

Accretive Health, Inc.
Form PRE 14A
October 05, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

ACCRETIVE HEALTH, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if Other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PRELIMINARY PROXY STATEMENT
SUBJECT TO COMPLETION

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS
To Be Held on December 8, 2016

The 2016 Annual Meeting of Stockholders of Accretive Health, Inc. will be held on December 8, 2016 at 9:00 a.m., local time, at the Gleacher Center, 450 North Cityfront Plaza Drive, Chicago, Illinois 60611, to consider and act upon the following matters:

1. Elect three Class III directors, each for a term ending at the 2017 Annual Meeting of Stockholders, and until his or her successor has been duly elected and qualified;
2. Approve a stock option exchange program under our Amended and Restated 2010 Stock Incentive Plan;
3. Approve our Second Amended and Restated 2010 Stock Incentive Plan to increase the number of shares authorized for issuance under our Amended and Restated 2010 Stock Incentive Plan by 17 million shares;
4. Authorize our board of directors to amend our Restated Certificate of Incorporation to effect a reverse stock split of the outstanding shares of our common stock by a ratio in the range of 2-to-1 to 10-to-1 and a proportionate decrease in the number of authorized shares of our common stock, with our board of directors having sole discretion as to whether or not the reverse stock split is to be effected and determining the exact ratio to be set within the above range;
5. Ratify the selection by the Audit Committee of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016; and
6. Transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on October 28, 2016 are entitled to receive this notice of our Annual Meeting and to vote at the Annual Meeting and at any adjournments of the meeting.

By Order of the Board of Directors,

Joseph Flanagan
Director, President, Chief Executive Officer
and Chief Operating Officer
Chicago, Illinois
[_____] , 2016

YOUR VOTE IS IMPORTANT

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING. THEREFORE, WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE SUBMIT YOUR PROXY (1) OVER THE INTERNET, (2) BY TELEPHONE OR (3) BY MAIL. FOR SPECIFIC INSTRUCTIONS, PLEASE REFER TO THE QUESTIONS AND ANSWERS BEGINNING ON PAGE 2 OF THE PROXY STATEMENT AND THE INSTRUCTIONS ON THE PROXY CARD RELATING TO THE ANNUAL MEETING.

“STREET NAME” HOLDERS WHO PLAN TO ATTEND THE MEETING WILL NEED TO BRING A COPY OF A BROKERAGE STATEMENT REFLECTING THEIR STOCK OWNERSHIP IN ACCRETIVE HEALTH, INC. AS OF THE RECORD DATE.

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ACCRETIVE HEALTH, INC.

401 North Michigan Avenue

Suite 2700

Chicago, Illinois 60611

PROXY STATEMENT

For our 2016 Annual Meeting of Stockholders to be held on December 8, 2016

Accretive Health, Inc. (often referred to as the “Company,” “Accretive Health,” “we” or “us” in this document) is sending you this proxy statement in connection with the solicitation of proxies by our board of directors for use at our 2016 Annual Meeting of Stockholders (the “Annual Meeting”), which will be held on December 8, 2016 at 9:00 a.m. at the Gleacher Center, 450 North Cityfront Plaza Drive, Chicago, Illinois 60611. You may obtain directions to the location of the Annual Meeting by contacting our Office of Investor Relations by telephone at 877-252-2170 or by e-mail at investorrelations@accretivehealth.com. If the Annual Meeting is adjourned for any reason, then the proxies may be used at any adjournments of the Annual Meeting.

On or about [_____] , 2016, we are mailing these proxy materials together with an annual report (the “2015 Annual Report”), consisting of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and other information required by the rules of the Securities and Exchange Commission.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on December 8, 2016

This proxy statement and our 2015 Annual Report are available for viewing, printing and downloading at <http://proxyonline.accretivehealth.com>

You may request a copy of the materials relating to our Annual Meeting, including this proxy statement and form of proxy for our Annual Meeting and our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, at www.accretivehealth.com, or by contacting our Office of Investor Relations by telephone at 877-252-2170 or by e-mail at investorrelations@accretivehealth.com

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 as filed with the Securities and Exchange Commission, other than exhibits, will be furnished without charge to any stockholder upon written or oral request to:

Accretive Health, Inc.

Attention: Office of Investor Relations

401 North Michigan Avenue

Suite 2700

Chicago, Illinois 60611

Telephone: 877-252-2170

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will consider and vote on the following matters:

1. Elect three Class III directors, each for a term ending at the 2017 Annual Meeting of Stockholders, and until his or her successor has been duly elected and qualified;
2. Approve a stock option exchange program under our Amended and Restated 2010 Stock Incentive Plan;
3. Approve our Second Amended and Restated 2010 Stock Incentive Plan to increase the number of shares authorized for issuance under our Amended and Restated 2010 Stock Incentive Plan by 17 million shares;
4. Authorize our board of directors to amend our Restated Certificate of Incorporation to effect a reverse stock split of the outstanding shares of our common stock by a ratio in the range of 2-to-1 to 10-to-1 and a proportionate decrease in the number of authorized shares of our common stock, with our board of directors having sole discretion as to whether or not the reverse stock split is to be effected and determining the exact ratio to be set within the above range;
5. Ratify the selection by the Audit Committee of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016; and
6. Transact such other business as may properly come before the meeting or any adjournment thereof.

Who can vote?

All stockholders of record at the close of business on October 28, 2016, which we refer to as the record date, are entitled to vote at the Annual Meeting.

What shares will be entitled to vote at the Annual Meeting?

Our voting securities consist of common stock, of which _____ shares (excluding any treasury shares) were outstanding on the record date, and 8.00% Series A Convertible Preferred Stock (the "Series A Preferred Stock"), of which 210,160 shares were outstanding on the record date. Holders of our common stock and Series A Preferred Stock may vote on each proposal that comes before the Annual Meeting. Holders of our common stock and Series A Preferred Stock will each vote as a separate class on Proposal 4 and will vote together as a single class on Proposals 1, 2, 3 and 5.

How many votes do I have?

Each share of our common stock you owned on the record date entitles you to one vote on each matter that is voted on. On an as-converted basis, each share of our Series A Preferred Stock you owned on the record date entitles you to 400 votes per share on each matter that is voted on.

Is my vote important?

Your vote is important regardless of how many shares you own. Please take the time to read the instructions below and vote. Choose the method of voting that is easiest and most convenient for you and please cast your vote as soon as possible.

How do I vote?

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Included with the proxy materials you received is a proxy card or a voting instruction card from your bank, broker or other nominee for the Annual Meeting. The proxy card or voting instruction card contains instructions on how to vote either at our Annual Meeting, over the Internet, by telephone or by mail. If you return the proxy card, but do not give any instructions on a particular matter described in this proxy statement, the shares you own will be voted in accordance with the recommendations of our board of directors. Our board of directors recommends that you vote FOR Proposals 1, 2, 3, 4 and 5.

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If you are a stockholder as of the record date and attend the meeting, you may personally deliver your completed proxy card or vote in person at the meeting.

Can I change my vote or revoke my proxy after I have voted my shares?

Yes. You may revoke your proxy or change your vote at any time before it is exercised at the Annual Meeting by delivering to our corporate secretary a written notice of revocation or a duly executed proxy bearing a later date, by voting over the Internet or by telephone, or by voting in person at the meeting. You may not change your vote over the Internet or by telephone after 11:59 p.m. Eastern Time on December 7, 2016. Only your latest dated, valid proxy card received by mail not later than December 7, 2016 will be counted.

Can I vote if my shares are held in “street name”?

If the shares you own are held in “street name” by a bank or brokerage firm, your bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your bank or brokerage firm provides you. Many banks and brokerage firms also offer the option of voting over the Internet or by telephone, instructions for which would be provided by your bank or brokerage firm on your vote instruction form.

If your shares are held in street name, you must bring an account statement or letter from your brokerage firm or bank showing that you are the beneficial owner of the shares as of the record date in order to be admitted to the meeting on December 8, 2016. To be able to vote your shares held in street name at the meeting, you will need to obtain a proxy card from the holder of record.

What constitutes a quorum?

In order for business to be conducted at the meeting, a quorum must be present. For all the matters that are voted upon at the Annual Meeting, a quorum consists of the holders of a majority of the common stock and the Series A Preferred Stock, issued outstanding and entitled to vote at the meeting, present in person or represented by proxy, voting together as a single class on an as-converted basis. A quorum, once established at a meeting, shall not be broken by the withdrawal of enough votes to leave less than a quorum.

Shares of our common stock and Series A Preferred Stock represented in person or by proxy (including broker non-votes and shares that abstain or do not vote with respect to one or more of the matters to be voted upon) will be counted for the purpose of determining whether a quorum exists.

If a quorum is not present, the meeting will be adjourned until a quorum is obtained.

What vote is required for each item and how will the votes be counted?

Each share of common stock is entitled to one vote, whether voted by a proxy or by a ballot voted in person at the meeting. On an as-converted basis, each share of Series A Preferred Stock is entitled to 400 votes, whether voted by a proxy or by a ballot voted in person at the meeting. Shares will not be voted in favor of a matter, and will not be counted as voting on a particular matter, if either (1) the holder of the shares abstains from voting on the matter or (2) the shares are broker non-votes, as described below.

Approval Requirements. If a quorum is present, the vote required to approve each of the proposals is as follows. All votes will be counted by the inspector of election appointed for the meeting.

-

With respect to Proposal 1, the nominees for our Class III directors receiving a plurality of the votes cast by holders of our common stock and Series A Preferred Stock, voting together as a single class on an as-converted basis, at the meeting in person or by proxy, shall be elected to our board of directors as

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our Class III directors. With respect to Proposal 1, you may vote “for” or “withhold” any or all director nominees.

With respect to Proposals 2, 3 and 5, a majority in voting power of the votes cast by the holders of all shares of common stock and Series A Preferred Stock, voting together as a single class on an as-converted basis, present or represented at the meeting and voting affirmatively or negatively on such matter is required for approval. For Proposals 2, 3 and 5, abstentions are not counted for purposes of determining the minimum number of affirmative votes required for approval and, accordingly, have no effect on the outcome of voting on such proposals.

With respect to Proposal 4, the affirmative vote of the holders of at least a majority of our outstanding shares of common stock and the affirmative vote of the holders of at least a majority of our outstanding shares of Series A Preferred Stock, on an as-converted basis, are each required for approval of the amendment of our Restated Certificate of Incorporation to effect a reverse stock split of the outstanding shares of our common stock. For Proposal 4, abstentions have the effect of a vote against the proposal.

Broker Non-Votes. If your broker holds your shares in its name and does not receive voting instructions from you, it will still be able to vote your shares with respect to certain “discretionary” items, but will not be allowed to vote your shares with respect to certain “non-discretionary” items. In the case of non-discretionary items, the shares will be treated as “broker non-votes.” Broker non-votes are shares that are held in “street name” by a bank or brokerage firm that indicates on its proxy that it does not have discretionary authority to vote on a particular matter. Proposals 4 and 5 are discretionary item under these rules, and accordingly, your bank or brokerage firm will be able to vote your shares if you do not give instructions on how to do so. The election of directors, the approval of a stock option exchange program under our Amended and Restated 2010 Stock Incentive Plan and the approval of the Second Amended and Restated 2010 Stock Incentive Plan as discussed in Proposals 1, 2 and, 3, respectively, are “non-discretionary” items. Thus, if you hold your shares in street name and you do not instruct your bank, broker, or other nominee how to vote in Proposal 1, 2 and 3, your shares may constitute broker non-votes with respect to such proposals and no votes will be cast on your behalf with respect to such proposals.

