

Accretive Health, Inc.  
Form DEF 14A  
March 30, 2012  
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**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:

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- (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:



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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on May 2, 2012**

The Annual Meeting of Stockholders of Accretive Health, Inc. will be held on Wednesday, May 2, 2012 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 two Class II directors, each for a three-year term;
2. 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, 2012; and
3. Transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on Tuesday, March 20, 2012 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,

Mary A. Tolan

*Founder and Chief Executive Officer*

Chicago, Illinois

March 30, 2012

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**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 2012 Annual Meeting of Stockholders to be held on May 2, 2012**

Accretive Health, Inc. (often referred to as 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 2012 Annual Meeting of Stockholders, which will be held on Wednesday, May 2, 2012 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 of Stockholders by contacting our Office of Investor Relations by telephone at 877-252-2170 or by e-mail at [investorrelations@accretivehealth.com](mailto: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 March 30, 2012, we are mailing these proxy materials together with an annual report, consisting of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the 2011 fiscal year) 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 May 2, 2012**

**This proxy statement and our 2011 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, 2011, at [www.accretivehealth.com](http://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](mailto:investorrelations@accretivehealth.com)**

**A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 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**



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**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. The election of two Class II directors, each for a three-year term;
2. The ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2012; and
3. The transaction of other business, if any, that may properly come before the Annual Meeting or any adjournment of the meeting.

**Who can vote?**

All stockholders of record at the close of business on Tuesday, March 20, 2012, 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 99,291,446 shares were outstanding on the record date. Each share outstanding on the record date is entitled to one vote.

**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.

**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?**

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. The Board of Directors recommends that you vote FOR Proposals 1 and 2.

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.

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### **Can I change my vote after I have voted my shares?**

Yes. Any proxy may be revoked by a stockholder 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, or by voting in person at the meeting.

### **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. Under New York Stock Exchange, or NYSE, rules applicable to banks and brokerage firms, if you do not give instructions to your bank or brokerage firm, 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. Proposal 2 is a 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 in Proposal 1 is a non-discretionary item. Thus, if you hold your shares in street name and you do not instruct your bank, broker, or other nominee how to vote in the election of directors in Proposal 1, no votes will be cast on your behalf.

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 May 2, 2012. 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 the election of our class II directors and ratification of the selection of our independent registered public accounting firm, a quorum consists of the holders of a majority of the common stock issued and outstanding and entitled to vote at the meeting, present or represented by proxy. 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 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?**

*Election of class II directors.* The nominees for our class II directors receiving a plurality of the votes cast by holders of our common stock at the meeting in person or by proxy, shall be elected to our board of directors as our class II directors.

*Ratification of the selection of our independent registered public accounting firm.* The affirmative vote of the holders of a majority of shares of common stock voted at the meeting, in person or by proxy, is required for ratification of the selection of our independent registered public accounting firm.

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### **How will 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. 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, described below. As a result, abstentions and broker non-votes will have no effect on the outcome of voting at the meeting.

If you hold shares of common stock through a broker, bank or other representative, generally the broker, bank or representative may only vote the common stock in accordance with your instructions. However, if your representative does not timely receive instructions, your representative may only vote on those matters for which it has discretionary voting authority. If your representative cannot vote on a particular matter because it does not have discretionary voting authority, this is a broker non-vote on that matter.

### **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 II director nominees listed below; 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 is April 9, 2012. 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, or the 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, 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 for inclusion in the proxy statement for our 2013 annual meeting, 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 2013 annual meeting?" 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](http://www.accretivehealth.com).

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### **How and when may I submit a stockholder proposal for the 2013 annual meeting?**

If you are interested in submitting a proposal or information about a proposed director candidate for inclusion in the proxy statement for our 2013 annual meeting, you must follow the procedures outlined in Rule 14a-8 under the Securities Exchange Act of 1934, which we refer to as the Exchange Act. To be eligible for inclusion, we must receive your stockholder proposal or information about your proposed director candidate at the address noted below no later than November 30, 2012.

If you wish to present a proposal or a proposed director candidate at the 2013 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 also give written notice to us at the address noted below. We must receive this required notice no later than February 1, 2013, but no sooner than January 2, 2013. However, if the date of the 2013 annual meeting is held before April 12, 2013 or after July 1, 2013, then we must receive the required notice of a proposal or proposed director candidate no earlier than the 120th day prior to the 2013 annual meeting and no later than the close of business on the later of (1) the 90th day prior to the 2013 annual meeting and (2) the 10th day following the date on which notice of the date of the meeting was mailed or public disclosure was made, whichever occurs first.

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, in consultation, in the case of communications to be addressed by another committee of the board of directors, 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. In addition to solicitations by mail, our directors, officers and regular 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.

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### **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](http://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](mailto: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 Office of Investor Relations 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 CLASS II DIRECTORS**

Our board of directors is currently authorized to have nine members. Our directors are divided into three classes, with one class being elected each year and members of each class holding office for a three-year term. We have three class III directors whose terms expire at our 2013 annual meeting of stockholders, three class I directors whose terms expire at our 2014 annual meeting of stockholders and two class II directors whose terms expire at this Annual Meeting of stockholders.

At this Annual Meeting, our stockholders will have an opportunity to vote for two nominees for class II directors: Edgar Bronfman, Jr. and Steven N. Kaplan.

Messrs. Bronfman and Kaplan are currently members of our board of directors, and you can find more information about them in the section of this proxy statement entitled INFORMATION ABOUT OUR DIRECTORS, OFFICERS AND 5% STOCKHOLDERS Our Board of Directors.

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If elected, Messrs. Bronfman and Kaplan will hold office until the 2015 annual meeting of stockholders and until his successor is elected and qualified. Messrs. Bronfman and Kaplan have 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 II directors.*

**PROPOSAL 2 RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of our board of directors has selected Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2012. Although stockholder approval of the audit committee's selection of Ernst & Young is not required by law, we believe that it is important to give stockholders an opportunity to ratify this selection. If our stockholders do not ratify this selection, then our audit committee will reconsider the selection. We expect that a representative of Ernst & Young LLP, which served as our independent registered public accounting firm for the year ended December 31, 2011, will be present at the Annual Meeting to respond to appropriate questions and make a statement if he or she wishes.

*Our board of directors recommends a vote FOR the ratification of the selection of our independent registered public accounting firm.*

Ernst & Young LLP billed to us a total of \$1,572,405 for professional services rendered for the year ended December 31, 2011 and \$1,242,461 for professional services rendered for the year ended December 31, 2010. The following table provides information about these fees.

| Fee Category       | Fiscal 2011  | Fiscal 2010  |
|--------------------|--------------|--------------|
| Audit Fees         | \$ 1,481,863 | \$ 1,198,685 |
| Audit-Related Fees | \$ 71,000    | \$ 15,000    |
| Tax Fees           | \$ 17,547    | \$ 26,781    |
| All Other Fees     | \$ 1,995     | \$ 1,995     |
| Total Fees         | \$ 1,572,405 | \$ 1,242,461 |

*Audit Fees.* Audit fees consisted of fees for the audit of our annual consolidated financial statements, the review of the interim consolidated financial statements, subsidiary audits and other professional services provided in connection with our filings with the SEC. Audit fees also include \$281,150 and \$617,292 in fiscal 2011 and 2010, respectively, for professional services provided in connection with public offerings completed in March 2011 and May 2010, respectively.

*Audit-Related Fees.* Audit-related fees consisted of fees for internal control reviews and audits of employee benefit plans.

*Tax Fees.* Tax fees consisted of fees for tax compliance and related regulatory filings.

*All Other Fees.* All other fees consisted of a subscription for access to an accounting research tool.

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The audit committee of our board of directors believes that the non-audit services described above did not compromise Ernst & Young LLP's independence. The audit committee's charter, which you can find in the Corporate Governance section of the Investor Relations page of our website, [www.accretivehealth.com](http://www.accretivehealth.com), requires that all proposals to engage Ernst & Young LLP for services, and all proposed fees for these services, be submitted to the audit committee for approval before Ernst & Young LLP may provide the services. None of the above fees were approved using the de minimis exception under SEC rules.

### **Pre-Approval of Audit and Non-Audit Services**

Our audit committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our registered public accounting firm. This policy generally provides that we will not engage our registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by our audit committee.

From time to time, our audit committee may pre-approve specified types of services that are expected to be provided to us by our registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount. Our audit committee pre-approved all of the services described under the headings Audit-Related Fees, Tax Fees and All Other Fees above.

## **INFORMATION ABOUT OUR DIRECTORS, OFFICERS AND 5% STOCKHOLDERS**

### **Security Ownership of Certain Beneficial Owners and Management**

The following table contains information as of March 20, 2012 about the beneficial ownership of shares of our common stock by:

each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of our common stock;

each of our directors and nominees for director;

each of our named executive officers; and

all of our directors and executive officers as a group.

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For purposes of the table below, and in accordance with the rules of the SEC, we deem shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 20, 2012 to be outstanding and beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. As of March 20, 2012, there were 99,291,446 shares of our common stock outstanding. Except as otherwise noted, the persons or entities in this table have sole voting and investment power with respect to all of the shares of common stock beneficially owned by them, subject to community property laws, where applicable. Except as otherwise set forth below, the street address of the beneficial owner is c/o Accretive Health, Inc., 401 North Michigan Avenue, Suite 2700, Chicago, Illinois 60611.

| Name                                                             | Common Stock<br>Beneficially Owned |       |
|------------------------------------------------------------------|------------------------------------|-------|
|                                                                  | Shares                             | %     |
| <i>5% Stockholders</i>                                           |                                    |       |
| FMR, LLC(1)                                                      | 14,588,791                         | 14.7% |
| Lone Pine Capital LLC(2)                                         | 9,058,266                          | 9.1%  |
| Oak Hill Investment Management L.P.(3)                           | 8,101,774                          | 8.2%  |
| Ascension Health(4)                                              | 6,942,349                          | 7.0%  |
| <i>Directors and Executive Officers</i>                          |                                    |       |
| Mary A. Tolan(5)                                                 | 13,161,128                         | 13.1% |
| John T. Staton(6)                                                | 1,545,636                          | 1.5%  |
| Andrew M. Appel(7)                                               |                                    | *     |
| Richard E. Gillette(8)                                           | 717,945                            | *     |
| Gregory N. Kazarian(9)                                           | 1,254,125                          | 1.3%  |
| Edgar Bronfman, Jr.(10)                                          | 3,220,830                          | 3.2%  |
| J. Michael Cline(11)                                             | 7,421,383                          | 7.5%  |
| Steven N. Kaplan(12)                                             | 456,019                            | *     |
| Stanley N. Logan(13)                                             | 2,061                              | *     |
| Denis J. Nayden(14)                                              | 1,379,604                          | 1.4%  |
| Arthur H. Spiegel, III(15)                                       | 3,641,024                          | 3.7%  |
| Mark A. Wolfson(16)                                              | 763,369                            | *     |
| All executive officers and directors as a group (13 persons)(17) | 38,414,402                         | 37.4% |

\* Less than 1%

- (1) According to a Schedule 13G filed with the SEC on February 14, 2012, FMR LLC reports sole voting power over 306,600 shares and sole investment power over 14,588,791 shares. Fidelity OTC Portfolio, an investment company registered under the Investment Company Act of 1940, has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, 9,821,402 of the shares. Fidelity Management & Research Company ( Fidelity ), a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 14,276,391 of the shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Edward C. Johnson and FMR LLC, through their control of Fidelity, and the funds each have sole investment power over the 14,276,391 shares beneficially owned by Fidelity. Members of the family of Edward C. Johnson 3d, chairman of FMR LLC, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other FMR LLC Series B stockholders have entered into a stockholders' voting agreement under which all Series B voting shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor



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Edward C. Johnson 3d has the sole voting power or investment power over the shares owned directly by the Fidelity Funds, which powers reside with the funds' board of trustees. FIL Limited ( "FIL" ), Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda, and various foreign-based subsidiaries provide investment advisory and management services to a number of non-U.S. investment companies and certain institutional investors. FIL, which is a qualified institution under section 240.13d-1(b)(1)(ii), is the beneficial owner of 312,400 the shares. Partnerships controlled predominantly by members of the family of Edward C. Johnson 3d, Chairman of FMR LLC and FIL, or trusts for their benefit, own shares of FIL voting stock. While the percentage of total voting power represented by these shares may fluctuate as a result of changes in the total number of shares of FIL voting stock outstanding from time to time, it normally represents more than 25% and less than 50% of the total votes which may be cast by all holders of FIL voting stock. FMR LLC and FIL are separate and independent corporate entities, and their Boards of Directors are generally composed of different individuals. FIL has sole investment power over 312,400 of the shares and sole voting power over 306,600 of the shares and has no voting power over 5,800 of the shares held by the international funds as described above. Fidelity carries out the voting of the shares under written guidelines established by the funds' boards of trustees. The address of each of FMR LLC, Fidelity OTC Portfolio and Fidelity is 82 Devonshire Street, Boston, Massachusetts 02109.

