

Performant Financial Corp  
Form DEFA14A  
April 06, 2016

SCHEDULE 14A INFORMATION

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

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

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
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- Soliciting Material Pursuant to § 240.14a-11(c) or § 240.14a-12

PERFORMANT FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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Performant Financial Corporation  
333 North Canyons Parkway  
Livermore, California 94551

April 6, 2016

Dear Stockholder:

You are cordially invited to attend Performant Financial Corporation's 2016 Annual Meeting of Stockholders on Monday, May 16, 2016. The Annual Meeting will begin promptly at 10:00 AM, P.D.T., at the Courtyard by Marriott Hotel located at 2929 Constitution Drive, Livermore, California 94551.

The formal Notice of the Annual Meeting of Stockholders and the Proxy Statement have been provided as part of this invitation.

It is important that your shares be represented and voted at the meeting, regardless of the size of your holdings.

Accordingly, please promptly mark, sign and date the enclosed proxy and return it in the enclosed envelope, whether or not you intend to be present at the Annual Meeting of Stockholders. Your shares cannot be voted unless you sign, date and return the enclosed proxy, submit your proxy by telephone or the internet, or attend the Annual Meeting in person.

A copy of the Company's 2015 Annual Report to Stockholders is also enclosed.

I look forward to seeing you on May 16, 2016.

Sincerely,

/s/ Lisa C. Im

Lisa C. Im

Chief Executive Officer

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PERFORMANT FINANCIAL CORPORATION  
333 North Canyons Parkway  
Livermore, California 94551

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Notice of Annual Meeting of Stockholders  
to be held May 16, 2016

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To the Stockholders of Performant Financial Corporation:

The 2016 Annual Meeting of Stockholders of Performant Financial Corporation, a Delaware corporation (the “Company”), will be held at the Courtyard by Marriott Hotel located at 2929 Constitution Drive, Livermore, California 94551, on Monday, May 16, 2016, at 10:00 AM, P.D.T. We are holding the Annual Meeting to:

• Elect two Class I directors to serve until the 2019 Annual Meeting of Stockholders or until their successors are elected and qualified; and

• Ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2016.

We also will transact any other business that may properly come before the Annual Meeting or at any adjournments or postponements of the Annual Meeting.

We have selected March 17, 2016, as the record date for determining the stockholders entitled to notice of the Annual Meeting and to vote at the Annual Meeting and at any adjournments or postponements thereof.

By Order of the Board of Directors

/s/ Hakan Orvell

Hakan Orvell

Secretary and Chief Financial Officer

April 6, 2016

**YOUR VOTE IS VERY IMPORTANT**

Whether or not you plan to attend the Annual Meeting of Stockholders, we urge you to vote and submit your proxy. If you do not attend the Annual Meeting in person you may vote your shares by proxy over the internet, by telephone or by mail. Please review the instructions under the section entitled “How do I vote my shares?” of the attached proxy statement regarding each of these voting options.

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PERFORMANT FINANCIAL CORPORATION

333 North Canyons Parkway  
Livermore, California 94551

PROXY STATEMENT

Annual Meeting of Stockholders

May 16, 2016

This proxy statement is being furnished to stockholders of Performant Financial Corporation in connection with the solicitation of proxies by our board of directors for use at our 2016 Annual Meeting of Stockholders, which is described below.

References to the "Company," "we," "us" or "our" throughout this proxy statement mean Performant Financial Corporation.

This proxy statement and accompanying form of proxy are being mailed to stockholders on or about April 6, 2016.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

When and where will the Annual Meeting be held?

The 2016 Annual Meeting of Stockholders will be held on Monday, May 16, 2016, at 10:00 AM, P.D.T., at the Courtyard by Marriott Hotel located at 2929 Constitution Drive, Livermore, California 94551.

What items will be voted on at the Annual Meeting?

The purpose of the Annual Meeting is to:

• Elect two Class I directors to serve until the 2019 Annual Meeting of Stockholders or until their successors are elected and qualified; and

• Ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2016.

We will also transact any other business that may properly come before the Annual Meeting or at any adjournments or postponements of the Annual Meeting.

How does the board of directors recommend that I vote?

Our board of directors unanimously recommends that you vote:

• FOR each director nominee; and

• FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2016.

Who is entitled to vote at the Annual Meeting?

Stockholders at the close of business on March 17, 2016, the record date for the Annual Meeting, may vote at the Annual Meeting. Each stockholder is entitled to one vote per share held as of the record date for as many separate nominees as there are directors to be elected and one vote per share held as of the record date on any other matter presented.

Who will engage in a solicitation of proxies? Who will bear the cost of that solicitation?

Certain of our directors, officers and employees may solicit proxies on our behalf by mail, phone, fax, e-mail, or in person. We will bear the cost of the solicitation of proxies. No additional compensation will be paid to our directors, officers or employees who may be involved in the solicitation of proxies.

How do I vote my shares?

You may vote your shares in one of several ways, depending upon how you own your shares.

Shares registered directly in your name with Performant Financial Corporation (through our transfer agent, American Stock Transfer & Trust Company, LLC):

• Via Internet: Stockholders of record with internet access may submit proxies by following the internet voting instructions on their proxy cards.

• By Telephone: Stockholders of record may submit proxies by following the telephone voting instructions on each proxy card.

In Writing: Stockholders of record may submit proxies by completing, signing and dating each proxy card received and returning it in the prepaid envelope. Sign your name exactly as it appears on the proxy. If you return your signed proxy but do not indicate your voting preferences, your shares will be voted on your behalf "FOR" the election of the nominated directors, and "FOR" the ratification of KPMG LLP as our independent registered public accounting firm for 2016.

In Person at the Annual Meeting: Stockholders of record may vote by attending the Annual Meeting on Monday, May 16, 2016, at 10:00 AM, P.D.T., at the Courtyard by Marriott Hotel located at 2929 Constitution Drive, Livermore, California 94551. Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or vote by telephone or the internet so that your vote will be counted if you later decide not to attend the Annual Meeting.

Shares of common stock held in "street" or "nominee" name (through a bank, broker or other nominee):

You may receive a separate voting instruction form from your bank, broker or other nominee holding your shares.

You should follow the voting instructions provided by your broker or nominee in order to instruct your broker or other nominee on how to vote your shares. The availability of telephone or internet voting will depend on the voting process of the bank, broker or nominee. To vote in person at the Annual Meeting, you must obtain a proxy, executed in your favor, from the holder of record.

If you own shares in "street name" through a broker and do not instruct your broker how to vote, your broker may not vote your shares on proposals determined to be "non-routine." Of the proposals included in this proxy statement, only the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016 is considered to be "routine." The election of directors is considered to be "non-routine" matters. Therefore, if you do not provide your bank, broker or other nominee holding your shares in "street name" with voting instructions, those shares will count for quorum purposes, but will not be voted on the election of directors. Therefore, it is important that you provide voting instructions to your bank, broker or other nominee.

If you vote via the internet, by telephone or return a proxy card by mail, but do not select a voting preference, the persons who are authorized on the proxy card and through the internet and telephone voting facilities to vote your shares will vote:

FOR each director nominee; and

FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2016.

How do I change or revoke my proxy?

You may change your vote or revoke your proxy at any time prior to the vote at the Annual Meeting. If you submitted your proxy by mail, you must file with the Secretary of the Company a written notice of revocation or deliver, prior to the vote at the Annual Meeting, a valid, later-dated proxy. If you submitted your proxy by telephone or the internet, you may change your vote or revoke your proxy with a later telephone or internet proxy, as the case may be.

Attendance at the Annual Meeting, by itself, will not revoke a proxy. You may revoke your proxy by telephone by calling the number located on your proxy card and following the instructions or via the internet by going to the internet address on your proxy card and following the instructions.

