Performant Financial Corp
Form 424B5
January 29, 2015

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Filed pursuant to Rule 424(b)(5)
Registration No. 333-200627

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. A registration statement relating to the notes has become effective under the Securities Act of 1933, as amended. This preliminary prospectus supplement is not an offer to sell the notes and it is not soliciting an offer to buy the notes in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated January 28, 2015

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated January 8, 2015)

$

Performant Financial Corporation

% Convertible Senior Notes due 2020

We are offering $ million aggregate principal amount of our % Convertible Senior Notes due 2020. The notes will bear interest at a rate of % per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2015. The notes will mature on February 15, 2020.

Holders may convert their notes at their option at any time prior to 5:00 p.m., New York City time, on the business day immediately preceding August 15, 2019 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2015 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined below) per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On or after August 15, 2019 until 5:00 p.m., New York City time, on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, as described in this prospectus supplement.

The conversion rate will initially be shares of common stock per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $ per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances.

We may not redeem the notes prior to the maturity date, and no sinking fund is provided for the notes.

If we undergo a fundamental change, holders may require us to repurchase for cash all or part of their notes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The notes will be our senior unsecured obligations and will rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our current or future subsidiaries.

Concurrently with this offering, we are offering up to shares of our common stock (or up to shares if the underwriters in the concurrent offering exercise their option to purchase additional shares in full) pursuant to a separate prospectus supplement and accompanying prospectus. This prospectus supplement does not constitute an offer of shares of our common stock. The offering of the notes pursuant to this prospectus supplement and the accompanying prospectus is contingent upon the closing of the concurrent common stock offering and the concurrent common stock offering is contingent upon the closing of the offering of the notes hereunder.

We do not intend to apply to list the notes on any securities exchange or any automated dealer quotation system. Our common stock is listed on The NASDAQ Global Select Market under the symbol "PFMT." The last reported sale price of our common stock on The NASDAQ Global Select Market on January 27, 2015 was $5.90 per share.

Investing in the notes involves a high degree of risk. See "Risk Factors" beginning on page S-26 of this prospectus supplement.

	Per Note	***Total***
Public offering price[(1)]	*$*	*$*
Underwriting discounts and commissions[(2)]	*$*	*$*
Proceeds, before expenses, to us	*$*	*$*

(1) *Plus accrued interest from February , 2015 if settlement occurs after that date.*

(2) *We have agreed to reimburse the underwriters for certain FINRA-related expenses. See Underwriting beginning on page S-122 of this prospectus supplement.*

We have granted the underwriters the right to purchase, exercisable within a 30-day period, up to an additional $ million aggregate principal amount of notes, solely to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes to investors in book-entry form through The Depository Trust Company on or about February , 2015.

Joint Book-Running Managers

Morgan Stanley *SunTrust Robinson Humphrey*

January , 2015

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. If there is a conflict between the information contained in this prospectus supplement and the accompanying prospectus, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference, on the other hand, the information in this prospectus supplement shall control.

We have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are offering to sell, and seeking offers to buy, the notes only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date of this prospectus supplement or the date of the accompanying prospectus, and the information in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the date of those respective documents, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of our convertible senior notes. Our business, financial condition, results of operations and prospects may have changed since those dates. It is important for you to read and consider all information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. You should read both this prospectus supplement and the accompanying prospectus, as well as the documents incorporated by reference into this prospectus supplement and the accompanying prospectus and the additional information described under "Where You Can Find More Information" in this prospectus supplement and in the accompanying prospectus, before investing in our convertible senior notes.

References in this prospectus supplement and the accompanying prospectus to the terms "we," "us," "our," "the Company" or "Performant" or other similar terms mean Performant Financial Corporation and its consolidated subsidiaries prior to the proposed acquisition of Premier Healthcare Exchange, Inc. (as described below), unless we state otherwise or the context indicates otherwise. Unless we state otherwise or the context indicates otherwise, the term "PHX" refers to Premier Healthcare Exchange, Inc. and its consolidated subsidiaries, after giving pro forma effect to the spin-off of PHX's wholly owned subsidiary, Pay-Plus Solutions, Inc., or Pay-Plus. The phrase "PHX acquisition" refers to the merger of one of our wholly owned indirect subsidiaries with and into Premier Healthcare Exchange, Inc. with PHX continuing as the surviving corporation and a wholly owned indirect subsidiary of ours. Pro forma PHX financial data presented in this prospectus supplement is the financial data of Premier Healthcare Exchange, Inc. and its consolidated subsidiaries, after giving pro forma effect to the spin-off of Pay-Plus. Pro forma PHX financial information for the periods presented has been calculated by adjusting the consolidated financial statements of PHX to give effect to the spin-off of Pay-Plus.