- (2) According to a Schedule 13G filed with the SEC on February 14, 2012, Lone Pine Managing Member LLC beneficially owns and reports shared voting and investment power over 9,058,266 shares. Lone Spruce, L.P. ( "Lone Spruce" ) shares voting and investment power over 117,280 of the shares. Lone Balsam, L.P. ( "Lone Balsam" ) shares voting and investment power over 257,372 of the shares. Lone Sequoia, L.P. ( "Lone Sequoia" ) shares voting and investment power over 215,063 of the shares. Lone Cascade, L.P. ( "Lone Cascade" ) shares voting and investment power over 3,781,311 of the shares. Lone Sierra, L.P. ( "Lone Sierra" ) shares voting and investment power over 178,322 of the shares. Lone Pine Associates LLC ( "Lone Pine Associates" ) shares voting and investment power over 589,715 of the shares. Lone Pine Members LLC ( "Lone Pine Members" ) shares voting and investment power over 3,959,633 of the shares. Lone Pine Capital LLC ( "Lone Pine Capital" ) shares voting and investment power over 4,508,918 of the shares. Stephen F. Mandel, Jr. shares voting and investment power over 9,058,266 of the shares. Lone Pine Associates, the general partner of Lone Spruce, Lone Sequoia and Lone Balsam, has the power to direct the affairs of Lone Spruce, Lone Sequoia and Lone Balsam, including decisions respecting the disposition of the proceeds from the sale of shares. Lone Pine Members, the general partner of Lone Cascade and Lone Sierra, has the power to direct the affairs of Lone Cascade and Lone Sierra, including decisions respecting the disposition of the proceeds from the sale of shares. Lone Pine Capital, the investment manager of Lone Cypress, Lone Kauri and Lone Monterey Master Fund, has the power to direct the receipt of dividends from or the proceeds of the sale of shares held by Lone Cypress, Lone Kauri and Lone Monterey Master Fund. Lone Pine Managing Member, the Managing Member of Lone Pine Associates, Lone Pine Members and Lone Pine Capital, has the power to direct the affairs of Lone Pine Associates, Lone Pine Members and Lone Pine Capital. Mr. Mandel is the Managing Member of Lone Pine Managing Member and in that capacity directs its operations. The address of each of these entities and Mr. Mandel is Two Greenwich Plaza, Greenwich, Connecticut 06830.
- (3) Includes the shares beneficially owned by Oak Hill Investment Management, L.P. ( "OHIM" ) that are managed by OHIM on behalf of various advisory clients pursuant to Investment Advisory Agreements. Pursuant to such agreements, OHIM has sole voting and dispositive power over the shares. Does not include 332,835 shares owned by OHIM GP Holdings, L.P. ( "OHIM Holdings" ), an entity affiliated with OHIM. The address of OHIM is 201 Main Street, Suite 1000, Fort Worth, Texas 76102.
- (4) Ascension Health is a Missouri not-for-profit corporation. Anthony J. Speranzo, Ascension Health's senior vice president and chief financial officer, and Matthew I. Herman, Ascension Health's vice president, have shared voting and investment power with respect to the shares held by Ascension Health. Messrs. Speranzo and Herman disclaim beneficial ownership of such shares. The address of Ascension Health is 4600 Edmundson Road, St. Louis, Missouri 63134.
- (5) Includes 2,587,200 shares held by Tolan Family Trust U/A/D 6/29/03, the beneficiaries of which are Ms. Tolan's children who share voting and investment power with respect to the shares held by this trust.

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Also includes 1,176,000 shares subject to options exercisable within 60 days of March 20, 2012 (of which 588,000 shares would be vested if purchased upon exercise of these options as of March 20, 2012).

- (6) Consists of (i) 93,888 shares held by John T. Staton Declaration of Trust; (ii) 75,158 shares held by Irrevocable 2009 Staton Children's Trust, (iii) 144,554 shares held by John T. Staton 2010 Grantor Retained Annuity Trust and (iv) 1,232,036 shares subject to options exercisable within 60 days of March 20, 2012 (of which 1,006,636 shares would be vested if purchased upon exercise of these options as of March 20, 2012). The beneficiaries of John T. Staton Declaration of Trust, Irrevocable 2009 Staton Children's Trust, and John T. Staton 2010 Grantor Retained Annuity Trust are members of Mr. Staton's immediate family. Mr. Staton's spouse is the trustee of the Irrevocable 2009 Staton Children's Trust. Mr. Staton is the trustee of the John T. Staton Declaration of Trust and John T. Staton 2010 Grantor Retained Annuity Trust and exercises sole voting and investment power with respect to the shares held by the trusts.
- (7) Mr. Appel does not beneficially own any shares of our common stock.
- (8) Includes 464,040 shares subject to options exercisable within 60 days of March 20, 2012 (of which 258,720 shares would be vested if purchased upon exercise of these options as of March 20, 2012).
- (9) Includes 545,468 shares held by the Irrevocable 2009 Gregory N. Kazarian Trust, 353,717 shares held by the Irrevocable 2009 Kazarian Children's Trust, 65,218 shares held by Kazarian Family LLC and 282,240 shares subject to options exercisable within 60 days of March 20, 2012 (of which 141,120 shares would be vested if purchased upon exercise of these options as of March 20, 2012). The beneficiaries of the trusts are members of Mr. Kazarian's immediate family. Mr. Kazarian's spouse and his sister are the trustees of the Irrevocable 2009 Gregory N. Kazarian Trust and share voting and investment power with respect to the shares held by the trust. Gregory S. Davis is the trustee of the Irrevocable 2009 Kazarian Children's Trust and exercises sole voting and investment power with respect to the shares held by the trust. Mr. Davis disclaims beneficial ownership of such shares. Mr. Kazarian is the manager and a member of Kazarian Family LLC.
- (10) Includes 64,738 shares subject to options exercisable within 60 days of March 20, 2012 (of which 38,606 shares would be vested if purchased upon exercise of these options as of March 20, 2012).
- (11) Consists of (i) 7,266,016 shares beneficially owned by JMC Holdings, L.P. JMC Holdings is a Delaware limited partnership of which Mr. Cline is the general partner and through which Mr. Cline is deemed to have beneficial ownership by reason of his sole voting and investment power with respect to the 7,266,016 shares. Mr. Cline disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest therein. The address of JMC Holdings, L.P. is c/o Accretive, LLC, 51 Madison Avenue, 31st Floor, New York, New York 10010; (ii) 27,260 shares beneficially owned by Accretive Associates SBIC, LLC, of which Mr. Cline is the managing member. As managing member of Accretive Associates SBIC, LLC, Mr. Cline exercises sole voting and investment power with respect to such shares, however, Mr. Cline disclaims beneficial ownership within the meaning of Section 16 of the Exchange Act of such portion of the shares in which he has no actual pecuniary interest; (iii) 60,078 shares held directly by Mr. Cline; and (iv) 68,029 shares subject to options exercisable within 60 days of March 20, 2012 (of which 41,897 shares would be vested if purchased upon exercise of these options as of March 20, 2012).
- (12) Includes 67,378 shares subject to options exercisable within 60 days of March 20, 2012 (of which 41,246 shares would be vested if purchased upon exercise of these options as of March 20, 2012).
- (13) Consists of 2,000 shares held in an investment retirement account for the benefit of Mr. Logan and his spouse, over which Mr. Logan has shared voting and investment power; 41 shares held jointly by Mr. Logan and his spouse, over which Mr. Logan has shared voting and investment power; and 20 shares held by Mr. Logan as custodian for Mr. Logan's minor grandchild, over which Mr. Logan has voting and investment power.
- (14) Includes (i) 505,630 shares held in a grantor retained annuity trust ( GRAT ) established for estate planning purposes, and (ii) 65,407 shares subject to options exercisable within 60 days of March 20, 2012 (of which 39,275 shares would be vested if purchased upon exercise of these options as of March 20, 2012). Mr. Nayden is the sole trustee and sole annuitant of the GRAT. Also includes 249,999 shares held by Britta & Denis Nayden Charitable Foundation Ltd. (the Foundation ), of which Mr. Nayden is

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- President and a director. Mr. Nayden does not have any pecuniary interest in the shares held by the Foundation.
- (15) Consists of 3,576,936 shares held by Spiegel Family LLC, the members of which are members of Mr. Spiegel's immediate family and 64,088 shares subject to options exercisable within 60 days of March 20, 2012 (of which 37,956 shares would be vested if purchased upon exercise of these options as of March 20, 2012). Mr. Spiegel and his wife are the managing members of Spiegel Family LLC and exercise shared voting and investment power with respect to such shares.
  - (16) Includes of 64,088 shares subject to options exercisable within 60 days of March 20, 2012 (of which 37,956 shares would be vested if purchased upon exercise of these options as of March 20, 2012). Mr. Wolfson is a Managing Partner of OHIM, but disclaims beneficial ownership of any shares held by OHIM or OHIM Holdings.
  - (17) Includes 3,548,044 shares subject to options exercisable within 60 days of March 20, 2012 (of which 2,231,412 shares would be vested if purchased upon exercise of these options as of March 20, 2012).

### **Our Board of Directors**

Set forth below is information about each member of our board of directors, including the nominees for election as our class II directors. This information includes each director's age as of the date of this proxy statement and length of service as a director of our company, his or her principal occupation and business experience for at least the past five years and the names of other publicly held companies of which he or she serves as a director. There are no family relationships among any of our directors, nominees for director and executive officers.

#### ***Nominees for Class II Directors With Term Expiring in 2015 (Class II Directors)***

*Edgar Bronfman, Jr.* Age 56. Mr. Bronfman has been a member of our board of directors since October 2006. Mr. Bronfman is General Partner of Accretive LLC, which he joined in 2002. From early 2004 until January, 2012, Mr. Bronfman served as chairman and chief executive officer of Warner Music Group. Before joining Warner Music Group in March 2004, Mr. Bronfman served as chairman and chief executive officer of Lexa Partners LLC, a management venture capital group which he founded in April 2002. Mr. Bronfman was vice chairman of the board of directors of Vivendi Universal, S.A. from December 2000 until December 2003 and also served as an executive officer of Vivendi Universal from December 2000 until December 2001. Prior to the formation of Vivendi, Mr. Bronfman served as president and chief executive officer of The Seagram Company Ltd. from June 1994 until December 2000 and as president and chief operating officer of Seagram from 1989 until June 1994. Mr. Bronfman is a director of Warner Music Group, and IAC/InterActiveCorp, a publicly-held operator of Internet businesses. Mr. Bronfman is also a member of the board of trustees of the New York University Medical Center, and a member of the Council on Foreign Relations. We believe Mr. Bronfman's experience as chief executive of several large organizations, his experience in venture capital and private equity investing and his experience as a director of public and private companies qualify him to serve on our board.

APPAC, a minority shareholder group of Vivendi Universal, initiated an inquiry in the Paris Court of Appeal into various issues relating to Vivendi, including Vivendi's financial disclosures, the appropriateness of executive compensation, and trading in Vivendi stock by certain individuals previously associated with Vivendi. The inquiry has encompassed certain trading by Mr. Bronfman in Vivendi stock. Several individuals, including Mr. Bronfman and the former CEO, CFO and COO of Vivendi, had been given the status of *mis en examen* in connection with the inquiry. Although there is no equivalent to *mis en examen* in the U.S. system of jurisprudence, it is a preliminary stage of proceedings that does not entail any filing of charges. In January 2009, the Paris public prosecutor formally recommended that no charges be filed and that Mr. Bronfman not be referred for trial. On October 22, 2009, the investigating magistrate rejected the prosecutor's recommendation and released an order referring for trial Mr. Bronfman and six other individuals, including the former CEO, CFO and COO of Vivendi. While the inquiry encompassed various issues, Mr. Bronfman was referred for trial solely with

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respect to certain trading in Vivendi stock. In June 2010, Mr. Bronfman was part of a trial in the Trial Court in Paris at which the public prosecutor and the lead civil claimant both took the position that Mr. Bronfman should be acquitted. On January 21, 2011, the court found Mr. Bronfman guilty of the charge relating to his trading in Vivendi stock, found him not liable to the civil claimants, and imposed a fine of 5 million euros and a suspended sentence of 15 months. Mr. Bronfman appealed the Trial Court decision to the Paris Court of Appeal and believes that his trading in Vivendi stock was proper. Under French law, the penalty is suspended pending the final outcome of the case.

*Steven N. Kaplan.* Age 52. Mr. Kaplan has been a member of our board of directors since July 2004. Since 1988, Mr. Kaplan has served as a professor at the University of Chicago Booth School of Business, where he currently is the Neubauer Family Professor of Entrepreneurship and Finance and serves as the faculty director of the Polsky Center for Entrepreneurship. Mr. Kaplan also serves as a director of Morningstar, Inc., a publicly-held provider of independent investment research, and on the boards of trustees of the Columbia Acorn Trust and Wanger Asset Trust. We believe Mr. Kaplan's experience as a public and private company director and thought leader in the field of entrepreneurship and management qualifies him to serve on our board.

### ***Directors Whose Terms Expire in 2013 (Class III Directors)***

*Stanley N. Logan.* Age 57. Mr. Logan has been a member of our board of directors since April 2011. Mr. Logan is partner and chief operating officer of Sikich LLP, a management consulting firm. Previously, Mr. Logan served as a managing director in the forensic accounting practice of LECG Corporation, a global business advisory services consulting firm, from February 2010 until March 2011. From 2006 until 2009, Mr. Logan served as a vice president of Huron Consulting Group, a consulting firm. From 2003 to 2006, Mr. Logan was managing partner of KPMG LLP's Chicago office and he was national sector leader for consumer products at KPMG in 2002. From 1980 to 2002, Mr. Logan held various positions at Arthur Andersen LLP, including audit partner, manager and senior accountant. Mr. Logan is a certified public accountant. Since 2007, he has served on the board of directors of Schawk, Inc. and is also a member of Schawk's audit committee. From 2003 until 2007, Mr. Logan served on the boards of directors of The Field Museum, where he served as a member of its finance committee, and Ravinia Festival Association, where he served as a member of its audit committee. We believe that Mr. Logan's extensive financial and accounting experience qualifies him to serve on our board.

*Arthur H. Spiegel, III.* Age 72. Mr. Spiegel has been a member of our board of directors since October 2003 and served as co-chairman of our board until July 2009. Since 2002, Mr. Spiegel has been a private investor. From 1996 until 2002, Mr. Spiegel was President of CSC Healthcare Group, which offered consulting, system integration, claims processing software and business process and IT outsourcing services to the healthcare industry. Mr. Spiegel founded APM Management Consultants, a healthcare consulting firm, in 1974 and served as its CEO until it was acquired by Computer Science Corporation in 1996. He serves on the boards of several privately-held companies. We believe Mr. Spiegel's experience as an executive and director of public and private companies, together with his deep knowledge of healthcare IT and consulting qualify him to serve on our board.