If you are a stockholder in "street" or "nominee" name, you may revoke your voting instructions by informing the bank, broker or other nominee in accordance with that entity's procedures for revoking your voting instructions.

What constitutes a quorum for purposes of the Annual Meeting?

On March 17, 2016, the record date, we had 49,983,395 shares of Common Stock outstanding. Voting can only take place at the Annual Meeting if the holders of a majority of the total number of shares of the Common Stock issued and outstanding and entitled to vote on the record date are present either in person or by proxy. Both abstentions and broker non-votes will be treated as present for purposes of determining the existence of a quorum.

How are votes counted?

In the election of directors, you may vote "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees. For Proposal 2, you may vote "FOR," vote "AGAINST" or "ABSTAIN." If you "ABSTAIN" as to Proposal 2 the abstention has the same effect as a vote "AGAINST" the proposal.

If you provide specific instructions, your shares will be voted as you instruct. If you sign your proxy card or voting instruction form with no further instructions, your shares will be voted in accordance with the recommendations of the board of directors ("FOR" all of the nominees to the board of directors, "FOR" the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2016 and in the discretion of the proxy holders on any other matters that may properly come before the meeting).

Is cumulative voting permitted for the election of directors?

Stockholders may not cumulate votes in the election of directors, which means that each stockholder may vote no more than the number of shares he or she owns for a single director candidate.

What vote is required to approve each item?

Our Bylaws provide that a plurality of the votes cast at the meeting is required to elect directors. This means that the two nominees for director receiving the highest number of votes cast will be elected. An abstention or a broker non-vote will not have any effect on the election of directors.

The affirmative vote of a majority of the voting power of the Common Stock present in person or by proxy and entitled to vote at the Annual Meeting is required to ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2016. Abstentions will have the same effect as negative votes. Broker non-votes will not be counted in determining the number of shares entitled to vote.

The inspector of election will tabulate affirmative and negative votes, abstentions and broker non-votes. If you hold shares beneficially in street name and do not provide your broker or nominee with voting instructions, your shares may constitute "broker non-votes." Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. If you hold shares beneficially in street name and do not vote your shares, your broker or nominee can vote your shares at its discretion only on Proposal 2. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the Annual Meeting, assuming that a quorum is obtained.

Can I attend the Annual Meeting in person?



We cordially invite and encourage all of our stockholders to attend the Annual Meeting. Persons who are not stockholders may attend only if invited by us. Evidence of share ownership may be in the form of a valid stock certificate, or an account statement from our transfer agent or from a bank, broker or other nominee that evidences ownership as of the record date. Note that in order to vote at the meeting, beneficial owners who own shares in “street name” must present a legal proxy from the record holder of the shares. Stockholders of record must bring a copy of the proxy card in order to be admitted to the Annual Meeting. You should also be prepared to present photo identification for admittance.

Will any other matters be presented at the Annual Meeting?

We do not expect any matters, other than those included in this proxy statement, to be presented at the 2016 Annual Meeting of Stockholders because the deadline set forth in our bylaws for nominations for election as a director or to propose other business has already passed. Nonetheless, if you execute and deliver a proxy in the form provided and other matters are presented, the individuals named as proxies will have discretionary authority to vote your shares on those other matters.

#### PROPOSAL 1 — ELECTION OF DIRECTORS

Our board of directors is divided into three classes serving staggered three-year terms. Each of the nominees listed below has been nominated by our board of directors at the recommendation of our nominating and governance committee in accordance with its charter, our Amended and Restated Bylaws and Corporate Governance Guidelines. Each nominee is now a member of the board of directors. We have no reason to believe that any of these nominees will be unable to serve as a director. If any nominee becomes unable to serve as a director before the meeting (or decides not to serve), the individuals named as proxies may vote for a substitute nominee proposed by the board of directors or we may reduce the number of members of the board of directors. We recommend a vote FOR each nominee listed below.

##### Nominees for Election at This Meeting for a Term Expiring in 2019

Todd R. Ford has served as a member of our board of directors since October 2011. Since May 2015 he has served as the chief financial officer of Coupa Software. Prior to that he served as the chief financial officer of MobileIron Inc., a technology company, from 2013 until 2015. Previously Mr. Ford served as the co-chief executive officer and chief operations officer of Canara, Inc. Mr. Ford also serves as the managing director of Broken Arrow Capital, a venture capital firm that he founded in July 2007. From June 2012 to July 2013, Mr. Ford served as the co-chief executive officer and chief operating officer of IntelliBatt, Inc. From December 2002 to May 2007, Mr. Ford held various leadership positions at Rackable Systems, Inc., a manufacturer of server and storage products for large-scale data center deployments that subsequently changed its name to Silicon Graphics International Corp., including service as president and chief financial officer. Mr. Ford received a Bachelor's degree in Accounting from Santa Clara University. Mr. Ford's executive experience with public companies, as well as his expertise in growing technology companies, provides valuable insight for the members of our board of directors.

Brian P. Golson has served as a member of our board of directors since January 2008. Mr. Golson is the managing partner of Parthenon Capital Partners and has been with Parthenon since 2002. Prior to Parthenon, Mr. Golson held leadership positions with Everdream and GE Capital. Mr. Golson received a Bachelor's degree in Economics from the University of North Carolina, Chapel Hill and a Master of Business Administration from Harvard University. Mr. Golson's strategic, financial and mergers and acquisition experience provides valuable insight for the members of our board of directors.

Our Bylaws provide that a plurality of the votes cast at the meeting is required to elect directors. This means that the two nominees for director receiving the highest number of votes cast will be elected. An abstention or a broker non-vote will not have any effect on the election of directors.

Unless authority is withheld, the persons named as proxies in the accompanying proxy will vote for the election of the nominees named above.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF EACH NAMED NOMINEE.**

## DIRECTORS AND EXECUTIVE OFFICERS

Our executive officers and directors, and their ages and positions as of March 17, 2016, are as set forth below:

Name	Age	Position
Lisa C. Im	51	Chief Executive Officer and Board Chair
Harold T. Leach, Jr.	57	Chief Operating Officer
Hakan L. Orvell	58	Chief Financial Officer
Jeffrey R. Haughton	39	Executive Vice President
Todd R. Ford <sup>(1)(2)(3)</sup>	49	Director
Brian P. Golson	45	Director
Bruce E. Hansen <sup>(1)(3)</sup>	56	Director
William D. Hansen <sup>(1)(2)</sup>	56	Director
Bradley M. Fluegel <sup>(2)(3)</sup>	54	Director

(1) Member of the audit committee.

(2) Member of the compensation committee.

(3) Member of the nominating and governance committee.

## Board of Directors

Below is additional biographical information about our directors, other than directors nominated for re-election at the Annual Meeting:

## Director Continuing in Office until 2017 (Class II)

William D. Hansen has served as a member of our board of directors since December 2011. Since July 2013, Mr. Hansen has served as chief executive officer and president of USA Funds. From July 2011 through July 2013, Mr. Hansen served as the chief executive officer of Madison Education Group, LLC, an education-related consulting firm. From July 2009 to December 2010, he served as the president of Scantron Corporation, a provider of assessment and survey solutions. Mr. Hansen also served as the chairman of Scantron Corporation from September 2010 to July 2011. Mr. Hansen held various leadership positions at Chartwell Education Group, LLC, an education-related consulting firm, from July 2005 to July 2009, including chief executive officer and senior managing director. Mr. Hansen served as the Deputy Secretary at the United States Department of Education from May 2001 to July 2003. Mr. Hansen also serves on the board of directors of First Marblehead Corporation, a student loan company. Mr. Hansen received a Bachelor's degree in Economics from George Mason University. Mr. Hansen's extensive experience in the student loan market provides valuable insight for the members of our board of directors.