This prospectus supplement and the accompanying prospectus, including the information incorporated by reference into this prospectus supplement and the accompanying prospectus, and any free writing prospectuses we have authorized for use in connection with this offering include trademarks, service marks and trade names owned by us or others. Performant Financial Corporation, Performant, and our logo referenced in this prospectus supplement and the accompanying prospectus are our trademarks or service marks or registered trademarks or service marks. All other trademarks, trade names and service marks appearing in this prospectus supplement and the accompanying prospectus are the property of their respective owners.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus and the documents we have filed with the Securities and Exchange Commission, or SEC, that are incorporated herein by reference include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact contained in this prospectus supplement, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "design," "intend," "expect" and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in "Risk Factors." In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus supplement may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our preliminary estimates of our financial results for the three months ended December 31, 2014;
- our opportunities and expectations for growth in the student lending, healthcare and other markets;
- our proposed acquisition of PHX and our ability to achieve fully the strategic and financial objectives related to the proposed acquisition of PHX, including the acquisition's impact on our financial condition and results of operations;
- unexpected costs or liabilities that may arise from the acquisition, ownership or operation of PHX;
- anticipated trends and challenges in our business and competition in the markets in which we operate;
- our client relationships and future growth opportunities;
- the adaptability of our technology platform to new markets and processes;
- our ability to invest in and utilize our data and analytics capabilities to expand our capabilities;
- our belief that we benefit from a significant degree of revenue visibility;
- our growth strategy of expanding in our existing markets and considering strategic alliances or acquisitions;
- our ability to meet our liquidity and working capital needs;
- maintaining, protecting and enhancing our intellectual property;
- our expectations regarding future expenses;

- expected future financial performance; and

- our ability to comply with and adapt to industry regulations and compliance demands.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. In addition, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We disclaim any duty to update any of these forward-looking statements after the date of this prospectus supplement and the accompanying prospectus to conform these statements to actual results or revised expectations.

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This prospectus supplement and the accompanying prospectus also contain statistical data and estimates, including those relating to market size and growth rates of the markets in which we participate, that we obtained from government and industry publications. These publications typically indicate that they have obtained their information from sources they believe to be reliable, but do not guarantee the accuracy and completeness of their information. Although we have assessed the information in the publications and found it to be reasonable and believe the publications are reliable, we have not independently verified their data.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus and does not contain all of the information that you should consider before investing in the notes. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the section entitled "Risk Factors" and the documents incorporated by reference herein and therein, including the financial statements and related notes.

Our Business

We provide technology-enabled recovery and related analytics solutions in the United States. Our solutions help identify and recover delinquent or defaulted assets and improper payments for both government and private clients in a broad range of markets. Our clients typically operate in complex and regulated environments and outsource their recovery needs in order to reduce losses on billions of dollars of defaulted student loans, improper healthcare payments and delinquent state tax and federal treasury receivables. We generally provide our services on an outsourced basis, where we handle many or all aspects of our clients' recovery processes.

We believe we have a leading position in our markets based on our proprietary technology-enabled platform, long-standing client relationships and the large volume of funds we have recovered for our clients. For the nine months ended September 30, 2014, we audited and analyzed approximately $7.3 billion of combined student loans and other delinquent federal and state receivables and recovered approximately $267 million in improper Medicare payments. Our clients include 11 of the 31 public sector participants in the student loan industry and these relationships average more than 10 years in length, including a 25-year relationship with the Department of Education. In the healthcare market, we are currently one of four prime Medicare Recovery Audit Contractors, or RACs, in the United States for the Centers for Medicare and Medicaid Services, or CMS, and are currently involved in a competitive re-bidding process for the award of the next RAC contract with CMS.

We utilize our technology platform to efficiently provide recovery and analytics services in the markets we serve. We have continuously developed and refined our technology platform for almost two decades by leveraging our extensive domain and data processing expertise. Our technology platform allows us to disaggregate otherwise complex recovery processes into a series of simple, efficient and consistent component steps, which we refer to as workflows, for our recovery and healthcare claims review specialists. This approach enables us to continuously refine our recovery processes to achieve higher rates of recovery with greater efficiency. By optimizing what traditionally have been manually-intensive processes, we believe we achieve higher workforce productivity versus more traditional labor-intensive outsourcing business models. For example, we generated in excess of $100,000 of revenues per employee during the nine-month period ended September 30, 2014, based on the average number of employees during the nine-month period ended September 30, 2014.

We believe that our platform is easily adaptable to new markets and processes. Over the past several years, we have successfully extended our platform into additional markets with significant recovery opportunities. For example, we utilized the same basic platform previously used primarily for student loan recovery activities to enter the healthcare market. We have enhanced our platform through investment in new data and analytics capabilities, which we believe will enable us to provide additional services including the detection of fraud, waste and abuse.