*Mark A. Wolfson.* Age 59. Mr. Wolfson has been a member of our board of directors since October 2003. Mr. Wolfson is a senior advisor of Oak Hill Capital Management, LLC, a private equity firm, and is a founder and managing partner of Oak Hill Investment Management, L.P. Mr. Wolfson has been on the faculty of the Stanford University Graduate School of Business since 1977, has served as its associate dean, and has held the title of consulting professor since 2001. He has been a research associate of the National Bureau of Economic Research since 1988 and serves on the executive committee of the Stanford Institute for Economic Policy Research. Mr. Wolfson is a director of eGain Communications Corporation, a publicly-held provider of multi-channel customer service and knowledge management software; Financial Engines, Inc., a publicly-held provider of portfolio management and retirement services and investment advice; and several privately-held companies. He is also an advisor to the investment committee of the William and Flora Hewlett Foundation. We believe Mr. Wolfson's experience as a public and private company director and thought leader in the fields of economics and management qualifies him to serve on our board.

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### ***Directors Whose Terms Expire in 2014 (Class I Directors)***

*Mary A. Tolan.* Age 51. Ms. Tolan, a founder of Accretive Health, has served as our president and chief executive officer and a director since November 2003. Prior to joining our company, Ms. Tolan spent 21 years at Accenture Ltd, a leading global management consulting, technology services and outsourcing company. At Accenture, Ms. Tolan served in several leadership roles, including group chief executive for the resources operating group that had approximately \$2 billion in annual revenue, and as a member of Accenture's executive committee and management committee. She serves on the board of trustees of the University of Chicago, Loyola University and the Lyric Opera of Chicago. We believe Ms. Tolan is qualified to serve as a director because of her leadership experience, skill and depth of understanding of our business and market gained from serving as our chief executive officer and by founding our company. Further, Ms. Tolan's experience as a director of both public and private companies provides her with sharp business acumen, financial expertise and deep experience providing strategic guidance to complex organizations.

*J. Michael Cline.* Age 52. Mr. Cline, a founder of Accretive Health, has been a member of our board of directors since August 2003 and has served as chairman of the board since July 2009. Mr. Cline has served as the founding managing partner of Accretive, LLC, a private equity firm, since founding that firm in December 1999. From 1989 to 1999, Mr. Cline served as a general partner of General Atlantic Partners, LLC, a private equity firm. Mr. Cline serves on the boards of several privately-held companies. He also serves on the advisory board of the Harvard Business School Rock Center for Entrepreneurship, on the board of the National Fish and Wildlife Foundation and as a trustee of Panthera, an organization devoted to the preservation of the world's wild cat species where he also chairs Panthera's Tigers Forever initiative. We believe Mr. Cline's career in private equity investing, his experience as a director of public and private companies, and his experience as a founder of our company provide him with sharp business acumen, financial expertise and deep experience providing strategic guidance to complex organizations.

*Denis J. Nayden.* Age 57. Mr. Nayden has been a member of our board of directors since October 2003 and served as co-chairman of our board until July 2009. Mr. Nayden has served as a managing partner of Oak Hill Capital Management, LLC, a private equity firm, since 2003. From 2000 to 2002, he was chairman and chief executive officer of GE Capital Corporation, the financing unit of General Electric Company, and prior to that had a 25-year tenure at General Electric. Mr. Nayden is a director of Genpact Limited, a publicly-held global provider of business process services; RSC Holdings Inc., a publicly-held equipment rental provider; and several privately-held companies. He also serves on the board of trustees of the University of Connecticut. We believe Mr. Nayden's experience as chief executive of several large organizations, his experience in private equity investing and his experience as a director of public and private companies qualify him to serve on our board.

### **Director Emeritus**

In September 2011, the Company elected Mr. Shultz to serve as director emeritus, and accordingly, Mr. Shultz no longer has the powers or responsibilities of a director. As director emeritus, Mr. Shultz is invited and encouraged to attend board meetings and may participate in discussion of matters that come before the board, but he is not entitled to vote upon any such matters. For his services as director emeritus, Mr. Shultz receives the same annual retainer and meeting fees as the non-employee directors.

### **Our Executive Officers**

Our executive officers and their respective ages and positions as of the date of this proxy statement are described below. Our officers serve until they resign or the board terminates their position. There are no family relationships among any of our directors, nominees for director and executive officers.

*Mary A. Tolan.* Age 51. *Founder, President and Chief Executive Officer, Director.* For more information, see "Our Board of Directors" above.

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*John T. Staton. Age 51. Chief Financial Officer and Treasurer.* Mr. Staton has served as our chief financial officer and treasurer since September 2005. Mr. Staton was with Accenture for 16 years before joining our company. From 2004 to 2005, Mr. Staton led the business consulting practice within Accenture's North American products practice. Prior to this role, he was a partner in Accenture's global retail practice. Before joining Accenture, Mr. Staton held positions in General Electric's manufacturing management program and Hewlett-Packard's sales and channel marketing organizations.

*Andrew M. Appel. Age 47. Senior Vice President.* Mr. Appel has served as our senior vice president of revenue operations since July 2011. In this role, he is co-head of our revenue cycle offering and is responsible for optimizing clients' revenue cycle operations. In addition, he oversees our physician advisory services. From 2005 until 2010, Mr. Appel held several leadership roles at Aon Corporation, including serving as a Chief Operating Officer of Aon from April 2010 through November 2010. In early 2008, Mr. Appel was named Chief Executive Officer of Aon Re Global (now known as Aon Benfield) and Chairman of Aon Consulting Worldwide, Inc. and served in those capacities through April 2010. From July 2005 through February 2008, Mr. Appel served as a Chief Executive Officer of Aon Consulting Worldwide. Prior to joining Aon, Mr. Appel was a senior partner at McKinsey and Company where over a 15-year career, he advised leading global financial institutions on a wide array of operational, strategic and organizational issues.

*Etienne H. Deffarges. Age 54. Vice Chairman (non-board position).* Mr. Deffarges has served as our vice chairman since August 2011 and served as our executive vice president from April 2004 until August 2011. From 1999 until joining our company, Mr. Deffarges was a partner at Accenture, most recently serving as managing partner for its global utilities industry group, and as a member of its executive committee. Prior to joining Accenture, Mr. Deffarges spent 14 years at Booz Allen Hamilton Inc., a strategy and technology consulting firm, including serving as a senior partner and global practice leader of the energy, chemicals and pharmaceuticals practice from 1994 to 1999 and as a member of its executive committee.

*Richard E. Gillette. Age 49. Senior Vice President.* Mr. Gillette has served as our senior vice president since December 2004. Mr. Gillette is a co-head of our revenue cycle offering with responsibilities for our shared services network. Prior to joining our company, Mr. Gillette was with Accenture for 17 years, including serving as an equity partner, where he specialized in value-based engagements with clients in the retail and manufacturing industries.

*Gregory N. Kazarian. Age 49. Senior Vice President.* Mr. Kazarian served as our senior vice president since January 2004, and until November 2009 was also our general counsel and secretary. Prior to joining our company, Mr. Kazarian was with the law firm Pedersen & Houpt, P.C. for 16 years, where he handled employment, intellectual property, creditors' rights, dispute resolution and outsourcing matters.

## **CORPORATE GOVERNANCE**

Our board of directors believes that good corporate governance is important to ensure that our company is managed for the long-term benefit of our stockholders. This section describes key corporate governance guidelines and practices that we have adopted. Complete copies of the corporate governance guidelines, committee charters and code of business conduct and ethics described below are available in the Corporate Governance section of the Investor Relations page of our website, [www.accretivehealth.com](http://www.accretivehealth.com). Alternatively, you can request a copy of any of these documents by writing to Accretive Health, Inc., 401 North Michigan Avenue, Suite 2700, Chicago, Illinois 60611, Attention: Investor Relations.

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### **Corporate Governance Guidelines**

Our board of directors has adopted corporate governance guidelines to assist the board in the exercise of its duties and responsibilities and to serve the best interests of our company and our stockholders. A copy of these guidelines is posted on the Investor Relations section of our website. These guidelines, which provide a framework for the conduct of the board's business, are expected to provide that

the board's principal responsibility is to oversee the management of Accretive Health;

directors have an obligation to become and remain informed about our company and business;

directors are responsible for determining that effective systems are in place for periodic and timely reporting to the board on important matters concerning our company;

directors are responsible for attending board meetings and meetings of committees on which they serve;

a majority of the members of the board of directors shall be independent directors;

each director must limit the number of other public company boards on which he or she serves so that he or she is able to devote adequate time to his or her duties to Accretive Health, including preparing for and attending meetings;

the non-management directors meet in executive session at least semi-annually;

directors have full and free access to officers and employees of our company, and the right to hire and consult with independent advisors at our expense;

new directors participate in an orientation program and all directors are expected to participate in continuing director education on an ongoing basis; and

at least annually, the board of directors and its committees will conduct self-evaluations to determine whether they are functioning effectively.

### **Board Leadership Structure**

Our board of directors has determined that the roles of chairman of the board and chief executive officer should be separated at the current time. Accordingly, our board has appointed J. Michael Cline, an independent director within the meaning of NYSE rules (see Board Determination of Independence below), as the chairman of the board of directors. Mr. Cline's duties as chairman of the board include the following:

Chairing meetings of the non-management or independent directors in executive session.

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Meeting with any director who is not adequately performing his or her duties as a member of our board or any committee.

Facilitating communications between other members of our board and the chief executive officer.

Preparing or approving the agenda for each board meeting.

Determining the frequency and length of board meetings and recommending when special meetings of our board should be held.

Reviewing and, if appropriate, recommending action to be taken with respect to written communications from stockholders submitted to our board (see [Communicating with the Directors](#) below).

Our board decided to separate the roles of chairman and chief executive officer because it believes that leadership structure offers the following benefits:



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Increasing the independent oversight of Accretive Health and enhancing our board's objective evaluation of our chief executive officer.

Freeing the chief executive officer to focus on company operations instead of board administration.

Providing the chief executive officer with an experienced sounding board.

Providing greater opportunities for communication between stockholders and our board.

Enhancing the independent and objective assessment of risk by our board.

Providing an independent spokesman for our company.

## **Board Determination of Independence**

Pursuant to the corporate governance listing standards of the NYSE, a director employed by us cannot be deemed to be an independent director, and consequently Ms. Tolan is not an independent director. In addition, in accordance with the NYSE corporate governance listing standards, each other director will qualify as independent only if our board of directors affirmatively determines that he or she has no material relationship with us, either directly or as a partner, stockholder or officer of an organization that has a relationship with us. Ownership of a significant amount of our stock, by itself, does not constitute a material relationship.

Our board of directors has affirmatively determined that each of Messrs. Bronfman, Cline, Kaplan, Logan, Nayden, Spiegel and Wolfson is independent in accordance with Section 303A.02(b) of the NYSE Listed Company Manual. In making this determination, our board of directors considered the percentage of our common stock owned by an entity affiliated with Accretive, LLC, of which Mr. Cline is the founding managing partner and Mr. Bronfman is a general partner, and the percentage of our common stock owned by Oak Hill Investment Management, L.P., of which Mr. Wolfson is a managing partner. Our board also considered that Mr. Nayden is a managing partner of, and Mr. Wolfson is a senior advisor to, Oak Hill Capital Management, LLC, an entity associated with Oak Hill Investment Management, L.P. See Security Ownership of Certain Beneficial Owners and Management.

All of the members of the board's three standing committees described below are independent as defined under the rules of the NYSE.

## **Director Nomination Process**

The process followed by the nominating and corporate governance committee to identify and evaluate director candidates includes requests to board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the nominating and corporate governance committee and the board.

In considering whether to recommend any particular candidate for inclusion in the board's slate of recommended director nominees, the nominating and corporate governance committee applies the criteria set forth in our Corporate Governance Guidelines. These criteria include the candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. In addition to these criteria, the nominating and corporate governance committee also considers diversity in its evaluation of candidates for board membership. The board believes that diversity with respect to viewpoint, skills and experience should be an important factor in board composition. The committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the board to fulfill its responsibilities.



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Stockholders may recommend individuals to the nominating and corporate governance committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our common stock for at least a year as of the date such recommendation is made, to Nominating and Corporate Governance Committee, c/o Accretive Health, Inc., 401 North Michigan Avenue, Suite 2700, Chicago, Illinois 60611, Attention: Corporate Secretary. Assuming that appropriate biographical and background material has been provided on a timely basis, the committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others. If our board determines to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included in our proxy card for the next annual meeting.

Stockholders also have the right under our bylaws to directly nominate director candidates, without any action or recommendation on the part of the nominating and corporate governance committee or the board of directors, by following the procedures set forth above under "How and when may I submit a stockholder proposal for the 2013 annual meeting?" Candidates nominated by stockholders in accordance with the procedures set forth in our bylaws will not be included in our proxy card for the next annual meeting.

## **Board Meetings and Attendance**

The board met 5 times during the fiscal year ended December 31, 2011, either in person or by teleconference. During 2011, each director attended at least 75% of the aggregate of the number of board meetings and the number of meetings held by all committees on which he or she then served. In September 2011, the Company elected Mr. Shultz to serve as director emeritus, and accordingly, Mr. Shultz no longer has the powers or responsibilities of a director of the Company.

## **Director Attendance at Annual Meeting of Stockholders**

Our Corporate Governance Guidelines provide that directors are encouraged to attend meetings of stockholders at which non-routine matters will be considered. Six directors attended our annual meeting of stockholders in 2011.