Broker non-votes will not affect the required vote with respect to Proposals 1, 2 or 3 (and will not affect the attainment of a quorum since the broker has discretion to vote on Proposals 4 and 5 and these votes will be counted toward establishing a quorum).

Who will count the votes?

Broadridge Financial Solutions will count, tabulate and certify the votes. A representative of Broadridge Financial Solutions will serve as the inspector of elections at the meeting.

How does the board of directors recommend that I vote on the proposals?

Our board of directors recommends that you vote:

FOR the election of the Class III director nominees listed herein;

FOR the approval of the stock option exchange program under our Amended and Restated 2010 Stock Incentive Plan;

FOR the approval of the Second Amended and Restated 2010 Stock Incentive Plan;

FOR the approval of an amendment to our Restated Certificate of Incorporation to effect a reverse stock split of the outstanding shares of our common stock and a proportionate decrease in the number of authorized shares of our common stock; and

FOR the ratification of the selection of our independent registered public accounting firm.

Will any other business be conducted at the Annual Meeting or will other matters be voted on?

We are not aware of any other business to be conducted or matters to be voted upon at the meeting. Under our bylaws, the deadline for stockholders to notify us of any proposals or nominations for director to be presented for action at the Annual Meeting was September 26, 2016. If any other matter properly comes before the meeting, the persons named in the proxy card that accompanies this proxy statement will exercise their judgment in deciding how to vote, or otherwise act, at the meeting with respect to that matter or proposal.

Where can I find the voting results?

We will report the voting results from the Annual Meeting in a Current Report on Form 8-K, which we expect to file with the Securities and Exchange Commission ("SEC") within four business days after the Annual Meeting.

Can I recommend a candidate for Accretive Health's board of directors?

Yes. Stockholders may recommend director candidates for consideration by the nominating and corporate governance committee of our board of directors by submitting the stockholder's name, address and number of shares of our stock held, as well as any other information required by our bylaws and the candidate's name, age, address and resume to our corporate secretary at the address below. If a stockholder would like a candidate to be considered, then the stockholder must follow the procedures for stockholder proposals outlined immediately below under "How and when may I submit a stockholder proposal for the 2017 Annual Meeting of Stockholders?" You can find more detailed information on our process for selecting board members and our criteria for board nominees in the section of this proxy statement entitled "Board Committees - Nominating and Corporate Governance Committee" and in the Corporate Governance Guidelines posted in the "Corporate Governance" section of the "Investor Relations" page of our website, www.accretivehealth.com.

How and when may I submit a stockholder proposal for the 2017 Annual Meeting of Stockholders?

If you are interested in submitting a proposal for inclusion in the proxy statement for our 2017 Annual Meeting of Stockholders, you must follow the procedures outlined in Rule 14a-8 under the Securities Exchange Act of 1934 (the "Exchange Act"). A proposal that a stockholder would like included in our proxy statement for the 2017 Annual Meeting of Stockholders must satisfy all applicable requirements of Rule 14a-8 and must be received at the address below no later than . This deadline may change if our 2017 Annual Meeting of Stockholders is held before November 8, 2017.

If you wish to present a proposal or a proposed director candidate at the 2017 Annual Meeting of Stockholders, but do not wish to have the proposal or director candidate considered for inclusion in the proxy statement and proxy card, you must satisfy all applicable requirements set forth in our bylaws and give written notice to us at the address noted below not earlier than August 10, 2017 and not later than September 9, 2017. This deadline may change if our 2017 Annual Meeting of Stockholders is held before November 8, 2017.

Any proposals, notices or information about proposed director candidates should be sent to:
Accretive Health, Inc.
401 North Michigan Avenue
Suite 2700
Chicago, Illinois 60611
Attention: Corporate Secretary

How can I communicate with Accretive Health's board of directors?

Our board of directors will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. The chairman of the nominating and corporate governance committee, with the assistance of our senior management, is primarily responsible for monitoring and responding to communications from stockholders and other interested parties and for providing copies or summaries of communications to the other directors, as he considers appropriate.

All communications are forwarded to the chairman of the nominating and corporate governance committee and to the chairman of another committee of the board of directors, if the communication was addressed to the attention of another committee of the board of directors. The chairman of the nominating and corporate governance committee, and, in the case of communications to be addressed by another committee of the board of directors, in consultation with the chairman of that committee, shall decide in each case whether any particular communication should be forwarded to some or all other members of the board of directors.

Our stockholders may send communications to our board of directors by forwarding them addressed to our corporate secretary, our board of directors or, in the case of matters concerning accounting, internal accounting controls and auditing, our audit committee, at the above address.

Who bears the costs of soliciting these proxies?

We will bear the costs of soliciting proxies. We have engaged Alliance Advisors LLC to assist us with the solicitation of proxies and expect to pay Alliance Advisors approximately \$15,000 for their services. In addition to solicitations by mail and the solicitation services provided by Alliance Advisors, our directors, officers and employees may, without additional pay, solicit proxies by telephone, facsimile, e-mail and personal interviews. We will also request brokerage houses, custodians, nominees and fiduciaries to forward copies of the proxy materials to the persons for whom they hold shares and request instructions for voting the proxies. We will reimburse the brokerage houses and other persons for their reasonable expenses in connection with this distribution.

How can I obtain a copy of Accretive Health's Annual Report on Form 10-K?

Our Annual Report on Form 10-K is available in the "SEC Filings" section of the "Investor Relations" page of our website at www.accretivehealth.com.

Alternatively, if you would like us to send you a copy of our Annual Report on Form 10-K (without exhibits), without charge, please contact:

Accretive Health, Inc.
401 North Michigan Avenue
Suite 2700
Chicago, Illinois 60611
Attention: Investor Relations
Telephone: 877-252-2170
investorrelations@accretivehealth.com

If you would like us to send you a copy of the exhibits listed on the exhibit index of our Annual Report on Form 10-K, we will do so upon your payment of our reasonable expenses in furnishing a requested exhibit.

Whom should I contact if I have any questions?

If you have any questions about the Annual Meeting or your ownership of our common stock, please contact our Investor Relations department at the address, telephone number or e-mail address listed above.

Householding of Annual Meeting materials

Some banks, brokers and other nominee record holders may be participating in the practice of “householding” proxy statements and annual reports. This means that only one copy of our proxy statement and annual report to stockholders may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you if you call or write our Investor Relations department at the address, telephone number or e-mail address listed above. If you want to receive separate copies of our proxy statement or annual report to stockholders in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker or other nominee record holder.

PROPOSAL 1 — ELECTION OF DIRECTORS

Our board of directors is currently authorized to have nine members and is divided into three classes of directors. The three classes of our directors currently consist of three Class I directors, three Class II directors and three Class III directors.

At our 2015 Annual Meeting of Stockholders held on August 14, 2015, our stockholders voted to approve an amendment to our restated certificate of incorporation that provides for the phased-in declassification of our board of directors and the annual election of all directors, and our board of directors approved conforming changes to our amended and restated bylaws. Specifically, our restated certificate of incorporation, as amended, provides that (1) the Class III directors standing for election at our 2016 annual meeting will stand for election for a one-year term, (2) the Class I directors and Class III directors standing for election at our 2017 annual meeting will stand for election for a one-year term, and (3) beginning with our 2018 annual meeting, and at each annual meeting thereafter, our entire board will stand for election for a one-year term and there would no longer be any designation by classes. Our restated certificate of incorporation and our amended and restated by-laws also provide that the number of directors is to be established by the board of directors and that so long as the board of directors is divided into classes, each class must consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire board of directors.

In connection with the closing of our strategic transaction (the “Transaction”) with Ascension Health Alliance d/b/a Ascension (“Ascension”), on February 16, 2016 (the “Closing”), the following members of our board of directors resigned, effective as of the Closing: Edgar M. Bronfman, Jr., Michael B. Hammond, Dr. Arthur Klein, Lawrence B. Leisure, Denis J. Nayden and Robert V. Stanek. In connection with and effective upon the Closing, pursuant to the terms of an investor rights agreement between the Company and TCP-ASC ACHI Series LLLP (the “Investor”), a Delaware series limited liability limited partnership jointly owned by Ascension and investment funds affiliated with TowerBrook Capital Partners L.P. (“TowerBrook”), and upon the recommendation of the nominating and corporate governance committee of our board of directors, our board of directors approved a decrease in the number of directors comprising our board of directors to nine and to fill the resulting vacancies, appointed Joseph R. Impicicche as a Class III Director, John B. Henneman, III as a Class I Director and Neal Moszkowski, Ian Sacks and Anthony J. Speranzo as Class II Directors, each to serve until the 2016, 2017 or 2018 Annual Meeting, respectively, and thereafter until his successor is duly elected and qualified, or until his earlier death, resignation or removal.

Our Class III directors are up for election at this Annual Meeting, and our stockholders will have an opportunity to vote for three nominees for director: Charles J. Ditkoff, Joseph R. Impicicche and Alex J. Mandl.

You can find more information about the director nominees in the section of this proxy statement entitled “Information About Our Directors, Officers and 5% Stockholders - Our Board of Directors.”

If elected, Messrs. Ditkoff, Impicicche and Mandl will hold office as Class III directors until the 2017 Annual Meeting of Stockholders and until his successor has been duly elected and qualified, or until his earlier death, resignation or removal. All nominees have consented to being named in this proxy statement and indicated their willingness to serve if elected. However, if any of them should be unable to serve, proxies may be voted for substitute nominees nominated by our board of directors, or our board of directors may reduce the number of directors.

Our board of directors recommends a vote FOR the nominees for Class III directors.

PROPOSAL 2 - APPROVAL OF STOCK OPTION EXCHANGE PROGRAM UNDER OUR AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

Our board of directors is requesting that our stockholders approve a stock option exchange program (the “Option Exchange”). In brief, under the Option Exchange, our employees and directors would be given the opportunity to exchange stock options with an exercise price above the closing price of our common stock on the closing date of the Option Exchange for a lesser number of new stock options that have approximately the same fair value as the options surrendered. Our board of directors believes that the Option Exchange is in the best interest of stockholders and the Company, as new stock options received under the program will provide added incentive to motivate and retain talented employees and directors. In addition, it will provide the opportunity to reduce our “issued overhang” of outstanding stock options and allow the Company to make better use of the compensation costs that we have already incurred from our outstanding stock option awards.

Background

Long-term incentive compensation has been a critical part of our total compensation program for executives and other key employees. These long-term incentives make up a meaningful part of the target total compensation of each participant. Through equity-based grants of stock options and restricted stock, our goal was to create an alignment among management, directors and our stockholders focused on the creation of value for our stockholders. Historically, we have also used stock option grants as a tool for attracting and retaining certain qualified independent directors to serve on our board of directors. (See “Director Compensation” elsewhere in this proxy statement for a summary of our director compensation policy.) A key part of these grants is the use of vesting that requires continued service in order to enjoy the full economic benefits of ownership which encourages retention of participants. Furthermore, these grants serve as a powerful tool in the retention of executives and other key employees and directors based on stock price appreciation. However, when the stock price remains flat or declines, these grants decline in value, reducing or eliminating the retention power.

As of September 30, 2016, more than 91% of the stock options that are outstanding and held by employees and directors were “underwater”, meaning the stock option exercise price exceeded the market price of our common stock, rendering the options with little value to participants. This is a critical issue from the viewpoint of participant motivation, retention and, from the Company’s viewpoint, issued overhang related to the underwater options that have exercise prices that are far above the current trading price of our common stock.