Our revenue model is generally success-based as we earn fees based on a percentage of the aggregate amount of funds that we enable our clients to recover. Our services do not require any significant upfront investments by our clients and we offer our clients the opportunity to recover significant funds otherwise lost. Because our model is based upon the success of our efforts and the dollars we enable our clients to recover, our business objectives are aligned with those of our clients and we are generally not reliant on

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their spending budgets. Further, our business model does not require significant capital expenditures and we do not purchase loans or obligations.

Our Markets

We operate in markets characterized by strong growth, a complex regulatory environment and a significant amount of delinquent, defaulted or improperly paid assets.

Student Lending

According to the Department of Education, total government-supported student loan originations were estimated to be approximately $100 billion for the fiscal year ended September 30, 2014, and the aggregate dollar amount of these loans has grown at a compound annual growth rate of 11% from 2002 through 2012. The average "cohort default rate," which is the measure utilized by the Department of Education to track the percentage of government-supported loan borrowers that enter repayment in a certain fiscal year and default by the end of the next year, has risen from approximately 13.4% in 2009 to approximately 13.7% in 2011, the last year for which data is available.

Healthcare

According to CMS, U.S. healthcare spending reached $2.9 trillion in 2013 and is forecast to grow at a 5.7% compound annual growth rate through 2023. In particular, CMS indicates that federal government-related healthcare spending for 2013 totaled approximately $1.0 trillion. This federal government-related spending included approximately $591.2 billion for Medicare, of which $48.0 billion, or 8.6%, has been estimated to be comprised of improper payments. Medicare improper payments generally involve incorrect coding, procedures performed which were not medically necessary, and incomplete documentation or claims submitted based on outdated fee schedules, among other issues.

Other Markets

We believe that the demand for recovery of delinquent state taxes will grow as state governments struggle with revenue generation and face significant budget deficits. According to the Center on Budget and Policy Priorities, an independent think tank, 31 U.S. states faced budget shortfalls totaling $55.0 billion in the year ended September 30, 2013. The federal agency market consists of government debt subrogated to the Department of the Treasury. For the year ended September 30, 2013, federal agency recoveries in this market totaled more than $7.0 billion, a significant portion of which were made by private firms on behalf of the Department of Financial Management Service, a bureau of the Department of the Treasury.

Our Competitive Strengths

We believe that our business is difficult to replicate, as it incorporates a combination of several important and differentiated elements, including:

- ***Powerful technology platform.*** We have built a proprietary technology platform that is highly flexible, intuitive and easy to use for our recovery and claims specialists. Our platform is easily configurable and deployable across multiple markets and processes.

- ***Advanced, technology-enabled workflow processes.*** Our technology-enabled workflow processes, developed over many years of operational experience in recovery services, disaggregate otherwise complex recovery processes into a series of simple, efficient and consistent steps that are easily configurable and applicable to different types of recovery-related applications.

- ***Extensive data and pervasive analytics capabilities.*** Our data and analytics capabilities enable us to achieve strong recovery rates for our clients. We have collected recovery-related data for over two decades, which we combine with large volumes of client and third-party data to effectively analyze

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our clients' delinquent or defaulted assets and improper payments. We have also developed and embedded a number of analytics tools that we use to score our clients' recovery opportunities, determine the optimal recovery process and allocation of resources, and achieve higher levels of recovery results for our clients.

Long-standing client relationships. We believe our long-standing focus on achieving superior recovery performance for our clients and the significant value our clients derive from this focus have helped us achieve long-tenured client relationships, strong contract retention and better access to new clients and future growth opportunities.

Extensive domain expertise in complex and regulated markets. We have extensive experience and domain expertise in providing recovery services for government and private institutions that generally operate in complex and regulated markets. We have demonstrated our ability to develop domain expertise in new markets such as healthcare and state tax and federal Treasury receivables.

Proven and experienced management team. Our management team has significant industry experience. This team has successfully grown our revenue base and service offerings beyond the original student loan market into healthcare and delinquent state tax and private financial institutions receivables.

Our Growth Strategy

Key elements of our growth strategy include the following:

Expand our student loan recovery volume. We have long-standing relationships with some of the largest participants in the government-supported student loan market, and we believe there are significant opportunities within this growing market to increase the volume of student loans placed with us by existing and new clients.

Expand our recovery services in the healthcare market. As healthcare spending grows, we expect the need for recovery services to increase in the public and private healthcare markets. We intend to expand our recovery services for existing clients, including analytics solutions to clients in the private healthcare market.

Pursue strategic alliances and acquisitions. In addition to the proposed PHX acquisition, we intend to continue to selectively consider opportunities to grow through strategic alliances or acquisitions that are complementary to our business. For a discussion of the proposed PHX acquisition, see " Proposed PHX Acquisition."

Premier Healthcare Exchange, Inc.