## Directors Continuing in Office until 2018 (Class III)

Lisa C. Im has served as our Chief Executive Officer since April 2004 and as a member of our board of directors since January 2004. Ms. Im was elected by our board of directors to serve as the Chair of the board of directors following Dr. Jon D. Shaver's resignation from that position in August 2014. From 2002 to 2004, she was Managing Director and Chief Financial Officer of our predecessor before it was acquired by Parthenon Capital Partners. Prior to that, Ms. Im was with Bestfoods Corporation, a food products manufacturer, from 1996 to 2002 where she gained broad experience including in general management as well as executive financial positions for various regions of Bestfoods Corporation. Ms. Im received a Bachelor of Business Administration in Marketing from Loma Linda University and a Master of Business Administration in Finance from California State University, East Bay. Ms. Im's experiences and perspectives as our Chief Executive Officer led to the conclusion that she should serve as a member of our board of directors.

Bradley M. Fluegel has served as a member of our board of directors since February 2014. Since October 2012, Mr. Fluegel has served as a Senior Vice President for Walgreen Co. From April 2011 to September 2012, Mr. Fluegel served as executive in residence at Health Evolution Partners, a healthcare private equity firm. Prior to joining Health Evolution Partners, Mr. Fluegel served as executive vice president and chief strategy and external affairs officer of WellPoint, Inc. from September 2007 to December 2010. Prior to that, Mr. Fluegel served as senior vice president of national accounts and vice president, enterprise strategy at Aetna. Mr. Fluegel received a master's degree in public policy from Harvard University's Kennedy School of Government and a bachelor of arts in business administration from the University of Washington. He also serves as a lecturer at the University of Pennsylvania's Wharton School of Business. Mr. Fluegel's extensive experience with leading companies in the healthcare market provides valuable insight for the members of our board of directors.

Bruce E. Hansen has served as a member of our board of directors since April 2013. In March 2002, he co-founded ID Analytics and led the company as its Chair and Chief Executive Officer until its sale to LifeLock in March 2012. Prior to founding ID Analytics, he was President of HNC Software Inc., a provider of analytic software solutions for financial services, telecommunications and healthcare firms. Mr. Hansen has served as a director of Mitek Systems, Inc. since October 2012. He has served as Chair of the Board of Directors for the San Diego Software Industry Council for many years and is also a past member of the San Diego American Electronics Association Technology CEO Board. Mr. Hansen holds a Bachelor's degree in Economics from Harvard University and a Master of Business Administration in Finance from the University of Chicago. Mr. Hansen's extensive experience in leading companies in the financial services, big data, and analytics markets provides valuable insight for the members of our board of directors.

#### Director Compensation

Our non-employee, independent directors receive an annual retainer of \$30,000, prorated for partial service in any year and paid in cash. The non-employee, independent members of our audit committee, compensation committee and nominating and governance committee, other than the chairpersons of those committees, receive an additional annual retainer of \$10,000, \$6,000 and \$5,000, respectively. The chairpersons of our audit committee, compensation committee and nominating and governance committee each receive an additional annual retainer of \$20,000, \$12,000 and \$10,000, respectively.

Our non-employee, independent directors also receive an annual grant of restricted stock units valued at \$75,000, vesting in full on the date of the following annual meeting of stockholders or upon a change of control and new directors are granted restricted stock units valued at \$100,000 upon election to the board, vesting ratably over four years or upon a change of control. Our directors do not receive additional fees for attendance at a meeting of our board of directors or a committee of the board.

The table below summarizes the compensation paid by the Company to our non-employee independent directors for the fiscal year ended December 31, 2015. Mr. Golson did not receive compensation paid by the Company for his service as a director in the fiscal year ended December 31, 2015.

Name	Fees Earned or Paid in Cash(\$)	Stock Awards(\$) <sup>(1)(2)</sup>	Option Awards	Total(\$)
Bruce E. Hansen	50,000	75,000	—	125,000
William D. Hansen	56,500	75,000	—	131,500
Todd R. Ford	61,000	75,000	—	136,000
Bradley M. Fluegel	45,000	75,000	—	120,000

The value of this stock award is based on the fair value of the award as of the grant date calculated in accordance with Accounting Standards Codification 718, Stock Compensation (ASC 718) for financial reporting purposes. See (1) Note 1(r) of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2015 for a discussion of our assumptions in determining the ASC 718 values of our stock awards.

(2)

Each of our non-employee, independent directors were awarded restricted stock units valued at \$75,000 on August 4, 2015 (which equated to 24,590 stock units), vesting in full on May 16, 2016, the date of the annual meeting of stockholders.

#### Corporate Governance Guidelines; Code of Business Conduct and Ethics

We have established a corporate governance program to help guide our Company and our employees, officers and directors in carrying out their responsibilities and duties, as well as to set standards for their professional conduct. Our board of directors has adopted Corporate Governance Guidelines, or Governance Guidelines, which provide standards and practices of corporate governance that we have designed to help contribute to our success and to assure public confidence in our Company. In addition, all standing committees of our board of directors operate under charters that describe the responsibilities and practices of each committee. The charters of our standing committees are available on the Investor Relations page of our corporate website at [investors.performantcorp.com](http://investors.performantcorp.com) under the Corporate Governance tab.

We have adopted a Conflict of Interest and Ethics Policy, or Ethics Policy, which provides ethical standards and corporate policies that apply to all of our officers and employees. Our Ethics Policy requires, among other things, that our officers and employees act with integrity and the highest ethical standards, comply with laws and other legal requirements, avoid conflicts of interest, and otherwise act in our best interests. We have also adopted a Code of Ethics for Senior Financial Officers and Directors that applies to senior management and directors and provides for accurate, full, fair and timely financial reporting and the reporting of information related to significant deficiencies in internal controls, fraud and legal compliance.

#### Composition of the Board of Directors

Our Third Amended and Restated Certificate of Incorporation provides that our board shall consist of not fewer than five and not more than fifteen directors as the board of directors may from time to time determine. Our board of directors currently consists of six directors. The authorized number of directors may be changed by resolution of our board of directors. Vacancies on our board of directors can only be filled by resolution of our board of directors. Our board of directors is currently divided into three classes, each serving staggered, three-year terms:

• Our Class III directors are Lisa C. Im, Bradley M. Fluegel and Bruce E. Hansen and their terms will expire at the Annual Meeting of Stockholders in 2018;

• Our Class II director is William D. Hansen and his term will expire at our Annual Meeting of Stockholders in 2017; and

• Our Class I directors are Todd R. Ford and Brian P. Golson and their terms will expire at this Annual Meeting of Stockholders.

As a result, only one class of directors will be elected at each Annual Meeting of Stockholders, with the other classes continuing for the remainder of their respective terms.

Our board of directors has determined that Messrs. Ford, W. Hansen, B. Hansen and Fluegel are “independent directors” as defined under the rules of NASDAQ.

In July 2012, we entered into a Director Nomination Agreement with an affiliate of Parthenon Capital Partners, which we refer to as Parthenon Capital Partners, that provides Parthenon Capital Partners the right to designate nominees for election to our board of directors for so long as Parthenon Capital Partners owns 10% or more of the total number of shares of our Common Stock outstanding. The material provisions of the Director Nomination Agreement are described below under the heading “Directors and Officers—Director Nomination Policy”.

Our board of directors met a total of twelve times in 2015. During 2015, all of our directors attended at least 75% of the meetings of our board of directors held during their tenure and 75% of the meetings, if any, of the committees of the board of directors upon which they served, and held during their tenure. Our board of directors does not have a policy requiring director attendance at annual meetings of our stockholders. One director attended our 2015 Annual Meeting of Stockholders.