In light of the substantial number of underwater options and the need to retain the newly reorganized management team and other key employees and directors, our board of directors is proposing that the Option Exchange be approved by our stockholders. Under this program, each option holder will have the opportunity to surrender underwater options that have been outstanding for more than six months from the start of the Option Exchange. The options surrendered will be valued using a Black-Scholes model, and the surrendered options will be replaced with a fewer number of options having an aggregate value approximately equal to the options surrendered and an exercise price equal to the fair market value on the date of grant. The new options will have a 10-year term from the date of grant and will vest ratably over two years on the first and second anniversaries of grant. Thus, even if the surrendered options are fully vested, the new options that will be issued will be subject to a new vesting period.

In addition to this proposal regarding approval of the Option Exchange, we are separately asking our stockholders to approve our Second Amended and Restated 2010 Stock Incentive Plan to increase the number of shares authorized for issuance under our Amended and Restated 2010 Stock Incentive Plan by 17 million shares as described elsewhere in this proxy under “Proposal 3 - Approval of Second Amended and Restated 2010 Stock Incentive Plan.” The outcome of the stockholder vote on “Proposal 3 - Approval of Second Amended and Restated 2010 Stock Incentive Plan” will have no impact on the Option Exchange and is not contingent upon approval of the Option Exchange.

Rationale for Option Exchange

The price of our common stock has been significantly impacted by our overall financial performance, our financial restatement and the delisting of our common stock from the New York Stock Exchange (“NYSE”) in 2014. As of September 30, 2016, our common stock closed at a market price per share of \$2.44, resulting in more than 91% of our outstanding stock option grants being underwater. We consider our employees and directors a very important part of our efforts to enhance our competitive position and to prepare for future success. Many of our employees and directors have skills and experience that they have developed over a long period of time and would be difficult and costly to replace. In addition, in considering participation in the Option Exchange, we have decided to include senior management and directors. We believe that this is appropriate due to the new roles with expanded responsibilities that certain of these executives have recently assumed in the Company, and that having all members of management with the same economic motivation will create cohesion and a shared focus. We are including directors that hold options in the Option Exchange because in exchange for their board service they have received options as our common stock price was in decline, and these options remain underwater due to their limited time on our board of directors. We view our directors’ service as helping to create the foundation for future growth.

Exercise prices for stock options outstanding as of September 30, 2016, ranged from \$1.93 to \$27.08, and the closing market price of our common stock was \$2.44 on that date. As a result, the current situation provides a considerable challenge to maintaining employee satisfaction and motivation, as well as creates impediments to the retention of highly valued employees until a recovery of our stock price commences. The Option Exchange would help to address both of these concerns and reinvigorate a culture based, in part, on employee stock ownership.

In addition, successful execution of the Option Exchange would significantly reduce our “issued overhang” (equity awards outstanding but not exercised, divided by total common shares outstanding). Underwater stock option awards have little or no retention value but remain in issued overhang until they are exercised, expire, or are cancelled. Our issued overhang on September 30, 2016 was approximately 16% (17,147,626 equity awards outstanding, divided by 107,128,685 total common shares outstanding). Under the Option Exchange, we expect that a reduction in our issued overhang will occur, because participating employees and directors will receive fewer new stock options than the number of stock options being surrendered, and surrendered stock options will be cancelled. The exchange ratios of old stock options for new stock options will be based on the fair value determined under applicable accounting rules shortly before we commence with the Option Exchange. The Option Exchange is intended to be a value-for-value exchange; in order to obtain a new at-the-money stock option, an employee or director will be required to surrender a higher number of underwater stock options that have value approximately equivalent to the new stock option. The total issued overhang reduction is difficult to estimate and will only be known when the actual exchange is complete. For example, if the fair values of stock options to be surrendered and received in the actual exchange, as determined using the Black-Scholes option pricing model, are similar to the fair values estimated as of fiscal year-end 2015, the Option Exchange could reduce the issued overhang by up to approximately 3,957,434 shares if all eligible stock options are surrendered for new stock options. Any reduction in issued overhang will be offset by any new awards granted under our Amended and Restated 2010 Stock Incentive plan, which currently has approximately 4.7 million shares available for future grants. The amount available for future grants will increase by 17 million shares if our stockholders approve “Proposal 3 - Approval of Second Amended and Restated 2010 Stock Incentive Plan” described elsewhere in this proxy statement.

Lastly, the Option Exchange will allow us to make use of expense previously recognized with the original equity awards in our efforts to enhance employee satisfaction, motivation and retention, rather than incur new, additional expenses to achieve the same goal. Generally, when stock options are granted to employees and directors, we bear an expense that reduces our net income. This expense (known as share-based compensation) is calculated at the time a stock option is granted based on the determined value of each stock option when granted. We use a mathematical formula known as the Black-Scholes option pricing model to determine the value of each stock option. As of September 30, 2016, there was approximately \$38.2 million in unrecognized compensation costs related to

outstanding stock options to be expensed in 2016 and beyond; however, at current stock prices, these outstanding stock option awards are of limited benefit in motivating and retaining our employees and directors. Through the Option Exchange, we believe that we can increase the significance of these stock option awards for our employees and directors and provide a more meaningful incentive. We have designed the Option Exchange so that it is not

intended to create additional share-based compensation expense; as noted above, this is known as a value-for-value exchange. Please see “Accounting Impact” below for a discussion of the possible accounting consequences of the Option Exchange.

The following table sets forth the number of options held by executive officers and directors that, based on a closing price per share of our common stock of \$2.44 on September 30, 2016, we expect would be eligible to participate in the Option Exchange:

Name	Eligible Stock Options
Joseph G. Flanagan	800,000
Christopher S. Ricaurte	231,875
Steven J. Shulman	103,174
Alex J. Mandl	180,718
Charles J. Ditkoff	193,237
John B. Henneman III	417,159

Structure of the Option Exchange

There is no written plan document for the Option Exchange, but a summary of the terms adopted by our board of directors is set forth herein. As a result, we are asking our stockholders to approve the Option Exchange with the following features:

Eligible Stock Options. The Option Exchange will be offered only with respect to stock options with an exercise price above the closing price of our stock on the closing date of the Option Exchange, and will exclude any stock options granted within the six months preceding the beginning of the exchange offer period. This approach seeks to avoid significantly shortening the vesting period on recently issued stock options, which would partially negate their retention value.

Offer an Approximate Value-for-Value Exchange. The value of an employee’s or director’s new stock option grant received as part of the Option Exchange is not expected to exceed in any material way the value of such employee’s or director’s surrendered stock options. The exercise price of the new stock options will be set on the grant date using the closing price of our stock on the closing date of the Option Exchange. The exchange ratios of shares associated with surrendered eligible stock options into new stock options will be established shortly before the start of the Option Exchange. An exchange ratio will be established for each individual outstanding option award by the Company using a Black-Scholes pricing model. (See the example in “Stock Option Exchange Ratios” below.)

Establishment of a New Vesting Period with a Term of Ten Years. New stock option awards will receive a renewed vesting period that will vest in 50% annual increments over a two-year period from grant date and will have a 10-year term. This vesting period supports the long-term nature of stock as an incentive vehicle and also provides for additional years of retention over the tendered stock options, many of which are already vested.

Completion of the Option Exchange Following Stockholder Approval. We expect that the Option Exchange will begin during the proxy solicitation period and, subject to receipt of stockholder approval, will be completed no earlier than five business days following the approval of the Option Exchange at the Annual Meeting. The actual commencement and, subject to stockholder approval, closing dates, and whether we commence this program, will be determined by our board of directors. Our board of directors reserves the right to amend, postpone, or under certain circumstances cancel the Option Exchange once it has commenced.

Impact of Option Exchange

We currently estimate that, based on our closing stock price of \$2.44 on September 30, 2016, the Option Exchange could cover approximately 5,638,294 outstanding stock options. The new stock options would be granted with an exercise price equal to the market value of an Accretive Health share on the grant date, and would be subject

to a two-year vesting schedule and 10-year contractual life. We considered other alternatives, such as applying a shorter or, in some cases, no vesting period, but these approaches would structure the new stock option grants as short-term equity incentive vehicles. Such an approach would be inconsistent with the intent of equity as a long-term incentive vehicle. Our objective for the Option Exchange is to preserve the integrity of the new stock option grants for long-term retention and motivation. The 10-year term will be reflected in the exchange ratios that we calculate on a value-for-value basis. We believe that this is appropriate because using a 10-year term and a two-year vesting schedule better aligns our employees and directors with our other stockholders for long-term stock price growth and provides better retention.

All stock options surrendered as part of the Option Exchange will be cancelled upon completion of the exchange offer and, in accordance with the terms of our Amended and Restated 2010 Stock Incentive Plan, will be available for future issuances.

Option Exchange Process

Additional information about how we expect to conduct the Option Exchange, if approved by stockholders, is set forth below. While the terms of the Option Exchange are expected to conform to the material terms described above in this proposal, we may find it necessary or appropriate to change the terms of the Option Exchange from those described below to take into account our administrative needs, applicable laws, accounting rules, or company policy decisions. For example, we may alter the method of determining exchange ratios if we decide that there is a more efficient and appropriate way to achieve our goal of granting replacement stock options that have a fair value approximately equal to the fair value of the eligible stock options they replace, subject to any fluctuations in our stock price or other factors that may occur between the time we establish the exchange ratios and the time that new stock options are actually granted as part of the Option Exchange.

Additionally, we may decide not to implement the Option Exchange even if stockholder approval of the Option Exchange is obtained, or we may amend or terminate the Option Exchange once it is in progress. The final terms of the Option Exchange will be described in the exchange offer documents that will be filed with the SEC.

Overview of the Option Exchange Process

Upon initiation of the Option Exchange, eligible employees and directors holding eligible stock option awards will receive a written offer setting forth the precise terms of the Option Exchange and those who desire to exchange some or all of their options under the Option Exchange will need to voluntarily elect to participate. All of our employees and directors who are employed or serving as a director on the commencement date of the exchange offer period, are still employed or serving as a director at the grant date, and hold eligible stock option awards may participate in the Option Exchange. Eligible employees and directors will be given at least 20 business days to elect to surrender eligible stock options in exchange for a lesser amount of new stock options. Upon completion of the Option Exchange, surrendered stock options will be cancelled and new stock options will be granted promptly. Our Amended and Restated 2010 Stock Incentive Plan will govern any terms or conditions of new options not specifically addressed within the Option Exchange proposal.

Election to Participate

Eligible employees and directors will receive a tender offer document and will be able to voluntarily elect to participate in the Option Exchange. If you are both a stockholder and an employee or director holding stock options that are potentially subject to the Option Exchange, note that voting to approve the Option Exchange does not constitute an election to participate in the Option Exchange. The written exchange offer documents described above will be provided if and when the Option Exchange is initiated; you can elect to participate after that time only.

Eligible Stock Options to Be Cancelled via the Option Exchange

If, for example, the Option Exchange grant date occurs on December 15, 2016, stock options granted from December 15, 2006 to May 15, 2016 and that meet the exercise price criteria noted earlier would be eligible to be

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surrendered for the Option Exchange. As of September 30, 2016, there were 10,977,432 stock options outstanding (which includes 5,638,294 options estimated to be eligible for the Option Exchange held by approximately 149 employees and directors). Eligible stock options would be expected to have exercise prices ranging from \$2.50 to \$27.08 per share, a weighted average exercise price of \$10.72 per share, and a weighted average remaining term of six years per share.