## **Risk Management**

Our audit committee is responsible for overseeing our risk management function. While the audit committee has primary responsibility for overseeing risk management, our entire board of directors is actively involved in overseeing our risk management. For example, the board engages in periodic discussions with such company officers as the board deems necessary, including the chief executive officer, chief financial officer and other executive officers. We believe that the leadership structure of our board supports effective risk management oversight.

## **Board Committees**

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. Each committee operates under a charter that has been approved by our board of directors. Copies of each committee's charter are posted on the Investor Relations section of our website, [www.accretivehealth.com](http://www.accretivehealth.com).

Our board of directors has determined that all of the members of each of the board's three standing committees are independent as defined under the rules of the NYSE, including, in the case of all members of the audit committee, the independence requirements contemplated by Rule 10A-3 under the Exchange Act.

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### ***Audit Committee***

The members of our audit committee from January 2011 until April 2011 were Mr. Kaplan (chair) and Mr. Wolfson. In April 2011, Mr. Logan joined our audit committee and replaced Mr. Kaplan as chair. The current members of our audit committee are Messrs. Logan (chair), Kaplan and Wolfson. Our board of directors has determined that each of the members of our audit committee satisfies the requirements for financial literacy under the current requirements of NYSE rules and regulations. Our board of directors has further determined that Mr. Logan is an audit committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K. Our audit committee assists our board of directors in its oversight of our accounting and financial reporting process and the audits of our financial statements. The audit committee met seven times during 2011.

Our audit committee's responsibilities include:

appointing, evaluating, retaining, terminating the engagement of, setting the compensation of and assessing the independence of our independent registered public accounting firm;

overseeing the work of our independent registered public accounting firm, including the receipt and consideration of reports from the firm and reviewing with the firm audit problems, internal control issues and other accounting and financial reporting matters;

coordinating the board's oversight of our internal control over financial reporting, disclosure controls and procedures, code of business conduct and ethics, and internal audit function;

establishing procedures for the receipt, retention and treatment of accounting related complaints and concerns;

reviewing and discussing with management and our independent registered public accounting firm our annual and quarterly financial statements and related disclosures;

periodically meeting separately with our independent registered public accounting firm, management and internal auditors;

discussing generally the type and presentation of information to be disclosed in our earnings press releases, as well as financial information and earnings guidance provided to analysts, rating agencies and others;  
reviewing our policies and procedures for approving and ratifying related person transactions, including our related person transaction policy;

establishing policies regarding the hiring of employees or former employees of our independent registered public accounting firm;

discussing our policies with respect to risk assessment and risk management;

preparing the audit committee report required by SEC rules;

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in coordination with the compensation committee, evaluating our senior financial management; and

at least annually, evaluating its own performance.

All audit services to be provided to us and all non-audit services, other than de minimis non-audit services, to be provided to us by our independent registered public accounting firm must be approved in advance by our audit committee.

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### ***Compensation Committee***

The members of our compensation committee from January 2011 until April 2011 were Messrs. Nayden (chair), Bronfman, Cline and Spiegel. In April 2011, Mr. Kaplan joined our compensation committee and replaced Mr. Nayden as chair. The current members of our compensation committee are Messrs. Kaplan (chair), Bronfman, Cline, Nayden and Spiegel. Our compensation committee assists our board of directors in the discharge of its responsibilities relating to the compensation of our executive officers. The compensation committee met two times during 2011.

The compensation committee's responsibilities include:

approving corporate goals and objectives relevant to the compensation of our chief executive officer, evaluating our chief executive officer's performance in light of those goals and objectives and, either as a committee or together with the other independent directors (as directed from time to time by the board of directors), determining and approving our chief executive officer's compensation;

reviewing in consultation with our chief executive officer, and approving or making recommendations to the board of directors with respect to, compensation of our executive officers (other than our chief executive officer);

overseeing the evaluation of our senior executives, in consultation with our chief executive officer in the case of all senior executives other than the chief executive officer and in conjunction with the audit committee in the case of our senior financial management;

reviewing and making recommendations to the board of directors with respect to incentive-compensation and equity-based plans that are subject to board approval;

administering our equity incentive plans, including the authority to delegate to one or more of our executive officers the power to grant options or other stock awards to employees who are not directors or executive officers of our company, but only if consistent with the requirements of the applicable plan and law;

reviewing and making recommendations to the board of directors with respect to director compensation;

reviewing and discussing with management the compensation discussion and analysis required by SEC rules;

preparing the compensation committee report required by SEC rules; and

at least annually, evaluating its own performance.

The processes and procedures followed by our compensation committee in considering and determining executive and director compensation are described below under the heading "Executive and Director Compensation Processes."

### ***Nominating and Corporate Governance Committee***

The members of our nominating and corporate governance committee from January 2011 until April 2011 were Messrs. Shultz (chair), Bronfman and Kaplan. In April 2011, Mr. Cline joined our nominating and corporate governance committee and Mr. Bronfman replaced Mr. Shultz as chair. In September 2011, the Company elected Mr. Shultz to serve as director emeritus, and accordingly, Mr. Shultz no longer has the powers or responsibilities of a director of the Company. The current members of our Nominating and Corporate Governance Committee are Messrs. Bronfman (chair), Cline and Kaplan. The nominating and corporate governance committee met one time during 2011.



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The nominating and corporate governance committee's responsibilities include:

recommending to the board of directors the persons to be nominated for election as directors or to fill vacancies on the board of directors, and to be appointed to each of the board's committees;

applying the criteria for selecting directors approved by the board, and annually reviewing with the board the requisite skills and criteria for new board members as well as the composition of the board of directors as a whole;

developing and recommending to the board corporate governance guidelines applicable to our company;

overseeing an annual evaluation of the board of directors;

at the request of the board of directors, reviewing and making recommendations to the board relating to management succession planning; and

at least annually, evaluating its own performance.

The processes and procedures followed by the nominating and corporate governance committee in identifying and evaluating director candidates are described above under the heading "Director Nomination Process."

## **Communicating with the Directors**

The board 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 governance committee, with the assistance of our corporate secretary, is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he or she considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that our corporate secretary considers to be important for the directors to know. In general, communications relating to corporate governance and corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we tend to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the board of directors should address such communications to Board of Directors, c/o Accretive Health, Inc., 401 North Michigan Avenue, Suite 2700, Chicago, Illinois 60611, Attention: Corporate Secretary.

## **Code of Business Conduct and Ethics**

Our board of directors has adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the code of business conduct and ethics is posted on the Investor Relations section of our website.

## **Report of the Audit Committee of the Board of Directors**

The audit committee has reviewed our audited financial statements for the fiscal year ended December 31, 2011 and has discussed these financial statements with our management and our independent registered public accounting firm.





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The audit committee has also received from, and discussed with, our registered public accounting firm various communications that our registered public accounting firm is required to provide to the audit committee, including the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board (the PCAOB) in Rule 3200T.

Our independent registered public accounting firm also provided the audit committee with the written disclosures and the letter required by the applicable requirements of the PCAOB regarding the independent auditor's communication with the audit committee concerning independence. The audit committee has discussed with the registered public accounting firm their independence from our company.

Based on its discussions with management and the registered public accounting firm, and its review of the representations and information provided by management and the registered public accounting firm, the audit committee recommended to our board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2011, which we filed with the SEC on February 29, 2012.

By the Audit Committee of the Board of Directors of Accretive Health, Inc.

Stanley N. Logan (chair)

Steven N. Kaplan

Mark A. Wolfson

## **DIRECTOR COMPENSATION**

Prior to our initial public offering, we did not pay compensation to any director for his or her service as a director. However, non-employee directors were reimbursed for reasonable travel and other expenses incurred in connection with attending our board and committee meetings. Prior to January 1, 2009, we granted restricted stock and options to purchase shares of our common stock to our non-employee directors who were not affiliated with our 5% stockholders. Ms. Tolan has never received any compensation in connection with her service as a director.

*Cash Compensation.* We pay each non-employee director a \$60,000 annual retainer. The chairs of the board of directors and the audit committee receive an additional annual retainer of \$20,000, and the chairs of the compensation committee and the nominating and corporate governance committee receive an additional annual retainer of \$10,000. There are no additional fees for attending board or board committee meetings. Cash fees are paid quarterly in arrears to the non-employee directors who were serving as directors at the end of a quarter.

In lieu of cash fees, non-employee directors may elect to receive fully-vested options to purchase shares of our common stock. Elections must be received by the 75th day of a quarter and apply to all subsequent quarterly cash fees until a new election is received. Such options are granted on the first trading day of each quarter with respect to the fees payable for the preceding quarter, and the exercise price equals the fair market value of the common stock on the date of grant. The number of shares subject to such options is calculated by dividing the dollar amount of the cash fees for the quarter by the Black-Scholes option value we used for purposes of determining the share-based compensation expense that we recognized for financial statement reporting purposes in that quarter.

*Stock Options.* Unless a different arrangement is specifically agreed to, any non-employee director who joins our board in the future will be granted a stock option on the date of such director's first board meeting. The option will have a total Black-Scholes value of \$520,000 (based on the target value of \$130,000 per year), and the exercise price will equal the fair market value of the common stock on the date of grant. Each such option will vest in four equal annual installments, based on continued service as a director.

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The number of shares of common stock subject to the stock option granted to each such non-employee director was selected by our board of directors based on the recommendation of the compensation committee and the input of the independent consulting firm referenced below under the Competitive Market Data and Use of Compensation Consultants. These option grants reflect the board's view, based on its business judgment and collective experience as well as the input of the independent consulting firm, that the market value for compensation for service as a non-employee is \$130,000 per year. These grants also reflect the board's view that a longer term grant provides a better correlation with the interests of stockholders and, as a result, these grants vest over four years based on continued service as a director. On June 3, 2011, in connection with joining the board in April 2011, Mr. Logan was granted a stock option to purchase 43,283 shares of common stock at an exercise price of \$23.95 per share (the fair value of our common stock as of such date, as determined by the board of directors). These options vest in four equal annual installments beginning on June 3, 2012.

*Expenses.* We reimburse each non-employee director for ordinary and reasonable expenses incurred in attending board and board committee meetings.

*2011 Director Compensation.* The following table sets forth, for each of our independent directors, information concerning compensation earned or paid for services in all capacities during the fiscal year ended December 31, 2011.

| Name                   | Fees Earned or<br>Paid in Cash<br>\$(1) | Option Awards<br>\$(2)(3) | Total \$ |
|------------------------|-----------------------------------------|---------------------------|----------|
| Edgar Bronfman, Jr.    | 65,000                                  | 98,354                    | 163,354  |
| J. Michael Cline       | 80,000                                  | 98,354                    | 178,354  |
| Steven N. Kaplan       | 75,000                                  | 98,354                    | 173,354  |
| Stanley N. Logan       | 40,000                                  | 74,960                    | 114,960  |
| Denis J. Nayden        | 65,000                                  | 98,354                    | 163,354  |
| George P. Shultz(4)    | 65,000                                  | 98,354                    | 163,354  |
| Arthur H. Spiegel, III | 60,000                                  | 98,354                    | 158,354  |
| Mark A. Wolfson        | 60,000                                  | 98,354                    | 158,354  |

- (1) Each of our independent directors, with the exception of Mr. Logan, elected to receive fully-vested options to purchase shares of our common stock in lieu of his cash retainers.
- (2) Valuation of these option awards is based on the dollar amount of share-based compensation expense that we recognized for financial statement reporting purposes in 2011 computed in accordance with ASC 718. These amounts do not represent the actual amounts paid to or realized by the named director during 2011. The assumptions used by us with respect to the valuation of option awards are the same as those set forth in Note 9 to our financial statements included in our annual report on Form 10-K.
- (3) The aggregate unexercised option awards (whether or not exercisable) outstanding at December 31, 2011, are as follows:

| Name                   | Aggregate Option<br>Awards Outstanding as<br>of December 31,<br>2011 |
|------------------------|----------------------------------------------------------------------|
| Edgar Bronfman, Jr.    | 63,198                                                               |
| Michael Cline          | 66,269                                                               |
| Steven N. Kaplan       | 65,838                                                               |
| Stanley N. Logan       | 43,283                                                               |
| Denis J. Nayden        | 64,087                                                               |
| George P. Shultz       | 64,087                                                               |
| Arthur H. Spiegel, III | 62,768                                                               |
| Mark A. Wolfson        | 62,768                                                               |



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- (4) In September 2011, the Company elected Mr. Shultz to serve as director emeritus, and accordingly, Mr. Shultz no longer has the powers or responsibilities of a director of the Company. His compensation includes 1,556 option awards for service as a director emeritus in 2011.

**EXECUTIVE COMPENSATION**

**COMPENSATION DISCUSSION AND ANALYSIS**

This section discusses the principles underlying our executive compensation policies and decisions and the most important factors relevant to an analysis of these policies and decisions. It provides qualitative information regarding the manner and context in which compensation is awarded to and earned by our named executive officers and is intended to place in perspective the data presented in the tables and narrative that follow.

In 2010, our compensation committee performed a thorough review of all elements of our executive compensation program, including the function and design of our annual cash incentive and equity incentive programs. The compensation committee will continue to evaluate the need for revisions to our executive compensation program to ensure it is competitive with the companies with which we compete for superior executive talent.