#### Leadership Structure of the Board of Directors

Our board of directors selects the Chair of the board of directors in the manner and upon the criteria that it deems best for the Company at the time of selection. The board of directors does not have a prescribed policy on whether the roles of the Chair and Chief Executive Officer should be separate or combined. The board of directors will periodically evaluate whether this leadership structure is in the best interests of the stockholders.



Lisa C. Im is our Chief Executive Officer and the Chair of the Company's board of directors. As Chair of the board of directors, Ms. Im presides over each meeting of the board of directors, approves meeting agendas and schedules and notifies other members of the board of directors regarding any significant concerns of stockholders or interested parties of which she becomes aware. The Chair of the board of directors also presides over stockholders' meetings. We believe that our current board leadership structure is appropriate for the Company because it allows for common, strong leadership, with one individual having primary responsibility for both board-level and operational matters. In February 2014, our board appointed W. Hansen as the board's lead independent director with the primary responsibility to call and preside at executive sessions of our independent directors and to consult with the Chair regarding meeting agendas.

#### Committees of the Board of Directors

**Audit committee.** Our audit committee consists of Messrs. W. Hansen, B. Hansen and Ford. Mr. Ford serves as the chairperson of this committee. The audit committee met four times in 2015. Our board of directors has determined that Mr. Ford is an audit committee financial expert, as defined by the rules promulgated by the Securities and Exchange Commission, or the SEC. Our audit committee is composed entirely of independent directors.

In accordance with its charter, our audit committee provides assistance to the board of directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions. It engages our independent registered public accounting firm, approves the services performed by our independent registered public accounting firm and reviews their reports regarding our accounting practices. The audit committee also oversees the audit efforts of our independent registered public accounting firm and takes those actions as it deems necessary to satisfy itself that the independent registered public accounting firm is independent of management.

**Compensation committee.** Our compensation committee consists of Messrs. Ford, W. Hansen and Fluegel. Mr. Fluegel serves as chairperson of this committee. Our compensation committee met six times in 2015. Our compensation committee reviews and makes recommendations for approval by our board of directors regarding our general compensation policies and the compensation provided to our directors and executive officers. The compensation committee also reviews and makes recommendations for approval by our board of directors regarding bonuses for our officers and other employees. In addition, the compensation committee reviews and makes recommendations for approval by our board of directors regarding equity-based compensation for our directors and executive officers, approves equity based compensation for other employees and administers our stock option plans and employee stock purchase plan. Our compensation committee is composed entirely of independent directors.

**Nominating and governance committee.** Our nominating and governance committee consists of Messrs. Ford, Fluegel and B. Hansen. Mr. B. Hansen serves as chairperson of this committee. The nominating and governance committee met four times in 2015. The nominating and governance committee is responsible for making recommendations to the board of directors regarding candidates for directorships and the size and composition of the board. In addition, the nominating and governance committee is responsible for overseeing our corporate governance guidelines and reporting and making recommendations to the board of directors concerning corporate governance matters. Our nominating and governance committee is composed entirely of independent directors.

#### Compensation Committee Interlocks and Insider Participation

No interlocking relationship exists between our board of directors or compensation committee and the board of directors or compensation committee of any other entity, nor has any interlocking relationship existed in the past.

#### Role of Our Board of Directors in Risk Oversight

One of the key functions of our board of directors is informed oversight of our risk management process. Our board of directors administers this oversight function directly through our board of directors as a whole, as well as through various standing committees of our board of directors that address risks inherent in their respective areas of oversight. In particular, our board of directors is responsible for oversight of our risk management process. The nominating and governance committee periodically evaluates our risk management process and system in light of the nature of the material risks we face. Our compensation committee assesses and monitors whether any of our compensation policies and programs are reasonably likely to have a material adverse effect on us. Our audit committee periodically assesses any major financial risk exposures





and the steps management has taken to monitor and control such exposures. The audit committee also has the responsibility to oversee management's assessment of major legal and regulatory risk exposures and management's implementation of policies and procedures to address these risks. To the extent risk oversight is a focus of one or more committees of the board of directors, those committees report key findings periodically to the full board of directors.

#### Director Nomination Policy

Our nominating and governance committee is responsible for identifying, evaluating, recruiting and recommending qualified candidates to our board of directors for nomination or election. Our board of directors nominates directors for election at each annual meeting of stockholders, and elects new directors to fill vacancies if they occur.

Our board of directors strives to find directors who are experienced and dedicated individuals with diverse backgrounds, perspectives and skills. Our governance guidelines contain membership criteria that call for candidates to be selected for their character, judgment, diversity of experience, business acumen and ability to act on behalf of all stockholders. In addition, we expect each director to be committed to enhancing stockholder value and to have sufficient time to effectively carry out his or her duties as a director.

Prior to our annual meeting of stockholders, our nominating and governance committee identifies director nominees first by evaluating the current directors whose terms will expire at the annual meeting and who are willing to continue in service. Subject to the Director Nomination Agreement described below, these candidates are evaluated based on the criteria described above, the candidate's prior service as a director, and the needs of the board of directors for any particular talents and experience. If a director no longer wishes to continue in service, if the nominating and governance committee decides not to re-nominate a director, or if a vacancy is created on the board of directors because of a resignation or an increase in the size of the board of directors or other event, then the committee considers whether to recommend the nomination of a new director or to recommend a decrease in the size of the board of directors. If the decision is to nominate a new director, then the nominating and governance committee considers various candidates for membership on the board of directors, including those suggested by committee members, other members of the board of directors, a director search firm engaged by the committee, or our stockholders. Prospective nominees are evaluated by the nominating and governance committee based on the membership criteria described above and set forth in our Governance Guidelines.

We are party to a Director Nomination Agreement with Parthenon Capital Partners that provides Parthenon Capital Partners the right to designate nominees for election to our board of directors for so long as Parthenon Capital Partners owns 10% or more of the total number of shares of our common stock outstanding. The number of nominees that Parthenon Capital Partners is entitled to designate under this agreement bears the same proportion to the total number of members of our board of directors as the number of shares of our common stock beneficially owned by Parthenon Capital Partners bears to the total number of shares of our common stock outstanding, rounded up to the nearest whole number. In addition, Parthenon Capital Partners is entitled to designate the replacement for any of its board designees whose board service terminates prior to the end of the director's term regardless of Parthenon Capital Partners' beneficial ownership at such time. Parthenon Capital Partners also has the right to have its designees participate on committees of our board of directors proportionate to its stock ownership, subject to compliance with applicable law and stock exchange rules. The Director Nomination Agreement will terminate at such time as Parthenon Capital Partners owns less than 10% of our outstanding common stock.

A stockholder who wishes to recommend a prospective nominee to the board of directors for consideration by the nominating and governance committee should notify our Secretary in writing at our principal office. Such notice must be delivered to our offices by the deadline relating to stockholder proposals to be considered for inclusion in our proxy materials, as described under "General Information — Stockholder Proposals for the 2017 Annual Meeting" in this proxy statement.

Each notice delivered by a stockholder who wishes to recommend a nominee to the board of directors for consideration by the nominating and governance committee generally must include the following information about the proposed nominee:

- the name, age, business address and residence address of the proposed nominee;
- the principal occupation of the proposed nominee;
- the number of shares of our capital stock beneficially owned by the proposed nominee;



a description of all compensation and other relationships during the past three years between the stockholder and the proposed nominee;

any other information relating to the proposed nominee required to be disclosed pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, the Exchange Act; and

the proposed nominee's written consent to serve as a director if elected.

The nominating and governance committee may require any proposed nominee recommended by a stockholder to furnish such other information as the nominating and governance committee may reasonably require, including, among other things, information to determine the eligibility of such person to serve as an independent director or that could be material to a stockholder's understanding of the independence, or lack thereof, of such person.

