disposition of the Notes.



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**BENEFIT PLAN INVESTOR CONSIDERATIONS**

The following is a summary of certain considerations associated with the purchase of the notes by employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ( ERISA ), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, Similar Laws ), and entities whose underlying assets are considered to include plan assets of any such plan, account or arrangement (each, a Plan ).

**General Fiduciary Matters**

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an ERISA Plan ) and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code and any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

**Prohibited Transaction Issues**

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are parties in interest, within the meaning of ERISA, or disqualified persons, within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition and/or holding of notes by an ERISA Plan with respect to which the issuer, the initial purchasers or the subsidiary guarantors are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption.

In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or PTCEs, that may provide exemptive relief for direct or indirect prohibited transactions resulting from the sale, purchase or holding of the notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts, and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition to the foregoing, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide limited relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the notes nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and provided, further, that the ERISA Plan pays no more than adequate consideration in connection with

the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

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Because of the foregoing, the notes should not be purchased or held by any person investing plan assets of any Plan, unless such purchase and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code or a similar violation of any applicable Similar Laws.

**Representation**

Accordingly, by acceptance of a note, or any interest therein, each purchaser and subsequent transferee will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the notes constitutes assets of any Plan or (ii) the purchase and holding of the notes by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws.

Additionally, if any purchaser or subsequent transferee of a note is using assets of any ERISA Plan to acquire or hold the notes, such purchaser or subsequent transferee will be deemed to represent that (i) neither the issuer nor any of its affiliates has acted as the ERISA Plan's fiduciary, or has been relied upon for any advice, with respect to the ERISA Plan's decision to acquire or hold the notes or any interest herein and neither the issuer nor any of its affiliates shall at any time be relied upon as the ERISA Plan's fiduciary with respect to any decision to acquire, continue to hold or transfer its interest in the notes, (ii) the ERISA Plan is aware of and acknowledges that (a) the issuer is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, and has not given investment advice or otherwise made a recommendation, in connection with the ERISA Plan's investment in the notes and (b) the issuer has a financial interest in the ERISA Plan's investment in the notes and (iii) the decision to invest in the notes has been made at the recommendation or direction of an independent fiduciary ( Independent Fiduciary ) within the meaning of U.S. Code of Federal Regulations 29 C.F.R. Section 2510.3-21(c), as amended from time to time (the Fiduciary Rule ) who (a) is independent of the issuer; (b) is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies (within the meaning of the Fiduciary Rule); (c) is a fiduciary (under Section 3(21) of ERISA and/or Section 4975 of the Internal Revenue Code) with respect to the ERISA Plan's investment in the notes and is responsible for exercising independent judgment in evaluating the ERISA Plan's investment in the notes; (d) is either (A) a bank as defined in Section 202 of the Investment Advisers Act of 1940, as amended (the Advisers Act ) or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency of the United States; (B) an insurance carrier which is qualified under the laws of more than one state of the United States to perform the services of managing, acquiring or disposing of assets of such an ERISA Plan; (C) an investment adviser registered under the Advisers Act or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state (referred to in such paragraph (1)) in which it maintains its principal office and place of business; (D) a broker dealer registered under the Exchange Act; and/or (E) an Independent Fiduciary (not described in clauses (A), (B), (C) or (D) above) that holds or has under management or control total assets of at least \$50 million, and will at all times that such ERISA Plan holds an interest in the notes, hold or have under management or control, total assets of at least \$50 million (provided that this clause (E) shall not be satisfied if the ERISA Plan's fiduciary is either (x) the owner or a relative of the owner of the individual retirement account that is acquiring or holding the note, or (y) a participant or beneficiary of the ERISA Plan acquiring or holding the notes in such capacity); (e) neither the issuer nor any of its affiliates has exercised any authority to cause the ERISA Plan to acquire or hold the notes or to negotiate the terms of the Plan's acquiring or holding the notes; and (f) neither the issuer nor any of its affiliates receives a fee or other compensation from the ERISA Plan or the ERISA Plan's Fiduciary for the provision of investment advice in connection with the ERISA Plan's decision to acquire or hold the notes.

Each Plan investor is advised to contact its own financial advisor or other fiduciary unrelated to the issuer and its affiliates about whether an investment in the notes may be appropriate for the ERISA Plan's circumstances.



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The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the notes (and/or holding the notes) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the notes.

**PURCHASERS OF THE NOTES HAVE THE EXCLUSIVE RESPONSIBILITY FOR ENSURING THAT THEIR PURCHASE AND HOLDING OF THE NOTES COMPLIES WITH THE FIDUCIARY RESPONSIBILITY RULES OF ERISA AND DOES NOT VIOLATE THE PROHIBITED TRANSACTION RULES OF ERISA, THE CODE OR APPLICABLE SIMILAR LAWS.**

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J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Wells Fargo Securities, LLC, and Morgan Stanley & Co. LLC are acting as joint book-running managers of the offering and as representatives of the underwriters named below.

Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the principal amount of Notes set forth opposite the underwriter's name.

<b>Underwriter</b>	<b>Principal Amount of 10-Year Notes</b>	<b>Principal Amount of 30-Year Notes</b>
J.P. Morgan Securities LLC	\$	\$
Merrill Lynch, Pierce, Fenner & Smith Incorporated		
Citigroup Global Markets Inc.		
Wells Fargo Securities, LLC		
Morgan Stanley & Co. LLC		
<b>Total</b>	<b>\$</b>	<b>\$</b>

The underwriting agreement provides that the obligations of the underwriters to purchase the Notes included in this offering are subject to the receipt of legal opinions by counsel covering the validity of the Notes and to other conditions. The underwriters are obligated to purchase all the Notes if they purchase any of the Notes. The offering of the Notes by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The underwriters propose to offer some of the Notes directly to the public at the respective offering prices set forth on the cover page of this prospectus supplement and may offer some of the Notes to dealers at the applicable offering price less a concession not to exceed % of the principal amount of the Notes in the case of the 10-Year Notes and % of the principal amount in the case of the 30-Year Notes. The underwriters may allow, and dealers may re-allow, a concession not to exceed % of the principal amount of the Notes in the case of the 10-Year Notes and % of the principal amount in the case of the 30-Year Notes on sales to other dealers. After the initial offering of the Notes to the public, the representatives may change the applicable offering price and other selling terms.

The Notes are new issues of securities with no established trading market. The Notes will not be listed on any securities exchange or automated quotation system. We have been advised by the underwriters that they intend to make a market in the Notes, but the underwriters are not obligated to do so and may discontinue market making at any time without notice. We can give no assurance as to the liquidity of, or the trading market for, the Notes.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the Notes).

**Paid by  
Cigna  
Corporation**

Per 10-Year Note	%
Per 30-Year Note	%

In connection with the offering, the representatives may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions.

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Over-allotment involves syndicate sales of Notes in excess of the principal amount of Notes to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of preventing or postponing a decline in the market price of the Notes while the offering is in progress.

The representatives also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the representative responsible for stabilizing activities on behalf of the syndicate, in covering syndicate short positions or making stabilizing purchases, repurchases Notes originally sold by that syndicate member.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The representatives may conduct these transactions in the over-the-counter market or otherwise. If the representatives commence any of these transactions, they may discontinue them at any time without notice.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

The Company estimates that its share of the total expenses of the offering, excluding the underwriting discounts, will be approximately \$3,175,000.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and their affiliates have engaged in, and/or may in the future engage in, investment banking, commercial banking and other commercial dealings in the ordinary course of business with us. They have received, and/or in the future may receive, customary fees and commissions for these transactions. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. As described in Use of Proceeds, we intend to use certain of the net proceeds from this offering to pay the consideration for the Cash Tender Offer, accrued and unpaid interest and related expenses. We have retained J.P. Morgan Securities LLC, HSBC Securities (USA) Inc. and MUFG Securities Americas Inc. to act as dealer managers for the Cash Tender Offer and we have agreed to reimburse them for their reasonable out-of-pocket expenses in connection with such Cash Tender Offer. In connection with our revolving credit and letter of credit facility, Citibank, N.A., an affiliate of Citigroup Global Markets Inc., is acting as administrative agent, Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC acted as joint lead arrangers and joint book managers and JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities LLC, and Bank of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, acted as syndication agents. In addition, affiliates of each underwriter are lenders under the revolving credit and letter of credit facility and J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are dealers under our commercial paper facility.

Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge, and certain other underwriters or their affiliates may hedge, their credit exposure to us consistent with their

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customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this prospectus supplement, which is the seventh business day following the date of the pricing of the Notes (such settlement cycle being referred to as T+7 ). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or in the next four succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+7, to specify alternative settlement arrangements to prevent a failed settlement. Such purchasers should consult their own advisors.

### **Notice to Prospective Investors in Canada**

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### **Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) no offer of Notes may be made to the public in that Relevant Member State other than:

to any legal entity which is a qualified investor as defined in the Prospectus Directive;

to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or



in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of Notes shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective Directive.

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For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State, the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **Notice to Prospective Investors in the United Kingdom**

In the United Kingdom, this prospectus supplement is for distribution only to, and is only directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the Financial Promotion Order), (ii) who are high net worth companies (or other persons to whom it may lawfully be communicated), falling within Article 49(2)(a) to (d) of the Financial Promotion Order (all such persons in (i) and (ii) above together being referred to as relevant persons). This prospectus supplement must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this prospectus supplement relates is only available to, and will be engaged in with, relevant persons.

### **Notice to Prospective Investors in Hong Kong**

The Notes may not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### **Notice to Prospective Investors in Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, may not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph,

Japanese Person shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

### **Notice to Prospective Investors in Singapore**

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289

of Singapore (the SFA ), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the

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SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

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**VALIDITY OF THE NOTES**

The validity of the Notes offered hereby will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York. Cravath, Swaine & Moore LLP, New York, New York, is acting as counsel to the underwriters.

**EXPERTS**

The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Annual Report on Internal Control over Financial Reporting) incorporated in this prospectus supplement and the accompanying prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2016, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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**PROSPECTUS**

**Cigna Corporation**

**Debt Securities (Senior, Subordinated, Junior Subordinated)**

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**Purchase Contracts**

**Units**

Cigna Corporation may offer and sell the securities listed above from time to time in one or more classes or series and in amounts, at prices and on terms that we may determine at the time of the offering. We will provide the specific terms of the securities in supplements to this prospectus. The debt securities, preferred stock, warrants and purchase contracts may be convertible into or exercisable or exchangeable for common or preferred stock or other securities of the Company or debt or equity securities of one or more other entities. You should read this prospectus and any related prospectus supplement carefully before you invest in our securities.

Our common stock is listed on the New York Stock Exchange under the symbol **CI**.

We may offer and sell these securities to or through one or more underwriters, dealers or agents, or directly to purchasers, on a continuous or delayed basis. If underwriters, dealers or agents are used to sell the securities, we will name them and describe their compensation in a prospectus supplement or free writing prospectus.

**Investing in these securities involves certain risks. You should carefully consider the risk factors included in our periodic reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, before you invest in any of our securities. We may also include specific risk factors in an applicable prospectus supplement under the heading **Risk Factors**.**

**Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this prospectus is August 4, 2017.**

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We have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus, any prospectus supplement or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not making an offer of these securities or a solicitation of your offer to buy these securities in any state where the offer or solicitation is not permitted or legal. You should not assume that the information contained in or incorporated by reference in this prospectus is accurate or complete as of any date other than the date on the front of this prospectus.

Unless otherwise mentioned or unless the context requires otherwise, when used in this prospectus, the terms Cigna, we, our and us refer to Cigna Corporation and its consolidated subsidiaries, and the term the Company refers to Cigna Corporation, not including its consolidated subsidiaries. Unless the context otherwise requires, including means including without limitation.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, which we refer to as the SEC, using a shelf registration process. Under this shelf registration process, we may offer and sell any combination of the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement and, if applicable, a pricing supplement. The prospectus supplement and any applicable pricing supplement will describe the specific amounts, prices and other material terms of the securities being offered at that time. The prospectus supplement and any applicable pricing supplement may also add, update or change the information in this prospectus. You should read this prospectus, the applicable prospectus supplement and any applicable pricing supplement, together with the information contained in the documents referred to under the heading **Where You Can Find More Information**.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTORS**

This prospectus and the documents incorporated by reference herein contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on Cigna's current expectations and projections about future trends, events and uncertainties. These statements are not historical facts. Forward-looking statements may include, among others, statements concerning future financial or operating performance, including our ability to deliver personalized and innovative solutions for our customers and clients; future growth, business strategy, strategic or operational initiatives; economic, regulatory or competitive environments, particularly with respect to the pace and extent of change in these areas; financing or capital deployment plans and amounts available for future deployment; our prospects for growth in the coming years; and other statements regarding Cigna's future beliefs, expectations, plans, intentions, financial condition or performance. You may identify forward-looking statements by the use of words such as believe, expect, plan, intend, anticipate, estimate, predict, potential, may, should, will or other words or expressions of similar meaning. Not all forward-looking statements contain such terms.