Stock Option Exchange Ratios

The exchange ratios of shares associated with surrendered eligible stock options into new stock options will be established shortly before the start of the Option Exchange. An exchange ratio will be established for each individual outstanding option award by the Company based on the fair value of the eligible awards (calculated using the Black-Scholes option pricing model). The calculation of fair value using the Black-Scholes option pricing model takes into account many variables, such as the volatility of our stock and the expected term of a stock option. Setting the exchange ratios in this manner is intended to result in the issuance of new stock options that have a fair value approximately equal to the fair value of the surrendered eligible stock options that they replace. This is designed to eliminate additional compensation expense from such new stock options, other than compensation expense that might result from changes in our stock price or other variables after the exchange ratios have been established but before the time that new stock options are granted in the Option Exchange.

Although exchange ratios cannot be determined now, we are providing an example by making certain assumptions regarding the start date of the offer, the fair value of the eligible stock options, and the fair market value of our common stock. To calculate the exchange ratios in the example, we have used the applicable inputs available as of September 30, 2016 for the Black-Scholes option pricing model. Note that only stock options with an exercise price above the closing price of our stock on the closing date of the Option Exchange and meeting all the other eligibility requirements referenced earlier will be eligible to participate in the Option Exchange.

In the table below, the exchange ratio represents the number of existing stock options that an employee would be required to surrender in exchange for one new stock option. For example, if an employee surrendered 1,000 stock options granted in 2013 that have an exercise price of \$10.00 per share, that employee (for purposes of this example only) would receive approximately 225 new stock options, using the exchange ratio of 4.44:1 as stipulated.

Examples of Stock Option Exchange Ratios

Grant Year	Exercise Price of Example Grants	Estimated Exchange Ratio	Example Number of Shares Underlying Eligible Options	Estimated Shares to be Received
2011	\$27.08	90.9:1	1,000	11
2013	\$10.00	4.44:1	1,000	225
2015	\$5.45	1.65:1	1,000	605

Accounting Impact

Accretive Health follows the provisions of ASC Topic 718 - Stock Compensation, which requires employee and director equity awards to be accounted for under the fair value method.

This Option Exchange is intended to be “cost neutral” from an accounting standpoint. Thus, we will establish exchange ratios with the intent not to generate incremental share-based compensation expense for the Company. To be cost neutral, the value of the stock options surrendered as calculated immediately prior to their surrender must be at least equal to the value of the new stock options received by employees and directors in the Option Exchange. We use the Black-Scholes option pricing model to estimate the fair value of all stock options granted to employees and directors, and expect to use that same model in valuing the stock options that are part of the Option Exchange. Note that the Option Exchange ratios will be established just prior to commencement of the exchange offer. Therefore, some risk of

incremental compensation does exist if there are fluctuations in the Company's common stock price or

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other key inputs to the Black-Scholes option pricing model between the date the Option Exchange ratios are established and the effective date of the Option Exchange.

Any unrecognized compensation expense from the surrendered stock options will be recognized prior to the end of the service period of the new stock options received in the Option Exchange. Incremental compensation cost, if any, associated with the new stock options under the Option Exchange will be recognized over the service period of the new awards. Compensation cost for stock options forfeited due to employees or directors not meeting the applicable service requirements will not be recognized.

U.S. Tax Consequences

The exchange of stock options pursuant to the Option Exchange should be treated as the cancellation of existing stock options and the grant of new stock options having an exercise price equal to the fair market value of Accretive Health common stock on grant date. The Company and participating employees and directors should not recognize any income for U.S. federal income tax purposes upon either the cancellation of existing stock options or the grant of the new stock options. All new stock options granted under the Option Exchange will be non-qualified stock options for U.S. federal income tax purposes. Tax effects may vary in other countries; a more detailed summary of tax considerations will be provided to all participants in the Option Exchange documents.

Conclusion

We strongly believe that our equity program and emphasis on key employee and director stock ownership have been integral to our success. We believe that our equity program has enhanced our ability to attract, motivate, and retain the employee and director talent critical to attaining long-term improved company performance and stockholder returns. Therefore, we consider approval of the Option Exchange to be important to our future success, as it will enable the Company to strengthen the motivational and retention value of our stock option awards to our key employees and directors.

Recommendation of the Board

Our board of directors recommends a vote FOR the stock option exchange program.

PROPOSAL 3 - APPROVAL OF SECOND AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

Introduction

Overview of Amendment

Our Amended and Restated 2010 Stock Incentive Plan (the “A&R 2010 Plan”), became effective upon our initial public offering in May 2010. 29,374,756 shares of common stock (subject to adjustment in the event of changes in our capitalization or reorganization events) are authorized for issuance under the A&R 2010 Plan pursuant to stock options, awards of restricted stock, restricted stock units, stock appreciation rights and other stock-based awards (collectively, “Awards”). As of September 30, 2016, approximately 4,748,585 shares remain available for future grants under the A&R 2010 Plan.

Subject to approval by our stockholders at the Annual Meeting, our board of directors has approved an amendment and restatement of the A&R 2010 Plan (the “Second A&R 2010 Plan”), which authorizes the issuance of an additional 17 million shares pursuant to Awards.

Increase in Authorized Shares under the Second A&R 2010 Plan

In determining the number of additional shares to be authorized for issuance under the Second A&R 2010 Plan, our board of directors considered, among other things, our hiring plans and expected number of employees and directors, our historic share usage under the A&R 2010 Plan, our current issued overhang in shares issuable with respect to outstanding awards, the existing terms of such outstanding awards and assumptions regarding stock option exercise activity and forfeiture rates, the likelihood of stockholder approval and implementation by the Company of the Option Exchange and our expectations regarding the number of outstanding stock options that may be surrendered as part of the Option Exchange (which, based on our closing stock price of \$2.44 on September 30, 2016, we expect could cover approximately 5,638,294 stock options and could increase the number of shares available for future grants under the A&R 2010 Plan by 3,157,154 shares). In making its determination, our board of directors also considered the advice of Steven Hall & Partners, the compensation committee’s compensation consultant, to our compensation committee. In light of the number of shares available for the grant of future Awards under the A&R 2010 Plan and the approval by our board of directors to implement the revised Long-Term Incentive (“LTI”) program described in greater detail below, our board of directors believes that increasing the shares authorized for issuance by 17 million shares is an appropriate increase to the number of shares available for grant under the Second A&R 2010 Plan.

There is no written plan document for our LTI program, but a summary of the terms adopted by our board of directors is set forth herein.

In light of our desire for a strong focus on performance-based long term incentives to help motivate our management team to achieve our business plan, we have revised our LTI program with the goal of greater focus on long-term business performance that we believe will be key to the creation of value for our stockholders. Depending on the level of management, the LTI program will now utilize three equity-based incentive vehicles: stock options, restricted stock units and performance-based restricted stock units (“PBRsUs”).

Our historical policy has been to make LTI grants in April of each year. In 2016, due to the reorganization of the management team, the focus on establishing a strategic business plan and the decision to review our prior LTI program to align it with that business plan, the grants of equity awards were delayed. In developing the new LTI program described herein, our board of directors decided to recognize the delay in the 2016 LTI grant, increase the retention power on executives and other key employees and focus them on achieving our business goals through the granting of both the 2016 LTI awards (the “2016 LTI Awards”) and the 2017 LTI awards (the “2017 LTI Awards”) in October of 2016. In considering the delay in making the grant of the 2016 LTI Awards, our board of directors set the

vesting period for such awards as if they had been made in April of 2016 (i.e., the first 25% of the 2016 LTI Awards (other than PBRsUs) will vest in April 2017). We believe that these vesting terms will benefit retention and morale,

as the results honor our historical policy of making grants in April and create an immediate, meaningful incentive opportunity that will enhance both the motivation and retention of executives and key employees.

Stock options will provide participants with the opportunity to share in the increase in stock price above the share price of our common stock on the date of grant. Each option will have a 10-year term and will vest according to the vesting schedule set forth below. Each restricted stock unit will provide participants with the right to receive, upon vesting, a share of our common stock for each restricted stock unit granted. These restricted stock units will vest according to the vesting schedule set forth below.

2016 LTI Awards - Vesting
 Schedule for Time-Vesting Stock
 Options and Time-Vesting
 Restricted Stock Units
 Vesting Date % of Award Vested
 April 2017 25%
 April 2018 50%
 April 2019 75%
 April 2020 100%

2017 LTI Awards - Vesting
 Schedule for Time-Vesting Stock
 Options and Time-Vesting
 Restricted Stock Units
 Vesting Date % of Award Vested
 April 2018 25%
 April 2019 50%
 April 2020 75%
 April 2021 100%

PBRsUs will entitle participants to receive shares of our common stock based on the performance of the Company over a multi-year performance period. At the end of the performance period, the Company's actual performance will be assessed against the performance goals set at the time of grant and based on that actual performance, participants will have the opportunity to earn a number of shares of our common stock within a range of 50% to 150% of a target number of shares and which will generally be calculated such that the number of shares earned will correspond to the Company's actual performance against the performance goals. The award agreements will provide that if the Company's actual performance against the performance goals falls below the 50% threshold set forth in a participant's grant agreement, no shares of common stock will be earned, and the award agreements will provide that if the Company's actual performance exceeds the performance goals, an amount of shares exceeding the target number of shares will be awarded up to a maximum of 150% of the target amount of shares. The determination of the number of shares earned will be interpolated for performance between the 50% minimum threshold and target performance and for performance between target performance and the 150% maximum set forth in the agreements. At this time, the performance criteria and goals have not been established by our board of directors or a committee thereof. Unless otherwise noted herein, the number of PBRsUs referred to herein assumes that the Company has achieved the 150% maximum performance target.

Each of the restricted stock units that were granted as part of the 2016 LTI Awards and each of the stock options and restricted stock units that were granted as part of the 2017 LTI Awards, representing an aggregate of 3,544,478 stock options and 1,360,352 restricted stock units, were issued contingent upon stockholder approval of the Second A&R 2010 Plan. If our stockholders do not approve the Second A&R 2010 Plan, the restricted stock units that were granted as part of the 2016 LTI Awards and the stock options and restricted stock units that were granted as part of the 2017

LTI Awards will be cancelled. We intend to issue the PBRsUs that are included in the 2016 LTI Awards and 2017 LTI Awards, representing an aggregate of 5,367,756 PBRsUs, prior to the Annual Meeting. These PBRsUs will also be issued contingent upon stockholder approval of the Second A&R 2010 Plan,

and if our stockholders do not approve the Second A&R 2010 Plan, any such PBRsUs that we have issued will be cancelled.