In addition, a stockholder may nominate an individual for election at an annual meeting, without the approval of our nominating and governance committee, by following the procedures set forth in Article 3 of our Amended and Restated Bylaws.

#### Communications with Directors

Stockholders and interested parties may contact our directors to provide comments, to report concerns, or to ask a question, by mail at the following address:

Chair of the Board

Performant Financial Corporation

333 North Canyons Parkway

Livermore, California 94551

#### Executive Officers

Below is additional biographical information about our executive officers, other than those executive officers that serve as directors:

Harold T. Leach, Jr. has served as Chief Operating Officer of the Company and our predecessor since May 1982. In this role, Mr. Leach has been a key participant in the development of our recovery processes. Mr. Leach is responsible for operational strategy, production, and technology across our businesses. During his tenure, Mr. Leach has led the development of our proprietary technology platform and has served as subject matter expert on key Congressional initiatives related to improving the efficacy of government debt management. Mr. Leach also led the development and implementation of our audit and recovery technology operations.

Hakan L. Orvell has served as our Chief Financial Officer since November 2006. He is responsible for the Company's corporate finance, accounting, financial planning and analysis. Mr. Orvell has over 20 years of experience from various industries and his previous experience includes service as chief financial officer of Neopost, Inc., a manufacturer of office equipment. He has also held various financial leadership positions with Corporate Express (which later became known as Staples), a large business-to-business distributor of office and computer products, including vice president and controller in both a division and regional capacity. He received his Certified Public Accountant accreditation in Illinois and received a Master of Business Administration from the University of Stockholm.

Jeffrey R. Haughton has served as our Executive Vice President since joining Performant in 2014. He is responsible for several of our key operational and growth initiatives including evaluating and implementing changes to our organizational structure to drive our operational and strategic objectives. In addition, a number of key operational areas report to Mr. Haughton including account management, sales, healthcare, IT security, client services, marketing and strategy. From 2013 until joining Performant in 2014, Mr. Haughton was a Managing Director of Investment Banking at Financial Technology Partners. Prior to joining Financial Technology Partners, Mr. Haughton spent 15 years with Goldman, Sachs & Co. until October 2013. At Goldman, Sachs & Co., Mr. Haughton was a Managing Director specializing in the financial services and financial technology sectors. He received his Bachelor's Degree in Economics from The University of California, Los Angeles.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Related Party Transaction Policy

We have a formal written policy that our executive officers, directors, holders of more than 5% of any class of our voting securities, and any member of the immediate family of and any entity affiliated with any of the foregoing persons, are not permitted to enter into a related party transaction with us without the prior consent of our audit committee, or other independent members of our board of directors in the event it is inappropriate for our audit committee to review such transaction due to a conflict of interest. Any request for us to enter into a transaction with an executive officer, director, principal stockholder, or any of their immediate family members or affiliates, in which the amount involved exceeds \$120,000 must first be presented to our audit committee for review, consideration and approval. In approving or rejecting any such proposal, our audit committee is required to conduct a review of all relevant facts reasonably available to our audit committee, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction. All of the transactions described below were entered into prior to the adoption of such policy in connection with our initial public offering in August 2012.

### Arrangements with Our Investors

On January 8, 2004, in connection with the consummation of our acquisition by investment funds controlled by Parthenon Capital Partners and certain other stockholders, or the Acquisition, we entered into an investment agreement, a stockholders agreement, an advisory services agreement and a registration agreement. The investment agreement, stockholders agreement and advisory services agreement were terminated upon the closing of our initial public offering in August 2012.

### Registration Agreement

In connection with the Acquisition, we entered into a registration agreement with Parthenon Capital Partners and certain other stockholders. This agreement was amended, effective upon the closing of our initial public offering in August 2012. The registration agreement, as amended, provides the stockholders party thereto with certain demand registration rights in respect of the shares of our common stock held by them. In addition, following the closing of our initial public offering in August 2012, if we register additional shares of common stock for sale to the public, we are required to give notice of such registration to the stockholders who are party to the registration agreement of our intention to effect such a registration, and, subject to certain limitations, such holders will have piggyback registration rights providing them with the right to require us to include shares of common stock held by them in such registration. We will be required to bear the registration expenses, other than underwriting discounts and commissions and transfer taxes, associated with any registration of shares by the stockholders described above. The registration rights agreement includes lock up obligations that restrict the sale of securities during the initial 180 day period, or in certain circumstances 90 day period, following the effective date of any demand registration or piggyback registration effected pursuant to the terms of the registration agreement. We are also restricted from engaging in any public sale of equity securities during the initial 180 day period, or in certain circumstances 90 day period, following the effective date of any demand registration or piggyback registration effected pursuant to the terms of the registration agreement. The registration agreement includes customary indemnification provisions in favor of the stockholders who are parties thereto and any person who is or might be deemed a controlling person of the stockholders within the meaning of the Securities Act and related parties against liabilities under the Securities Act incurred in connection with the registration of any of our securities. These provisions provide indemnification against certain liabilities arising under the Securities Act and certain liabilities resulting from violations of other applicable laws in connection with any filing or other disclosure made by us under the securities laws relating to any such registrations. We have agreed to reimburse such persons for any legal or other expenses incurred in connection with investigating or defending any such liability, action or proceeding, except that we will not be required to indemnify any such person or reimburse related legal or other expenses if such loss or expense arises out of or is based on any untrue statement or omission

made in reliance upon and in conformity with written information provided by such person.

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#### Director Nomination Agreement

In July 2012, we entered into a Director Nomination Agreement with Parthenon Capital Partners that provides Parthenon Capital Partners the right to designate nominees for election to our board of directors for so long as Parthenon Capital Partners owns 10% or more of the total number of shares of common stock outstanding. The material provisions of the Director Nomination Agreement are described above under the heading “Directors and Officers—Director Nomination Policy”.

#### Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers. The indemnification agreements and our Amended and Restated Bylaws require us to indemnify these individuals to the fullest extent permitted by Delaware law, subject to certain exceptions.

### EXECUTIVE COMPENSATION

#### Executive Compensation

##### Compensation Philosophy and Objectives

Our compensation philosophy is to align executive compensation with the interests of our stockholders and therefore to establish financial objectives that our board of directors believes are primary determinants of long-term stockholder value. The primary goal of our executive compensation program is to ensure that we hire and retain talented and experienced executives who are motivated to achieve or exceed our short-term and long-term corporate goals. Our executive compensation programs are designed to reinforce a strong pay-for-performance orientation and to serve the following purposes:

- to reward our named executive officers for sustained financial and operating performance and leadership excellence;
- to align their interests with those of our stockholders; and
- to encourage our named executive officers to remain with us for the long-term.

##### Compensation Determination Process

All compensation decisions for our executive officers are made by the independent members of our board of directors, generally following the recommendation of our compensation committee. Typically, our Chief Executive Officer makes recommendations to our compensation committee regarding compensation for our executive officers, provided, however, that our Chief Executive Officer makes no recommendations as to her own compensation. Our compensation committee’s recommendations are based on its assessment of the performance of our Company and each individual executive officer, as well as other factors, such as prevailing industry trends. In making recommendations on salaries, annual incentives and equity compensation in 2015, our compensation committee retained the services of compensation consultant Compensia, Inc. to assist in designing our executive compensation program and in identifying market benchmarks for purposes of evaluating the reasonableness and competitiveness of such program.

##### Elements of Compensation

The primary components of compensation for our Chief Executive Officer and our two other most highly compensated executive officers in fiscal year 2015, whom we refer to as the named executive officers, were base salary, annual incentive compensation and equity-based compensation.

##### Base Salary

We pay our named executive officers a base salary based on the experience, skills, knowledge and responsibilities required of each officer, as well as base salaries of executive officers at companies we view as competitors. We believe base salaries are an important element in our overall compensation program because base salaries provide a fixed element of compensation that reflects job responsibilities and value to us.