Proposed PHX Acquisition

On January 28, 2015, we entered into an agreement and plan of merger with Premier Healthcare Exchange, Inc. under which we agreed to acquire all of PHX's outstanding capital stock through a merger of a wholly-owned subsidiary of ours with PHX. Following the merger, PHX will be our wholly-owned subsidiary. We refer to this transaction as the PHX acquisition. Consideration for the PHX acquisition consists of $108.0 million in cash, subject to certain adjustments contemplated by the merger agreement, and $22.0 million of our common stock. The shares of our common stock issued in connection with the merger will be issued to the three largest stockholders of PHX, including the Chief Executive Officer, the Chief Operating Officer and an affiliate of Edison Venture Partners, in exchange for a portion of their shares of PHX. The shares of our common stock issued to PHX's stockholders in connection with the PHX acquisition will be subject to restrictions on transfer ranging from six months to approximately two years after the closing of the PHX acquisition. In addition, we have agreed to pay to PHX's stockholders an earnout payment of up to $19.1 million in cash contingent on PHX, on a stand-alone, pro forma basis, generating specified levels of revenue for the year ending December 31, 2015. PHX's achievement of the

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pro forma revenue targets described in the merger agreement would represent meaningful revenue growth over PHX's pro forma revenues for the year ended December 31, 2014. If the revenue targets are not met, there will be no such additional payments. See "The PHX Acquisition."

Prior to the closing of the PHX acquisition, PHX will spin-off its subsidiary, Pay-Plus Solutions, Inc., or Pay-Plus, which operates a separate business from the business we are acquiring. We refer to this as the Pay-Plus spin-off. See "Summary Unaudited Pro Forma Condensed Combined Financial Data" for pro forma financial data of PHX after giving effect to the Pay-Plus spin-off.

We cannot assure you that we will complete the PHX acquisition. The completion of this offering is not contingent upon the completion of the PHX acquisition, but the completion of the PHX acquisition is contingent upon the successful completion of this offering of convertible senior notes and the concurrent common stock offering. Accordingly, even if the acquisition does not occur, the notes sold in this offering will remain outstanding. Investors in our notes should not place undue reliance on the pro forma and as adjusted financial data included in this prospectus supplement because this offering is not contingent upon any of the transactions reflected in the adjustments included in that information.

If the PHX acquisition is completed, we intend to use the net proceeds of this offering and the sale and issuance of shares in our concurrent common stock offering to fund the cash consideration for the PHX acquisition due on the closing date of the PHX acquisition and to fund on the closing date of the PHX acquisition an escrow of $13.0 million in respect of the potential earnout payment described above. Any remaining net proceeds will be used for working capital and other general corporate purposes. If the PHX acquisition is not completed by February 12, 2015 (which date may be extended by us and PHX, with the consent of Madison Capital, the agent under our senior secured credit facility), or the merger agreement is terminated any time prior to such date, we are required to use the net proceeds from the sale of the notes and the sale and issuance of shares in our concurrent common stock offering to pay in full all outstanding obligations under our senior secured credit facility. See "Use of Proceeds." Upon completion of the offering we will repay $10.0 million of outstanding term loans under our senior secured credit facility using our existing cash resources. See "Description of Other Indebtedness."

The merger agreement has been filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on January 28, 2015, which is incorporated by reference herein. See "The PHX Acquisition Summary of the PHX Acquisition" and "Risk Factors Risks Related Our Proposed Acquisition of PHX."

PHX's Business

PHX is a technology-enabled provider of cost integrity solutions to healthcare fiduciaries with a focus on mid-sized health plans and third party administrators, or TPAs. PHX, which was founded in 2001, uses its technology platform to provide solutions that reduce payment errors, streamline the claims payment process and substantially reduce the healthcare claims costs of its clients. PHX's solutions are used primarily by leading health plans and TPAs, who manage the "administrative only" aspects of health insurance plans for self-insured employers who are assuming the underwriting risk of the claim cost. Similar to our business, the majority of PHX's pro forma revenue is derived from the identification of improper payments on behalf of clients and PHX's revenue model is generally success-based as it earns fees based on the amount of improper payments that it identifies on behalf of its clients.

PHX uses its technology platform to analyze its clients' healthcare claims for errors that result in overpayment or waste. Claims are evaluated in three ways to reduce overall costs including: (a) claims editing, which is an automated rules-based engine designed to detect coding errors of a medical claim, (b) bill review and audit, wherein trained nurse auditors use PHX's technology to perform pre-payment line-by-line desktop audits of high dollar claims for medical necessity and clinical accuracy and (c) out-of-network services, wherein out-of-network claims are reviewed and compared to cost-based benchmarks such as Medicare and preferred provider organization, or PPO, networks. In the fiscal year

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ended December 31, 2014, PHX generated customer savings of 20% to 25% per claim, and over $300 million in total customer savings.