Forward-looking statements are subject to risks and uncertainties, both known and unknown, that could cause actual results to differ materially from those expressed or implied in forward-looking statements. Such risks and uncertainties include, but are not limited to: our ability to achieve our financial, strategic and operational plans or initiatives; our ability to predict and manage medical costs and price effectively and develop and maintain good relationships with physicians, hospitals and other health care providers; the impact of modifications to our operations and processes, including those in our disability business; our ability to identify potential strategic acquisitions or transactions and realize the expected benefits of such transactions; the substantial level of government regulation over our business and the potential effects of new laws or regulations or changes in existing laws or regulations; the outcome of litigation, regulatory audits, investigations, actions and/or guaranty fund assessments; uncertainties surrounding participation in government-sponsored programs such as Medicare; the effectiveness and security of our information technology and other business systems; unfavorable industry, economic or political conditions including foreign currency movements; acts of war, terrorism, natural disasters or pandemics; and uncertainty as to the outcome of the litigation between Cigna and Anthem, Inc. with respect to the termination of the merger agreement, the reverse termination fee and/or contract and non-contract damages for claims each party has filed against the other, including the risk that a court finds that Cigna has not complied with its obligations under the merger agreement, is not entitled to receive the reverse termination fee or is liable for breach of the merger agreement.

This list of important factors is not intended to be exhaustive. The discussions in our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2017 and June 30, 2017, including the **Risk Factors** and **Management's Discussion**



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and Analysis of Financial Condition and Results of Operations sections therein, as such discussions may be updated from time to time in our periodic filings with the Securities and Exchange Commission ( SEC ) incorporated by reference herein, include both expanded discussion of these factors and additional risk factors and uncertainties that could affect the matters discussed in the forward-looking statements. Cigna does not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should not place undue reliance on forward-looking statements that speak only as of the date they are made, are not guarantees of future performance or results, and are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Cigna undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by law.

## **WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act ). You may read and copy all or any portion of this information at the SEC 's principal office in Washington, D.C., and copies of all or any part thereof may be obtained from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549 after payment of fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room.

The SEC also maintains a website that contains reports, proxy statements and other information about issuers, like Cigna, who file electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov).

Our website address is [www.cigna.com](http://www.cigna.com). Information on, or accessible through, our website is expressly not incorporated by reference into, and does not constitute a part of, this prospectus or any accompanying prospectus supplement, except for the SEC filings posted thereon that are referenced below.

## **INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

This prospectus is part of the registration statement and does not contain all of the information included in the registration statement. Whenever a reference is made in this prospectus to any contract or other document of Cigna, the reference may not be complete and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or document.

The SEC allows us to incorporate by reference information we file with the SEC into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference in this prospectus is an important part of this prospectus, and information that we will file later with the SEC (including any prospectus supplement) will automatically update and supersede this information.

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This prospectus incorporates by reference the documents set forth below that Cigna has previously filed with the SEC and that are not delivered with this prospectus. These documents contain important information about Cigna and its financial condition. Since information that we file with the SEC in the future will update and supersede previously incorporated information, you should look at all of the SEC filings that we incorporate by reference to determine if any of the statements in this prospectus or any accompanying prospectus supplement or in any documents previously incorporated by reference have been modified or superseded.

<b>Cigna SEC Filings (File No. 1-8323)</b>	<b>Period</b>
Annual Report on Form 10-K	For the year ended December 31, 2016
Quarterly Reports on Form 10-Q	For the quarterly periods ended March 31, 2017 and June 30, 2017
Annual Proxy Statement	Filed on March 17, 2017
Current Reports on Form 8-K	Filed on January 19, 2017, February 1, 2017, February 9, 2017, February 14, 2017 (as to Item 1.02 only), February 16, 2017, February 23, 2017 (as to Item 5.02 only), February 24, 2017, March 24, 2017, April 28, 2017, May 1, 2017, as amended by Form 8-K/A filed July 31, 2017, May 12, 2017 (Item 8.01), May 12, 2017 (as to Item 1.02 only), June 16, 2017, June 19, 2017 and July 31, 2017

We also incorporate by reference into this prospectus all documents filed by us under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date of this prospectus until the offering of the particular securities covered by a prospectus supplement has been terminated or completed, other than any portion of the respective filings that are furnished, rather than filed, under the applicable SEC rules. This additional information is a part of this prospectus from the date of filing of those documents.

To obtain a copy of these filings at no cost, you may write or telephone us at the following address:

Cigna Corporation  
 Two Liberty Place  
 1601 Chestnut Street  
 Philadelphia, Pennsylvania 19192-1550  
 Attention: Investor Relations  
 (215) 761-1000

Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference into such document.



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**CIGNA CORPORATION**

Cigna Corporation, together with its subsidiaries, is a global health services organization dedicated to a mission of helping individuals improve their health, well-being and sense of security. Cigna's strategy, which we execute through a differentiated set of medical, dental, disability, life and accident insurance and related products and services offered by our subsidiaries, is to:

***Go Deeper*** by expanding and deepening our customer, client and partner relationships as well as deepening our relationships in targeted sub-segments and geographies;

***Go Local*** by ensuring our products, solutions and services are both personalized and highly localized for the benefit of our customers, clients and partners; and

***Go Beyond*** by innovating and further differentiating our businesses, the experiences we deliver, and overall social impact.

In an increasingly retail-oriented marketplace, we focus on delivering affordable and personalized products and services to customers through employer-based, government sponsored and individual coverage arrangements. We increasingly collaborate with health care providers to continue the transition from volume-based fee for service arrangements toward a more value-based system designed to increase quality of care, lower costs and improve health outcomes. We operate a customer-centric organization enabled by keen insights regarding customer needs, localized decision-making and talented professionals committed to bringing our "Together All the Way" brand promise to life.

Cigna's principal executive offices are located at 900 Cottage Grove Road, Bloomfield, CT 06002. Our telephone number is (860) 226-6000. Cigna was incorporated in the State of Delaware in 1981.

For additional information concerning Cigna, please see our most recent Annual Report on Form 10-K and our other filings with the SEC. See "Where You Can Find More Information."

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**USE OF PROCEEDS**

Unless we inform you otherwise in a prospectus supplement or free writing prospectus, the net proceeds from the sale of the securities will be added to Cigna's general funds and used for general corporate purposes, including the repayment of indebtedness.

We will not receive any proceeds from sales of securities offered by any selling security holders under this prospectus and the applicable prospectus supplement.

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**DESCRIPTION OF DEBT SECURITIES**

This prospectus describes certain general terms and provisions of the debt securities. When we offer to sell a particular series of debt securities, we will describe the specific terms of the debt securities in a supplement to this prospectus. The prospectus supplement will also indicate whether the general terms and provisions described in this prospectus apply to a particular series of debt securities.

The senior debt securities are to be issued under an indenture (the Senior Indenture) entered into between Cigna Corporation and U.S. Bank National Association, as trustee. The subordinated debt securities are to be issued under a separate indenture (the Subordinated Indenture) also between Cigna Corporation and U.S. Bank National Association, as trustee. The junior subordinated debt securities are to be issued under a separate indenture (the Junior Subordinated Indenture) also between Cigna Corporation and U.S. Bank National Association, as trustee. The Senior Indenture, Subordinated Indenture and the Junior Subordinated Indenture are sometimes referred to individually as an Indenture or collectively as the Indentures.

We sometimes refer below to specific sections of one or more of the Indentures. When we do so, we indicate where you can find the relevant section in the Indentures by noting the section number in parentheses. When we do refer to specific sections contained in the Indentures or terms defined in the Indentures, including important terms, which we capitalize here, we use them in this prospectus in the same way we use them in the Indentures, and you should refer to the Indentures themselves for detailed, specific, legal descriptions. In this section, Description of Debt Securities, when we refer to Cigna, we, our or us we refer to Cigna Corporation, not including its consolidated subsidiaries.

We have summarized some terms of the Indentures. This summary is not complete. The Indentures are incorporated by reference as exhibits to the registration statement of which this prospectus is a part. You should read the Indentures for a complete statement of the provisions summarized in this prospectus and for provisions that may be important to you. The Indentures are subject to and governed by the Trust Indenture Act of 1939, as amended.

**Ranking**

The debt securities will be our direct, unsecured obligations. The senior debt securities will rank (i) equally in right of payment with all of our other senior and unsecured, unsubordinated debt and (ii) effectively subordinated to our secured obligations to the extent of the value of the collateral securing such obligations. The subordinated debt securities will be junior in right of payment to all of our senior debt. The junior subordinated debt securities will be junior in right of payment to all subordinated debt securities.

Because a significant part of our operations are conducted through subsidiaries, a significant portion of our cash flow, and consequently, our ability to service debt, including the debt securities, is dependent upon the earnings of our subsidiaries and the transfer of funds by those subsidiaries to us in the form of dividends or other transfers.

In addition, because the debt securities will not be guaranteed by any of our subsidiaries, claims in respect of the debt securities will be structurally subordinated to claims of creditors against our subsidiaries, including policy holders, trade creditors, debtholders, secured creditors, taxing authorities, guarantee holders and any preferred shareholders, except to the extent that we are recognized as a creditor of our subsidiary. Any claims of Cigna as the creditor of its subsidiary would be subordinate to any security interest in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by us.

In addition to general state law restrictions on payments of dividends and other distributions to shareholders applicable to all corporations, HMOs and insurance companies, including some of Cigna's direct and indirect



subsidiaries, are subject to further state insurance regulations that, among other things, may require those companies to maintain certain levels of equity, and restrict the amount of dividends and other distributions that may be paid to Cigna.

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**Terms of the Debt Securities to be Described in the Prospectus Supplement**

The Indentures do not limit the amount of debt securities that we may issue under them. We may issue debt securities under the Indentures up to an aggregate principal amount as we may authorize from time to time. The prospectus supplement will describe the terms of any debt securities being offered, including:

whether the debt securities will be senior debt securities, subordinated debt securities or junior subordinated debt securities;

any limit on the aggregate principal amount of the debt securities;

the date or dates on which the principal will be payable;

the interest rate, if any, and the method for calculating the interest rate;

the interest payment dates and the record dates for interest payments;

our right, if any, to defer payment of interest and the maximum length of this deferral period;

any mandatory or optional redemption terms or prepayment or sinking fund provisions, including the period or periods, if any, within which, the price or prices at which, and the terms and conditions upon which the debt securities may be redeemed, in whole or in part, at our option or at your option;

the terms and conditions, if any, upon which we may have to repay the debt securities early at your option;

the place where we will pay principal, interest and any premium;

the currency or currencies, if other than the currency of the United States, in which principal, interest and any premium will be paid;

if other than denominations of \$1,000 or any integral multiples thereof, the denominations in which the debt securities will be issued;

whether the debt securities will be issued in the form of global securities;

additional provisions, if any, relating to the discharge of our obligations under the debt securities;

whether the amount of payment of principal (or premium, if any) or interest, if any, will be determined with reference to one or more indices;

the portion of the principal amount of the debt securities to be paid upon acceleration of maturity thereof;

the terms and conditions upon which conversion or exchange of the debt securities may be effected, if any, including the initial conversion or exchange price or rate and any adjustments thereto and the period or periods when a conversion or exchange may be effected;

any authenticating or paying agents, registrars or other agents;

other specific terms, including any additional events of default, covenants or warranties; and

any other terms, which may supplement, modify or delete any provision of the indenture as it applies to that series, including any terms that may be required or advisable under applicable law or regulations or advisable in connection with the marketing of the debt securities. (Section 301)

We may from time to time, without notice to or the consent of the holders of any series of debt securities, create and issue further debt securities of any such series ranking equally with the debt securities of such series in all respects (or in all respects other than the payment of interest accruing prior to the issue date of such further debt securities or except for the first payment of interest following the issue date of such further debt securities); provided that if such additional debt securities are not fungible with the initial debt securities of such series for U.S. federal income tax purposes, such additional debt securities will have a separate CUSIP number.

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**Events of Default and Notice Thereof**

When we use the term **Event of Default** with respect to debt securities of any series we mean:

we fail to pay principal (including any sinking fund payment) of, or premium (if any) on, any debt security of that series when due;

we fail to pay interest, if any, on any debt security of that series when due and the failure continues for a period of 30 days;

in the case of senior debt securities or subordinated debt securities, we fail to perform in any material respect any covenant in an Indenture not specified in the previous two bullet points (other than a covenant included in an Indenture solely for the benefit of a different series of debt securities) and the failure to perform continues for a period of 90 days after receipt of a specified written notice to us; and

certain events of bankruptcy, insolvency, reorganization, receivership or liquidation of Cigna. (Section 501)  
An Event of Default with respect to debt securities of a particular series may not constitute an Event of Default with respect to debt securities of any other series of debt securities.