#### Annual Incentive Plan

To date, our board of directors has not adopted a formal plan or set of formal guidelines with respect to annual incentive or bonus payments, and has rather relied on an annual assessment of the performance of our executives during the preceding year to make annual incentive and bonus determinations.

#### Long-Term Equity Compensation

We provide our named executive officers with long-term equity compensation through our Amended and Restated 2012 Stock Incentive Plan. We believe that providing our named executive officers with an equity interest brings their interests in line with those of our stockholders and that including a vesting component to those equity interests encourages named executive officers to remain with us for the long-term. Long-term incentive awards are made under our Amended and Restated 2012 Stock Incentive Plan, under which we are authorized to issue stock options, restricted stock or other equity-based awards denominated in shares of our common stock. The plan is administered by the compensation committee, and the compensation committee recommends grants to our executive officers for approval by our board of directors, and is authorized to make awards or delegate the authority to make awards to employees other than the executive officers. The committee also sets the standard terms for awards under the plan each year. On March 17, 2015, the compensation committee recommended, and our board of directors and shareholders later approved, the award of performance-based restricted stock units to certain of our executive officers. The award covers 150,000 shares and is intended to tie our executives' compensation to the performance of the Company while also reducing the dilutive effect of equity awards to our stockholders. The compensation committee believes that having a portion of our executives' long-term incentive compensation in the form of full-value shares is best correlated with performance by including a performance vesting condition on the awards. Each performance share award made in March 2015 will vest over a three year period based on our attainment of pre-established performance goals for the year ending December 31, 2015 and the executives' continued service with our Company during the performance period.

#### Other Supplemental Benefits

Our named executive officers are eligible for the following benefits on a similar basis as other eligible employees:

- health, dental and vision insurance;
- vacation, personal holidays and sick days;
- life insurance and supplemental life insurance;
- short-term and long-term disability; and
- 401(k) plan.



## Summary Compensation Table

The following table presents information concerning the total compensation of our named executive officers for services rendered to us in all capacities for the fiscal years ended December 31, 2015 and December 31, 2014:

Name and Principal Position	Year	Salary(\$)	Bonus(\$)	Stock Awards(\$) <sup>(1)</sup>	All other Compensation(\$)	Total(\$)
Lisa C. Im Chief Executive Officer and Chair of the Board of Directors	2015	418,467	—	—	23,787 <sup>(2)</sup>	442,254
	2014	403,082	—	—	24,001 <sup>(3)</sup>	427,083
Harold T. Leach, Jr. Chief Operating Officer	2015	366,156	—	228,000	23,930 <sup>(4)</sup>	618,086
	2014	352,694	—	490,780	25,078 <sup>(5)</sup>	868,552
Hakan L. Orvell Chief Financial Officer	2015	332,316	50,000	228,000	5,125 <sup>(6)</sup>	615,441
	2014	320,008	—	476,890	4,865 <sup>(6)</sup>	801,763
Jeffrey R. Haughton Executive Vice President	2015	311,558	50,000	439,030	442 <sup>(6)</sup>	801,030
	2014	137,316	—	952,890	115 <sup>(6)</sup>	1,090,321

The value of the equity awards is based on the fair value of the award as of the grant date calculated in accordance with ASC 718, excluding any estimate of future forfeitures. Our assumptions with respect to the calculation of these values are set forth under Item 7 “Stock-based Compensation” in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for fiscal year ended December 31, 2015. Regardless of the value on the grant date, the actual value that may be recognized by the executive officers will depend on the market value of our common stock on a date in the future when a stock award vests or a stock option is exercised.

(1) Statements in our Annual Report on Form 10-K for fiscal year ended December 31, 2015. Regardless of the value on the grant date, the actual value that may be recognized by the executive officers will depend on the market value of our common stock on a date in the future when a stock award vests or a stock option is exercised.

(2) Includes payments for vehicle allowance (\$18,000) and life insurance benefits (\$5,787).

(3) Includes payments for vehicle allowance (\$19,500) and life insurance benefits (\$4,501).

(4) Includes payments for vehicle allowance (\$20,400) and life insurance benefits (\$3,530).

(5) Includes payments for vehicle allowance (\$22,100) and life insurance benefits (\$2,978).

(6) Payments for life insurance benefits.

## Outstanding Equity Awards at Fiscal Year-End

The following table presents information on all outstanding equity awards held by our named executive officers as of December 31, 2015:

Name	Option Awards			Stock Awards		
	Number of Securities Underlying Unexercised Options(#)		Option Exercise Price (\$/share)	Expiration Date of Options	Number of Shares or Units of Stock that have not Vested(#)	Market Value of Shares or Units of Stock that have not Vested(\$) <sup>(1)</sup>
	Exercisable	Unexercisable				
Lisa C. Im	131,250	—	0.50	1/24/2018	—	—
	71,000	—	0.50	1/26/2018	—	—
	200,000	—	1.18	9/15/2019	—	—
	549,797	<sup>(2)</sup> 274,890	10.60	8/10/2022	—	—
	33,000	<sup>(2)</sup> 27,000	13.55	3/7/2023	—	—
Harold T. Leach, Jr.	80,767	0	0.50	10/18/2017	39,750	<sup>(4)</sup> 71,153
	200,000	0	1.18	9/15/2019	75,000	<sup>(5)</sup> 134,250
	183,275	<sup>(2)</sup> 91,621	10.60	8/10/2022	—	—
	16,500	<sup>(2)</sup> 13,500	13.55	3/7/2023	—	—
Hakan L. Orvell	103,197	—	0.50	1/18/2018	38,625	<sup>(4)</sup> 69,139
	91,638	<sup>(2)</sup> 45,810	10.60	8/10/2022	75,000	<sup>(5)</sup> 134,250
Jeffrey R. Haughton	35,417	<sup>(3)</sup> 64,583	10.55	7/15/2024	30,000	<sup>(6)</sup> 53,700
	—	<sup>(3)</sup> 100,000	3.57	3/17/2025	75,000	<sup>(5)</sup> 134,250

(1) The market value is based on \$1.79 per share market price of our common stock on December 31, 2015.

The option award vests as to 1/5th of the total number of shares subject to the option 12 months after the vesting (2) commencement date, and the remaining shares vest at a rate of 1/60th of the total number of shares subject to the option each month thereafter.

The option award vests as to 1/4th of the total number of shares subject to the option 12 months after the vesting (3) commencement date, and the remaining shares vest at a rate of 1/48th of the total number of shares subject to the option each month thereafter.

(4) The restricted stock award vests in four equal annual installments beginning August 13, 2015.

(5) The restricted stock award vests as to 50% of the covered shares on March 5, 2016 and as to 25% of the covered shares on each of March 5, 2017 and March 5, 2018.

(6) The restricted stock awards vests in 10,000 unit increments on each of July 15, 2016, July 15, 2017, and July 15, 2018.

#### Employment and Change in Control Agreements

The section below describes the employment agreements that we have entered into with our Chief Executive Officer and Chair of our board of directors, as well as the form of employment agreement that each of our other executive officers entered into.

##### Chief Executive Officer

We entered into an employment agreement with Lisa C. Im, our Chief Executive Officer and Chair of the board of directors, on April 2, 2002, and this agreement has been subsequently amended. As amended, the agreement grants Ms. Im a salary of \$33,334 per month, an automobile allowance of \$1,500 per month and a Company-paid life insurance policy with a \$1 million death benefit. This agreement also contains confidential information and invention assignment provisions.

#### Other Named Executive Officers

Each of our named executive officers, other than Ms. Im, has entered into our standard employment agreement. Our standard employment agreement provides for the named executive officer's initial salary at the time of the agreement and grants the named executive officer the right to participate in our standard benefit plans. This agreement also contains confidential information and invention assignment provisions and does not provide for severance.