Importantly, PHX provides its cost integrity solutions on a pre-payment basis whereby PHX receives the claim from the customer and evaluates the claim prior to the customer paying the provider. Once a claim has been reviewed by PHX, the provider is paid the PHX-adjusted claim amount. Pre-payment integrity solutions differ from post-payment integrity solutions; in post-payment services, a provider has already been paid for their services and any adjustments found during the claims review that result in savings to the payor have to be recovered from the provider. Unlike PHX's pre-payment solutions, our existing cost-integrity solutions are provided primarily on a post-payment basis.

In addition to these claim-based integrity solutions, PHX provides network management solutions to self-insured health plans, typically employers, through its TPA customers. PHX's network management solutions include analyzing and selecting an optimal PPO network for employers either in their region or networks for employees out of the employers' primary geography. PHX has built its own network of providers, PHX Choice Network, and also partners with over 50 third-party PPO networks to offer these solutions.

In order to efficiently achieve cost savings for its customers, PHX developed a technology platform for the purpose of evaluating and auditing claims, automating workstreams and improving payment accuracy and transparency. Additionally, PHX has established electronic data interchange, or EDI, connections with many of its clients through partnerships with leading claims adjudication systems such as TriZetto, EBIX and others. These connections allow PHX to more easily on-board new clients and receive claims data on a real-time basis from existing clients.

Rationale for PHX Acquisition

We believe PHX represents an attractive strategic complement to our growth initiatives, including strengthening our value proposition in the commercial healthcare cost integrity sector, adding valuable technology-enabled, pre-payment cost integrity capabilities to enhance our product offering and accelerating the diversification of our business through new markets and customer opportunities.

The PHX acquisition provides us with the potential to:

Broaden our offerings and expand our value proposition. PHX complements our existing post-payment, healthcare cost integrity solutions with pre-payment capabilities. We believe the combination of these capabilities provides us the potential to further penetrate the commercial payor market, increase the total spending by our existing and future customers on our products and allow us to strengthen our relationships with clients in a market where payors are consolidating their payment integrity providers and seeking an end-to-end solution. Finally, through its partnerships with a number of healthcare claims adjudication system providers, PHX can more easily build data connections to potential customers which, we expect will help accelerate our sales cycle and product implementation efforts.

Access new markets. PHX has over 200 customers, consisting primarily of TPAs as well as insurance carriers, Taft-Hartley plans and re-insurance carriers, and has demonstrated low customer attrition. Through PHX's TPA customers, we expect to gain greater access to the large and growing self-insured healthcare market. In addition, PHX's product offerings support our ability to further penetrate the commercial healthcare payor market, particularly in the mid-sized payor market which we define as payors with 200,000 to 1 million members.

Accelerate revenue growth and diversification. PHX demonstrated strong historical pro forma revenue growth of 41% for the 2013 fiscal year compared to 2012. We believe the complementary combination of PHX's and our capabilities will create meaningful opportunities to drive future revenue growth. Further, the addition of over 200 existing PHX customers helps to diversify our

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revenue in multiple areas including customer diversification and industry diversification. For example, the healthcare market would have represented 36% of our total revenues for the nine-month period ended September 30, 2014 on a combined pro forma basis compared to 19% of our total revenues on a historical stand-alone basis during the same period.

Financial Overview

PHX has demonstrated meaningful pro forma revenue growth since 2012. For the year ended December 31, 2013, PHX generated pro forma revenue of $42.8 million compared to $30.3 million in 2012, representing year-over-year growth of 41%. This growth was due primarily to successfully signing larger regional health plan payors. For the nine-month period ended September 30, 2014, PHX's pro forma revenue was $40.7 million, representing 31% growth compared to the same period in the prior year, due primarily to the addition of new TPA customers and the increased use of PHX's services by its current customers.

Additionally, PHX has exhibited strong and consistent pro forma adjusted EBITDA margins of 17% in 2012, 18% in 2013 and 24% in the nine-month period ended September 30, 2014. PHX's pro forma net income margins for the same periods were 8%, 9%, and 13%, respectively. PHX's pro forma adjusted EBITDA and pro forma net income, respectively, were $5.1 million and $2.5 million for the year ended December 31, 2012, $7.7 million and $3.9 million for the year ended December 31, 2013, $9.9 million and $5.4 million for the nine months ended September 30, 2014 and $5.3 million and $2.7 million for the nine months ended September 30, 2013. See "Reconciliation of Non-GAAP Financial Information" for a definition of pro forma adjusted EBITDA, the reasons for providing this financial measure, and the limitations of its usefulness because it does not reflect all items of income and expense under U.S. generally accepted accounting principles, or GAAP.