**Overview of Executive Compensation Process**

*Roles of Our Board, Compensation Committee and Chief Executive Officer in Compensation Decisions.* Our compensation committee oversees our executive compensation program, and has done so historically. In this role, the compensation committee has reviewed all compensation decisions relating to our named executive officers and has made recommendations to the board. Our compensation committee has the authority, without approval of the board of directors, to retain and terminate any independent, third-party compensation consultant to assist in the evaluation of executive officer compensation. Our chief executive officer annually reviews the performance of each of our other executive officers, and, based on these reviews, provides recommendations to the committee and the board with respect to salary adjustments, annual cash incentive bonus targets and awards and equity incentive awards. Our compensation committee meets with our chief executive officer annually to discuss and review her recommendations regarding executive compensation for our executive officers, excluding herself. These recommendations are forwarded to the board, which typically meets in executive session to discuss those recommendations and to consider the compensation of the chief executive officer. Our chief executive officer is not present for board or committee discussions regarding her compensation. Our chief executive officer may grant options to employees who are not directors or executive officers of the company and determine the number of shares covered by, and the timing of, option grants. The board has, and it exercises, the ability to materially increase or decrease amounts of compensation payable to our executive officers pursuant to recommendations made by our chief executive officer.

*Considerations Regarding Non-Binding Advisory Proposal on Executive Compensation.* Our stockholders approved the non-binding advisory proposal on the compensation of our named executive officers with a 99.8% favorable vote at our 2011 annual meeting of stockholders. The compensation committee and our management believe this high level of approval provides strong support to our existing executive compensation philosophy, principles and overall program design.

Also at our 2011 annual meeting of stockholders, our stockholders voted to adopt the recommendation of our board of directors to conduct future advisory votes on the compensation of our named executive officers every three years. Accordingly, the next stockholder advisory vote on the compensation of our named executive officers will be held at the 2014 annual meeting of stockholders.

*Competitive Market Data and Use of Compensation Consultants.* In 2010, our compensation committee engaged an independent compensation consulting firm to provide advice regarding our executive compensation

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program and general information regarding executive compensation practices in our industry. Although the compensation committee and board consider the compensation consulting firm's advice in considering our executive compensation program, the compensation committee and board ultimately make their own decisions about these matters.

At the compensation committee's request, the independent compensation consulting firm has conducted a number of compensation analyses to provide information regarding competitive pay and practices for executives of technology, business process outsourcing and healthcare services companies comparable to us in terms of revenue and growth rate, and/or which are anticipated to be comparable to us in terms of market capitalization.

In 2010, this peer group, which will be periodically reviewed and updated by the compensation committee, consisted of:

|                                    |                                |                                     |
|------------------------------------|--------------------------------|-------------------------------------|
| Akamai Technologies                | Genpact                        | Metavante (now known as FIS Global) |
| athenahealth                       | Global Payments                | Nuance Communications               |
| Blackboard                         | HLTH Corp (now known as WebMD) | Quality Systems                     |
| Cerner                             | Huron Consulting               | salesforce.com                      |
| Cognizant Technology Solutions     | MAXIMUS                        | SXC Health Solutions                |
| Eclipsys (now known as Allscripts) | MedAssets                      | WNS Holdings                        |

Although the board and compensation committee considers peer group data in determining the competitiveness of executive compensation, to date, they have not benchmarked total executive compensation or most compensation elements against this peer group, and they do not aim to set total compensation, or any compensation element, at a specified level as compared to the companies in our peer group.

## **Objectives and Philosophy of Our Executive Compensation Program**

Our primary objective with respect to executive compensation is to attract, retain and motivate highly talented individuals who have the breadth and experience to successfully execute our business strategy. Our executive compensation program is designed to:

reward the achievement of our annual and long-term operating and strategic goals;

recognize individual contributions; and

align the interests of our executives with those of our stockholders by rewarding performance that meets or exceeds established goals, with the ultimate objective of increasing stockholder value.

To achieve these objectives, our executive compensation program ties a portion of each executive's overall compensation to key corporate financial goals, primarily adjusted EBITDA targets, as well as to individual performance. We also provide a portion of our executive compensation in the form of equity incentive awards that vest over time, which we believe helps to retain our named executive officers and aligns their interests with those of our stockholders by allowing them to participate in our long-term performance as reflected in the trading price of shares of our common stock.

## **Risk Considerations in our Compensation Program**

We believe that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on our business. In addition, the compensation committee believes that the mix and design of the components of executive

compensation do not encourage management to assume excessive risks.

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### **Elements of our Executive Compensation Program**

The primary elements of our executive compensation program are:

base salaries;

annual cash incentive bonuses;

equity incentive awards; and

other employee benefits.

Our compensation committee has not adopted any formal or informal policies or guidelines for allocating compensation between these elements.

*Base Salaries.* We use competitive base salary to attract and retain qualified candidates to help us achieve our growth and performance goals. Base salaries are intended to recognize an executive officer's immediate contribution to our organization, as well as his or her experience, knowledge and responsibilities.

From time to time, in its discretion, our compensation committee and board evaluate and adjust executive officer base salary levels based on factors determined to be relevant, including:

the executive officer's skills and experience;

the particular importance of the executive officer's position to us;

the executive officer's individual performance;

the executive officer's growth in his or her position;

market level increases;

base salaries for comparable positions within our company; and

inflation rates.

In determining base salaries for our named executive officers for 2010, our compensation committee considered the results of a market analysis of the compensation for executives at comparable companies performed by the independent compensation consulting firm retained by the compensation committee. Based on this analysis, the compensation committee determined that a market adjustment was warranted in the compensation of our chief executive officer, and set her 2010 base salary at \$700,000 and her 2010 bonus target at \$950,000. The compensation committee also elected to increase the 2010 base salaries for Messrs. Gillette, Staton and Kazarian by 2.7% each, reflecting the rate of inflation, to \$256,750, \$330,000 and \$288,850, respectively.



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In determining base salaries for our named executive officers for 2011, our compensation committee elected to increase the 2011 base salaries for Ms. Tolan and Messrs. Staton and Kazarian by 1.5% each, reflecting the rate of inflation, to \$710,500, \$334,950 and \$293,183, respectively. Mr. Gillette's 2011 base salary was increased to \$300,000 to adjust his pay to the market level compensation being paid to senior executives with comparable responsibility and experience.

In determining base salaries for our named executive officers for 2012, our compensation committee elected to increase the 2012 base salaries for Ms. Tolan and Mr. Appel by 3% each, reflecting the rate of inflation, to \$731,815 and \$618,000. Additionally, the compensation committee elected to increase the base salaries of Messrs. Staton, Gillette and Kazarian to \$400,000, \$400,000, and \$400,000, respectively, to adjust their pay to the market level compensation being paid to senior executives with comparable responsibility and experience. Our compensation committee made this determination based on market insight gained through our recruitment of several key executive hires over the past year.

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*Annual Cash Incentive Bonuses.* We maintain an annual cash incentive bonus program in which each of our named executive officers participates. These annual cash incentive bonuses are intended to compensate our named executive officers for our achievement of corporate financial goals, primarily adjusted EBITDA targets, as well as individual performance in the areas of:

economic and financial contributions;

operations;

customer satisfaction;

business development; and

organizational and leadership development.

Our annual cash incentive bonuses have varied from year to year, and we expect that they will continue to vary, depending on actual corporate and individual performance results.

Historically, our board has set our corporate financial goals and our named executive officers' individual cash incentive bonus targets each year in advance and it has worked with our chief executive officer to develop aggressive goals to be achieved by the company and our named executive officers. The goals established by the board have been based on our historical operating results and growth rates, as well as our expected future results, and are designed to require significant effort and operational success on the part of our named executive officers and the company. However, during the course of the year, the board and our compensation committee, based on recommendations of our chief executive officer (with respect to our other named executive officers), may adjust such goals as they deem appropriate.

Each named executive officer's initial target annual bonus is set upon commencement of employment as part of the executive's overall compensation package. The target annual bonus amount is then reviewed and adjusted in each subsequent year, generally so that it is equal to the higher of the executive's prior year actual bonus and his or her prior year target bonus. The updated targets reflect strong growth and performance assumptions which correlate to our annual plans. When these growth and performance expectations are exceeded, bonuses above target can be awarded. These higher performance-based awards, and our continued strong growth and performance expectations, are considered when setting target bonuses for subsequent years. We believe this helps to calibrate incentive compensation with our growth and performance. The board believes that this approach supports our pay-for-performance philosophy and encourages the achievement of growth and performance goals. The board approves actual annual cash incentive bonuses, based on the recommendations of our compensation committee, with input from our chief executive officer in the case of named executive officers other than herself. There are no minimum or maximum payout levels, and our board has broad discretion to make adjustments to the awards.

For each of the years ended December 31, 2009, 2010 and 2011, our corporate financial goals were based on adjusted EBITDA. The corporate financial goals were developed prior to the beginning of the year by management in consultation with the compensation committee, and then reviewed, refined and approved by our board of directors. Our compensation committee believes that adjusted EBITDA is an appropriate measure of our business performance because it emphasizes the addition of new customers and expansion of services with existing customers, as well as improvements in our operating efficiency, and it is reflective of stockholder value creation. In 2009, we met our adjusted EBITDA target of \$32.8 million. In 2010, our actual adjusted EBITDA of \$45.0 million exceeded our target by \$2.5 million. In 2011, our actual adjusted EBITDA of \$81.6 million was in the range of our adjusted EBITDA plan.

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For the years ended December 31, 2009, 2010 and 2011, each named executive officer's target bonus awards were set as follows:

| Named Executive Officer | Target Annual Cash Incentive Bonus<br>Year Ended December 31, |            |            |
|-------------------------|---------------------------------------------------------------|------------|------------|
|                         | 2009                                                          | 2010       | 2011       |
| Mary A. Tolan           | \$ 600,000                                                    | \$ 950,000 | \$ 950,000 |
| John T. Staton          | \$ 258,000                                                    | \$ 258,000 | \$ 258,000 |
| Andrew M. Appel         |                                                               |            | \$ 200,000 |
| Richard E. Gillette     | \$ 196,800                                                    | \$ 197,000 | \$ 244,000 |
| Gregory N. Kazarian     | \$ 202,250                                                    | \$ 202,250 | \$ 202,250 |

Although our adjusted EBITDA for the year ended December 31, 2009 exceeded the plan established by our board, it fell short of more aggressive goals established by Ms. Tolan. Therefore, Ms. Tolan's recommendation to the compensation committee and board, which was accepted, was to reduce the bonus pool for 2010 pay-outs. The allocation of bonuses for 2009 among our named executive officers was based on the compensation committee's subjective assessments of individual contributions by our named executive officers in their respective areas of primary responsibility. In making its assessments regarding incentive compensation, the compensation committee considered the following: in the case of Ms. Tolan, her success in driving our growth, increasing our operating margins, recruiting key talent for the organization and identifying new business opportunities; in the case of Mr. Gillette, his contributions in the area of organizational excellence; in the case of Mr. Staton, his contributions to our financial performance, the development of our financial systems and controls and the recruitment and development of our finance team; and in the case of Mr. Kazarian, his oversight of several of our operating sites and his contributions in the area of organizational build-out and development. For our named executive officers other than Ms. Tolan, the compensation committee also considered Ms. Tolan's recommendations regarding incentive compensation and her assessment of each named executive officer's contributions to our performance during 2009. For the actual 2009 amounts that we paid to each named executive officer under our annual cash incentive bonus program, see the Summary Compensation Table below.

Although our adjusted EBITDA for the year ended December 31, 2010 exceeded the plan established by our board, it fell short of internal goals established for the named executive officers. The allocation of bonuses for 2010 among our named executive officers was based on the compensation committee's subjective assessments of individual contributions by our named executive officers in their respective areas of primary responsibility. In making its assessments regarding incentive compensation, the compensation committee considered the following: in the case of Ms. Tolan, her success in driving our growth, increasing our operating margins, recruiting key talent for the organization and identifying new business opportunities; in the case of Mr. Gillette, his contributions in the area of company-wide operational excellence; in the case of Mr. Staton, his contributions to our financial performance, the development of our financial systems and controls and the recruitment and development of our finance team; and in the case of Mr. Kazarian, his oversight of several of our operating sites and his contributions in the area of organizational build-out and development. For our named executive officers other than Ms. Tolan, the compensation committee also considered Ms. Tolan's recommendations regarding incentive compensation and her assessment of each named executive officer's contributions to our performance during 2010. For the actual 2010 amounts that we paid to each named executive officer under our annual cash incentive bonus program, see the Summary Compensation Table below.

Although our adjusted EBITDA for the year ended December 31, 2011 was in the range of the plan established by our board, it fell short of internal goals established for the named executive officers. The allocation of bonuses for 2011 among our named executive officers was based on the compensation committee's subjective assessments of individual contributions by our named executive officers in their respective areas of primary responsibility. In making its assessments regarding incentive compensation, the compensation committee considered the following: in the case of Ms. Tolan, her success in driving our growth, increasing our operating margins, recruiting key talent for the organization and identifying new business opportunities; in the

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case of Mr. Staton, his contributions to our financial performance, the development of our financial systems and controls and the recruitment and development of our finance team; in the case of Mr. Gillette, his contribution to the company-wide operational excellence; in the case of Mr. Appel, his contribution to the development of potential new service offerings; and in the case of Mr. Kazarian, his oversight of several of our operating sites and his contributions in the area of organizational build-out and development. For our named executive officers other than Ms. Tolan, the compensation committee also considered Ms. Tolan's recommendations regarding incentive compensation and her assessment of each named executive officer's contributions to our performance during 2011. For the actual 2011 amounts that we paid to each named executive officer under our annual cash incentive bonus program, see the Summary Compensation Table below.

The 2012 bonus targets are \$950,000 for Ms. Tolan, \$300,000 for Mr. Staton, \$200,000 for Mr. Appel, \$300,000 for Mr. Gillette, and \$300,000 for Mr. Kazarian.

Our board uses our unaudited financial results to make financial target performance determinations under our annual cash incentive bonus program, and those results may be adjusted in connection with the preparation of our audited consolidated financial statements. As described above, the purpose of these targets was to establish a method for determining the payment of cash incentive bonuses. You are cautioned not to rely on these performance goals as a prediction of our future performance.