If an Event of Default under an Indenture occurs with respect to the debt securities of any series and is continuing, then the Trustee or the holders of at least 25% in principal amount of the Outstanding Securities of that series may require us to repay immediately the entire principal amount (or, if the debt securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all Outstanding Securities of that series; provided, however, that under certain circumstances the holders of a majority in aggregate principal amount of Outstanding Securities of that series may rescind or annul such acceleration and its consequences. (Section 502)

Each of the Indentures contains a provision entitling the Trustee, subject to the duty of the Trustee during a default to act with the required standard of care (Section 601), to be indemnified by the holders of debt securities before proceeding to exercise any right or power under that Indenture at the request of such holders. (Section 603) Subject to these provisions in the Indentures for the indemnification of the Trustee and certain other limitations, the holders of a majority in aggregate principal amount of the debt securities of each affected series then Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. (Sections 512 and 513)

Each of the Indentures provides that the Trustee may withhold notice to the holders of the debt securities of any default (except in payment of principal (or premium, if any) or interest, if any) if the Trustee considers it in the interest of the holders of the debt securities to do so. (Section 602)

Each of the Indentures provides that holders of at least 25% in aggregate principal amount of the Outstanding Securities of any series may seek to institute a proceeding with respect to the Indentures or for any remedy thereunder only after:

such holders previously gave notice to the Trustee of a continuing Event of Default;

such holders have made a written request to the Trustee;

such holders have offered an indemnity reasonably satisfactory to the Trustee to institute a proceeding; and

the Trustee shall not have received from the holders of a majority in aggregate principal amount of the Outstanding Securities of that series a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days. (Section 507)

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These limitations do not apply, however, to a suit instituted by a Holder of a debt security for enforcement of payment of the principal of (or premium, if any) or interest, if any, on or after the respective due dates expressed in such debt security. (Section 508)

Each of the Indentures contains a covenant under which we are required to furnish to the Trustee an annual statement as to the compliance with all conditions and covenants of the Indentures. (Section 1007)

## **Modification and Waiver**

Each of the Indentures (Section 901) provides that we, together with the Trustee, may enter into supplemental indentures without the consent of the holders of debt securities to:

evidence the assumption by another person of our obligations;

add covenants for the benefit of the holders of all or any series of debt securities;

add any additional Events of Default;

add or change an Indenture to permit or facilitate the issuance of debt securities in bearer form;

add to, change or eliminate a provision of an Indenture if such addition, change or elimination does not apply to a debt security created prior to the execution of such supplemental indenture or modify the rights of a Holder of any debt security with respect to such provision;

secure any debt security;

establish the form or terms of debt securities of any series;

evidence the acceptance of appointment by a successor Trustee;

add to any provision of an Indenture to the extent necessary to permit defeasance and discharge of any series of debt securities if such action does not adversely affect the interests of the holders of debt securities in any material respect;

cure any ambiguity or correct any inconsistency in an Indenture or make other changes, provided that any such action does not adversely affect the interests of the holders of debt securities of any affected series in any material respect; or

conform an Indenture to any mandatory provision of law.

Other amendments and modifications of an Indenture may be made with the consent of the holders of not less than a majority of the aggregate principal amount of each series of the Outstanding Securities affected by the amendment or modification. However, no modification or amendment may, without the consent of the Holder of each Outstanding Security affected:

change the stated maturity of the principal of (or premium, if any) or any installment of principal or interest, if any, on any such debt security;

reduce the principal amount of (or premium, if any) or the interest rate, if any, on any such debt security or the principal amount due upon acceleration of an Original Issue Discount Security;

change the place or currency of payment of principal of (or premium if any) or the interest, if any, on any such debt security;

impair the right to institute suit for the enforcement of any such payment on or with respect to any such debt security;

reduce the percentage of holders of debt securities necessary to modify or amend an Indenture;

in the case of the Subordinated Indenture and Junior Subordinated Indenture, modify the subordination provisions in a manner adverse to the holders of the subordinated debt securities or junior subordinated debt securities, respectively; or

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modify the foregoing requirements or reduce the percentage of Outstanding Securities necessary to waive compliance with certain provisions of an Indenture or for waiver of certain defaults. (Section 902)

The holders of at least a majority of the aggregate principal amount of the Outstanding Securities of any series may, on behalf of all holders of that series, waive our required compliance with certain restrictive provisions of an Indenture and may waive any past default under an Indenture, except a default in the payment of principal, premium or interest or in the performance of certain covenants. (Section 513)

## **Limitations on Liens on Common Stock of Designated Subsidiaries**

Each of the Indentures provides that so long as any of the debt securities issued under that Indenture remains outstanding, we will not, and we will not permit any of our subsidiaries to, directly or indirectly, create, issue, assume, incur or guarantee any indebtedness for borrowed money secured by a mortgage, pledge, lien, security interest or other encumbrance on any of the common stock of a Designated Subsidiary, which common stock is directly or indirectly owned by us, unless our obligations under the debt securities and, if we so elect, any other of our indebtedness ranking on a parity with, or prior to, the debt securities, shall be secured equally and ratably with, or prior to, such secured indebtedness for borrowed money so long as it is outstanding and is so secured. (Section 1005)

Designated Subsidiary means Connecticut General Life Insurance Company and Life Insurance Company of North America, so long as it remains a subsidiary, or any subsidiary which is a successor of such Designated Subsidiary. (Section 101)

## **Consolidation, Merger and Sale of Assets**

We may not consolidate with or merge with or into any other person (other than in a merger or consolidation in which we are the surviving person) or sell our property and assets as, or substantially as, an entirety to any person unless:

the person formed by the consolidation or with or into which we are merged or the person that purchases our properties and assets as, or substantially as, an entirety is a corporation organized and validly existing under the laws of the United States of America, any State or the District of Columbia, and any such successor or purchaser expressly assumes Cigna's obligations on the debt securities under a supplemental indenture satisfactory to the Trustee;

immediately after giving effect to the transaction no Event of Default shall have occurred and be continuing; and

a specified officers' certificate and opinion of counsel are delivered to the Trustee. (Section 801)

Upon compliance with the foregoing provisions, the successor or purchaser will succeed to, and be substituted for Cigna under the Indentures with the same effect as if such successor or purchaser had been the original obligor under the debt securities, and thereafter Cigna will be relieved of all obligations and covenants under the Indentures and the debt securities. (Section 802)

## **No Protection in the Event of a Change of Control**



Unless otherwise indicated in a prospectus supplement with respect to a particular series of debt securities, the debt securities will not contain an option for the holders of such debt to require us to purchase all or a portion of such debt securities or any other protection in the event we have a change in control or in the event of a highly leveraged transaction (whether or not such transaction results in a change in control).

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### **Defeasance and Covenant Defeasance**

If we deposit, in trust, with the Trustee (or other qualifying trustee), sufficient cash or specified government obligations to pay the principal of (and premium, if any) and interest and any other sums due on the scheduled due date for the debt securities of a particular series, then at our option and subject to certain conditions (including the absence of an Event of Default):

we will be discharged from our obligations with respect to the debt securities of such series (which we refer to in this prospectus as a legal defeasance ), or

we will no longer be under any obligation to comply with the covenants described above under Limitations on Liens on Common Stock of Designated Subsidiaries and Consolidation, Merger and Sale of Assets, an Event of Default relating to any failure to comply with such covenants will no longer apply to us, and, for subordinated debt securities, the subordination provisions will no longer apply to us (which we refer to in this prospectus as a covenant defeasance ).

If we exercise our legal defeasance option, payment of such debt securities may not be accelerated because of an Event of Default. If we exercise our covenant defeasance option, payment of such debt securities may not be accelerated by reference to the covenants from which we have been released or pursuant to Events of Default referred to above which are no longer applicable. If we fail to comply with our remaining obligations with respect to such debt securities under an Indenture after we exercise the covenant defeasance option and such debt securities are declared due and payable because of the occurrence of any Event of Default, the amount of money and government obligations on deposit with the Trustee may be insufficient to pay amounts due on the debt securities of such series at the time of the acceleration resulting from such Event of Default. However, we will remain liable for such payments. (Section 1006)

Under current United States federal income tax laws, a legal defeasance would be treated as an exchange of the relevant debt securities in which holders of those debt securities might recognize gain or loss. Unless accompanied by other changes in the terms of the debt securities, a covenant defeasance generally should not be treated as a taxable exchange. In order to exercise our defeasance options, we must deliver to the Trustee an opinion of counsel to the effect that the deposit and related defeasance would not cause the holders of the debt securities to recognize income, gain or loss for Federal income tax purposes.

### **Subordination of Subordinated and Junior Subordinated Debt Securities**

Unless otherwise indicated in the prospectus supplement, the following provisions will apply to the subordinated and junior subordinated debt securities.

The subordinated debt securities and junior subordinated debt securities will, to the extent set forth in the Subordinated Indenture and Junior Subordinated Indenture, respectively, be subordinate in right of payment to the prior payment in full of all Senior Debt (as defined below) of Cigna, including the senior debt securities. Upon any payment or distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, debt restructuring or similar proceedings in connection with any insolvency or bankruptcy proceeding of Cigna, the holders of Senior Debt of Cigna will first be entitled to receive payment in full of principal of (and premium, if any) and interest, if any, on such Senior Debt of Cigna before the holders of the subordinated debt securities or junior subordinated securities, as

the case may be, will be entitled to receive or retain any payment in respect of the principal of (and premium, if any) or interest, if any, on the subordinated debt securities or junior subordinated securities, as the case may be. (Subordinated Indenture and Junior Subordinated Indenture Section 1301-02)

If the maturity of any subordinated debt securities or junior subordinated debt securities is accelerated, the holders of all Senior Debt of Cigna outstanding at the time of such acceleration will first be entitled to receive

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payment in full of all amounts due thereon before the holders of subordinated debt securities or junior subordinated debt securities will be entitled to receive any payment upon the principal of (or premium, if any) or interest, if any, on the subordinated debt securities or junior subordinated debt securities, as the case may be. (Subordinated Indenture and Junior Subordinated Indenture Section 1303)

No payments on account of principal (or premium, if any) or interest, if any, in respect of the subordinated debt securities or junior subordinated debt securities may be made if there shall have occurred and be continuing:

a default in the payment of principal of (or premium, if any) or interest on Senior Debt of Cigna, or

an event of default with respect to any Senior Debt of Cigna resulting in the acceleration of the maturity thereof, or if any judicial proceeding shall be pending with respect to any such default. (Subordinated Indenture and Junior Subordinated Indenture Section 1303)

Debt means (without duplication and without regard to any portion of principal amount that has not accrued and to any interest component thereof (whether accrued or imputed) that is not due and payable) with respect to any person, whether recourse is to all or a portion of the assets of such person and whether or not contingent:

every obligation of such person for money borrowed;

every obligation of such person evidenced by bonds, debentures, notes or other similar instruments;

every reimbursement obligation of such person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such person;

every obligation of such person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business);

every capital lease obligation of such person; and

every obligation of the type referred to in the previous five bullets of another person and all dividends of another person the payment of which, in either case, such person has guaranteed or is responsible or liable for, directly or indirectly, as obligor or otherwise. (Subordinated Indenture and Junior Subordinated Indenture Section 101)

With respect to either the subordinated debt securities or the junior subordinated debt securities, Senior Debt means with respect to any person the principal of (and premium, if any) and interest, if any (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to such person to the extent that such claim for post-petition interest is allowed in such proceeding), on Debt of such person, whether incurred on or prior to the date of the Subordinated Indenture or Junior Subordinated Indenture, as the case may be, or thereafter incurred,

unless, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are not superior in right of payment to the subordinated debt securities or to the junior subordinated debt securities, as the case may be, or to other Debt of such person which is pari passu with, or subordinated to, the subordinated debt securities or the junior subordinated debt securities, as the case may be; provided, however, that Senior Debt with respect to the subordinated debt securities does not include the subordinated debt securities or junior subordinated debt securities; and provided further that Senior Debt with respect to the junior subordinated debt securities does not include the junior subordinated debt securities. (Subordinated Indenture and Junior Subordinated Indenture Section 101)

The Subordinated Indenture and Junior Subordinated Indenture do not limit or prohibit the incurrence of additional Senior Debt of Cigna, which may include indebtedness that is senior to the subordinated and junior subordinated debt securities, but subordinate to other obligations of Cigna. The senior debt securities, when issued, will constitute Senior Debt of Cigna.

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At June 30, 2017, the Company had \$4.7 billion of Senior Debt with respect to the senior debt securities outstanding, and no subordinated or junior subordinated debt securities outstanding.

The prospectus supplement may further describe the provisions, if any, applicable to the subordination of the subordinated and junior subordinated debt securities of a particular series.