Participants in the LTI program are employees with a title of vice president or above and certain director-level employees. Under our LTI program, the total value of a participant's LTI award is established as a percentage of such participant's base salary, depending on position with the Company as follows:

Position	Value of Aggregate LTI Award as a % of Base Salary
Chief Executive Officer	300%
Chief Financial Officer	100%
Senior Vice Presidents	30%
Vice Presidents	30%
Director-Level Employees	20%

The composition of the initial grant under this program for 2016 and 2017 as a percentage of the total LTI award will be based on position in the Company as follows:

Senior Vice Presidents and above:

50% Stock Options
50% PBRsUs

Vice Presidents:

37.5% Stock Options
37.5% PBRsUs
25% Restricted Stock Units

Director-level Employees:

33.3% Stock Options
33.3% PBRsUs
33.4% Restricted Stock Units

The following table summarizes the 2016 LTI Awards and 2017 LTI Awards that have been granted to our executive officers:

Employee	2016 LTI Awards		2017 LTI Awards	
	Number of Time-Vesting Stock Options Granted	Number of PBRsUs Intended to be Granted	Number of Time-Vesting Stock Options Granted	Number of PBRsUs Intended to be Granted
Joseph Flanagan	817,390	553,203	817,390	553,203
Christopher Ricaurte	204,348	138,302	204,348	138,302
Total	1,021,738	691,505	1,021,738	691,505

In addition to the LTI program grants described herein, our board of directors also granted an additional, one-time equity grant to our new chief financial officer, Mr. Ricaurte, in order to recognize his promotion, encourage his retention and provide a stronger alignment with shareholder interests, and additional, one-time equity grants to certain highly valued non-executive employees (collectively, the "Top Up Grants" or the "Staking Grants") as set forth below:

Employee	Aggregate Number of Time-Vesting Stock Units Options as Staking Grants	Aggregate Number of Time-Vesting Restricted Stock Units Granted as Staking Grants	Number of PBRsUs Intended to be Granted as Staking Grants
Christopher Ricaurte	204,348	—	138,302
Other Employees	903,157	—	611,255
Total	1,107,505	—	749,556

All of the Staking Grants were issued (and in the case of the PBRsUs, will be issued) contingent upon stockholder approval of the Second A&R 2010 Plan. If our stockholders do not approve the Second A&R 2010 Plan, the Staking Grants will be cancelled. The Staking grants have the same vesting terms as the 2017 LTI Awards.

The terms of our revised LTI program described herein apply only to the 2016 LTI Awards and the 2017 LTI Awards. All of the terms of our LTI program, including, without limitation, eligible participants, award levels, the composition of awards and the vesting terms for awards, for 2018 and subsequent years are all subject to revision by our board of directors in their sole discretion. In addition, our board of directors reserves the right to discontinue the LTI program, in whole or in part, replace the LTI program and/or supplement it with additional incentive equity programs.

The implementation of our revised LTI program as described herein, together with the issuance of the Staking Grants described above, would require the issuance of 8,196,461 stock options, 1,360,352 restricted stock units and 6,117,312 PBRsU in the aggregate under the A&R 2010 Plan. In order to be able to implement the revised LTI program, an increase in the number of awards available under the A&R 2010 Plan is required. If the Second A&R 2010 Plan is approved by our stockholders, it will become immediately effective as of December 8, 2016. Assuming stockholder approval and implementation of the Option Exchange, which we anticipate could increase the number of shares available for issuance by 3,157,434 shares, the additional 17,000,000 shares of common stock will provide the Company with approximately 9,231,894 shares with which to grant Awards under the Second A&R 2010 Plan following the Annual Meeting and after taking into account the awards issued in connection with the LTI program. In addition, shares subject to awards outstanding as of December 8, 2016 that expire or are terminated, surrendered, canceled or forfeited may, in accordance with the terms of the Second A&R 2010 Plan, also be available for the future grant of Awards. We expect that if the Second A&R 2010 Plan is approved by our stockholders, the total number of shares available for issuance under the Second A&R 2010 Plan will be sufficient to allow us to make equity awards in the amounts we believe are necessary to attract and retain exceptional talent and key personnel through 2017.

If the reverse stock split described in “Proposal 4 - Authorize Board of Directors to Amend Certificate of Incorporation to Effect a Reverse Stock Split of the Outstanding Shares of our Common Stock” is approved by our stockholders and effectuated by our board of directors, our board of directors will adjust the number of shares reserved for issuance under our A&R 2010 Stock Incentive Plan based on the reverse stock split ratio chosen by our board of directors. As of September 30, 2016, there were 29,374,756 shares of common stock authorized for issuance under the A&R 2010 Plan, of which 4,748,585 remained available for future awards, and, assuming such reverse stock split is approved and implemented, such reserve will be reduced based on the reverse stock split ratio selected by our board of directors. If our stockholders approve the Second A&R 2010 Plan, there would be 46,374,756 shares of common stock authorized for issuance under the Second A&R 2010 Plan, of which 21,748,585 would be available for future awards, and, assuming such reverse stock split is approved and implemented, such reserve would be reduced based on the reverse stock split ratio selected by our board of directors.

Our request to increase the number of shares authorized for issuance by 17 million shares is primarily being made to cover the grants of the 2016 LTI Awards and the 2017 LTI Awards, and assuming our stockholders approve the Second A&R 2010 Plan, we anticipate that the continuation of our LTI program in 2018 and beyond would likely require us to request that our stockholders approve another increase in the number of shares authorized for issuance under the Second A&R 2010 Plan at our 2018 Annual Meeting.

Our board of directors believes that approval of the Second A&R 2010 Plan is in the best interests of the Company and our stockholders. In reaching this conclusion, the board of directors considered the following factors:

- the impact of the decline in stock price and the limited value related to current equity plan holdings by executives and other key employees results in limited retention power;
- the reorganization of the management team and the desire to create a strong alignment among employees, officers and stockholders based on the achievement of strategic goals and the creation of value for our stockholders; and
- competitive compensation opportunities for current and prospective employees and officers with a special focus on long-term incentives that require continued employment.

In consideration of these factors, the board of directors has approved the revised LTI program described herein which is intended to reward both stock price growth as well as financial performance.

Our board of directors recommends a vote FOR the approval of our Second Amended and Restated 2010 Stock Incentive Plan.

A brief summary of the Second A&R 2010 Plan is outlined below. The following summary is not a complete description of all of the provisions of the Second A&R 2010 Plan and is qualified in its entirety by reference to the Second A&R 2010 Plan, a copy of which is attached to this proxy statement as Appendix A. You can request a copy of the Second A&R 2010 Plan by writing to Accretive Health, Inc., Attn: Investor Relations, 401 North Michigan Avenue, Suite 2700, Chicago, Illinois 60611. A copy of the Second A&R 2010 Plan, which is attached as Appendix A of this proxy statement filed with the SEC, may also be accessed from the SEC's home page (www.sec.gov).

Description of the Second A&R 2010 Plan

Stock Available for Awards

Authorized Number of Shares. Up to 46,374,756 shares of common stock, subject to adjustment for changes in our capitalization or reorganization events, will be authorized for issuance pursuant to Awards granted under the Second A&R 2010 Plan. This number includes the number of shares of common stock subject to outstanding awards granted under our Amended and Restated Stock Option Plan, which awards may expire, terminate or otherwise be surrendered, cancelled, forfeited or repurchased by us at their original issue price pursuant to a contractual repurchase right (subject, in the case of incentive stock options, to any limitations under the Internal Revenue Code of 1986, as amended (the "Code")).

Potential Dilution. We believe that the potential dilution that may result from the Second A&R 2010 Plan is reasonable for a company of our size and in our industry. In addition, we believe that the benefits to our stockholders resulting from equity award grants to our employees, including interest alignment and mitigation of incentives to take inappropriate business risks, outweigh the potential dilutive effect of grants under the Second A&R 2010 Plan. Our board of directors believes that paying a significant portion of annual variable compensation in the form of equity awards that vest over multiple years is an effective method of aligning the interests of employees with those of our stockholders, encouraging ownership in the Company and retaining, attracting and rewarding talented employees.

Share Counting. The Second A&R 2010 Plan provides that all shares of our common stock covered by stock appreciation rights shall be counted against the number of shares available for the grant of Awards under the Second A&R 2010 Plan and against the sublimits contained in the Second A&R 2010 Plan; provided, however, that (i) stock appreciation rights that may be settled only in cash shall not be so counted and (ii) if we grant a stock appreciation right in tandem with an option for the same number of shares of common stock and provide that only one such Award

may be exercised, which we refer to as a tandem stock appreciation right, only the shares covered by the option and not the shares covered by the tandem stock appreciation right shall be so counted, and the expiration of

one in connection with the others' exercise will not restore shares to the Second A&R 2010 Plan. The Second A&R 2010 Plan also provides that shares of our common stock delivered to the us by a participant to (i) purchase shares of common stock upon exercise of an Award or (ii) satisfy tax withholding obligations (including shares retained from the Award creating the tax obligation) may no longer be added back to the number of shares available for the future grant of Awards. The Second A&R 2010 Plan also provides that shares of our common stock that we repurchase on the open market using the proceeds from the exercise of an Award shall not increase the number of shares available for future grant of Awards.

Reacquired Shares. If any Award (i) expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of common stock subject to such Award being repurchased by us at the original issuance price pursuant to a contractual repurchase right) or (ii) results in any common stock not being issued (including as a result of a stock appreciation right that was settleable either in cash or in stock actually being settled in cash), the unused common stock covered by such Award shall again be available for the grant of Awards; provided, however, that (1) in the case of incentive stock options, the foregoing shall be subject to any limitations under the Code, (2) in the case of the exercise of a stock appreciation right, the number of shares counted against the shares available under the Second A&R 2010 Plan and against certain sublimits contained therein shall be the full number of shares subject to the stock appreciation right multiplied by the percentage of the stock appreciation right actually exercised, regardless of the number of shares actually used to settle such stock appreciation right upon exercise and (3) the shares covered by a tandem stock appreciation right shall not again become available for grant upon the expiration or termination of such tandem stock appreciation right.

Substitute Awards. In connection with a merger or consolidation of an entity with us or the acquisition by us of property or stock of an entity, our board of directors may grant Awards in substitution for any options or other stock or stock-based Awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms as our board of directors deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the Second A&R 2010 Plan. Substitute Awards shall not count against the overall share limit of the Second A&R 2010 Plan or any sublimits contained in the Second A&R 2010 Plan, except as may be required by reason of Section 422 and related provisions of the Code.

Section 162(m) Per-Participant Limit. The maximum number of shares of common stock with respect to which Awards may be granted to any one participant under the Second A&R 2010 Plan shall be 3,000,000 per calendar year. For purposes of the foregoing limit, the combination of an option in tandem with a stock appreciation right shall be treated as a single Award.

Types of Awards

The Second A&R 2010 Plan provides for the grant of "incentive stock options" intended to qualify under Section 422 of the Code, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based Awards.

Stock Options. Stock options entitle recipients to purchase a specified number of shares of common stock at a specified option price and subject to such other terms and conditions as are specified in connection with the option grant. Options may be granted at an exercise price that is no less than 100% of the fair market value of a share of common stock on the date of grant (or less than 110% of the fair market value in the case of incentive stock options granted to any participant holding more than 10% of the voting power of our company). If our board of directors approves a grant effective as of a future date, the exercise price will be no less than 100% (or 110%, as applicable) of the fair market value of a share of common stock on such future date. Only employees may be granted incentive stock options. Options granted pursuant to the Second A&R 2010 Plan may not be granted with a term in excess of 10 years (or, in excess of five years in the case of incentive stock options granted to any participant holding more than 10% of the voting power of our company). The Second A&R 2010 Plan permits the following forms of payment of the

exercise price of options: (i) payment by cash or check, (ii) subject to certain conditions, payment in connection with a “cashless exercise” through a broker, (iii) subject to certain conditions, surrender to us of shares of common stock, (iv) with respect to a nonstatutory stock option, payment in shares of common stock in the form of a

“net exercise”, (v) payment by any other lawful consideration as our board of directors may determine, or (vi) any combination of these forms of payment. As described above, we have issued 8,196,461 stock options in the aggregate to employees as part of our LTI program for 2016 and 2017 (including as Staking Grants), and 4,651,983 of such stock options are contingent upon approval of our Second A&R 2010 Plan by our stockholders.