From time to time, we may make special cash bonus awards to our employees, including our named executive officers. In August 2009, we determined to award special cash bonuses of approximately \$143,000 to Mr. Staton contemporaneously with the cash dividend we declared on all outstanding capital stock in each of those years. Mr. Staton was not entitled to participate in those cash dividends with respect to his vested but unexercised stock options. However, because Mr. Staton is primarily responsible for our financial management and is deeply involved in helping to achieve our strategic goals, and in light of the connection between Mr. Staton's contributions and our ability to pay these cash dividends, the board determined to award him special cash bonuses in amounts that represented the payments he would have received as cash dividends if he had owned such number of shares equal to the vested portion of his option on the record date for the applicable dividend. As stockholders, our other named executive officers participated directly in these cash dividends and therefore did not receive any special bonus in either year relating to this aspect of our financial performance.

*Equity Incentive Awards.* Our equity incentive award program is the primary vehicle for offering long-term incentives to our named executive officers. To date, equity incentive awards to our named executive officers have been made in the form of restricted stock awards and stock options, and our compensation committee currently intends to continue this practice. Although we do not have any equity ownership guidelines or requirements for our named executive officers, we believe that equity incentive awards:

provide our named executive officers with a strong link to our long-term performance, including by enhancing their accountability for long-term decision making;

help balance the short-term orientation of our annual cash incentive bonus program;

create an ownership culture by aligning the interests of our named executive officers with the creation of value for our stockholders; and

further our goal of executive retention.

Employees who are considered essential to our long-term success are eligible to receive equity incentive awards, which typically vest over four years. In determining the size of equity incentive awards to named executive officers, our compensation committee generally considers the executive's experience, skills, level and scope of responsibilities and internal comparisons to other comparable positions in our company. As of December 31, 2009, all equity incentive awards granted to our named executive officers had fully vested. Accordingly, in connection with its evaluation of the need for revisions to our executive compensation program, on February 3, 2010 our board of directors, on the recommendation of the compensation committee, granted

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stock options to purchase 1,176,000, 450,800, 282,240 and 282,240 shares of our common stock, respectively, to Ms. Tolan and Messrs. Staton, Gillette, and Kazarian. These options have an exercise price equal to \$14.71 per share (the fair value of our common stock as of such date, as determined by the board of directors). These options vest in four equal annual installments based on continued employment, and were immediately exercisable, provided that upon exercise the shares issued are subject to the same vesting and repurchase provisions that applied before exercise.

*Other Employee Benefits.* We maintain broad-based benefits that are provided to all employees, including our 401(k) retirement plan, flexible spending accounts, a medical care plan, vacation and standard company holidays. Our named executive officers are eligible to participate in each of these programs on the same terms as non-executive employees; however, we do not provide a matching 401(k) contribution for any of our named executive officers.

We also provide for each of our chief executive officer and chief financial officer supplemental disability income protection that provides income replacement in the event of a qualifying disability.

*Severance and Change of Control Arrangements.* We have an employment agreement with Ms. Tolan, our chief executive officer, that provides a combination of single trigger and double trigger benefits in connection with a change of control of our company and/or termination of her employment. We believe a combination of single trigger and double trigger vesting along with severance payments maximizes stockholder value because it limits any unintended windfalls to executives in the event of a friendly change of control, while still providing executives appropriate incentives to cooperate in negotiating any change of control, including a change of control in which they believe they may lose their jobs. We also have an employment agreement with Mr. Staton, our chief financial officer, and offer letters with Messrs. Appel and Kazarian, our senior vice presidents, each of which provides for specified salary continuation, and in the case of Messrs. Staton and Appel, benefits continuation, in the event of specified employment terminations.

See Potential Payments upon Termination or Change in Control and Employment Agreements for a more detailed description of these arrangements.

## **Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction for compensation in excess of \$1.0 million paid to our chief executive officer and our four other most highly paid named executive officers, except our chief financial officer. Qualifying performance-based compensation is not subject to the deduction limitation if specified requirements are met. We periodically review the potential consequences of Section 162(m) and we generally intend to structure the performance-based portion of our executive compensation, where feasible, to comply with exemptions in Section 162(m) so that the compensation remains tax deductible to us. However, our board or compensation committee may, in their judgment, authorize compensation payments that are not exempt under Section 162(m) when they believe that such payments are appropriate to attract and retain executive talent.

**Table of Contents****Summary Compensation Table**

The following table sets forth information regarding compensation earned by our chief executive officer, our chief financial officer and the three most highly compensated named executive officers (other than our chief executive officer and chief financial officer) who were serving as named executive officers at the end of our fiscal year ended December 31, 2011. We refer to these individuals as our named executive officers.

| Name and Principal Position                          | Year | Salary<br>(\$) | Bonus<br>\$(1) | Stock<br>Awards<br>\$(2) | Option<br>Awards<br>\$(2) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) | All Other<br>Compensation<br>\$(3) | Total<br>(\$) |
|------------------------------------------------------|------|----------------|----------------|--------------------------|---------------------------|---------------------------------------------------------|------------------------------------|---------------|
| Mary A. Tolan                                        | 2011 | 710,500        |                |                          | 2,291,892                 | 855,000                                                 | 5,866                              | 3,863,258     |
| Founder, President and<br>Chief Executive Officer(4) | 2010 | 700,000        |                |                          | 1,928,015                 | 760,000                                                 | 4,883                              | 3,392,898     |
| John T. Staton                                       | 2009 | 515,000        |                |                          |                           | 600,000                                                 | 5,219                              | 1,120,219     |
| Chief Financial Officer<br>and Treasurer             | 2011 | 334,950        |                |                          | 878,558                   | 232,200                                                 | 4,083                              | 1,449,791     |
| Andrew M. Appel(5)                                   | 2010 | 330,000        |                |                          | 739,073                   | 206,400                                                 | 3,404                              | 1,278,877     |
| Senior Vice President                                | 2009 | 321,360        | 143,492        |                          | 100,221                   | 258,000                                                 | 3,640                              | 826,713       |
| Richard E. Gillette                                  | 2011 | 295,769        |                |                          | 834,403                   | 90,000                                                  |                                    | 1,220,172     |
| Senior Vice President                                | 2010 |                |                |                          |                           |                                                         |                                    |               |
|                                                      | 2009 |                |                |                          |                           |                                                         |                                    |               |
| Gregory N. Kazarian                                  | 2011 | 300,000        |                |                          | 971,438                   | 219,600                                                 |                                    | 1,491,038     |
| Senior Vice President                                | 2010 | 256,750        |                |                          | 637,781                   | 244,000                                                 |                                    | 1,138,531     |
|                                                      | 2009 | 250,000        |                |                          | 143,127                   | 197,000                                                 |                                    | 590,127       |
| Mr. Appel                                            | 2011 | 293,183        |                |                          | 550,054                   | 182,025                                                 |                                    | 1,025,262     |
| Senior Vice President(6)                             | 2010 | 288,850        |                |                          | 462,724                   | 160,000                                                 |                                    | 911,574       |
|                                                      | 2009 | 281,250        |                |                          |                           | 202,250                                                 |                                    | 483,500       |

- (1) Represents the special cash bonus intended to approximate Mr. Staton's participation in our 2009 cash dividends.
- (2) Valuation of these option awards is based on the dollar amount of share-based compensation expense that we recognized for financial statement reporting purposes in 2009, 2010 and 2011 computed in accordance with ASC 718, excluding the impact of estimated forfeitures related to service-based vesting conditions. These amounts do not represent the actual amounts paid to or realized by the named executive officer during 2009, 2010 and 2011. The assumptions used by us with respect to the valuation of option awards are the same as those set forth in Note 9 to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011.
- (3) For Ms. Tolan and Mr. Staton, these amounts represent long-term disability insurance premiums paid by us on behalf of each such named executive officer.
- (4) Ms. Tolan is also a member of our board of directors but does not receive any additional compensation in her capacity as a director.
- (5) Mr. Appel's 2011 bonus payout was pro-rated for the year ended December 31, 2011 because he joined our company in July 2011.
- (6) Mr. Kazarian was also our general counsel and secretary until November 2009.

**Table of Contents****Grants of Plan-Based Awards in 2011**

The following table sets forth information for 2011 regarding grants of compensation in the form of plan-based awards made during 2011 to our named executive officers.

| Name                | Payouts<br>Under<br>Non-Equity<br>Incentive<br>Plan<br>Awards<br>Target<br>\$(1)(2) | All Other<br>Option<br>Awards:<br>Number of<br>Securities<br>Underlying<br>Options (#) | Exercise<br>or Base<br>Price of<br>Option<br>Awards<br>(\$/Sh) | Grant Date<br>Fair Value<br>of Stock<br>and Option<br>Awards<br>\$(3) |
|---------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------|
| Mary A. Tolan       | 855,000                                                                             |                                                                                        |                                                                |                                                                       |
| John T. Staton      | 232,200                                                                             |                                                                                        |                                                                |                                                                       |
| Andrew M. Appel     | 90,000                                                                              | 500,000                                                                                | 30.14                                                          | 7,470,950                                                             |
| Richard E. Gillette | 219,600                                                                             | 100,000                                                                                | 27.08                                                          | 1,384,660                                                             |
| Gregory N. Kazarian | 182,025                                                                             |                                                                                        |                                                                |                                                                       |

- (1) Annual cash incentive bonuses paid under the annual cash incentive bonus program for 2011 are also disclosed in the Summary Compensation Table .
- (2) There are no minimum or maximum payout levels, and our board has broad discretion to make adjustments to the awards.
- (3) Valuation of these option awards is computed in accordance with ASC 718, excluding the impact of estimated forfeitures related to service-based vesting conditions. The assumptions used by us with respect to the valuation of option awards are the same as those set forth in Note 9 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011.

**Outstanding Equity Awards at Year End**

The following table sets forth information regarding outstanding stock options held by our named executive officers as of December 31, 2011. None of our named executive officers exercised any stock options and no restricted stock awards held by our named executive officers became vested during 2009, 2010 or 2011.

| Name                | Number of<br>Securities<br>Underlying<br>Unexercised<br>Options (#)<br>Exercisable | Option Awards                                                                        |                                     |                              |
|---------------------|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-------------------------------------|------------------------------|
|                     |                                                                                    | Number of<br>Securities<br>Underlying<br>Unexercised<br>Options (#)<br>Unexercisable | Option<br>Exercise<br>Price<br>(\$) | Option<br>Expiration<br>Date |
| Mary A. Tolan       | 1,176,000(1)                                                                       |                                                                                      | 14.71                               | 2/3/2020                     |
| John T. Staton      | 781,236(2)                                                                         |                                                                                      | 0.77                                | 9/1/2015                     |
|                     | 450,800(1)                                                                         |                                                                                      | 14.71                               | 2/3/2020                     |
| Andrew M. Appel     |                                                                                    | 500,000(3)                                                                           | 30.14                               | 8/2/2021                     |
| Richard E. Gillette |                                                                                    | 100,000(3)                                                                           | 27.08                               | 4/4/2021                     |
|                     | 282,240(1)                                                                         |                                                                                      | 14.71                               | 2/3/2020                     |
|                     | 78,400(1)                                                                          |                                                                                      | 4.43                                | 10/15/2017                   |
|                     | 78,400(1)                                                                          |                                                                                      | 13.02                               | 4/1/2019                     |
| Gregory N. Kazarian | 282,240(1)                                                                         |                                                                                      | 14.71                               | 2/3/2020                     |

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- (1) These options vest in four equal annual installments based on continued employment, and were immediately exercisable, provided that upon exercise the shares issued are subject to the same vesting and repurchase provisions that applied before exercise.
- (2) This stock option was immediately exercisable upon grant, and as of September 1, 2009, was fully vested.
- (3) These options vest in four equal annual installments based on continued employment. None of the options are exercisable before vesting.



**Table of Contents****Option Exercises and Stock Vested**

Our named executive officers did not exercise any stock options during 2011. Our named executive officers did not hold any shares of restricted stock during 2011, so no restricted stock held by our named executive officers vested in 2011.

**Potential Payments Upon Termination or Change of Control**

The table below summarizes the potential payments to each of our named executive officers if he or she were to be terminated on December 31, 2011 under the circumstances described in the footnotes below.

| Name                | Severance<br>Payments(1) | Medical/Welfare<br>Benefits(2) | Total<br>Benefits |
|---------------------|--------------------------|--------------------------------|-------------------|
| Mary A. Tolan       | \$ 710,500(3)            |                                | \$ 710,500        |
| John T. Staton      | \$ 599,994(4)            | \$ 18,252(4)                   | \$ 618,246        |
| Andrew M. Appel     | \$ 600,000(1)(5)         | \$ 10,355(5)                   | \$ 610,355        |
| Richard E. Gillette |                          |                                |                   |
| Gregory N. Kazarian | \$ 293,183(5)            |                                | \$ 293,183        |

- (1) Amounts subject to a reduction for compensation earned by the named executive officer from any new employment during the severance period.
- (2) Calculated based on the estimated cost to us of providing these benefits.
- (3) Represents amounts payable for termination due to death or disability or termination without cause or for good reason pursuant to the employment agreement described below.
- (4) Represents amounts payable for termination without cause or for good reason pursuant to the employment agreement described below.
- (5) Represents amounts payable for termination without cause pursuant to the offer letter described below.

**Employment Agreements**

*Mary A. Tolan.* We entered into an at-will employment agreement with Mary A. Tolan, our president and chief executive officer, effective January 2004. Pursuant to the agreement, Ms. Tolan is entitled to an annual base salary of at least \$400,000, subject to adjustment by our board of directors. Ms. Tolan's annual base salary is currently \$731,815. Pursuant to the agreement, Ms. Tolan earned a one-time cash performance bonus of \$200,000 based on customer procurement during 2004 consistent with our business plan. Pursuant to the agreement, in March 2004, our board of directors granted Ms. Tolan 11,760,000 shares of restricted stock, which vested in equal monthly installments over four years ending November 2007.