**No Personal Liability of Incorporators, Stockholders, Officers, Directors, Employees or Agents**

The Indentures provide that no recourse shall be had under or upon any obligation, covenant, or agreement of ours in the Indentures or any supplemental indenture, or in any of the debt securities or because of the creation of any indebtedness represented thereby, against any incorporator, stockholder, officer, director, employee or agent of ours or of any successor person thereof under any law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise. Each holder, by accepting the debt securities, waives and releases all such liability.

**Concerning our Relationship with the Trustee**

U.S. Bank National Association, will act as Trustee under our Senior Indenture, Subordinated Indenture and our Junior Subordinated Indenture. We maintain customary banking relationships in the ordinary course of business with the Trustee and its affiliates.

**Governing Law**

Each of the Indentures is governed by and shall be construed in accordance with the internal laws of the State of New York.

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**FORM OF DEBT SECURITIES**

Each debt security will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of securities. Certificated securities in definitive form and global securities will be issued in registered form. Definitive securities name you or your nominee as the owner of the security, and in order to transfer or exchange these securities or to receive payments other than interest or other interim payments, you or your nominee must physically deliver the securities to the Trustee. Global securities name a depositary or its nominee as the owner of the debt securities represented by the global securities.

We may issue the debt securities in the form of one or more fully registered global securities that will be deposited with a depositary or its nominee identified in the applicable prospectus supplement and registered in the name of that depositary or nominee. In those cases, one or more global securities will be issued in a denomination or aggregate denominations equal to the portion of the aggregate principal or face amount of the securities to be represented by global securities. Unless and until it is exchanged in whole for securities in definitive registered form, a global security may not be transferred except as a whole by and among the depositary for the global security, the nominees of the depositary or any successors of the depositary or those nominees.

If not described below, any specific terms of the depositary arrangement with respect to any securities to be represented by a global security will be described in the prospectus supplement relating to those securities. (Sections 204 and 305) We anticipate that the following provisions will apply to all depositary arrangements.

Ownership of beneficial interests in a global security will be limited to persons, called participants, that have accounts with the depositary. Upon the issuance of a global security, the depositary will credit, on its book-entry registration and transfer system, the participants' accounts with the respective principal or face amounts of the securities beneficially owned by the participants. Any dealers, underwriters or agents participating in the distribution of the securities will designate the accounts to be credited. Ownership of beneficial interests in a global security will be shown on, and the transfer of ownership interests will be effected only through, records maintained by the depositary, with respect to interests of participants, and on the records of participants, with respect to interests of persons holding through participants. The laws of some states may require that some purchasers of securities take physical delivery of these securities in definitive form. These laws may impair your ability to own, transfer or pledge beneficial interests in global securities.

So long as the depositary, or its nominee, is the registered owner of a global security, that depositary or its nominee, as the case may be, will be considered the sole owner or holder of the securities represented by the global security for all purposes under the applicable Indenture. Except as described below, owners of beneficial interests in a global security will not be entitled to have the securities represented by the global security registered in their names, will not receive or be entitled to receive physical delivery of the securities in definitive form and will not be considered the owners or holders of the securities under the applicable Indenture. Accordingly, each person owning a beneficial interest in a global security must rely on the procedures of the depositary for that global security and, if that person is not a participant, on the procedures of the participant through which the person owns its interest, to exercise any rights of a holder under the applicable Indenture. We understand that under existing industry practices, if we request any action of holders or if an owner of a beneficial interest in a global security desires to give or take any action that a holder is entitled to give or take under the applicable Indenture, the depositary for the global security would authorize the participants holding the relevant beneficial interests to give or take that action, and the participants would authorize beneficial owners owning through them to give or take that action or would otherwise act upon the instructions of beneficial owners holding through them.

Principal (or premium, if any) and interest payments on debt securities represented by a global security registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case



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may be, as the registered owner of the global security. Neither Cigna nor the Trustee nor any agent of Cigna or the Trustee will have any responsibility or liability for any aspect of the records relating to payments made on account of beneficial ownership interests in the global security or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

We expect that the depository for any of the securities represented by a global security, upon receipt of any payment of principal, premium, interest or other distribution of underlying securities or other property to holders of that global security, will immediately credit participants' accounts in amounts proportionate to their respective beneficial interests in that global security as shown on the records of the depository. We also expect that payments by participants to owners of beneficial interests in a global security held through participants will be governed by standing customer instructions and customary practices, and will be the responsibility of those participants.

If the depository for any of these securities represented by a global security is at any time unwilling or unable to continue as depository or ceases to be a clearing agency registered under the Exchange Act, and a successor depository registered as a clearing agency under the Exchange Act is not appointed by us within 90 days, we will issue securities in definitive form in exchange for the global security that had been held by the depository. In addition, we may at any time and in our sole discretion decide not to have any of the securities represented by one or more global securities. If we make that decision, we will issue securities in definitive form in exchange for the global security or securities representing those securities. Any securities issued in definitive form in exchange for a global security will be registered in the name or names that the depository gives to the Trustee or relevant agent of ours or theirs. It is expected that the depository's instructions will be based upon directions received by the depository from participants with respect to ownership of beneficial interests in the global security that had been held by the depository.

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**DESCRIPTION OF CAPITAL STOCK**

**Description of Common Stock**

The following description of our common stock is based upon our Restated Certificate of Incorporation ( Certificate of Incorporation ), our Amended and Restated By-Laws ( By-Laws ) and applicable provisions of law as currently in effect. We have summarized certain portions of the Certificate of Incorporation and By-Laws below. This summary is not complete and is qualified by the Certificate of Incorporation and the By-Laws, which are incorporated by reference in the registration statement of which this prospectus forms a part.

Certain provisions of the Delaware General Corporation Law, the Certificate of Incorporation and the By-Laws summarized in the following paragraphs may have an anti-takeover effect. This may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interests, including those attempts that might result in a premium over the market price for its shares.

The Company is authorized to issue 600,000,000 shares of common stock, par value \$0.25 per share, of which 252,859,462 shares were outstanding at June 30, 2017.

Holders of common stock are entitled to receive such dividends as the board of directors of the Company may from time to time declare. Payment of dividends on the common stock will at all times be subject to, among other things, prior satisfaction of dividend and sinking fund requirements, if any, of any series of preferred stock that may then be outstanding, and the availability of funds to the Company, which in turn may be subject to fixed payment obligations which the Company may incur in the future, and the ability of the Company's insurance subsidiaries to declare and pay dividends under applicable insurance regulatory requirements. No shares of preferred stock are outstanding as of the date of this prospectus.

The Company's board of directors had previously been divided into three classes. In 2012, the Company's board of directors amended the By-Laws to provide for the phased elimination of the classified board structure. As of the date of this prospectus, all directors hold one-year terms except for three directors who will complete their current three-year terms at the 2018 annual meeting of shareholders, after which all directors or their successors will have been elected to one-year terms and the classified structure will be fully eliminated. Directors may be removed only for cause. Holders of common stock have one vote per share and have no cumulative voting rights.

The Company has adopted a majority voting standard for the election of directors in uncontested elections. Under this standard, each director must receive a majority of the votes cast with respect to that director. This means that the number of votes cast for a director nominee must exceed the number of votes cast against that nominee for the director to be elected. In general, each director agrees to tender, and not withdraw, his or her resignation if he or she does not receive a majority of the votes cast at an annual meeting of shareholders at which such director is a nominee for election. The Company's Corporate Governance Committee will make a recommendation to the Company's board of directors on whether to accept the resignation. The Company's board of directors has discretion to accept or reject the resignation. In contested elections, the voting standard is a plurality of votes cast.

Subject to the rights of creditors and the liquidation preferences of holders of preferred stock, the holders of common stock are entitled to share ratably in the remaining assets of the Company in the event of its voluntary or involuntary liquidation or dissolution. Holders of common stock have no preemptive rights. All shares of common stock presently outstanding are, and all such shares to be issued pursuant to this prospectus will be, fully paid and nonassessable.

A majority vote of the outstanding common stock and any preferred stock entitled to vote, generally voting together as a single class, is required for the Company's shareholders to amend, repeal or adopt any charter

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provision or bylaw provision, except as related to the number, qualifications, election and term of office of the Directors, where 80% vote of the outstanding capital stock of the Company is required. Such provisions could inhibit a change in control in situations that the board of directors determines are not adequate or in the best interests of shareholders, or that do not meet specified fair price criteria and procedural conditions. In some circumstances, some or all shareholders could be denied the opportunity to realize a premium over the then-prevailing market price for the shares.

## **Description of Preferred Stock**

The Company's Certificate of Incorporation authorizes the issuance of 25,000,000 shares of preferred stock, par value \$1.00 per share. No shares of preferred stock are outstanding as of the date of this prospectus. The Company's preferred stock may be issued from time to time in one or more series, without shareholder approval, when authorized by the board of directors. Subject to limitations prescribed by law, the board of directors is authorized to determine the voting powers (if any), designation, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, for each series of preferred stock that may be issued, and to fix the number of shares of each such series.

## **Section 203 of the Delaware General Corporation Law**

Section 203 of the Delaware General Corporation Law prohibits a defined set of transactions between a Delaware corporation, such as us, and an interested stockholder. An interested stockholder is defined as a person who, together with any affiliates or associates of such person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting shares of a Delaware corporation. This provision may prohibit business combinations between an interested stockholder and a corporation for a period of three years after the date the interested stockholder becomes an interested stockholder. The term business combination is broadly defined to include mergers, consolidations, sales or other dispositions of assets having a total value in excess of 10% of the consolidated assets of the corporation, and some other transactions that would increase the interested stockholder's proportionate share ownership in the corporation.

This prohibition is effective unless:

the business combination is approved by the corporation's board of directors prior to the time the interested stockholder becomes an interested stockholder;

the interested stockholder acquired at least 85% of the voting stock of the corporation, other than stock held by directors who are also officers or by qualified employee stock plans, in the transaction in which it becomes an interested stockholder; or

the business combination is approved by a majority of the board of directors and by the affirmative vote of two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

In general, the prohibitions do not apply to business combinations with persons who were shareholders before we became subject to Section 203.

## **Special By-Laws Provisions**

Pursuant to the phased elimination of the classified board structure as described above under Description of Common Stock, the classified structure will be fully eliminated after the 2018 annual meeting of shareholders. Under our By-Laws, vacancies and newly-created directorships resulting from any increase in the size of our board may be filled by our board, even if the directors then on the board do not constitute a quorum or only one director is left in office. These provisions, together with the provisions of Section 203 of the Delaware General Corporation Law, could have the effect of delaying, deferring or preventing a change in control or the removal of existing management, of deterring potential acquirors from making an offer to our shareholders and

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of limiting any opportunity to realize premiums over prevailing market prices for our common stock in connection therewith. This could be the case notwithstanding that a majority of our shareholders might benefit from such a change in control or offer.

**Transfer Agent and Registrar**

Computershare Inc. serves as the registrar and transfer agent for the common stock.

**Stock Exchange Listing**

Our common stock is listed on the New York Stock Exchange under the trading symbol **CI** .

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**DESCRIPTION OF WARRANTS**

We may issue warrants to purchase our debt or equity securities or securities of third parties or other rights, including rights to receive payment in cash or securities based on the value, rate or price of one or more specified commodities, currencies, securities or indices, or any combination of the foregoing. Warrants may be issued independently or together with any other securities and may be attached to, or separate from, such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent. The terms of any warrants to be issued and a description of the material provisions of the applicable warrant agreement will be set forth in the applicable prospectus supplement.

**DESCRIPTION OF PURCHASE CONTRACTS**

We may issue purchase contracts for the purchase or sale of:

debt or equity securities issued by us or securities of third parties, a basket of such securities, an index or indices of such securities or any combination of the above;

currencies; or

commodities.