Stock Appreciation Rights. Stock appreciation rights entitle recipients to receive the appreciation in the value of our common stock over the value of the common stock on the date of grant of the stock appreciation right, which we refer to as the measurement price. Stock appreciation rights may be settled by the delivery of shares of our common stock or in cash. Stock appreciation rights may be issued in tandem with options or as stand-alone rights. The measurement price will be no less than 100% of the fair market value of a share of common stock on the date of grant. If our board of directors approves a grant effective as of a future date, the measurement price will be no less than 100% of the fair market value of a share of common stock on such future date. The maximum term of any stock appreciation right granted pursuant to the Second A&R 2010 Plan will be no more than 10 years from the date of grant.

Restricted Stock and Restricted Stock Unit Awards. Awards of restricted stock entitle recipients to acquire shares of common stock, subject to our right to repurchase, or require the forfeiture of such shares if issued at no cost, all or part of such shares from the recipient in the event that the conditions specified in the applicable Award agreement are not satisfied prior to the end of the applicable restriction period established for such Award. Unless otherwise provided in the applicable Award agreement, any dividend declared and paid by us with respect to a share of restricted stock shall be paid to the recipient (without interest) only if and when such shares of restricted stock become free from any applicable restrictions on transferability and forfeitability. Alternatively, instead of issuing common stock that is subject to repurchase, our board of directors may grant Awards known as restricted stock units that entitle recipients to receive unrestricted shares of common stock or cash at such time as the conditions specified in the applicable Award agreement are satisfied. Our board of directors may, in its discretion, provide that settlement of restricted stock units shall be deferred, on a mandatory basis or at the election of the recipient in a manner that complies with Section 409A of the Code. A recipient has no voting rights with respect to any restricted stock units. A grant of restricted stock units may provide the recipient with a right to receive dividend equivalents, which shall be subject to the same restrictions on transfer and forfeitability as the underlying restricted stock units. . As described above, we have issued 1,360,352 restricted stock units in the aggregate to employees as part of our LTI program for 2016 and 2017 (including as Staking Grants), all of which are contingent upon approval of our Second A&R 2010 Plan by our stockholders.

Other Stock-Based Awards. Under the Second A&R 2010 Plan, our board of directors has the right to grant other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of our common stock or other property, having such terms and conditions as our board of directors may determine. We refer to these types of Awards as other stock-based Awards. Other stock-based Awards may be available as a form of payment in the settlement of other Awards granted under the Second A&R 2010 Plan or as payment in lieu of compensation to which a recipient is otherwise entitled. Other stock-based Awards may be paid in shares of our common stock or cash, as our board of directors determines. Dividend equivalents with respect to other stock-based Awards will be subject to the same restrictions on transfer and forfeitability as the underlying other stock-based Award.

Performance Awards. The compensation committee or a subcommittee thereof, made up solely of two or more outside directors (as that term is defined under Section 162(m) of the Code), may determine, at the time of grant, that a restricted stock Award, restricted stock unit Award or other stock-based Award granted to a covered employee, as such term is defined under Section 162(m) of the Code, will vest solely upon the achievement of specified performance criteria so that any such Award may qualify as performance-based compensation under Section 162(m) of the Code. The performance criteria for each such Award will be based on the relative or absolute attainment of specified levels of one or any combination of the following, which may be determined pursuant to generally accepted accounting principles (or GAAP) or on a non-GAAP basis, as determined by the compensation committee: gross cash generated from customer contracting activities; net cash generated from customer contracting activities; net cash generated from customer contracting activities per share; site operating margin; net income per share; net income;

earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization, and stock-

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based compensation expense; operating profit before or after discontinued operations and/or taxes; sales; sales growth; earnings growth; cash flow or cash position; gross margins; stock price; market share; return on sales, assets, equity or investment; improvement of financial ratings; achievement of balance sheet or income statement objectives or total stockholder return; gross profit; revenue growth; cost savings; working capital; customer satisfaction; service quality; completion of strategic acquisitions/dispositions and/or execution of customer contracts; and receipt of regulatory approvals. Such criteria may reflect absolute entity or business unit performance or a relative comparison to the performance of a peer group of entities or other external measure of the selected performance criteria and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The compensation committee may specify that such performance measures will be adjusted to exclude any one or more of: extraordinary items, gains or losses on the dispositions of discontinued operations, the cumulative effects of changes in accounting principles, the write-down of any asset, the fluctuation in foreign currency exchange rates and charges for restructuring and rationalization programs. Such performance measures may vary by participant and may be different for different Awards, may be particular to a participant or the department, branch, line of business, subsidiary or other unit in which the participant works and may cover such period as may be specified by the compensation committee, and must be set by the compensation committee within the time period prescribed by, and otherwise comply with the requirements of, Section 162(m) of the Code. Awards that are not intended to qualify as performance-based compensation may be based on these or such other performance measures as the board of directors may determine. With respect to any performance Award that is intended to qualify as performance-based compensation under Section 162(m) of the Code, the compensation committee may adjust downwards, but not upwards, the cash or number of shares payable pursuant to such Award, and the compensation committee may not waive the achievement of the applicable performance measures except in the case of death or disability of the participant or a change in control of our company. As described above, we plan to issue 6,117,312 performance-based restricted stock units in the aggregate to employees as part of our LTI program for 2016 and 2017 (including as Staking Grants), all of which would be contingent upon approval of our Second A&R 2010 Plan by our stockholders.

Certain Award Terms

Limitations on Repricing of Options or Stock Appreciation Rights; No Reload Options or Reload Stock Appreciation Rights. Unless approved by our stockholders or otherwise permitted under the terms of the Second A&R 2010 Plan as a result of changes in our capitalization or reorganization events: (1) no outstanding option or stock appreciation right may be amended to provide an exercise price or measurement price per share that is lower than the then-current exercise price or measurement price per share of the option or stock appreciation right, (2) we may not cancel any outstanding option or stock appreciation right and grant in substitution therefor new Awards under the Second A&R 2010 Plan, other than as specifically described under the heading "Substitute Awards" above, covering the same or a different number of shares of common stock and having an exercise price or measurement price per share lower than the then-current exercise price or measurement price per share of the cancelled option or stock appreciation right, (3) we may not cancel in exchange for a cash payment any outstanding option or stock appreciation right with an exercise price or measurement price per share above the then-current fair market value of a share of our common stock, and (4) we may not take any other action under the Second A&R 2010 Plan that constitutes a "repricing" under the rules of the NYSE. No option or stock appreciation right granted under the Second A&R 2010 Plan shall contain any provision entitling the recipient to the automatic grant of additional options or stock appreciation rights in connection with any exercise of the original option or stock appreciation right.

Minimum Vesting; Limitations on Acceleration. No Award granted after August 14, 2015 under the Second A&R 2010 Plan may vest earlier than the first anniversary of its date of grant unless such Award is granted in lieu of salary, bonus or other compensation otherwise earned by or payable to the recipient. This vesting limitation does not apply to (i) Awards granted on or prior to August 14, 2015, (ii) Awards granted to non-employee directors and (iii) in addition to Awards granted to non-employee directors, Awards granted after August 14, 2015 representing an aggregate of up to 5% of the maximum number of authorized shares available for issuance under the Second A&R 2010 Plan. In addition, the Second A&R 2010 Plan prohibits our board of directors from amending any Award granted after August

14, 2015 to make such Award immediately exercisable in whole or in part, free of some or all restrictions or conditions, or otherwise realizable in whole or in part, as the case may be, except (i) to the extent required under any contractual obligation or other policy of the Company in effect on August 14, 2015, (ii) upon the

death or disability of the recipient, (iii) upon the merger, consolidation, reorganization, recapitalization or change in control of the Company or as a result of any circumstance described below under the heading “Adjustments for Changes in Common Stock and Certain Other Events”, or (iv) in any other circumstance with respect to Awards representing an aggregate of up to 5% of the maximum number of authorized shares available for issuance under the Second A&R 2010 Plan.

Eligibility to Receive Awards; Plan Benefits

Our employees, officers, directors, consultants and advisors are eligible to be granted Awards under the Second A&R 2010 Plan. As of September 30, 2016, approximately 3,554 persons are eligible to receive Awards under the Second A&R 2010 Plan, including our two executive officers and eight non-employee directors. The amount and timing of all Awards under the Second A&R 2010 Plan will be determined in the sole discretion of our board of directors or a committee thereof and therefore cannot be determined in advance.

However, as discussed above, we have granted a number of Awards under our LTI program that are contingent upon stockholder approval of the Second A&R 2010 Plan. If such proposal is not approved, our board of directors will consider what course of action to follow with respect to future incentive compensation.

The following table sets forth information about awards granted under the Second A&R 2010 Plan that are subject to stockholder approval, to: (i) our named executive officers; (ii) all current executive officers, as a group; (iii) all current directors who are not executive officers, as a group; and (iv) all employees who are not executive officers, as a group. The size of past awards is not necessarily indicative of the size of future awards.

Name and Position(s)	Dollar Value as of October 3, 2016 (\$) ⁽¹⁾	Number of Shares of Time-Vesting Stock Options	Number of Shares of Time-Vesting Restricted Stock Units	Target Number of Shares of Performance-Vesting Restricted Stock Units
Joseph Flanagan	\$2,677,500	817,390	—	737,604
Christopher Ricaurte	1,115,625	408,696	—	276,603
All current executive officers, as a group	3,793,125	1,226,086	—	1,014,207
All current directors who are not executive officers, as a group	—	—	—	—
All employees, including all current officers who are not executive officers, as a group	12,615,204	3,425,897	1,360,352	3,064,001

Represents the aggregate value of (i) the Black-Scholes value of the time-vesting stock options on the date of grant (October 3, 2016) and (ii) time-vesting restricted stock units and performance-vesting restricted stock units at target multiplied by the closing price of the Company’s common stock of \$2.42 on October 3, 2016. The aggregate (1) grant date fair value of the awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification No. 718 cannot be determined until such time as stockholder approval of the Second A&R 2010 Plan. For additional information about these awards, see “-Increase in Authorized Shares under the Second A&R 2010 Plan.”

Administration

The Second A&R 2010 Plan is administered by our board of directors. Our board of directors has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the Second A&R 2010 Plan and to interpret the provisions of the Second A&R 2010 Plan. Pursuant to the terms of the Second A&R 2010 Plan and to the extent permitted by applicable law, our board of directors may delegate authority under the Second A&R 2010

Plan to one or more committees or subcommittees of our board of directors. Our board of directors has authorized our compensation committee to administer certain aspects of the Second A&R 2010 Plan, including the granting of options to executive officers and officers, as those terms are defined in the Exchange Act.

To the extent permitted by applicable law, our board of directors also may delegate authority under the Second A&R 2010 Plan to our officers, each of whom has the power to make awards of stock options and certain other

types of Awards to all of our employees, except to executive officers and officers, as those terms are defined in the Exchange Act. Our board of directors has authorized our chief executive officer to grant stock options under our Second A&R 2010 Plan. The chief executive officer is not authorized to grant options to himself, to any other director or executive officer, to any other officer or other person whose compensation is determined by the compensation committee or to any person who our board of directors or the compensation committee may from time to time designate in writing. Our board of directors has fixed the terms of the Awards to be granted by the chief executive officer, including the formula for establishing the exercise price of such Awards and the maximum number of shares subject to Awards that the chief executive officer may make in any one year. Discretionary Awards to non-employee directors may be granted and administered only by a committee, all of the members of which are “independent directors.”