If Ms. Tolan's employment is terminated due to her death or disability, if we terminate Ms. Tolan's employment without cause or if Ms. Tolan terminates her employment for good reason, as those terms are defined in her employment agreement, (1) Ms. Tolan will be entitled to receive her base salary paid in accordance with our payroll practices during the 12 months following such termination, subject to a reduction for any compensation she earns from any new employment during the severance period, and (2) Ms. Tolan's outstanding stock-based awards will continue to vest until the earlier of 12 months following her termination or the end of the applicable award's vesting period. In the event of a change in control, as such term is defined in her employment agreement, 50% of all unvested shares of Ms. Tolan's stock-based awards will accelerate and vest in full as of the effective date of the change in control. If Ms. Tolan's employment is terminated without cause or if Ms. Tolan terminates her employment for good reason within 12 months after a change in control, the remaining 50% of all unvested shares of Ms. Tolan's stock-based awards will accelerate and vest in full. If Ms. Tolan is terminated for cause, she has agreed to execute a limited stock power transferring all rights to vote the 11,760,000 shares of restricted stock granted to her pursuant to the employment agreement to a person we designate in our sole discretion. Ms. Tolan's employment agreement restricts her from engaging in activities competitive with us, soliciting our employees and consultants, and diverting business from us for a period of 12 months following her termination.

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*John T. Staton.* We entered into an at-will employment agreement with John T. Staton, our chief financial officer and treasurer, effective June 2005. Pursuant to the agreement, Mr. Staton is entitled to an annual base salary of at least \$300,000, subject to adjustment by our board of directors and our chief executive officer. Mr. Staton's annual base salary is currently \$400,000. Mr. Staton is eligible to earn an annual performance bonus of up to \$100,000 per year, with the full \$100,000 guaranteed for each of his first two years of employment. Pursuant to the agreement, in September 2005, our board of directors granted Mr. Staton an option to purchase 1,173,236 shares of our common stock at an exercise price of \$0.77 per share, vesting in equal monthly installments over four years ending September 2009.

If we terminate Mr. Staton's employment without cause or if Mr. Staton terminates his employment for good reason, as those terms are defined in his employment agreement, Mr. Staton will be entitled to receive \$33,333 per month during the 18 months following such termination, subject to a reduction for any compensation he earns from any new employment during the severance period. If Mr. Staton's employment is terminated without cause or if Mr. Staton terminates his employment for good reason, Mr. Staton and his family will be entitled to continue to participate in our health insurance plan during the 18 months following termination to the extent of his participation prior to termination, and we will pay the premiums that we paid prior to termination. Mr. Staton's employment agreement restricts him from engaging in activities competitive with us, soliciting our employees and consultants, and diverting business from us for a period of 18 months following his termination.

*Andrew M. Appel.* We entered into an offer letter with Andrew Appel, our senior vice president, in July 2011. Pursuant to the offer letter, Mr. Appel is entitled to an annual base salary of \$600,000 with an annual bonus target of \$200,000. Mr. Appel's annual base salary is currently \$618,000. Pursuant to the offer letter, the board of directors granted Mr. Appel an option to purchase 500,000 shares of our common stock at an exercise price of \$30.14 per share, vesting in equal annual installments over four years ending July 2015. If we terminate Mr. Appel's employment without cause, Mr. Appel will be entitled to receive his current monthly base salary and benefits during the 12 months following such termination, subject to mitigation upon re-employment and an obligation to pursue re-employment options with reasonable diligence.

*Richard E. Gillette.* We entered into an offer letter with Richard E. Gillette, our senior vice president, in November 2004. Pursuant to the offer letter, Mr. Gillette is entitled to an annual base salary of \$190,000 with an annual bonus target of \$60,000. Mr. Gillette's annual base salary is currently \$400,000. Pursuant to the offer letter, our board of directors granted Mr. Gillette an option to purchase 352,800 shares of our common stock at an exercise price of \$0.29 per share, vesting in equal annual installments over four years ending December 2008.

*Gregory N. Kazarian.* We entered into an offer letter with Gregory N. Kazarian, our senior vice president, in December 2003. Pursuant to the offer letter, Mr. Kazarian is entitled to an annual base salary of \$225,000. Mr. Kazarian's annual base salary is currently \$400,000. Pursuant to the offer letter, Mr. Kazarian earned a one-time cash performance bonus of \$75,000 based on customer procurement, and was entitled to receive an option to purchase shares of our common stock then representing 1.5% of our common stock. In lieu of the option, in June 2004, our board of directors awarded Mr. Kazarian 980,000 shares of common stock, then representing 1.5% of our common stock, which vested in equal monthly installments over four years ending before January 2008. If we terminate Mr. Kazarian's employment without cause, Mr. Kazarian will be entitled to receive his current monthly base salary during the 12 months following such termination, subject to a reduction for any compensation he earns from any new employment during the severance period.

## **Confidentiality and Non-Disclosure Agreements**

As a condition to employment, each named executive officer entered into a confidentiality and non-disclosure agreement with us. Under these agreements, each named executive officer has agreed:

not to solicit our employees and customers during his or her employment and for a period of 18 months after the termination of employment;

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not to compete with us during his or her employment and for a period of 12 months after the termination of employment;

to protect our confidential and proprietary information; and

to assign to us intellectual property developed during the course of his or her employment.

### **Compensation Committee Report**

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with the company's management. Based on such review and discussion with management, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2011.

By the Compensation Committee of the Board of Directors of Accretive Health, Inc.

Steven N. Kaplan (chair)

Edgar Bronfman, Jr.

J. Michael Cline

Denis J. Nayden

Arthur H. Spiegel, III

### **Compensation Committee Interlocks and Insider Participation**

From January 2011 until April 2011, the compensation committee consisted of Messrs. Nayden (chair), Bronfman, Cline and Spiegel. In April 2011, Mr. Kaplan joined our compensation committee and replaced Mr. Nayden as chair. None of Messrs. Kaplan (chair), Bronfman, Cline, Nayden and Spiegel has ever been an officer or employee of Accretive Health. No member of the compensation committee had any relationship with us during fiscal 2011 requiring disclosure under Item 404 of Regulation S-K under the Exchange Act.

None of our executive officers serves as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who serve as members of our board of directors or our compensation committee.

## **RELATED PERSON TRANSACTIONS**

### **Policies and Procedures for Related Person Transactions**

Our board of directors has adopted a written related person transaction policy to set forth policies and procedures for the review and approval or ratification of related person transactions. This policy covers any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we were or are to be a participant, the amount involved exceeds \$120,000, and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness, and employment by us of a related person. Our related person transaction policy contains exceptions for any transaction or interest that is not considered a related person transaction under SEC rules as in effect from time to time.

Any related person transaction proposed to be entered into by us must be reported to our general counsel and will be reviewed and approved by the audit committee in accordance with the terms of the policy, prior to effectiveness or consummation of the transaction whenever practicable. If our general counsel determines that advance approval of a related person transaction is not practicable under the circumstances, the audit committee will review and, in its discretion, may ratify the related person transaction at the next meeting of the audit committee.



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Alternatively, our general counsel may present a related person transaction arising in the time period between meetings of the audit committee to the chair of the audit committee, who will review and may approve the related person transaction, subject to ratification by the audit committee at the next meeting of the audit committee.

In addition, any related person transaction previously approved by the audit committee or otherwise already existing that is ongoing in nature will be reviewed by the audit committee annually to ensure that such related person transaction has been conducted in accordance with the previous approval granted by the audit committee, if any, and that all required disclosures regarding the related person transaction are made.

Transactions involving compensation of executive officers will be reviewed and approved by the compensation committee in the manner specified in the charter of the compensation committee.

A related person transaction reviewed under this policy will be considered approved or ratified if it is authorized by the audit committee in accordance with the standards set forth in the policy after full disclosure of the related person's interests in the transaction. As appropriate for the circumstances, the audit committee will review and consider:

the related person's interest in the related person transaction;

the approximate dollar value of the amount involved in the related person transaction;

the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;

whether the transaction was undertaken in the ordinary course of business of our company;

whether the transaction with the related person is proposed to be, or was, entered into on terms no less favorable to us than the terms that could have been reached with an unrelated third party;

the purpose of, and the potential benefits to us of, the transaction; and

any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The audit committee will review all relevant information available to it about the related person transaction. The audit committee may approve or ratify the related person transaction only if the audit committee determines that, under all of the circumstances, the transaction is in, or is not inconsistent with, our best interests. The audit committee may, in its sole discretion, impose such conditions as it deems appropriate on us or the related person in connection with approval of the related person transaction.

Since January 1, 2011, we have engaged in the following transactions with our directors, executive officers and holders of more than 5% of our voting securities, and affiliates of our directors, executive officers and 5% stockholders:

### **Transactions with Ascension Health**

In October 2004, Ascension Health became our founding customer. Since then, in exchange for its initial start-up assistance, operational laboratory services and related consulting services relative to the services we were developing, we have issued common stock and granted warrants to Ascension Health, as a result of which Ascension Health holds more than 5% of our voting securities. Ascension Health is the nation's largest Catholic and largest non-profit health system. It is dedicated to its mission of serving all, with special attention to those who are poor and vulnerable. Our work on behalf of Ascension Health is done in compliance with its charity care guidelines and billing and collection

policies, which recognize the human dignity of each individual and our

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responsibility to treat all patients with respect. A key element of our work for Ascension Health is qualifying patients for charity care and identifying potential payment sources for patients who are uninsured or underinsured. Since January 1, 2011, we have engaged in the following transactions with Ascension Health:

*Customer Relationship.* In October 2004, we and Ascension Health entered into a master services agreement with an initial term through November 1, 2007. In December 2007, we and Ascension Health renewed and extended the agreement through December 31, 2012 pursuant to an amended and restated master services agreement, which will automatically renew for successive one-year terms unless terminated by us or Ascension Health upon 180 days prior written notice.

Pursuant to the amended and restated master services agreement, we provide our revenue cycle service offering to hospitals affiliated with Ascension Health that execute separate managed service contracts with us and thereby become our customers. In rendering our services, we must comply with each hospital's policies and procedures relating to billing, collections, charity care, personnel, risk management, good corporate citizenship and other matters; the ethical and religious directives for Catholic healthcare services; and all applicable federal, state and local laws and regulations. Ascension Health's affiliated hospitals are not obligated to execute a managed service contract with us or to use our services. Each managed service contract with a hospital affiliated with Ascension Health incorporates the provisions of the master services agreement and provides that the hospital will be bound by all amendments, modifications and waivers that we and Ascension Health agree to under the master services agreement. With certain discrete exceptions, we are the exclusive provider of revenue cycle services to the hospitals affiliated with Ascension Health that execute managed service contracts with us. Our managed service contracts with hospitals affiliated with Ascension Health require us to consult with such hospitals before undertaking services for competitors specified by such hospitals in their contracts with us. As a result, before we can begin to provide services to a specified competitor, we are required to inform and discuss the situation with the hospital that specified the competitor but are not required to obtain the consent of such hospital. We do not believe the existence of this consultation obligation has materially impaired our ability to obtain new customers.

The term of each managed service contract with a hospital affiliated with Ascension Health is five years and will automatically renew for successive one-year terms unless terminated by us or Ascension Health upon 210 days prior written notice. By mutual agreement, we and Ascension Health can terminate the managed service contracts between us and hospitals affiliated with Ascension Health upon 180 days prior written notice after the second anniversary of the effective date of the applicable contract. Upon 30 days prior written notice, Ascension Health can terminate the affected portion of any applicable managed service contract if we are unable to provide services to a hospital for 30 days out of any 45-day period due to any cause beyond our reasonable control. We can terminate any applicable managed service contract if a hospital is excluded from participation in the federal Medicare, state Medicaid or other specified federal or state healthcare programs, and Ascension Health can terminate the master services agreement if we are excluded from participation in any such program. A hospital cannot terminate its managed service contract with us but it can determine not to renew its contract with us. All managed service contracts between us and hospitals affiliated with Ascension Health will terminate automatically when the master services agreement between us and Ascension Health terminates or expires.

The amended and restated master services agreement provides, among other things, that:

we assume full responsibility for the management and cost of the revenue cycle operations of each hospital that executes a managed service contract with us, including the payroll and benefit costs associated with the hospital's employees conducting revenue cycle activities (and who remain hospital employees for all purposes), and the agreements and costs associated with related third-party services;

we are required to supply, at our cost, a sufficient number of our own employees on each hospital's premises and the technology necessary to implement and manage our services;

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each hospital must provide us with the facilities, standard office furnishings and services, pre-existing revenue cycle assets and authority to provide our services;

in general, each hospital pays us:

base fees equal to a specified amount, subject to annual increases under an inflation and wage increase formula;

incentive fees based on achieving agreed-upon benchmarks; and

management and technology fees;

our fees are subject to adjustment in the event specified performance milestones are not met, which would result in a reduction of future fees payable to us;

we are required to offer to Ascension Health's affiliated hospitals fees for our services that are at least as low as the fees we charge any other similarly-situated customer receiving comparable services at comparable volumes;

we must implement our services and technology at each hospital in a manner that does not cause an unplanned material disruption in the hospital's operations;

we are required to work to qualify patients for charity care and identify potential payment sources for patients who are uninsured and underinsured;

we are required to maintain patient and employee satisfaction levels as compared to specified baseline performance measurements;

a joint review board consisting of an equal number of senior executives from us and Ascension Health oversees the obligations and performance of the parties and hears fee disputes and other disputes, with any unresolved disputes submitted to binding arbitration (provided that hospitals cannot withhold base fees for any reason);

the parties provide various representations and indemnities (subject to a specified cap) to each other;

following termination or expiration of the master services agreement or any managed service contract between us and a hospital affiliated with Ascension Health, if requested by Ascension Health, we must:

provide termination assistance, in return for reasonable compensation, for three months;



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continue to provide our services for up to one year in return for compensation equal to a specified percentage of the then-applicable base fees; and

provide reasonable assistance to Ascension Health in seeking bids from other parties to provide similar services; and

following termination or expiration of the agreement, we must grant to the applicable hospitals a license to continue using all software and applications we used to provide our services, in exchange for payments and fees that vary depending on whether the agreement is terminated for cause or for any other reason.