Each purchase contract will entitle or obligate the ho Paradise, Inc., as borrowers, and Citibank, N.A., as lender. (16)

10.6

Commercial Security Agreement, dated January 4, 2013, among Programmer s Paradise, Inc., as grantor, Wayside Technology Group, Inc., Lifeboat Distribution, Inc., Techxtend, Inc., Programmer s Paradise, Inc., as borrowers, and Citibank, N.A., as lender. (16)

10.7

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Commercial Security Agreement, dated January 4, 2013, among Techxtend, Inc., as grantor, Wayside Technology Group, Inc., Lifeboat Distribution, Inc., Techxtend, Inc., Programmer s Paradise, Inc., as borrowers, and Citibank, N.A., as lender. (16)

10.8

1995 Stock Plan, as amended. (3)

10.9

1995 Non-Employee Director Plan, as amended. (3)

10.9(a)

2006 Stock-Based Compensation Plan. (4)

10.9(b)

First Amendment to 2006 Stock-Based Compensation Plan. (5)



10.9(c)

Second Amendment to 2006 Stock-Based Compensation Plan. (5)

10.10

Form of Officer and Director Indemnification Agreement. (1)

10.11

2012 Stock-Based Compensation Plan (15)

10.12

Lease dated as of May 14, 1997 between Robert C. Baker, et al as Landlord and the Company. (6)

10.12(a)

Modification of Lease, dated as of July 27, 2006, between SBC Holdings, L.P. (successor in interest to Robert C. Baker, et al.) and the Company. (2)



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10.13	Employment Agreement, dated January 12, 2006, between the Company and Simon F. Nynens. (7)
10.14	Offer Letter, dated January 6, 2003, from the Company to Vito Legrottaglie.(8)
10.15	Resignation Letter, dated May 16, 2007, from Wayside Technology Group, Inc. to Jeffrey Largiader. (9)
10.16	General Release, dated May 18, 2007, between Jeffrey Largiader and Wayside Technology Group, Inc. (5)
10.17	Restricted Stock Letter, dated August 15, 2006, between Vito Legrottaglie and Wayside Technology Group, Inc (f/k/a Programmer s Paradise Inc.). (5)
10.18	Restricted Stock Letter, dated August 15, 2006, between Jeffrey Largiader and Wayside Technology Group, Inc (f/k/a Programmer s Paradise Inc.). (5)
10.19	Restricted Stock Letter, dated August 15, 2006, between Daniel Jamieson and Wayside Technology Group, Inc (f/k/a Programmer s Paradise Inc.). (5)
10.20	Restricted Stock Letter, dated August 15, 2006, between Allan Weingarten and Wayside Technology Group, Inc (f/k/a Programmer s Paradise Inc.). (5)
10.21	Restricted Stock Letter, dated August 15, 2006, between Edwin Morgens and Wayside Technology Group, Inc (f/k/a Programmer s Paradise Inc.). (5)
10.22	Restricted Stock Letter, dated August 15, 2006, between Duff Meyercord and Wayside Technology Group, Inc (f/k/a Programmer s Paradise Inc.). (5)
10.23	Restricted Stock Letter, dated August 15, 2006, between Simon F. Nynens and Wayside Technology Group, Inc (f/k/a Programmer s Paradise Inc.). (5)
10.24	Restricted Stock Letter, dated August 15, 2006, between Simon F. Nynens and Wayside Technology Group, Inc (f/k/a Programmer s Paradise Inc.). (5)
10.25	Restricted Stock Letter, dated August 15, 2006, between Kevin Scull and Wayside Technology Group, Inc (f/k/a Programmer s Paradise Inc.). (5)
10.26	Restricted Stock Letter, dated January 31, 2007, between William Willett and Wayside Technology Group, Inc (f/k/a Programmer s Paradise Inc.). (5)
10.27	Restricted Stock Letter, dated November 19, 2007, between Richard Bevis and Wayside Technology Group, Inc (f/k/a Programmer s Paradise Inc.). (5)
10.28	Form of Non-Qualified Stock Option Agreement. (5)
10.29	Restricted Stock Letter, dated February 5, 2008, between Kevin Scull and Wayside Technology Group, Inc. (10)
10.30	Restricted Stock Letter, dated February 5, 2008, between Richard Bevis and Wayside Technology Group, Inc. (10)
10.31	Restricted Stock Letter, dated February 5, 2008, between Simon Nynens and Wayside Technology Group, Inc. (10)

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10.32	Restricted Stock Letter, dated February 5, 2008, between Vito Legrottaglie and Wayside Technology Group, Inc. (10)
10.33	Restricted Stock Letter, dated February 5, 2008, between Daniel Jamieson and Wayside Technology Group, Inc. (10)
10.34	Restricted Stock Letter, dated February 5, 2008, between Edwin Morgens and Wayside Technology Group, Inc. (10)
10.35	Restricted Stock Letter, dated February 5, 2008, between William Willett and Wayside Technology Group, Inc. (10)
10.36	Restricted Stock Letter, dated February 5, 2008, between Allan Weingarten and Wayside Technology Group, Inc. (10)
10.37	Restricted Stock Letter, dated February 5, 2008, between Mark Boyer and Wayside Technology Group, Inc. (10)
10.38	Restricted Stock Letter, dated February 5, 2008, between Duff Meyercord and Wayside Technology Group, Inc. (10)
10.39	Restricted Stock Letter, dated May 5, 2009, between Simon Nynens and Wayside Technology Group, Inc. (11)
10.40	Restricted Stock Letter, dated May 5, 2009, between Kevin Scull and Wayside Technology Group, Inc. (11)
10.41	Restricted Stock Letter, dated May 5, 2009, between Richard Bevis and Wayside Technology Group, Inc. (11)
10.42	Restricted Stock Letter, dated May 5, 2009, between Shawn Giordano and Wayside Technology Group, Inc. (11)
10.43	Restricted Stock Letter, dated May 5, 2009, between Daniel Jamieson and Wayside Technology Group, Inc. (11)
10.44	Restricted Stock Letter, dated May 5, 2009, between Vito Legrottaglie and Wayside Technology Group, Inc. (11)
10.45	Restricted Stock Letter, dated February 9, 2010, between Kevin Scull and Wayside Technology Group, Inc. (12)
10.46	Restricted Stock Letter, dated February 9, 2010, between Richard Bevis and Wayside Technology Group, Inc. (12)
10.47	Restricted Stock Letter, dated February 9, 2010, between Simon Nynens and Wayside Technology Group, Inc. (12)
10.48	Restricted Stock Letter, dated February 9, 2010, between Vito Legrottaglie and Wayside Technology Group, Inc. (12)
10.49	Restricted Stock Letter, dated February 9, 2010, between Daniel Jamieson and Wayside Technology Group, Inc. (12)

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10.50	Restricted Stock Letter, dated February 9, 2010, between Shawn Giordano and Wayside Technology Group, Inc. (12)
10.51	Restricted Stock Letter, dated February 9, 2010, between Edwin Morgens and Wayside Technology Group, Inc. (12)
10.52	Restricted Stock Letter, dated February 9, 2010, between William Willett and Wayside Technology Group, Inc. (12)
10.53	Restricted Stock Letter, dated February 9, 2010, between Allan Weingarten and Wayside Technology Group, Inc. (12)
10.54	Restricted Stock Letter, dated February 9, 2010, between Mark Boyer and Wayside Technology Group, Inc. (12)
10.55	Restricted Stock Letter, dated February 9, 2010, between Duff Meyercord and Wayside Technology Group, Inc. (12)
10.56	Restricted Stock Letter, dated June 6, 2012, between Mike Faith and Wayside Technology Group, Inc. (13)
10.57	Restricted Stock Letter, dated May 8, 2012, between Dan Jamieson and Wayside Technology Group, Inc. (13)
10.58	Restricted Stock Letter, dated May 8, 2012, between Shawn Giordano and Wayside Technology Group, Inc. (13)
10.59	Restricted Stock Letter, dated May 8, 2012, between Vito Legrottaglie and Wayside Technology Group, Inc. (13)
10.60	Restricted Stock Letter, dated December 10, 2012, between Thomas Flaherty and Wayside Technology Group, Inc.(13)
10.61	Restricted Stock Letter, dated February 5, 2013, between Simon F. Nynens and Wayside Technology Group, Inc.(14)
21.1	Subsidiaries of the Registrant
23.1	Consent of EisnerAmper LLP
31.1	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Simon F. Nynens, the Chief Executive Officer of the Company.
31.2	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Kevin T. Scull, the Vice President and Chief Accounting Officer of the Company.
32.1	Certification pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Simon F. Nynens, the Chief Executive Officer of the Company.(17)
32.2	Certification pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Kevin T. Scull, the Vice President and Chief Accounting Officer of the Company.(17)
101	The following financial information from Wayside Technology Group, Inc. s Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 22, 2016, formatted in XBRL (Extensible Business Reporting Language) includes: (1) Consolidated Balance Sheets, (2) Consolidated Statements of Earnings, (3) Consolidated Statements of Comprehensive Income, (4) Consolidated Statements of Stockholders Equity, (5) Consolidated Statements of Cash Flows, and (6) the Notes to the Consolidated Financial Statements.

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- (1) Incorporated by reference to the Exhibits of the same number to the Registrant's Registration Statement on Form S-1 or amendments thereto (File No. 333-92810).
- (2) Incorporated by reference to the Exhibits of the same number to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 filed on November 3, 2006.
- (3) Incorporated by reference to Exhibit A and Exhibit B, respectively, to the Registrant's Definitive Annual Meeting Proxy Statement filed on April 30, 1998.
- (4) Incorporated by reference to Exhibit A of the Registrant's Definitive Annual Meeting Proxy Statement filed on April 28, 2006.
- (5) Incorporated by reference to exhibits of the same number filed with the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 filed on March 13, 2008.
- (6) Incorporated by reference to Exhibit 10.42 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998 filed on March 31, 1999.
- (7) Incorporated by reference to Exhibit 10.43 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 filed on May 12, 2006.
- (8) Incorporated by reference to exhibits of the same number filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 filed on May 15, 2007.
- (9) Incorporated by reference to exhibits of the same number filed with the Registrant's Current Report on Form 8-K filed on May 21, 2007.
- (10) Incorporated by reference to exhibits of the same number filed with the Registrant's Quarterly Report on Form 10-Q for the Period Ended March 31, 2008 filed May 12, 2008.
- (11) Incorporated by reference to exhibits of the same number filed with the Registrant's Quarterly Report on Form 10-Q for the Period Ended June 30, 2009 filed August 11, 2009.
- (12) Incorporated by reference to exhibits of the same number filed with the Registrant's Quarterly Report on Form 10-Q for the Period Ended March 31, 2010 filed May 10, 2010.
- (13) Incorporated by reference to exhibits of the same number filed with the Registrant's Annual Report on Form 10-K for the Period Ended December 31, 2012 filed February 15, 2013.
- (14) Incorporated by reference to exhibits of the same number filed with the Registrant's Quarterly Report on Form 10-Q for the Period Ended March 31, 2013 filed May 1, 2013.
- (15) Incorporated by reference to Exhibit A of the Registrant's Definitive Annual Meeting Proxy Statement filed on April 24, 2012.
- (16) Incorporated by reference to the Registrant's Form 8-K filed on January 8, 2013.
- (17) Furnished herewith.

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(b) The exhibits required by Item 601 of Regulation S-K are reflected above in Section (a) 3.of this Item.

(c) The financial statement schedule is included as reflected in Section (a) 2.of this Item.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in Shrewsbury, New Jersey, on February 22, 2016.

WAYSIDE TECHNOLOGY GROUP, INC.

By: /s/ Simon Nynens  
Simon F. Nynens, President and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Simon Nynens Simon F. Nynens	President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	February 22, 2016
/s/ Kevin Scull Kevin T. Scull	Vice President and Chief Accounting Officer (Principal Financial and Accounting Officer)	February 22, 2016
/s/ Mark. Boyer Mark. T. Boyer	Director	February 22, 2016
/s/ Duffield Meyercord Duffield Meyercord	Director	February 22, 2016
/s/ Allan Weingarten Allan D. Weingarten	Director	February 22, 2016
/s/ Mike Faith Mike Faith	Director	February 22, 2016
/s/ Steven DeWindt Steven DeWindt	Director	February 22, 2016
/s/ Diana Kurty Diana Kurty	Director	February 22, 2016



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**Items 8 and 15(a)**

**Wayside Technology Group, Inc. and Subsidiaries**

**Index to Consolidated Financial Statements and Schedule**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders

Wayside Technology Group, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Wayside Technology Group, Inc. and Subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wayside Technology Group, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit of the consolidated financial statements referred to above, we also audited Schedule II - Valuation and Qualifying Accounts, for each of the years in the three-year period ended December 31, 2015. In our opinion, this financial schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information stated therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Wayside Technology Group Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 22, 2016 expressed an unqualified opinion thereon.

/s/ EisnerAmper LLP

Iselin, New Jersey  
February 22, 2016



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders

Wayside Technology Group, Inc. and Subsidiaries

We have audited Wayside Technology Group, Inc. and Subsidiaries (the Company) internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Wayside Technology Group, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 *Internal Control - Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Wayside Technology Group, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015,

and our report dated February 22, 2016 expressed an unqualified opinion thereon.