Market and Industry Overview

In 2013, CMS reported that more than $2.9 trillion dollars were spent across both government and commercial health programs and plans. Commercial health plans accounted for $962 billion, or 33% of total healthcare spending in 2013. CMS expects total healthcare spending to grow at a 5.7% compound annual growth rate, or CAGR, through 2023. As healthcare spending increases, there is increasing pressure to eliminate waste, fraud and abuse. According to the government website Payment Accuracy, error rates across government healthcare programs range from 3.7% to 10.0%. Payment integrity efforts to reduce increasing health care costs have traditionally targeted the post-payment environment. While this approach has been the traditional strategy for health plans, the retroactive recovery of payments often stresses the relationships that health plans need to foster with their network providers. Pre-payment solutions introduce an efficient, low-friction approach to auditing and improving payment accuracy. As technology has improved and administrative workflows to manage claims real-time have standardized, health plans have begun efforts to implement pre-payment solutions across claims platforms.

Reconciliation of PHX Pro Forma Non-GAAP Financial Data

Pro Forma Adjusted EBITDA

To provide investors with additional information regarding the financial results of PHX, we have disclosed in the table below and within this prospectus supplement pro forma adjusted EBITDA, which is a non-GAAP financial measure. We have provided a reconciliation below of PHX's pro forma adjusted EBITDA to net income, the most directly comparable GAAP financial measure to this non-GAAP financial measure.

We have included PHX's pro forma adjusted EBITDA in this prospectus supplement because we believe it is a key measure used by both our management team and the PHX management team to understand and evaluate PHX's core operating performance and trends. Accordingly, we believe that pro

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forma adjusted EBITDA provides useful information to investors and analysts in understanding and evaluating the operating results of PHX.

The use of PHX's pro forma adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of the financial results of PHX as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and pro forma adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- pro forma adjusted EBITDA does not reflect interest expense on PHX's indebtedness;
- pro forma adjusted EBITDA does not reflect changes in, or cash requirements for, PHX's working capital needs;
- pro forma adjusted EBITDA does not reflect tax payments by PHX;
- pro forma adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation;
- pro forma adjusted EBITDA does not reflect the impact of certain non-operating expenses resulting from matters we do not consider to be indicative of PHX's core operating performance; and
- other companies may calculate pro forma adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider pro forma adjusted EBITDA alongside other financial performance measures, including pro forma net income and PHX's other GAAP results.

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The following table presents a reconciliation of PHX's pro forma adjusted EBITDA, after giving pro forma effect to the Pay-Plus spin-off, for the fiscal years ended December 31, 2013 and 2012 and for the nine months ended September 30, 2014 to net income for these periods:

	Nine Months Ended September 30,		Year Ended December 31,	
	2014	2013	2013	2012
	(in thousands)			
Reconciliation of Pro Forma Adjusted EBITDA:				
PHX Net income (GAAP)	$ 11,172	$ 2,782	$ 4,914	$ 1,652
Pro Forma Adjustments Pay-Plus Spin-Off	(5,763)	(118)	(985)	871
Pro Forma Net income	5,409	2,664	3,929	2,523
Pro Forma Provision for income taxes	3,626	1,818	2,683	1,856
Pro Forma Interest expense	82	120	157	47
Pro Forma Interest income	(7)	(3)	(5)	(92)
Pro Forma Depreciation and amortization	613	597	769	468
Pro Forma Non-core operating expenses	103(1)	43(1)	61(1)	
Pro Forma Advisory fee				85(3)
Pro Forma Deal expenses				168(3)
Pro Forma Stock-based compensation	25	51	63	54
Pro Forma Adjusted EBITDA	$ 9,853	$ 5,291	$ 7,656	$ 5,108

(1) Represents costs associated with an evaluation of interest in a sale or recapitalization of PHX.

(2) Represents costs associated with the defense of and settlement provisions for a litigation matter.

(3) Represents costs associated with the acquisition by PHX of a company in 2012.

Recent Developments

Three months ended December 31, 2014 (Unaudited)

Our consolidated financial statements for the three months ended December 31, 2014 are not yet available. Our current expectations with respect to our unaudited results for this period are based upon management estimates. The preliminary estimates presented below are subject to the completion of our financial closing procedures and any adjustments that may result from the completion of the audit of our consolidated financial statements for the year ended December 31, 2014. Accordingly, these estimates may change and those changes may be material. As such, you should not place undue reliance on these estimates. For additional information regarding the various risks and uncertainties inherent in estimates of this type, see "Information Regarding Forward-Looking Statements," elsewhere in this prospectus supplement.

The preliminary estimates have been prepared by, and are the responsibility of, our management and have not been reviewed or audited or subject to any other procedures by our independent registered public accounting firm. Accordingly, our independent registered public accounting firm does not express an opinion or any other form of assurance with respect to these preliminary estimates.