#### Potential Payments Upon Change of Control

We have also entered into a change of control agreement with Ms. Im. This agreement, as amended, provides that upon a triggering termination which follows a change in control by no more than two years, Ms. Im is entitled to receive a payment equal to her highest annual salary in effect during any period of 12 consecutive months within the 60 months immediately preceding the date of the triggering termination plus her highest annual bonus awarded in any of the three calendar years immediately preceding the year of the triggering termination. As of December 31, 2015, the aggregate change of control payment would be equal to \$870,322 for Ms. Im.

For purposes of Ms. Im's change of control agreement:

A Change in control occurs (i) if any person or group becomes the beneficial owner of 50% of the Company's voting securities, (ii) if certain changes of the individuals who constitute the board of directors occur during any period of two consecutive years, (iii) upon consummation of a reorganization, merger or consolidation unless certain conditions are met, or (iv) upon stockholder approval of a complete liquidation of the Company.

Triggering termination is defined as Ms. Im's termination for any reason other than (i) her death, (ii) her disability that entitles her to receive long-term disability benefits from the Company, (iii) her retirement on or after the age of 65, (iv) her termination for cause, or (v) her resignation of employment for good reason.

Cause is defined as (i) the criminal conviction for embezzlement from the Company, (ii) the violation of a felony committed in connection with employment, (iii) the willful refusal to perform the reasonable duties of her position with the Company, (iv) the willful violation of the policies of the Company which is determined in good faith by the board of directors to be materially injurious to the employees, directors, property, or financial condition of the Company, or (v) the willful violation of the provisions of a confidentiality or non-competition agreement with the Company.

Good reason is defined as (i) a reduction in Ms. Im's salary that was in effect immediately prior to a change of control, (ii) the relocation of the Company's office that would add 35 miles or more to Ms. Im's commute, or (iii) if the Company reduces certain benefits or vacation days that Ms. Im received prior to the change of control.

#### Retirement Plans

Except as described below, we currently have no plans that provide for the payment of retirement benefits, or benefits that will be paid primarily following retirement, including but not limited to tax-qualified defined benefit plans, supplemental executive retirement plans, tax-qualified defined contribution plans and nonqualified defined contribution plans.

We do maintain a 401(k) plan that is tax-qualified for our employees, including executive officers. We do not offer employer matching or other employer contributions to the 401(k) plan.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of March 17, 2016 about the number of shares of Common Stock beneficially owned by:

- each person or group of persons known to us to be the beneficial owner of more than 5% of our Common Stock;
- each of our current executive officers named under “Executive Compensation—Summary Compensation Table”;
- each of our directors; and
- all of our directors and executive officers as a group.

Unless otherwise noted below, the address of each beneficial owner listed in the table is: c/o Performant Financial Corporation, 333 North Canyons Parkway, Livermore, California 94551.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

The percentage of Common Stock beneficially owned is based on 49,983,395 shares issued and outstanding as of March 17, 2016. For purposes of calculating each person’s or group’s percentage ownership, shares of common stock issuable pursuant to the terms of stock options or restricted stock units exercisable or vesting within 60 days after March 17, 2016 are included as outstanding and beneficially owned for that person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group. Beneficial ownership representing less than 1% is denoted with an asterisk (\*).

Name of Beneficial Owner	Shares Beneficially Owned		
	Number <sup>(1)</sup>	Percentage	
<b>5% Stockholders:</b>			
Parthenon DCS Holdings, LLC <sup>(2)</sup>	13,500,878	27.0	%
Invesco Ltd. <sup>(3)</sup>	9,658,627	19.3	%
Prescott Group Capital Management, L.L.C. <sup>(4)</sup>	3,716,467	7.4	%
Philadelphia Financial Management of San Francisco, LLC <sup>(5)</sup>	2,781,308	5.6	%
<b>Executive Officers and Directors:</b>			
Lisa C. Im <sup>(6)</sup>	2,464,406	4.8	%
Harold T. Leach, Jr. <sup>(7)</sup>	534,526	1.1	%
Hakan L. Orvell <sup>(8)</sup>	234,401	*	
Jeffrey R. Haughton <sup>(9)</sup>	99,363	*	
Bradley M. Fluegel <sup>(10)</sup>	40,038	*	
Todd R. Ford <sup>(11)</sup>	93,290	*	
Brian P. Golson <sup>(2)</sup>	13,500,878	27.0	%
Bruce E. Hansen <sup>(12)</sup>	74,476	*	
William D. Hansen <sup>(13)</sup>	83,290	*	
All Executive Officers and Directors as a group (9 persons) <sup>(14)</sup>	17,124,668	33.1	%

Unless otherwise indicated, includes shares owned by a spouse, minor children and relatives sharing the same (1)home, as well as entities owned or controlled by the named person. Unless otherwise noted, shares are owned of record and beneficially by the named person.

Based on a Schedule 13G/A filed with the SEC on February 12, 2016 by Parthenon DCS Holdings, LLC (“DCS (2)Holdings”). The reported shares are owned of record by DCS Holdings. Parthenon Investors II, L.P., as the manager of

DCS Holdings; PCAP Partners II, LLC, as the general partner of Parthenon Investors II, L.P.; PCAP II, LLC, as the managing member of PCAP Partners II, LLC; PCP Managers, LLC, as the managing member of PCAP II, LLC; and Mr. Golson, William Kessinger and David Ament, as managing members of PCP Managers, LLC, may be deemed to beneficially own the securities owned of record by DCS Holdings. Mr. Golson is a Managing Director of Parthenon Capital Partners, an affiliate of PCAP Partners II, LLC. Each of the foregoing persons disclaims beneficial ownership of the reported securities except to the extent of their pecuniary interest therein. The address for the foregoing persons is c/o Parthenon Capital Partners, Four Embarcadero Center, Suite 3610, San Francisco, California 94111.

(3) Based on a Schedule 13G/A filed with the SEC on February 5, 2016 by Invesco Ltd. (“Invesco”), an investment adviser which is deemed to be the beneficial owner of 9,658,627 shares. Invesco has sole voting and dispositive power over all shares beneficially owned by it. The principal business address of Invesco is 1555 Peachtree Street NE, Atlanta, GA 30309.

(4) Based on a Schedule 13G filed with the SEC on January 29, 2016 by Prescott Group Capital Management, L.L.C. (“PGC”), and certain entities affiliated or associated with Prescott, including Prescott Group Aggressive Small Cap, L.P., Prescott Group Aggressive Small Cap II, L.P. (collectively, the “Small Cap Funds”), and Phil Frohlich, the principal of Prescott, reflecting shared voting and dispositive power with respect to 3,716,467 shares of common stock of the Company purchased by the Small Cap Funds through the account of Prescott Group Aggressive Small Cap Master Fund, G.P., (“Prescott Master Fund”), of which the Small Cap Funds are general partners. Prescott serves as the general partner of the Small Cap Funds. The principal business address of PGC is 1924 South Utica Suite 1120, Tulsa, Oklahoma, 74104-6429.

(5) Based on a Schedule 13G filed with the SEC on February 16, 2016 by Philadelphia Financial Management of San Francisco, LLC (PFM), PFM reported beneficial ownership of common stock held by PFM for the account of Boathouse Row I, L.P., Boathouse Row II, L.P., Boathouse Row Offshore Ltd. and Jordan Hymowitz. Mr. Hymowitz is the managing member of PFM and its majority owner. PFM has shared voting power and shared dispositive power over 2,781,308 shares of our common stock. The principal business address of PFM is c/o Philadelphia Financial Management of San Francisco, LLC, 450 Sansome Street, Suite 1500, San Francisco, CA 94111.