/s/ EisnerAmper LLP

Iselin, New Jersey  
February 22, 2016

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## Wayside Technology Group, Inc. and Subsidiaries

## Consolidated Balance Sheets

(Amounts in thousands, except share and per share amounts)

	2015	December 31,	2014
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 23,823	\$	23,124
Accounts receivable, net of allowances of \$1,668 and \$1,819 in 2015 and 2014, respectively	58,965		60,782
Inventory, net	1,954		1,491
Prepaid expenses and other current assets	989		933
Deferred income taxes	260		245
Total current assets	85,991		86,575
Equipment and leasehold improvements, net	362		412
Accounts receivable-long-term	7,386		7,660
Other assets	82		152
Deferred income taxes	261		182
	\$ 94,082	\$	94,981
<b>Liabilities and Stockholders Equity</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 55,423	\$	55,414
Total current liabilities	55,423		55,414
Commitments and Contingencies			
Stockholders equity:			
Common Stock, \$.01 par value; 10,000,000 shares authorized; 5,284,500 shares issued; and 4,700,812 and 4,890,756 shares outstanding in 2015 and 2014, respectively	53		53
Additional paid-in capital	32,540		31,013
Treasury stock, at cost, 583,688 and 393,744 shares in 2015 and 2014, respectively	(10,296)		(6,166)
Retained earnings	17,813		15,225
Accumulated other comprehensive loss	(1,451)		(558)
Total stockholders equity	38,659		39,567
	\$ 94,082	\$	94,981

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

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## Wayside Technology Group, Inc. and Subsidiaries

## Consolidated Statements of Earnings

(Amounts in thousands, except per share amounts)

	2015	Years ended December 31,		2013
		2014		
Net sales	\$ 382,090	\$ 340,758		\$ 300,390
Cost of sales	355,517	315,948		276,035
Gross profit	26,573	24,810		24,355
Selling, general, and administrative expenses	18,063	16,513		15,505
Income from operations	8,510	8,297		8,850
Other income:				
Interest, net	368	472		562
Foreign currency transaction loss	(20)	(11)		
Income before provision for income taxes	8,858	8,758		9,412
Provision for income taxes	3,028	2,998		3,019
Net income	\$ 5,830	\$ 5,760		\$ 6,393
Income per common share-Basic	\$ 1.26	\$ 1.24		\$ 1.44
Income per common share-Diluted	\$ 1.25	\$ 1.23		\$ 1.41
Weighted average common shares outstanding-Basic	4,634	4,661		4,454
Weighted average common shares outstanding-Diluted	4,653	4,702		4,526

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

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Wayside Technology Group, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(Amounts in thousands)

	2015	Years ended December 31,		2013
		2014		
Net income	\$ 5,830	\$ 5,760		\$ 6,393
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment	(893)	(757)		(229)
Reclassification adjustment for loss realized in net income on available-for-sale marketable securities				11
Other comprehensive loss	(893)	(757)		(218)
Comprehensive income	\$ 4,937	\$ 5,003		\$ 6,175

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



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## Wayside Technology Group, Inc. and Subsidiaries

## Consolidated Statements of Stockholders' Equity

(Amounts in thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Shares	Treasury Amount	Retained Earnings	Accumulated Other Comprehensive (loss) income	Total
Balance at January 1, 2013	5,284,500	\$ 53	\$ 27,712	543,627	\$ (5,373)	\$ 9,316	\$ 417	\$ 32,125
Net income						6,393		6,393
Translation adjustment							(229)	(229)
Reclassification adjustment for loss realized in net income on available-for sale marketable securities							11	11
Dividends paid						(3,014)		(3,014)
Stock options exercised			65	(25,000)	136			201
Share-based compensation expense			1,127					1,127
Tax benefit from share-based compensation			163					163
Restricted stock grants (net of forfeitures)			(276)	(55,725)	276			
Treasury shares repurchased				168,305	(2,056)			(2,056)
Balance at December 31, 2013	5,284,500	53	28,791	631,207	(7,017)	12,695	199	34,721
Net income						5,760		5,760
Translation adjustment							(757)	(757)
Dividends paid						(3,230)		(3,230)
Stock options exercised			552	(220,000)	1,239			1,791
Share-based compensation expense			1,338					1,338
Tax benefit from share-based compensation			716					716
Restricted stock grants (net of forfeitures)			(384)	(64,202)	384			
Treasury shares repurchased				46,739	(772)			(772)

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Balance at December 31, 2014	5,284,500	53	31,013	393,744	(6,166)	15,225	(558)	39,567
Net income						5,830		5,830
Translation adjustment							(893)	(893)
Dividends paid						(3,242)		(3,242)
Stock options exercised			298	(44,640)	276			574
Share-based compensation expense			1,213					1,213
Tax benefit from share-based compensation			248					248
Restricted stock grants (net of forfeitures)			(232)	(39,535)	232			
Treasury shares repurchased				274,119	(4,638)			(4,638)
Balance at December 31, 2015	5,284,500	\$ 53	\$ 32,540	583,688	\$ (10,296)	\$ 17,813	\$ (1,451)	\$ 38,659

*The accompanying notes are an integral part of the consolidated financial statements*

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## Wayside Technology Group, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

(Amounts in thousands)

	Year ended December 31,		
	2015	2014	2013
<b>Cash flows from operating activities</b>			
Net income	\$ 5,830	\$ 5,760	\$ 6,393
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	253	226	274
Provision for doubtful accounts receivable	13	43	188
Deferred income tax expense	(43)	7	82
Share-based compensation expense	1,213	1,305	1,127
Changes in operating assets and liabilities:			
Accounts receivable	1,085	1,740	1,975
Inventory	(481)	(176)	402
Prepaid expenses and other current assets	(72)	1,171	(840)
Accounts payable and accrued expenses	322	(4,333)	827
Net change in other operating assets and liabilities	65	2	(90)
Net cash provided by operating activities	8,185	5,745	10,338
<b>Cash flows (used in) provided by investing activities</b>			
Purchase of equipment and leasehold improvements	(200)	(311)	(219)
Purchase of available-for-sale securities			(920)
Redemptions of available-for-sale securities			5,342
Net cash (used in) provided by investing activities	(200)	(311)	4,203
<b>Cash flows used in financing activities</b>			
Purchase of treasury stock	(4,638)	(772)	(2,056)
Proceeds from stock option exercises	574	1,791	201
Tax benefit from share-based compensation	213	716	163
Dividends paid	(3,242)	(3,230)	(3,014)
Repayment of capital lease obligations			(55)
Net cash used in financing activities	(7,093)	(1,495)	(4,761)
Effect of foreign exchange rate on cash	(193)	(424)	(6)
Net increase in cash and cash equivalents	699	3,515	9,774
Cash and cash equivalents at beginning of year	23,124	19,609	9,835
Cash and cash equivalents at end of year	\$ 23,823	\$ 23,124	\$ 19,609
<b>Supplementary disclosure of cash flow information:</b>			
Income taxes paid	\$ 3,191	\$ 2,431	\$ 2,980

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

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Wayside Technology Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

**Note 1. Description of Business**

Wayside Technology Group, Inc. and Subsidiaries (the Company), was incorporated in Delaware in 1982. The Company distributes software developed by others through resellers indirectly to customers worldwide. We also resell computer software and hardware developed by others and provide technical services directly to customers in the United States of America ( USA ) and Canada. We also operate a sales branch in Europe to serve our customers in this region of the world. We offer an extensive line of products from leading publishers of software and tools for virtualization/cloud computing, security, networking, storage & infrastructure management, application lifecycle management and other technically sophisticated domains as well as computer hardware.

The Company is organized into two reportable operating segments. The Lifeboat Distribution segment distributes technical software to corporate resellers, value added resellers (VARs), consultants and systems integrators worldwide. The TechXtend segment is a value-added reseller of software, hardware and services for corporations, government organizations and academic institutions in the USA and Canada.

**Note 2. Summary of Significant Accounting Policies**

**Principles of Consolidation and Operations**

The consolidated financial statements include the accounts of Wayside Technology Group, Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ( US GAAP ) requires management to make extensive use of certain estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The significant areas of estimation include but are not limited to accounting for allowance for doubtful accounts, sales returns, inventory obsolescence, income taxes, depreciation, contingencies and stock-based compensation. Actual results could differ from those estimates.

**Net Income Per Common Share**

The Company calculates earnings per share in accordance with Financial Accounting Standards Board FASB ASC Topic 260, Earnings Per Share . Basic earnings per share is calculated by dividing net income attributable to common stockholders by the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings per share is calculated by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding, adjusted for potentially dilutive securities including unexercised stock option grants and nonvested shares of restricted stock.

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## Wayside Technology Group, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

A reconciliation of the numerators and denominators of the basic and diluted per share computations follows:

	Year ended December 31,		
	2015	2014	2013
<b>Numerator:</b>			
Net income	\$ 5,830	\$ 5,760	\$ 6,393
<b>Denominator:</b>			
Weighted average shares (Basic)	4,634	4,661	4,454
Dilutive effect of outstanding options and nonvested shares of restricted stock	19	41	72
Weighted average shares including assumed conversions (Diluted)	4,653	4,702	4,526
Basic net income per share	\$ 1.26	\$ 1.24	\$ 1.44
Diluted net income per share	\$ 1.25	\$ 1.23	\$ 1.41

**Cash Equivalents**

The Company considers all liquid short-term investments with original maturities of 90 days or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable principally represents amounts collectible from our customers. The Company performs ongoing credit evaluations of its customers but generally does not require collateral to support any outstanding obligation.

**Allowance for Doubtful Accounts Receivable**

We provide allowances for doubtful accounts related to accounts receivable for estimated losses resulting from the inability of our customers to make required payments. We take into consideration the overall quality and aging of the receivable portfolio along with specifically identified customer risks. If actual customer payment performance were to deteriorate to an extent not expected, additional allowances may be required. We historically have a low write-off rate, especially on extended payment terms sales transactions. Write-offs on extended payment terms sales

transactions as a percentage of net sales amounted to 0.02%, 0.0% and 0.0%, for the years ended December 31, 2015, 2014 and 2013, respectively.

**Foreign Currency Translation**

Assets and liabilities of the Company's foreign subsidiaries have been translated at the end of the reporting period exchange rates, and related revenues and expenses have been translated at average rates of exchange in effect during the period. Cumulative translation adjustments have been classified within accumulated other comprehensive income, which is a separate component of stockholders' equity in accordance FASB ASC Topic No. 220, Comprehensive Income.

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Wayside Technology Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations in credit risk consist of cash and cash equivalents.

The Company's cash and cash equivalents, at times, may exceed federally insured limits. The Company's cash and cash equivalents are deposited primarily in banking institutions with global operations. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Financial Instruments**

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximated fair value as of December 31, 2015 and 2014, because of the relative short maturity of these instruments. The Company's accounts receivable long-term is discounted to their present value at prevailing market rates so the balances approximate fair value.

**Inventory**

Inventory, consisting primarily of finished products held for resale, is stated at the lower of cost (weighted average) or market.

**Equipment and Leasehold Improvements**

Equipment and leasehold improvements are stated at cost. Equipment depreciation is calculated using the straight-line method over three to five years. Leasehold improvements are amortized using the straight line method over the estimated useful lives of the assets or the related lease terms, whichever is shorter.

**Accounts receivable-long-term**



Accounts receivable long-term result from product sales with extended payment terms that are discounted to their present values at the prevailing market rates. In subsequent periods, the accounts receivable are increased to the amounts due and payable by the customers through the accretion of interest income on the unpaid accounts receivable due in future years. The amounts under these long-term accounts receivable due within one year are reclassified to the current portion of accounts receivable.

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Wayside Technology Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

**Comprehensive Income**

Comprehensive income consists of net income for the period, the impact of unrealized foreign currency translation adjustments and unrealized gains or losses on available-for-sale marketable securities. The foreign currency translation adjustments are not currently adjusted for income taxes as they relate to permanent investments in international subsidiaries.

**Revenue Recognition**

Revenue on product (software and hardware) and maintenance agreement sales are recognized once four criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed and determinable, (3) delivery (software and hardware) or fulfillment (maintenance) has occurred, and (4) there is reasonable assurance of collection of the sales proceeds. Revenues from the sales of hardware products, software products and licenses and maintenance agreements are recognized on a gross basis with the selling price to the customer recorded as sales and the acquisition cost of the product recorded as cost of sales.

Product delivery to customers occur in a variety of ways, including (i) as physical product shipped from the Company's warehouse, (ii) via drop-shipment by the vendor, or (iii) via electronic delivery for software licenses. The Company leverages drop-ship arrangements with many of its vendors and suppliers to deliver products to customers without having to physically hold the inventory at its warehouse, thereby increasing efficiency and reducing costs. The Company recognizes revenue for drop-ship arrangements on a gross basis. Furthermore, in such drop-ship arrangements, the Company negotiates price with the customer, pays the supplier directly for the product shipped and bears credit risk of collecting payment from its customers. The Company serves as the principal with the customer and, therefore, recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product has shipped. Maintenance agreements allow customers to obtain technical support directly from the software publisher and to upgrade, at no additional cost, to the latest technology if new applications are introduced by the software publisher during the period that the maintenance agreement is in effect.

Sales are recorded net of discounts, rebates, and returns. Vendor rebates and price protection are recorded when earned as a reduction to cost of sales or merchandise inventory, as applicable.