Subject to any applicable limitations contained in the Second A&R 2010 Plan, our board of directors, our compensation committee, or any other committee to whom our board of directors delegates authority, as the case may be, selects the recipients of Awards and determines the number of shares of common stock covered by options and the dates upon which such options become exercisable, the exercise price of options (which may not be less than 100%, or, in certain circumstances, 110%, of the fair market value of the common stock), the duration of options (which may not exceed 10 years, or, in certain circumstances, 5 years) and the number of shares of common stock subject to any stock appreciation right, restricted stock, restricted stock units or other stock-based Awards and the terms and conditions of such Awards, including conditions for exercise, repurchase, issue price and repurchase price.

Adjustments for Changes in Common Stock and Certain Other Events

In the event of a stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off and other similar changes in capitalization or event, or any dividend or distribution to holders of our common stock other than an ordinary cash dividend, our board of directors is required to make equitable adjustments to (i) the number and class of securities available under the Second A&R 2010 Plan, (ii) the share counting rules and sublimit set forth in the Second A&R 2010 Plan, (iii) the number and class of securities and exercise price per share of each outstanding stock option, (iv) the share- and per-share provisions and the measurement price of each outstanding stock appreciation right, (v) the number of shares subject to and the repurchase price per share subject to each Award of restricted stock or restricted stock units and (vi) the share- and per-share-related provisions and the purchase price, if any, of each outstanding other stock-based Award. The Second A&R 2010 Plan also contains provisions addressing the consequences of a reorganization event. A “reorganization event” is defined under the terms of the Second A&R 2010 Plan to mean (a) any merger or consolidation of us with or into another entity as a result of which all of our common stock is converted into or exchanged for the right to receive cash, securities or other property, or is cancelled, (b) any transfer or disposition of all of our common stock for cash, securities or other property pursuant to a share exchange or other transaction or (c) our liquidation or dissolution. If reorganization event occurs, our board of directors may take any of the following actions with respect to any or all (or any portion of) our outstanding Awards other than Awards of restricted stock and except to the extent specifically provided in an Award agreement or other agreement between us and the participant: (i) provide that Awards shall be assumed or substituted by the acquiring or succeeding corporation or an affiliate thereof, (ii) upon written notice to the participant, provide that Awards shall be terminated immediately prior to the consummation of such reorganization event unless exercised by the participant within a specified period, (iii) provide that Awards shall become exercisable, realizable, or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such reorganization event, (iv) in the event of a reorganization event under the terms of which holders of our common stock will receive upon consummation thereof a cash payment for each share surrendered in the reorganization event, which we refer to as the acquisition price, make or provide for a cash payment to the participants with respect to each Award held by a participant in exchange for the termination of such Awards equal to (A) the number of shares of common stock subject to the vested portion of the Award (after giving effect to any acceleration of vesting that occurs upon or immediately prior to such reorganization event) multiplied by (B) the excess, if any, of (I) the acquisition price over (II) the exercise or purchase price of such Award and any applicable tax withholdings, (v) provide that in connection with our liquidation or dissolution, Awards

shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof and any applicable tax withholdings) and (vi) any combination of the foregoing. Our board of directors is not obligated to treat all Awards, all Awards held by a participant, or all Awards of the same type, identically.

If a reorganization event occurs that is not a liquidation or dissolution, our repurchase and other rights under outstanding restricted stock Awards will inure to the benefit of our successor and will, unless our board of directors determines otherwise, apply to the cash, securities or other property which our common stock is converted into or exchanged for pursuant to such reorganization event in the same manner and to the same extent as such repurchase and other rights applied to our common stock under such Awards. However, our board may provide for the termination or deemed satisfaction of such repurchase or other rights under the agreement evidencing the restricted stock Award or any other agreement between the participant and us, either initially or by amendment. Upon a reorganization event involving the liquidation or dissolution of us, except to the extent specifically provided to the contrary in the instrument evidencing any restricted stock Award or any other agreement between a participant and us, all restrictions and conditions on all restricted stock then outstanding shall automatically be deemed terminated or satisfied.

Amendment or Termination

Except as otherwise provided under the Second A&R 2010 Plan with respect to repricing outstanding stock options or stock appreciation rights, performance Awards, the minimum vesting rules and exclusions thereto, the prohibitions on acceleration of vesting and exclusions thereto, or actions requiring stockholder approval, our board of directors may amend, modify or terminate any outstanding Award, including substituting another Award therefor of the same or a different type, changing the date of exercise or realization, and converting an incentive stock option to a nonstatutory stock option, provided that we must obtain the participant's consent unless our board of directors determines that such action, taking into account any related action, does not materially and adversely affect the participant's rights under the plan or the change is otherwise permitted under the terms of the Second A&R 2010 Plan in connection with a change in capitalization or reorganization event.

In addition, our board of directors may amend, suspend or terminate the Second A&R 2010 Plan or any portion thereof at any time, provided that (i) to the extent required by Section 162(m) of the Code, no Award granted to a participant that is intended to comply with Section 162(m) after the date of such amendment shall become exercisable, realizable or vested, as applicable, unless and until such amendment shall have been approved by our stockholders if required by Section 162(m) and (ii) no amendment that requires stockholder approval under the rules of the NYSE will be effective unless and until our stockholders approve such amendment. If the NYSE amends its corporate governance rules so that such rules no longer require stockholder approval of "material revisions" to equity compensation plans, then, from and after the effective date of such amendment to the NYSE rules, no amendment to the Second A&R 2010 Plan that (a) subject to certain exceptions, materially increases the number of shares authorized under the Second A&R 2010 Plan, (b) expands the types of Awards that may be granted under the Second A&R 2010 Plan, or (c) materially expands the class of participants eligible to participate in the Second A&R 2010 Plan shall be effective unless and until the Company's stockholders approve such amendment. If at any time the approval of our stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to incentive stock options, our board of directors may not effect such modification or amendment without stockholder approval.

Unless otherwise specified in the amendment, any amendment to the Second A&R 2010 Plan adopted in accordance with the procedures described above shall apply to, and be binding on the holders of, all Awards outstanding under the Second A&R 2010 Plan at the time the amendment is adopted, provided that the board of directors determines that such amendment, taking into account any related action, does not materially and adversely affect the rights of participants under the Second A&R 2010 Plan.

Federal Income Tax Consequences

The following is a summary of the United States federal income tax consequences that generally will arise with respect to Awards granted under the Second A&R 2010 Plan. This summary is based on the federal tax laws in effect as of the date of this proxy statement. In addition, this summary assumes that all Awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonstatutory deferred compensation. Changes to these laws could alter the tax consequences described below.

Incentive Stock Options

A participant will not recognize income upon the grant of an incentive stock option. Also, except as described below, a participant will not recognize income upon exercise of an incentive stock option if the participant has been employed by us or our corporate parent or 50% or more-owned corporate subsidiary at all times beginning with the option grant date and ending three months before the date the participant exercises the option. If the participant has not been so employed during that time, then the participant will be taxed as described below under “Nonstatutory Stock Options.” The exercise of an incentive stock option may subject the participant to the alternative minimum tax. A participant will recognize income upon the sale of the stock acquired under an incentive stock option at a profit (if sales proceeds exceed the exercise price). The character of that income will depend on when the participant sells the stock. If a participant sells the stock more than two years after the option was granted and more than one year after the option was exercised, then all of the profit will be long-term capital gain. If a participant sells the stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and the portion of the profit up to, but not exceeding, the spread value of the stock option on the exercise date will be compensation income, and any additional profit (representing increase in the value of the stock from the exercise date to the sale date) will be capital gain. This capital gain will be long-term if the participant has held the stock for more than one year and otherwise will be short-term. If a participant sells the stock at a loss (sales proceeds are less than the exercise price), then the loss will be a capital loss. This capital loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

Nonstatutory Stock Options

A participant will not recognize income upon the grant of a nonstatutory stock option. A participant will recognize compensation income upon the exercise of a nonstatutory stock option equal to the value of the stock on the day the participant exercised the option less the exercise price. Upon sale of the stock, the participant will recognize capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise it will be short-term.

Stock Appreciation Rights

A participant will not recognize income upon the grant of a stock appreciation right. A participant will recognize compensation income upon the exercise of a stock appreciation right equal to the amount of the cash and the fair market value of any stock received. Upon the sale of the stock, the participant will recognize capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the stock appreciation right was exercised. This capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

Restricted Stock Awards

A participant will not recognize income upon the grant of restricted stock unless an election under Section 83(b) of the Code is made within 30 days of the date of grant. If a timely election under Section 83(b) is made, then a participant will recognize compensation income equal to the value of the stock on the grant date less the purchase price, if any. When the stock is sold, the participant will recognize capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the date of grant. If the participant does not make an 83(b) election, then the participant will recognize compensation income on the vesting date equal to the value of the stock on the vesting date less the purchase price, if any. When the stock is sold, the participant will recognize capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year following the vesting date and otherwise will be short-term.

Restricted Stock Units

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A participant will not recognize income upon the grant of a restricted stock unit. A participant is not permitted to make a Section 83(b) election with respect to a restricted stock unit Award. The participant will recognize compensation income when stock is delivered with respect to the restricted stock unit on the vesting date in an amount equal to the fair market value of the stock on the vesting date less the purchase price, if any. When the stock is sold, the participant will recognize capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise it will be short-term.

Other Stock-Based Awards

The tax consequences associated with any other stock-based Awards granted under the Second A&R 2010 Plan will vary depending on the specific terms of such Award. Among the relevant factors are whether or not the Award has a readily ascertainable fair market value, whether or not the Award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the Award, whether the participant makes a Section 83(b) election with respect to the award (where permitted), and the participant's holding period and tax basis for the Award or underlying common stock.

Tax Consequences to Us

There will be no tax consequences to us except that we will be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

Equity Compensation Plan Information

The following table summarizes information about the securities authorized for issuance under our equity compensation plans as of December 31, 2015:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options	(b) Weighted-Average Exercise Price of Outstanding Options	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities reflected in Column (a))
Equity compensation plans approved by stockholders (1)(2)	8,156,465	\$10.94	5,148,848
Equity compensation plans not approved by stockholders (3)(4)	7,103,801	\$9.42	0
Total	15,260,266	\$10.23	5,148,848

(1) Includes all outstanding stock options awarded under our Amended and Restated Stock Option Plan and A&R 2010 Plan.

(2) Excludes 7,855,952 shares of restricted stock that were unvested and not forfeited as of December 31, 2015.

(3) Represents stock option inducement grants made pursuant to the NYSE inducement grant rules.

(4) Excludes 1,399,980 shares of restricted stock that were unvested and not forfeited as of December 31, 2015.

PROPOSAL 4 - AUTHORIZE BOARD OF DIRECTORS TO AMEND CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF THE OUTSTANDING SHARES OF OUR COMMON STOCK.