The amended and restated master services agreement may not be terminated by hospitals affiliated with Ascension Health. The agreement may only be terminated by Ascension Health or us in the following circumstances:

either party may terminate the agreement if the other party materially breaches the agreement and fails to cure the breach in accordance with specified cure provisions; and

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Ascension Health may terminate the agreement (1) if we undergo a change in control, (2) if Ascension Health receives an opinion of qualified legal counsel, after consultation with our qualified legal counsel, in which it concludes that the agreement presents a material risk of causing Ascension Health or any affiliated hospital to violate any applicable laws, regulations or rules related to its operations, and that risk cannot be reasonably mitigated by the parties following good faith consultations and consideration of reasonable amendments and modifications to the agreement, or (3) if we become excluded from participation in the federal Medicare, state Medicaid or other specified federal or state healthcare programs, or if we fail to promptly remove from providing services to Ascension Health and its affiliates any of our staff or related entities that become excluded from participation in the federal Medicare, state Medicaid or other specified federal or state healthcare programs.

In 2011, net services revenue from hospitals affiliated with Ascension Health represented 40.8% of our total net services revenue. As of December 31, 2011, we had \$33.5 million of accounts receivable from hospitals affiliated with Ascension Health.

*Initial Stock Issuance and Protection Warrant Agreement.* In October and November 2004, we issued 3,537,306 shares of our common stock to Ascension Health, then representing a 5% ownership interest in our company on a fully-diluted basis, and entered into a protection warrant agreement, under which we granted Ascension Health the right to purchase additional shares of our common stock from time to time for \$0.003 per share when Ascension Health's ownership interest in our company declines below 5% due to our issuance of additional stock or rights to purchase stock. The protection warrant agreement, and all purchase rights granted thereunder, expired on the closing of our initial public offering. In 2008 and 2009, we granted Ascension Health the right to purchase 91,183 and 136,372 shares of our common stock for \$0.003 per share, respectively, pursuant to the protection warrant agreement. No such rights were earned in 2010. In 2008 and 2009, Ascension Health purchased 261,275 and 164,396 shares of our common stock, respectively, from us for \$0.003 per share, pursuant to the protection warrant agreement. As of December 31, 2010, there were no protection warrants outstanding and no additional warrant rights may be earned under this agreement.

*Supplemental Warrant Agreement.* Pursuant to a supplemental warrant agreement that became effective in November 2004, Ascension Health had the right to purchase up to 3,537,306 shares of our common stock based upon the achievement of specified milestones relating to its sales and marketing assistance. In May 2007, we amended and restated the supplemental warrant agreement to reduce the number of shares covered by the agreement to 1,749,064 shares. In September 2007, we further amended and restated the supplemental warrant agreement to modify the purchase right milestones. Under the supplemental warrant agreement, the purchase price is equal to the most recent common stock-equivalent price per share paid in a capital raising transaction or, if we have not had a capital raising transaction within the preceding six months, the exercise price of the employee stock options we have most recently granted. Based on Ascension Health's achievement of specified milestones relating to its sales and marketing assistance, Ascension Health earned the right to purchase all 1,749,064 shares under the supplemental warrant agreement. No warrants were earned during year ended December 31, 2011. Ascension Health was issued 615,649 shares of common stock as a result of cashless exercise of outstanding supplemental warrants during the year ended December 31, 2010. The supplemental warrant with respect to 437,264 shares of common stock expired in connection with our initial public offering. As of December 31, 2010, there were no supplemental warrants outstanding; no additional warrant rights may be earned under the Supplemental Warrant Agreement.

### **Certain Employment Arrangements**

We employ Kyle Hupach, the brother-in-law of Gregory N. Kazarian, our senior vice president, as a director of revenue cycle operations. Mr. Hupach's current annual base salary is \$125,100, and he also participates in our standard employee benefits package. In 2011, Mr. Hupach's total compensation, including salary, bonus and the amount of share-based compensation expense that we recognized for financial statement reporting purposes for stock options previously granted to him, was \$216,668.

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### **Registration Rights**

We are a party to a stockholders' agreement with certain of our stockholders, including the following directors, executive officers and holders of more than 5% of our voting securities and their affiliates: Mary A. Tolan, Etienne H. Deffarges, Gregory N. Kazarian, Irrevocable 2009 Kazarian Children's Trust, Irrevocable 2009 Gregory N. Kazarian Trust, John T. Staton Declaration of Trust, Steven N. Kaplan, The Shultz 1989 Family Trust, Kazarian Family, LLC, and Spiegel Family LLC. Pursuant to the stockholders' agreement, we are required to pay all registration fees and expenses, including the reasonable fees and disbursements of one counsel for the participating stockholders, and indemnify each participating stockholder with respect to each registration of registrable shares that is effected. In March 2011 in connection with the public offering of shares of the company by certain selling stockholders of the company, we agreed to provide Ascension Health, Michael E. Zimmerman and his related trusts, The Anne T. and Robert M. Bass Foundation and Knight Foundation, with the indemnification rights set forth in the stockholders' agreement, and each agreed to be bound by the associated obligations, to the extent it was participating in the offering.

### **Indemnification**

Our restated certificate of incorporation provides that we will indemnify our directors and officers to the fullest extent permitted by Delaware law. In addition, we have entered into indemnification agreements with each of our directors and executive officers that are broader in scope than the specific indemnification provisions contained in the Delaware General Corporation Law.

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

Section 16(a) of the Exchange Act requires our directors, executive officers and the holders of more than 10% of our common stock to file with the SEC initial reports of ownership of our common stock and other equity securities on a Form 3 and reports of changes in such ownership on a Form 4 or Form 5. Officers, directors and 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on a review of our records and written representations by the persons required to file these reports, during the year ended December 31, 2011, the reporting persons complied with all Section 16(a) filing requirements.

## **STOCKHOLDER PROPOSALS FOR 2013 ANNUAL MEETING**

### **Stockholder Proposals Included in Proxy Statement**

To be considered for inclusion in the proxy statement relating to our Annual Meeting of Stockholders to be held in 2013, stockholder proposals must be received at our principal executive offices no later than November 30, 2012, which is no less than 120 calendar days before the date our proxy statement was released to stockholders in connection with the prior year's annual meeting of stockholders. If the date of next year's annual meeting is changed by more than 30 days from the anniversary date of this year's annual meeting on May 2, then the deadline is a reasonable time before we begin to print and mail proxy materials. Upon receipt of any such proposal, we will determine whether or not to include such proposal in the proxy statement and proxy in accordance with regulations governing the solicitation of proxies.

### **Stockholder Proposals Not Included in Proxy Statement**

We must receive other proposals of stockholders (including director nominations) intended to be presented at the 2013 Annual Meeting of Stockholders but not included in the proxy statement by February 1, 2013, but not before January 2, 2013, which is not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting. However, if the date of the 2013 annual meeting is held before April 12,

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2013 or after July 1, 2013, then we must receive the required notice of a proposal or proposed director candidate no earlier than the 120th day prior to the 2013 annual meeting and no later than the close of business on the later of (1) the 90th day prior to the 2013 annual meeting and (2) the 10th day following the date on which notice of the date of the meeting was mailed or public disclosure was made, whichever occurs first. Any proposals we do not receive in accordance with the above standards will not be voted on at the 2013 Annual Meeting. In certain cases, notice may be delivered later if the number of directors to be elected to the board of directors is increased.

Each stockholder's notice for a proposal must be timely given to our corporate secretary at the address of our principal executive offices. Each notice generally is required to set forth as to each matter proposed to be brought before an annual meeting certain information and must meet other requirements specified in our bylaws, as determined by us, including (1) a brief description of the business the stockholder desires to bring before the meeting, (2) the text of the proposal, (3) the reasons for conducting such business at the meeting, (4) the name and address, as they appear on our stock transfer books, of the stockholder proposing such business, (5) the class and number of shares beneficially owned by the stockholder making the proposal, (6) a description of any material interest of such stockholder and the respective affiliates and associates of, or others acting in concert with, such stockholder in such business, (7) a description of all agreements, arrangements or understandings between such stockholder and any other persons in connection with the proposal, (8) a description of all agreements, arrangements or understandings entered into by, or on behalf of, such stockholder to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder with respect to shares of our stock, (9) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made pursuant to the rules of the SEC, (10) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting and (11) a representation whether the stockholder intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of our outstanding capital stock required to approve or adopt the proposal or otherwise to solicit proxies from stockholders in support of such proposal.

For nominations, a stockholder's notice to our corporate secretary generally must set forth information specified in our bylaws, as determined by us, as to each person proposed to be nominated, including (1) the name, age, business address and residence address of such person, (2) the principal occupation or employment of such person, (3) the class and number of our shares which are beneficially owned by such person on the date of such stockholder notice, (4) a description of all direct or indirect compensation and other material monetary agreements, arrangements and understandings during the past three years between such stockholder and each proposed nominee, his or her respective affiliates and associates, or others acting in concert with such nominee(s), (5) any other information concerning such nominee(s) that must be disclosed as to nominees in proxy solicitations pursuant to the rules of the SEC. The notice must also set forth as to the stockholder giving the notice (1) the name and address, as they appear on our transfer books, of such stockholder and of any beneficial owners of our capital stock registered in such stockholder's name and the name and address of other stockholders known by such stockholder to be supporting such nominee(s), (2) the class and number of our shares held of record, beneficially owned or represented by proxy by such stockholder, (3) a description of all arrangements or understandings between such stockholder and any other persons in connection with the nomination, (4) a description of all agreements, arrangements or understandings entered into by, or on behalf of, such stockholder to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder with respect to shares of our stock, (5) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made pursuant to the rules of the SEC, (6) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to nominate the person(s) named in its notice and (7) a representation whether the stockholder intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of our outstanding capital stock required to elect the nominee or otherwise to solicit proxies from stockholders in support of such nomination.

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The foregoing time limits also apply to determining whether notice is timely for purposes of rules adopted by the SEC relating to the exercise of discretionary voting authority. These rules are separate from and in addition to the requirements a stockholder must meet to have a proposal included in our proxy statement. In addition, stockholders are required to comply with any applicable requirements of the Exchange Act and the rules and regulations thereunder.

### **HOUSEHOLDING OF PROXIES**

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for annual reports and proxy statements with respect to two or more stockholders sharing the same address by delivering a single annual report and/or proxy statement addressed to those stockholders. This process, which is commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for companies. We and some brokers household annual reports and proxy materials, delivering a single annual report and/or proxy statement to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders.

Once you have received notice from your broker or us that they or we will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. You may request to receive at any time a separate copy of our annual report or proxy statement, by sending a written request to Accretive Health, Inc., 401 North Michigan Avenue, Suite 2700, Chicago, Illinois 60611, Attention: Investor Relations.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate annual report and/or proxy statement in the future, please notify your broker if your shares are held in a brokerage account or us if you hold registered shares. You can notify us by sending a written request to Accretive Health, Inc., 401 North Michigan Avenue, Suite 2700, Chicago, Illinois 60611, Attention: Investor Relations. If, at any time, you and another stockholder sharing the same address wish to participate in householding and prefer to receive a single copy of our annual report and/or proxy statement, please notify your broker if your shares are held in a brokerage account or us if you hold registered shares. You can notify us by sending a written request to Accretive Health, Inc., 401 North Michigan Avenue, Suite 2700, Chicago, Illinois 60611, Attention: Investor Relations.

### **OTHER MATTERS**

The board of directors knows of no other matters to be brought before the Annual Meeting. However, if other matters do properly come before the Annual Meeting or any adjournments thereof, the persons named in the proxies will vote upon such matters in accordance with their best judgment.

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**ACCRETIVE HEALTH, INC**

**401 NORTH MICHIGAN AVENUE**

**SUITE 2700**

**CHICAGO, IL 60611**

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

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KEEP THIS PORTION FOR YOUR RECORDS

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**DETACH AND RETURN THIS PORTION ONLY**

**ACCRETIVE HEALTH, INC.**

**For All    Withhold All    For All Except**

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

**The Board of Directors recommends you vote FOR the following:**

1. Election of Class II Directors

“                      “                      “

**Nominees:**

01) Edgar Bronfman, Jr.

02) Steven N. Kaplan

**The Board of Directors recommends you vote FOR the following proposal:**

**For    Against    Abstain**

2. Ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012.

“                      “                      “

**NOTE:** In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Annual Meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by an authorized officer.

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Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement and Form 10-K are available at <http://proxyonline.accretivehealth.com>.

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**ACCRETIVE HEALTH, INC.**

**Annual Meeting of Stockholders**

**May 2, 2012 9:00 AM (CDT)**

**This proxy is solicited by the Board of Directors**

The undersigned hereby appoints Mary A. Tolan, John T. Staton and Daniel A. Zaccardo and each of them, with power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as provided on the other side, all the shares of Accretive Health, Inc. Common Stock which the undersigned is entitled to vote and, in their discretion, to vote upon such other business as may properly come before the Annual Meeting of Stockholders of the Accretive Health, Inc. to be held May 2, 2012 or any adjournment thereof, with all powers which the undersigned would possess if present at the Meeting.

**THIS PROXY CARD, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED STOCKHOLDER(S). IF NO INDICATION IS MADE, THE PROXIES SHALL VOTE FOR THE ELECTION OF ALL DIRECTOR NOMINEES AND FOR PROPOSAL 2.**

**Continued and to be signed on reverse side**