We are providing the following preliminary estimates of our financial results and operating metrics for the three months ended December 31, 2014:

GAAP

Revenues are expected to be between $38.0 million and $41.0 million, with the midpoint of the range representing substantially the same level of revenues as for the three-month period ended

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September 30, 2014. We expect our student lending revenues to be greater than the $28.1 million of revenues in the three months ended September 30, 2014, due primarily to the recognition of rehabilitation revenues that were delayed from the prior quarter due to new documentation requirements for student loan rehabilitation imposed in the third quarter by our guaranty agency, or GA, clients. We expect our healthcare revenues to be significantly lower than the $5.2 million of revenues recognized in the three months ended September 30, 2014, primarily due to RAC contract transition procedures adopted by CMS that halted all of our audit and recovery activities from June 1 until late August, 2014. We were permitted to re-start audit activities in late August when the RAC contract was extended through year end, though substantially all of the revenues from those activities will not be recognizable until 2015.

Net loss is estimated to be between $2.1 million and $1.5 million, compared to a net loss of $0.5 million during the three months ended September 30, 2014. This expected increase in net loss is primarily due to increases in salary and benefits expenses and other operating expenses during the fourth quarter relating to a new state tax recovery services engagement during the fourth quarter and the re-start of audit and recovery services under our RAC contract. We did not recognize significant revenues from the new state tax recovery services engagement or the extended RAC contract during the three months ended December 31, 2014, as operating expenses related to these activities predated related revenues.

Non-GAAP

Adjusted EBITDA is expected to be between $4.0 million and $5.5 million, representing a sequential quarterly decrease of approximately 17% at the midpoint of the range. This reduction in adjusted EBITDA is primarily due to the increase in salary and benefits expenses and other operating expenses relating to a new state tax recovery services engagement and the re-start of audit and recovery services under our RAC contract, neither of which resulted in significant revenues being recognized by us during the fourth quarter.

Adjusted net income (loss) is estimated to be between $(0.4) million and $0.9 million, representing a sequential quarterly decrease of approximately 66% at the midpoint of the range. This decrease in adjusted net income during the quarter is attributable to the same factors affecting net income described above.

Adjusted EBITDA and Adjusted Net Income (Loss)

To provide investors with additional information regarding our financial results, we have disclosed in the table below and within this prospectus supplement adjusted EBITDA and adjusted net income (loss), both of which are non-GAAP financial measures. We have provided a reconciliation below of adjusted EBITDA to net loss and adjusted net income (loss) to net loss, as net income is the most directly comparable GAAP financial measure to these non-GAAP financial measures.

We have included adjusted EBITDA and adjusted net income (loss) in this prospectus supplement because they are key measures used by our management and board of directors to understand and evaluate our core operating performance and trends and to prepare and approve our annual budget. Accordingly, we believe that adjusted EBITDA and adjusted net income (loss) provide useful information to investors and analysts in understanding and evaluating our operating results in the same manner as our management and board of directors.

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Our use of adjusted EBITDA and adjusted net income (loss) has limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect interest expense on our indebtedness;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect tax payments;
- adjusted EBITDA and adjusted net income (loss) do not reflect the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA and adjusted net income (loss) do not reflect the impact of certain non-operating expenses resulting from matters we do not consider to be indicative of our core operating performance; and
- other companies may calculate adjusted EBITDA and adjusted net income (loss) differently than we do, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted EBITDA and adjusted net income (loss) alongside other financial performance measures, including net loss and our other GAAP results.

The following tables present a reconciliation of estimated adjusted EBITDA and estimated adjusted net income (loss) for the three months ended December 31, 2014 to estimated net loss for this period and

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adjusted EBITDA and adjusted net income (loss) for the three months ended September 30, 2014 to actual net loss for this period:

	Three Months Ended September 30, 2014	Three Months Ended December 31, 2014
	(in thousands)	
Reconciliation of Adjusted EBITDA:		
Net loss	$ (479)	$ (2,100) to (1,500)
Provision for income taxes	(175)	(1,600) to (1,200)
Interest expenses	2,456	2,100
Depreciation and amortization	3,067	3,600
PHX acquisition expense(1)		900 to 1,400
Stock-based compensation	839	1,100
Adjusted EBITDA	$ 5,708	$ 4,000 to 5,500
Reconciliation of Adjusted Net Income (Loss):		
Net loss	$ (479)	$ (2,100) to (1,500)
Stock-based compensation	839	1,100
Amortization of intangibles(2)	933	700 to 1,100
Deferred financing amortization costs	264	200 to 400
PHX acquisition expense(1)		900 to 1,400
Tax adjustments(3)	(814)	(1,200) to (1,600)
Adjusted Net Income (Loss)	$ 743	$ (400) to 900

(1) Represents costs associated with the anticipated acquisition of PHX described in this prospectus supplement.