Cooperative reimbursements from vendors, which are earned and available, are recorded in the period the related advertising expenditure is incurred. Cooperative reimbursements are recorded as a reduction of cost of sales in accordance with FASB ASC Topic 605-50 Accounting by a Customer (including reseller) for Certain Consideration Received from a Vendor. Provisions for returns are estimated based on historical sales returns and credit memo analysis which are adjusted to actual on a periodic basis.

**Stock-Based Compensation**

The Company has stockholder-approved stock incentive plans for employees and directors. Stock-based compensation is recognized based on the grant date fair value and is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period.

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Wayside Technology Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

**Income Taxes**

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. This method also requires a valuation allowance against the net deferred tax asset if, based on the weighted available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company's policy is to recognize interest and penalties related to uncertain tax positions in income tax expense when assessed. The Company accounts for uncertainties in accordance with FASB ASC 740 "Income Taxes". This standard clarified the accounting for uncertainties in income taxes. The standard prescribes criteria for recognition and measurement of tax positions. It also provides guidance on derecognition, classification, interest and penalties, and disclosures related to income taxes associated with uncertain tax positions.

**Recently Issued Accounting Pronouncements**

In May 2014, the FASB issued guidance for revenue recognition for contracts, superseding the previous revenue recognition requirements, along with most existing industry-specific guidance. The guidance requires an entity to review contracts in five steps: 1) identify the contract, 2) identify performance obligations, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue. The new standard will result in enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. In August 2015, the FASB issued ASU No. 2015-14 which deferred the effective date of the new standard by one year. Along with the deferral of the effective date, ASU No. 2015-14 allows early application as of the original effective date. Entities are allowed to transition to the new standard by either recasting prior periods or recognizing the cumulative effect as of the beginning of the period of adoption. The standard and related amendments will be effective for the Company for its annual reporting period beginning January 1, 2018, including interim periods within that reporting period. The Company is currently evaluating the newly issued guidance, including which transition approach will be applied and the estimated impact it will have on our consolidated financial statements.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, "Simplifying the Measurement of Inventory (Topic 330)", (ASU 2015-11). Topic 330, Inventory, currently requires an entity to measure inventory at the lower of cost or market, with market value represented by replacement cost, net realizable value or net realizable value less a normal profit margin. The amendments in ASU 2015-11 require an entity to measure inventory at the lower of cost or net realizable value. ASU 2015-11 is effective for reporting periods beginning after December 15, 2016. We do not expect the adoption of this new accounting pronouncement, will have a significant impact on our financial on our financial statements.

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In November 2015, the FASB issued Accounting Standards Update 2015-17 ( ASU 2015-17 ) to simplify the presentation of deferred taxes. This amendment requires that all deferred tax assets and liabilities, along with any related valuation allowances, be classified as noncurrent on the balance sheet. Adoption of this standard is required for annual periods beginning after December 15, 2016. We do not expect the adoption of ASU 2015-17 will have a significant impact on our consolidated financial statements and related disclosures.

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## Wayside Technology Group, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

**3. Balance Sheet Detail**

Equipment and leasehold improvements, net consist of the following as of December 31:

	2015		2014
Equipment	\$ 2,924	\$	2,744
Leasehold improvements	572		565
	3,496		3,309
Less accumulated depreciation and amortization	(3,134)		(2,897)
	\$ 362	\$	412

Accounts payable and accrued expenses consist of the following as of December 31:

	2015		2014
Trade accounts payable	\$ 52,808	\$	52,328
Accrued expenses	2,615		3,086
	\$ 55,423	\$	55,414

Accumulated other comprehensive income (loss) consists of the following as of December 31:

	2015		2014
Foreign currency translation adjustments	\$ (1,451)	\$	(558)
	\$ (1,451)	\$	(558)

**4. Income Taxes**

Deferred tax attributes resulting from differences between financial and accounting amounts and tax basis of assets and liabilities at December 31, 2015 and 2014 are as follows:

	2015		2014	
<b>Current assets</b>				
Accruals and reserves	\$	260	\$	245
<b>Net current deferred tax assets</b>	\$	260	\$	245

	2015		2014	
<b>Non-current assets</b>				
Accruals and reserves	\$	269	\$	206
Depreciation and amortization		(8)		(24)
<b>Net non-current deferred tax assets</b>	\$	261	\$	182
<b>Total deferred tax assets</b>	\$	521	\$	427

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## Wayside Technology Group, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

The provision (benefit) for income taxes is as follows:

	Year ended December 31,		
	2015	2014	2013
<b>Current:</b>			
Federal	\$ 2,779	\$ 2,693	\$ 2,873
State	61	79	15
Foreign	231	219	49
	3,071	2,991	2,937
<b>Deferred:</b>			
Federal	(40)	6	13
State	(3)	1	69
	(43)	7	82
	\$ 3,028	\$ 2,998	\$ 3,019
Effective Tax Rate	34.2%	34.2%	32.1%

The reasons for the difference between total tax expense and the amount computed by applying the U.S. statutory federal income tax rate to income before income taxes are as follows:

	Year ended December 31,		
	2015	2014	2013
Statutory rate applied to pretax income	\$ 3,012	\$ 2,978	\$ 3,200
State income taxes, net of federal income tax benefit	39	52	91
Foreign income taxes under U.S. statutory rate	(44)	(56)	(20)
Other items, including the impact of the change in NJ state tax rate	21	24	(252)
Income tax expense	\$ 3,028	\$ 2,998	\$ 3,019

The Company receives a tax deduction from the income realized by employees on the exercise of certain non-qualified stock options and restricted stock awards for which the tax effect of the difference between the book and tax deduction is recognized as a component of stockholders' equity.

The Company has analyzed filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Company has identified its federal consolidated tax return and its state tax return in New Jersey and its Canadian tax return as major tax jurisdictions. As of December 31, 2015, the Company's 2012 through 2014 Federal tax returns remain open



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for examination, as the Company recently concluded an Internal Revenue Service examination for the 2011 and 2012 tax years. This examination resulted in no change to the previously filed Federal corporate tax returns. The Company's New Jersey and Canadian tax returns are open for examination for the years 2012 through 2014. The Company's policy is to recognize interest related to unrecognized tax benefits as interest expense and penalties as operating expenses. The Company believes that it has appropriate support for the income tax positions it takes and expects to take on its tax returns, and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter

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## Wayside Technology Group, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

For financial reporting purposes, income before income taxes includes the following components:

	Year ended December 31		
	2015	2014	2013
United States	7,937	\$ 7,903	\$ 8,832
Foreign	921	855	580
	\$ 8,858	\$ 8,758	\$ 9,412

**5. Credit Facility**

On January 4, 2013, the Company entered into a \$10,000,000 revolving credit facility (the **Credit Facility**) with Citibank, N.A. ( **Citibank** ) pursuant to a Business Loan Agreement (the **Loan Agreement** ), Promissory Note (the **Note** ), Commercial Security Agreements (the **Security Agreements** ) and Commercial Pledge Agreement (the **Pledge Agreement** ). The Credit Facility will be used for business and working capital purposes, including financing of larger extended payment terms sales transactions. On December 18, 2015, the Company signed an extension to this agreement which extended the maturity date to January 31, 2019 with all other terms remaining the same. The Credit Facility matures on January 31, 2019, at which time the Company must pay this loan in one payment of any outstanding principal plus all accrued unpaid interest. In addition, the Company will pay regular monthly payments of all accrued unpaid interest. The interest rate for any borrowings under the Credit Facility is subject to change from time to time based on the changes in an independent index which is the LIBOR Rate (the **Index** ). If the Index becomes unavailable during the term of this loan, Citibank may designate a substitute index after notifying the Company. Interest on the unpaid principal balance of the Note will be calculated using a rate of 1.500 percentage points over the Index. The Credit Facility is secured by the assets of the Company.

Among other affirmative covenants set forth in the Loan Agreement, the Company must maintain (i) a ratio of Total Liabilities to Tangible Net Worth (each as defined in the Loan Agreement) of not greater than 2.50 to 1.00, to be tested quarterly and (ii) a minimum Debt Service Coverage Ratio (as defined in the Loan Agreement) of 2.00 to 1.00. Additionally, the Loan Agreement contains negative covenants related to, among other items, prohibitions against the creation of certain liens, engaging in any business activities substantially different than those currently engaged in by the Company, and paying dividends on the Company's stock other than (i) dividends payable in its stock and (ii) cash dividends in amounts and frequency consistent with past practice, without first securing the written consent of Citibank. The Company is in compliance with all covenants at December 31, 2015.

At December 31, 2015, the Company had no borrowings outstanding under the Credit Facility. The Company had interest expense of \$0, \$0 and \$10 thousand related to the Credit Facility for the years ended December 31, 2015, 2014 and 2013, respectively.

**6. Stockholders Equity and Stock Based Compensation**

On April 21, 1995, the Board of Directors adopted the Company's 1995 Employee Stock Plan ( 1995 Plan ). The 1995 Plan, as amended on May 7, 1998, provides for the grant of options to purchase up to 1,137,500 shares of the Company's Common Stock to officers, directors, employees and consultants of the Company. The 1995 Plan requires that each option shall expire on the date specified by the Compensation Committee, but not more than ten years from its date of grant in the case of Incentive Stock Options ( ISO s ) and Non-Qualified Options. Options granted under the plan are exercisable at an exercise price equal to but not less than the fair market value of the Common Stock on the grant date. ISO s shall either be

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Wayside Technology Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

fully exercisable on the date of grant or shall become exercisable thereafter in such installments as the committee may specify.

On April 21, 1995, the Board of Directors adopted the Company's 1995 Non-Employee Director Plan (the 1995 Director Plan). The 1995 Director Plan, as amended on May 7, 1998, provides for the grant of options to purchase up to 187,500 shares of the Company's Common Stock to persons who are members of the Company's Board of Directors and not employees or officers of the Company. The 1995 Director Plan requires that options granted thereunder will expire ten years from the date of grant. Each option granted under the 1995 Director Plan becomes exercisable over a five year period, and vests in an installment of 20% of the total option grant upon the expiration of one year from the date of the option grant, and thereafter vests in equal quarterly installments of 5%.

In February 2002, the Board of Directors approved a plan permitting all option holders under the 1995 Plan and 1995 Director Plan to surrender all or any portion of their options on or before March 1, 2002. By March 1, 2002, a total of 303,550 options to purchase the Company's Common Stock under the 1995 Plan and 1995 Director Plan were surrendered. All of the options surrendered were exercisable in excess of the market price of the underlying Common Stock as of the dates of surrender.

At the annual stockholder's meeting held on June 14, 2006, the Company's stockholders approved the 2006 Stock-Based Compensation Plan (the 2006 Plan). The 2006 Plan authorizes the grant of Stock Options, Stock Units, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Bonuses, and other equity-based awards. The number of shares of Common Stock initially available under the 2006 Plan is 800,000. As of December 31, 2015, there are no shares of common stock available for future award grants to employees and directors under this plan.

At the annual stockholder's meeting held on June 6, 2012, the Company's stockholders approved the 2012 Stock-Based Compensation Plan (the 2012 Plan). The 2012 Plan authorizes the grant of Stock Options, Stock Units, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Bonuses and other equity-based awards. The total number of shares of Common Stock initially available for award under the 2012 Plan was 600,000. As of December 31, 2015, the number of shares of Common stock available for future award grants to employees and directors under the 2012 Plan is 474,313.

In August of 2006, the Company granted a total of 315,000 shares of Restricted Stock to officers, directors and employees. Included in this grant were 200,000 Restricted Shares granted to the Company's CEO in accordance with his employment agreement. These 200,000 Restricted Shares vest over 40 equal quarterly installments. The remaining grants of Restricted Stock vest over 20 equal quarterly installments.

During 2007, the Company granted a total of 30,000 shares of Restricted Stock to officers, directors and employees. These shares of Restricted Stock vest over 20 equal quarterly installments. A total of 12,500 shares of restricted common stock were forfeited as a result of employees and officers terminating employment with the Company.

During 2008, the Company granted a total of 57,500 shares of Restricted Stock to officers, directors and employees. These shares of Restricted Stock vest over 20 equal quarterly installments. A total of 3,500 shares of Restricted Stock were forfeited as a result of employees and officers terminating employment with the Company.

During 2009, the Company granted a total of 140,000 shares of Restricted Stock to officers and employees. These shares of Restricted Stock vest over 20 equal quarterly installments.

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Wayside Technology Group, Inc. and Subsidiaries

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(Amounts in tables in thousands, except share and per share amounts)

During 2010, the Company granted a total of 150,500 shares of Restricted Stock to officers and employees. These shares of Restricted Stock vest over 20 equal quarterly installments. A total of 5,875 shares of Restricted Stock were forfeited as a result of employees and officers terminating employment with the Company.

During 2011, the Company granted a total of 15,000 shares of Restricted Stock to employees. These shares of Restricted Stock vest over 20 equal quarterly installments. A total of 8,375 shares of Restricted Stock were forfeited as a result of employees terminating employment with the Company.