General

Our board of directors has recommended that our stockholders authorize our board of directors to amend our current Restated Certificate of Incorporation (the “Current Certificate”) to effect a reverse stock split (the “Reverse Stock Split”) of the outstanding shares of our common stock at a ratio of not less than 2-to-1 and not more than 10-to-1, with our board of directors having sole discretion as to whether the Reverse Stock Split is to be effected and determining the exact ratio of any reverse split (the “Ratio”) to be set within the above range. If this proposal is approved by our stockholders, our board of directors would have the discretion and authority to file a certificate of amendment (the “Reverse Stock Split Amendment”) to the Current Certificate with the Secretary of State of the State of Delaware effecting the Reverse Stock Split or to abandon the Reverse Stock Split altogether.

The Reverse Stock Split Amendment will effect the Reverse Stock Split by reducing the number of outstanding shares of common stock based on the Ratio selected by our board of directors, but will not increase the par value of common stock, and will proportionately reduce the number, based on the final Ratio as determined by our board of directors of (i) issued and outstanding treasury shares of our common stock and (ii) authorized shares of our common stock. If implemented, the number of shares of our common stock owned by each of our stockholders will be reduced by the same proportion as the reduction in the total number of shares of our common stock outstanding, so that the percentage of our outstanding common stock owned by each of our stockholders will remain approximately the same, except to the extent that the Reverse Stock Split could result in any of our stockholders receiving cash in lieu of a fractional share. The proposed Reverse Stock Split Amendment under this Proposal No. 4 is set forth in Appendix B to this Proxy Statement.

There are 370,000 shares of Series A Preferred Stock authorized, of which 210,160 shares of Series A Preferred Stock are issued and outstanding. The Reverse Stock Split will have the effect of commensurately adjusting the Conversion Rate (as defined in the Certificate of Designations of the 8.00% Series A Convertible Preferred Stock (the “Series A CoD”)) of the Series A Preferred Stock as set forth in the Series A CoD. The Reverse Stock Split will not affect the number of shares of preferred stock we are authorized to issue.

Background and Purpose of the Proposed Reverse Stock Split

Our common stock was traded on the NYSE until March 2014, when our common stock was delisted. Since March 2014, our common stock has traded through the facilities of the OTC Markets Group, Inc. (the “OTC Market”). The Company is currently in the process of applying to list its common stock for trading on either the NASDAQ Stock Market (“NASDAQ”) or the NYSE. Our board of directors believes that listing on either NASDAQ or the NYSE is an important element of our status as a publicly-traded company. One of the conditions to listing our common stock on either NASDAQ or the NYSE is a minimum trading price of \$4.00 per share. As of the close of business on September 30, 2016, our common stock traded at a price of \$2.44 per share. Our board of directors has determined that in order to meet either NASDAQ’s or the NYSE’s \$4.00 minimum trading price requirement, it would be in the best interests of the Company and its stockholders to effect a reverse stock split of our common stock.

Our board of directors believes that our delisting from the NYSE has negatively affected the value and liquidity of our common stock because the OTC Market is generally considered to be a less efficient market. An investor likely would find it less convenient to trade, or to obtain accurate quotations in seeking to trade, our common stock on the OTC Market. Many investors have likely not bought or sold our common stock due to low liquidity on the OTC Market, policies preventing them from trading in securities not listed on a national exchange or other reasons. If our common stock is listed on either NASDAQ or the NYSE, our board of directors believes that the trading market for our common stock could become significantly more liquid, which could increase the trading price of our common stock

and decrease the transaction costs of trading in shares of our common stock.

Our board of directors also believes that the increased market price of our common stock expected as a result of implementing a reverse stock split could improve the marketability and liquidity of our common stock and could encourage interest and trading in our common stock. A reverse stock split could allow a broader range of institutions to invest in our stock (namely, funds that are prohibited from buying stocks whose price is below a certain threshold), potentially increasing the liquidity of our common stock. A reverse stock split could help increase analyst and broker interest in our stock as their policies can discourage them from following or recommending companies with low stock prices. Because of the trading volatility often associated with low-priced stocks, many brokerage houses and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or tend to discourage individual brokers from recommending low-priced stocks to their customers. Additionally, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, a low average price per share of common stock can result in individual stockholders paying transaction costs representing a higher percentage of their total share value than would be the case if the share price were higher.

The primary purpose of the Reverse Stock Split is to decrease the total number of shares of our common stock outstanding and increase the market price of our common stock. Our board of directors intends to effect the Reverse Stock Split only if it believes that a decrease in the number of shares outstanding is in the best interests of the Company and our stockholders and is likely to improve the trading price of our common stock and improve the likelihood that we will be permitted to list our common stock on either NASDAQ or the NYSE. If stockholders approve the Reverse Stock Split, no further action on the part of the stockholders will be required to either effect or abandon the Reverse Stock Split.

If the Reverse Stock Split is approved by our stockholders, our board of directors will have the discretion to implement the Reverse Stock Split or to not effect the Reverse Stock Split. If stockholders approve the Reverse Stock Split at the Annual Meeting, our board of directors currently intends to effect the Reverse Stock Split within 180 days following the Annual Meeting unless it determines that doing so would not have the desired effect of facilitating the listing our common stock on either NASDAQ or the NYSE. If the trading price of our common stock increases without the Reverse Stock Split, the Reverse Stock Split may not be necessary. Following the Reverse Stock Split, if implemented, there can be no assurance that the market price of our common stock will rise in proportion to the reduction in the number of outstanding shares resulting from the Reverse Stock Split. There also can be no assurance that our common stock will not be listed on either NASDAQ or the NYSE for other reasons.

We believe that enabling our board of directors to set the ratio within the stated range will provide us with the flexibility to implement the Reverse Stock Split in a manner designed to maximize the anticipated benefits for our stockholders. In determining a ratio, if any, our board of directors may consider, among other things, factors such as:

- the listing requirements of either NASDAQ or the NYSE
- the historical trading price and trading volume of our common stock
- the number of shares of our common stock outstanding
- the then-prevailing trading price and trading volume of our common stock and the anticipated impact of the Reverse Stock Split;
- the trading market for our common stock
 - the anticipated impact of a particular ratio on our ability to reduce administrative and transactional costs and
- prevailing general market and economic conditions.

The market price of our common stock is dependent upon our financial performance and other factors, some of which are unrelated to the number of shares outstanding. If the Reverse Stock Split is effected and the market price of our common stock declines, the percentage decline as an absolute number and as a percentage of our overall market capitalization may be greater than would occur in the absence of the Reverse Stock Split. In addition, the liquidity of

our common stock is dependent upon a variety of factors, and the reduced number of shares that will be outstanding after the Reverse Stock Split could reduce the trading volume and otherwise adversely affect the liquidity of our common stock.

We have not proposed the Reverse Stock Split in response to any effort of which we are aware to accumulate our shares of common stock or obtain control of the Company, nor is it a plan by management to recommend a series of similar actions to our board of directors or our stockholders. Notwithstanding the decrease in the number of outstanding shares of common stock following the Reverse Stock Split, our board of directors does not intend for this transaction to be the first step in a “going private transaction” within the meaning of Rule 13e-3 of the Exchange Act.

We do not believe that our executive officers or directors have interests in this proposal that are different from or greater than those of any other of our stockholders.

Effects of the Reverse Stock Split

If the Reverse Stock Split is approved and implemented, the principal effect will be to proportionately decrease the number of outstanding shares of our common stock based on the Reverse Stock Split ratio selected by our board of directors. Pursuant to the Reverse Stock Split, each holder of our common stock outstanding immediately prior to the effectiveness of the Reverse Stock Split (“Old Common Stock”) will become the holder of fewer shares of our common stock (“New Common Stock”) after consummation of the Reverse Stock Split.

Although the Reverse Stock Split will not, by itself, impact our assets or prospects, the Reverse Stock Split could result in a decrease in the aggregate market value of our common stock. The Board believes that this risk is outweighed by the benefits of listing our common stock on either NASDAQ or the NYSE.

If effected, the Reverse Stock Split will result in some stockholders owning “odd-lots” of less than 100 shares of common stock. Brokerage commissions and other costs of transactions in odd-lots are generally higher than the costs of transactions in “round-lots” of even multiples of 100 shares.

The Reverse Stock Split will affect all stockholders equally and will not affect any stockholder’s proportionate equity interest in the Company, except to the extent that the Reverse Stock Split could result in any of our stockholders receiving cash in lieu of a fractional share. These cash payments will reduce the number of post-Reverse Stock Split stockholders to the extent there are presently stockholders who would otherwise receive less than one share of our common stock after the Reverse Stock Split. None of the rights currently accruing to holders of our common stock will be affected by the Reverse Stock Split. Following the Reverse Stock Split, each share of New Common Stock will entitle the holder thereof to one vote per share and will otherwise be identical to Old Common Stock. The Reverse Stock Split also will proportionately reduce the number of authorized shares of our common stock based on the final Ratio, as determined by our board of directors. The shares of New Common Stock will be fully paid and non-assessable.

The par value per share of the common stock will remain unchanged at \$0.01 per share after the Reverse Stock Split. As a result, on the effective date of the Reverse Stock Split, if any, the stated capital on our balance sheet attributable to the common stock will be reduced proportionately based on the Reverse Stock Split ratio selected by our board of directors, from its present amount, and the additional paid-in capital account will be credited with the amount by which the stated capital is reduced. After the Reverse Stock Split, net income or loss per share and other per share amounts will be increased because there will be fewer shares of our common stock outstanding. In future financial statements, net income or loss per share and other per share amounts for periods ending before the Reverse Stock Split would be recast to give retroactive effect to the Reverse Stock Split. As described below under “Effects of the Reverse Stock Split on Outstanding Options and Warrants to Purchase Common Stock,” the per share exercise price of outstanding option awards and warrants would increase proportionately, and the number of shares of our common stock issuable upon the exercise of outstanding options and warrants would decrease proportionately, in each case based on the Reverse Stock Split ratio selected by our board of directors. We do not anticipate that any other accounting consequences would arise as a result of the Reverse Stock Split.

We are currently authorized to issue a maximum of 500,000,000 shares of our common stock. As of September 30, 2016, there were 107,128,685 shares of our common stock issued and outstanding (excluding 9,249,379 shares of common stock held in treasury). If and when our board of directors elects to effect the Reverse Stock Split, we will also reduce the number of authorized shares of our common stock under our Current Certificate

in proportion to the Ratio. Our board of directors would effect this reduction of authorized shares by filing the Reverse Stock Split Amendment. The below table illustrates the number of shares of common stock that would be outstanding and the number of shares of common stock that we would have the ability to issue (in each case, based on the number of shares of our common stock issued and outstanding as of September 30, 2016) based on the Ratios as set forth in Appendix B to this Proxy Statement:

Reverse Stock Split Ratio	Number of Outstanding Shares of Common Stock (excluding Shares Held in Treasury)	Number of Authorized Shares of Common Stock Available for Issuance After Proposed Reduction
2:1	53,564,343	196,435,658
3:1	35,709,562	130,957,105
4:1	26,782,171	98,217,829
5:1	21,425,737	78,574,263
6:1	17,854,781	65,478,553
7:1	15,304,098	56,124,474
8:1	13,391,086	49,108,914
9:1	11,903,187	43,652,368
10:1	10,712,869	39,287,132

The below table illustrates the total number of authorized shares of common stock under our Current Certificate after the proportional reduction of such shares based on the Ratios as set forth in Appendix B to this Proxy Statement:

Reverse Stock Split Ratio	Number of Authorized Shares of Common Stock after Proportional Reduction
2:1	250,000,000
3:1	166,666,667
4:1	125,000,000
5:1	100,000,000
6:1	83,333,334
7:1	71,428,572
8:1	62,500,000
9:1	55,555,556
10:1	50,000,000