(6) Includes 1,058,772 shares subject to options exercisable within 60 days of March 17, 2016.

(7) Includes 225,185 shares subject to options exercisable within 60 days of March 17, 2016.

(8) Includes 206,290 shares subject to options exercisable within 60 days of March 17, 2016.

(9) Includes 72,918 shares subject to options exercisable within 60 days of March 17, 2016.

(10) Includes 24,590 restricted stock units (“RSUs”) scheduled to vest within 60 days of March 17, 2016.

(11) Includes 50,000 shares subject to options exercisable within 60 days of March 17, 2016, and 24,590 shares underlying RSUs scheduled to vest within 60 days of March 17, 2016.

(12) Includes 38,554 shares subject to options exercisable within 60 days of March 17, 2016, and 24,590 shares underlying RSUs scheduled to vest within 60 days of March 17, 2016.

(13) Includes 50,000 shares subject to options exercisable within 60 days of March 17, 2016, and 24,590 shares underlying RSUs scheduled to vest within 60 days of March 17, 2016.

(14) Includes 1,701,719 shares subject to options exercisable within 60 days of March 17, 2016 and 98,360 shares underlying RSUs scheduled to vest within 60 days of March 17, 2016. Also includes 13,500,878 shares held by Parthenon DCS Holdings, LLC.

**AUDIT COMMITTEE REPORT**

As part of fulfilling its responsibilities, the audit committee reviewed and discussed the Company's audited financial statements for the fiscal year ended December 31, 2015 with management and KPMG LLP, or KPMG, and discussed with KPMG those matters required by Auditing Standard No. 16, "Communications with Audit Committees," as adopted by the Public Company Accounting Oversight Board. The audit committee received the written disclosures and the letter from KPMG required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG's communications with the audit committee concerning independence, and has discussed with KPMG its independence.

Based on these reviews and discussions with management and KPMG, the audit committee recommended to the board of directors that the Company's audited financial statements for the fiscal year ended December 31, 2015 be included in its Annual Report on Form 10-K filed with the SEC.

The Audit Committee Members

Todd R. Ford (Chair)

William D. Hansen

Bruce E. Hansen

Fees Paid to Independent Registered Public Accounting Firm

The audit committee's policy is to evaluate and determine that the services provided by KPMG in each year are compatible with the auditor's independence. The following table shows fees billed for each of 2015 and 2014 for professional services rendered by KPMG for the audit of our financial statements and other services.

Year	Audit Fees(1)	Audit-Related Fees	Tax Fees	All Other Fees
2015	\$698,000	\$ —	\$ —	\$ —
2014	\$619,900	\$ —	\$ —	\$ —

Audit fees are fees for the audit of the Company's annual financial statements. Audit fees also include fees for the review of financial statements included in the Company's quarterly reports on Form 10-Q, for services that are normally provided in connection with statutory and regulatory filings or engagements, and in connection with public equity offerings.

**Audit Committee Pre-Approval Procedures**

With respect to independent auditor services and fees, it is our practice to provide pre-approval of audit, audit-related, tax and other specified services on an annual basis. Unless a type of service to be provided by the independent registered public accounting firm has received general pre-approval, we seek specific pre-approval by the audit committee. Other specified services provided to the Company by KPMG are generally reapproved only when the fees charged for the provision of such services is expected to be different than the prior year or normal fees. Proposed services anticipated to exceed pre-approved cost levels are discussed with the audit committee. It is our practice that the audit committee Chair has pre-approval authority with respect to permitted services. The Chair of the audit committee reports any pre-approval decisions to our audit committee at its next scheduled meeting.

**PROPOSAL 2 — RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2016**

Based upon its review of KPMG LLP's ("KPMG") qualifications, independence and performance, the audit committee of our board of directors has appointed KPMG to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2016. Representatives of KPMG are expected to attend the Annual Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The appointment of our independent registered public accounting firm is not required to be submitted for ratification by the stockholders. However, as a matter of proper corporate governance, the audit committee is submitting its appointment of KPMG as the Company's independent registered public accounting firm for 2016 for ratification by our stockholders.

If our stockholders fail to ratify the appointment of KPMG, the audit committee may reconsider whether to retain KPMG, and may continue to retain that firm or appoint another firm without resubmitting the matter to our stockholders. Even if our stockholders ratify the appointment of KPMG, the audit committee may, in its discretion, appoint a different independent registered public accounting firm for us if it determines that such a change would be in the best interests of the Company and our stockholders.

The affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter at the Annual Meeting is required to ratify the appointment of KPMG as our independent registered public accounting firm for 2016.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF KPMG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2016.**

## GENERAL INFORMATION

### Stockholder Proposals for the 2017 Annual Meeting

Stockholder proposals for inclusion in the proxy materials for the 2017 annual meeting must be received at our principal executive offices not more than 120 days, or January 3, 2017, nor less than 90 days, or February 2, 2017, prior to the first anniversary date of our 2016 Annual Meeting of Stockholders.

In addition, our bylaws provide stockholders who wish to present proposals for action, or to nominate directors, at our next annual meeting of stockholders (that is, the next annual meeting following the annual meeting to which this proxy statement relates) must give written notice thereof to our Secretary at the address set forth on the cover page of this proxy statement in accordance with the provisions of our bylaws, which require that such notice be given not more than 120 days nor less than 90 days prior to the first anniversary of the date of the preceding annual meeting of stockholders. In the event the date of the 2017 annual meeting is more than 30 days before or 60 days after the anniversary date of the 2015 Annual Meeting, in order for a notice to be timely, it must be delivered not later than the close of business on the later of the 90th day prior to the 2017 annual meeting or the close of business on the 10th day following the day on which we first publicly announce the date of the 2017 annual meeting.

### Annual Report and Financial Statements

A copy of our 2015 Annual Report to Stockholders, which includes our financial statements for the year ended December 31, 2015, is enclosed with this proxy statement and other voting materials.

### Section 16(a) Beneficial Ownership Reporting Compliance

Under U.S. securities laws, directors, certain executive officers and any person holding more than 10% of our common stock must report their initial ownership of the common stock and any changes in that ownership to the SEC. The SEC has designated specific due dates for these reports and we must identify in this proxy statement those persons who did not file these reports when due. Based solely on our review of copies of the reports filed with the SEC and written representations of our directors and executive officers, we believe all persons subject to reporting filed the required reports on time in 2014.

### Stockholders Sharing the Same Last Name and Address

To reduce the expense of delivering duplicate proxy materials to stockholders who may have more than one account holding our stock but who share the same address, we have adopted a procedure approved by the SEC called "householding." Under this procedure, certain stockholders of record who have the same address and last name will receive only one copy of our proxy materials until such time as one or more of these stockholders notifies us that they want to receive separate copies. This procedure reduces duplicate mailings and saves printing costs and postage fees, as well as natural resources. Stockholders who participate in householding will continue to have access to and utilize separate proxy voting instructions.

If you receive a single set of proxy materials as a result of householding, and you would like to have separate copies of our annual report or proxy statement mailed to you, please submit a request to our Secretary or call (925) 960-4800, and we will promptly send you what you have requested. You can also contact our Secretary at the phone number above if you received multiple copies of the annual meeting materials and would prefer to receive a single copy in the future, or if you would like to opt out of householding for future mailings.

### Copies of Corporate Governance Materials Available

Our board of directors has adopted various corporate governance guidelines setting forth our governance principals and governance practices. These documents are available for downloading or printing on our web site at [www.performantcorp.com](http://www.performantcorp.com), by selecting "Investors" and then "Corporate Governance."

### ▲ Audit Committee Charter

### ● Compensation Committee Charter



✦ Nominating and Governance Committee Charter

⦿ Conflict of Interest and Ethics Policy

⦿ Code of Ethics for Senior Financial Officers and Directors

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