During 2012, the Company granted a total of 92,000 shares of Restricted Stock to officers, directors, and employees. These shares of Restricted Stock vest over 20 equal quarterly installments. A total of 3,525 shares of Restricted Stock were forfeited as a result of employees terminating employment with the Company.

During 2013, the Company granted a total of 56,500 shares of Restricted Stock to officers and employees. Included in these grants were 40,000 Restricted Shares granted to the Company's CEO in accordance with the satisfaction of certain performance criteria included in his compensation plan. These 40,000 Restricted Shares vest over 16 equal quarterly installments. The remaining grants of Restricted Stock vest over 20 equal quarterly installments. A total of 775 shares of Restricted Stock were forfeited as a result of employees terminating employment with the Company.

During 2014, the Company granted a total of 98,689 shares of Restricted Stock to officers, directors and employees. These shares of Restricted Stock vest between one and twenty equal quarterly installments. A total of 34,487 shares of Restricted Stock were forfeited as a result of officers and employees terminating employment with the Company.

During 2015, the Company granted a total of 44,000 shares of Restricted Stock to officers. These shares of Restricted Stock vest over sixteen equal quarterly installments. In 2015, a total of 4,465 shares of Restricted Stock were forfeited as a result of officers and employees terminating employment with the Company.

Changes during 2013, 2014 and 2015 in options outstanding under the Company's combined plans (i.e. the 2012 Plan, the 2006 Plan, the 1995 Non-Employee Director Plan and the 1995 Stock Plan) were as follows:



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## Wayside Technology Group, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2013	310,640	8.65
Granted in 2013		
Canceled in 2013		
Exercised in 2013	25,000	8.03
Outstanding at December 31, 2013	285,640	8.71
Granted in 2014		
Canceled in 2014	15,000	3.04
Exercised in 2014	220,000	8.14
Outstanding at December 31, 2014	50,640	12.85
Granted in 2015		
Canceled in 2015	6,000	12.85
Exercised in 2015	44,640	12.85
Outstanding at December 31, 2015		
Exercisable at December 31, 2015		

The options exercisable at December 31, 2015 and 2014 were 0 and 50,640 respectively.

Under the various plans, options that are cancelled can be reissued. At December 31, 2015 no options were reserved for future issuance.

A summary of nonvested shares of Restricted Stock awards outstanding under the Company's 2006 Plan and 2012 Plan as of December 31, 2015, 2014 and 2013 and changes during the three years ended December 31, 2015, 2014 and 2013 is as follows:

	Shares		Weighted Average Grant Date Fair Value
Nonvested shares at January 1, 2013	251,150	\$	11.24
Granted in 2013	56,500		12.57
Vested in 2013	(107,325)		10.33
Forfeited in 2013	(775)		9.77
Nonvested shares at December 31, 2013	199,550	\$	12.02
Granted in 2014	98,689		16.03
Vested in 2014	(101,143)		11.94
Forfeited in 2014	(34,487)		11.62
Nonvested shares at December 31, 2014	162,609	\$	14.36
Granted in 2015	44,000		14.99



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Vested in 2015	(78,815)		13.64
Forfeited in 2015	(4,465)		12.80
Nonvested shares at December 31, 2015	123,329	\$	16.34

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Wayside Technology Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

As of December 31, 2015, there was approximately \$2.0 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 2.8 years.

For the years ended December 31, 2015, 2014 and 2013, we recognized share-based compensation cost of approximately \$1.2 million, \$1.3 million and \$1.1 million, respectively, which is included in selling, general and administrative expenses. The Company does not capitalize any share-based compensation cost.

**7. Defined Contribution Plan**

The Company maintains a defined contribution plan covering substantially all domestic employees. Participating employees may make contributions to the plan, through payroll deductions. Matching contributions are made by the Company equal to 50% of the employee's contribution to the extent such employee contribution did not exceed 6% of their compensation. During the years ended December 31, 2015, 2014 and 2013, the Company expensed approximately \$211 thousand, \$194 thousand and \$182 thousand, respectively, related to this plan.

**8. Commitments and Contingencies**

**Leases**

Operating leases primarily relate to the lease of the space used for our operations in Shrewsbury and Eatontown, New Jersey, Mesa, Arizona, Mississauga, Canada and Amsterdam, Netherlands. Future minimum rental commitments under non-cancellable operating leases are as follows:

2016	\$	174
2017		117
2018		42
2019		
2020	\$	333

Rent expense for the years ended December 31, 2015, 2014 and 2013 was approximately \$327 thousand, \$262 thousand and \$253 thousand, respectively.

### **Employment Agreements**

In the event that Simon Nynens, President and Chief Executive officer, employment is terminated without cause or by the rendering of a non-renewal notification, he is entitled to receive a severance payment equal to twelve months cash compensation, immediate vesting of all outstanding equity awards, and to purchase the car used by him at the buy-out price of any lease or fair market value, as applicable. Additionally, in the event that a change of control of the Company occurs (as described in the employment agreement), Mr. Nynens' outstanding equity awards become immediately vested and he is entitled to receive a lump-sum payment equal to 2.9 times his then annual salary and actual incentive bonus earned in the year prior to such change in control.

The Company has entered into severance agreements with its Vice President and Chief Information Officer and Vice President and Chief Accounting Officer, under which they are entitled to a severance payment and

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## Wayside Technology Group, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

severance payments, respectively for six months at the then applicable annual base salary if the Company terminates their respective employment for any reason other than for cause.

**Other**

As of December 31, 2015, the Company has no standby letters of credit, has no standby repurchase obligations or other commercial commitments. The Company has a line of credit see Note 5 (Credit Facility). Other than employment arrangements and other management compensation arrangements, the Company is not engaged in any transactions with related parties.

**9. Industry, Segment and Geographic Information**

The Company distributes software developed by others through resellers indirectly to customers worldwide. We also resell computer software and hardware developed by others and provide technical services directly to customers in the USA and Canada. We also operate a sales branch in Europe to serve our customers in this region of the world.

Geographic revenue and identifiable assets related to operations as of and for the years ended December 31, 2015, 2014 and 2013 were as follows. Revenue is allocated to a geographic area based on the location of the sale, which is generally the customer's country of domicile. No one country other than the USA represents more than 10% of net sales for 2015, 2014 or 2013.

	2015	2014	2013
Net sales to Unaffiliated Customers:			
USA	\$ 336,110	\$ 294,274	\$ 254,337
Canada	23,957	23,757	21,602
Rest of the world	22,023	22,727	24,451
Total	\$ 382,090	\$ 340,758	\$ 300,390

Identifiable Assets by Geographic Areas at December 31,	2015	2014	2013
USA	\$ 87,679	\$ 87,324	\$ 87,025
Canada	6,403	7,657	7,735
Total	\$ 94,082	\$ 94,981	\$ 94,760

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FASB ASC Topic 280, Segment Reporting, requires that public companies report profits and losses and certain other information on their reportable operating segments in their annual and interim financial statements. The internal organization used by the Company's Chief Operating Decision Maker (CODM) to assess performance and allocate resources determines the basis for reportable operating segments. The Company's CODM is the Chief Executive Officer.

The Company is organized into two reportable operating segments. The Lifeboat Distribution segment distributes technical software to corporate resellers, value added resellers (VARs), consultants and systems integrators worldwide. The TechXtend segment is a value-added reseller of software, hardware and services for corporations, government organizations and academic institutions in the USA and Canada.

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## Wayside Technology Group, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

As permitted by FASB ASC Topic 280, the Company has utilized the aggregation criteria in combining its operations in Canada with the domestic segments as they provide the same products and services to similar clients and are considered together when the CODM decides how to allocate resources.

Segment income is based on segment revenue less the respective segment's cost of revenues as well as segment direct costs (including such items as payroll costs and payroll related costs, such as profit sharing, incentive awards and insurance) and excluding general and administrative expenses not attributed to a business unit. The Company only identifies accounts receivable and inventory by segment as shown below as Selected Assets by segment; it does not allocate its other assets, including capital expenditures by segment.

	2015	Year ended December 31, 2014	2013
<b>Revenue:</b>			
Lifeboat Distribution	\$ 339,708	\$ 290,449	\$ 237,632
TechXtend	42,382	50,309	62,758
	382,090	340,758	300,390
<b>Gross Profit:</b>			
Lifeboat Distribution	\$ 21,530	\$ 19,194	\$ 17,448
TechXtend	5,043	5,616	6,907
	26,573	24,810	24,355
<b>Direct Costs:</b>			
Lifeboat Distribution	\$ 7,719	\$ 5,660	\$ 4,717
TechXtend	2,269	3,104	3,280
	9,988	8,764	7,997
<b>Segment Income Before Taxes:</b>			
Lifeboat Distribution	\$ 13,811	\$ 13,534	\$ 12,731
TechXtend	2,774	2,512	3,627
<b>Segment Income Before Taxes</b>	<b>16,585</b>	<b>16,046</b>	<b>16,358</b>
General and administrative	8,075	7,749	7,508
Interest income	368	472	562
Foreign currency translation	(20)	(11)	
Income before taxes	\$ 8,858	\$ 8,758	\$ 9,412

	As of December 31, 2015	As of December 31, 2014
<b>Selected Assets By Segment:</b>		
Lifeboat Distribution	\$ 45,300	\$ 39,780
TechXtend	23,005	30,153
<b>Segment Select Assets</b>	<b>68,305</b>	<b>69,933</b>
Corporate Assets	25,777	25,048

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Total Assets	\$	94,082	\$	94,981
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## Wayside Technology Group, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

(Amounts in tables in thousands, except share and per share amounts)

The Company had two customers that each accounted for more than 10% of total sales for 2015. For the year ended December 31, 2015, Software House International Corporation ( SHI ), and CDW Corporation ( CDW ) accounted for 19.0%, and 17.9%, respectively, of consolidated net sales and, as of December 31, 2015, 14.0%, and 21.9%, respectively, of total net accounts receivable. For the year ended December 31, 2015, Sophos was the only individual vendor from whom our purchases exceeded 10% of our total purchases and accounted for 24.2% of our total purchases. For the year ended December 31, 2014, SHI, CDW, and Insight Enterprises, Inc. ( Insight ) accounted for 17.4%, 16.4% and 11.0%, respectively, of consolidated net sales. For the year ended December 31, 2014, Sophos was the only individual vendor from whom our purchases exceeded 10% of our total purchases and accounted for 14.7% of our total purchases. For the year ended December 31, 2013, SHI, CDW, and Insight accounted for 14.9%, 13.8% and 12.2%, respectively, of consolidated net sales. For the year ended December 31, 2013, Dell/Quest Software was the only individual vendor from whom our purchases exceeded 10% of our total purchases and accounted for 10.2% of our total purchases. Our top five customers accounted for 52%, 52%, and 48% of consolidated net sales in 2015, 2014 and 2013, respectively.

**10. Quarterly Results of Operations (Unaudited)**

The following table presents summarized quarterly results for 2015:

	First	Second	Third	Fourth
Net sales	\$ 92,691	\$ 91,970	\$ 97,653	\$ 99,776
Gross profit	6,357	6,425	6,880	6,911
Net income	1,303	1,362	1,553	1,612
Basic net income per common share	\$ 0.28	\$ 0.29	\$ 0.34	\$ 0.35
Diluted net income per common share	\$ 0.28	\$ 0.29	\$ 0.33	\$ 0.35

The following table presents summarized quarterly results for 2014:

	First	Second	Third	Fourth
Net sales	\$ 71,730	\$ 84,399	\$ 90,506	\$ 94,123
Gross profit	5,538	6,138	6,176	6,957
Net income	1,059	1,483	1,369	1,849
Basic net income per common share	\$ 0.23	\$ 0.33	\$ 0.29	\$ 0.39
	\$ 0.23	\$ 0.32	\$ 0.29	\$ 0.39



Diluted net income per  
common share

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Wayside Technology Group, Inc. and Subsidiaries

Schedule II Valuation and Qualifying Accounts

(Amounts in thousands)

Description	Beginning Balance	Charged to Cost and Expense	Deductions	Ending Balance
Year ended December 31, 2013				
Allowances for accounts receivable	\$ 1,586	\$ 188	\$ 345	\$ 1,429
Reserve for inventory obsolescence	\$ 27	\$ 5	\$ 16	\$ 16
Year ended December 31, 2014				
Allowances for accounts receivable	\$ 1,429	\$ 189	\$ (201)	\$ 1,819
Reserve for inventory obsolescence	\$ 10	\$ 6	\$ 12	\$ 10
Year ended December 31, 2015				
Allowances for accounts receivable	\$ 1,819	\$ (181)	\$ (30)	\$ 1,668
Reserve for inventory obsolescence	\$ 10	\$ 13	\$ 7	\$ 16