(2) Represents amortization of capitalized expenses related to the acquisition of Performant by an affiliate of Parthenon Capital Partners in 2004, and also an acquisition in the first quarter of 2012 to enhance our analytics capabilities.

(3) Represents tax adjustments assuming a marginal tax rate of 40%.

Amendment to Credit Facility

On January 28, 2015, our subsidiary Performant Business Services, Inc., or Performant Business, as borrower, entered into Consent and Amendment No. 3 to our senior secured credit facility, or the third amendment. Among other things, we amended our senior secured credit facility to permit this offering of notes and the consummation of the proposed PHX acquisition on the terms and subject to the conditions set forth in the third amendment. For a description of our indebtedness other than the notes, see "Description of Other Indebtedness."

Update on Award of New RAC Contracts

We are currently involved in a competitive rebidding process for four new RAC contracts with CMS. The timing of new RAC contract awards remains uncertain. The bidding process has been delayed, at least in part, by pre-award protests and, following the denial of those protests, by ongoing litigation. The plaintiffs in the litigation are seeking the elimination of payment terms under the proposed new RAC contracts that would prohibit RACs from being compensated for improper claims until a second level of appeal has been exhausted. A decision in favor of CMS is currently on appeal and an injunction bars award of three of the four new RAC contracts pending the appeal. A fifth RAC contract, which is a new type of

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RAC contract covering the identification and recovery of improper claims for durable medical equipment, prosthetics, orthotics and supplies and home health and hospice claims, was not covered by the injunction and was awarded to another party in January 2015. The Company is not a party to this litigation. CMS has stated that the injunction will delay the award of the three contracts until the judge's ruling on the injunction, which is not expected to occur until late summer 2015. It is uncertain whether CMS will award the RAC contract not covered by the injunction in the interim period or will wait to award all of the new RAC contracts at the same time. CMS also recently announced that it extended our existing RAC contract through December 31, 2015, along with a limited scope of procedures we will be allowed to conduct during this extended period. CMS has further indicated they may, at their discretion, approve additional issues that we will be permitted to review and audit during the RAC contract extension period.

Company Information

We began operations in 1976 under the corporate name Diversified Collection Services, Inc. We were incorporated in Delaware on October 8, 2003 under the name DCS Holdings, Inc. and subsequently changed our name to Performant Financial Corporation in 2005.

Our principal executive offices are located at 333 North Canyons Pkwy, Suite 100, Livermore, CA 94551, our telephone number is (925) 960-4800 and our web site is www.performantcorp.com. The information contained in our web site is not part of this prospectus supplement or the accompanying prospectus.

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THE OFFERING

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of Notes" section of this prospectus supplement contains a more detailed description of the terms and conditions of the notes. As used in this section, "we," "our," and "us" refer to Performant Financial Corporation and not to its consolidated subsidiaries.

Issuer	Performant Financial Corporation, a Delaware corporation.
Securities	$ million aggregate principal amount of % Convertible Senior Notes due 2020 (*plus* up to an additional $ million aggregate principal amount solely to cover over-allotments).
Maturity	February 15, 2020, unless earlier repurchased or converted.
Interest	% per year. Interest will accrue from February , 2015 and will be payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2015. We will pay additional interest, if any, at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under "Description of Notes Events of Default."
Conversion rights	Holders may convert all or any portion of their notes, in multiples of $1,000 principal amount, at their option at any time prior to 5:00 p.m., New York City time, on the business day immediately preceding August 15, 2019 only under the following circumstances:

during any calendar quarter commencing after the calendar quarter ending on March 31, 2015 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

during the five business day period after any five consecutive trading day period (the "measurement period") in which the "trading price" (as defined under "Description of Notes Conversion Rights Conversion Upon Satisfaction of Trading Price Condition") per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or

upon the occurrence of specified corporate events described under "Description of Notes Conversion Rights Conversion Upon Specified Corporate Events."

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	On or after August 15, 2019 until 5:00 p.m., New York City time, on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their notes, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances. The conversion rate for the notes is initially shares per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $ per share of common stock), subject to adjustment as described in this prospectus supplement. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. If we satisfy our conversion obligation in solely cash or through payment and delivery, as the case may be, of a combination of cash and shares of our common stock, the amount of cash and shares of common stock, if any, due upon conversion will be based on a daily conversion value (as described herein) calculated on a proportionate basis for each trading day in a 60 trading day observation period (as described herein). See "Description of Notes Conversion Rights Settlement Upon Conversion." In addition, following certain corporate events that occur prior to the maturity date, in certain circumstances we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event as described under "Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change." You will not receive any additional cash payment or additional shares representing accrued and unpaid interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed to be paid by the cash, shares of our common stock or a combination of cash and shares of our common stock paid or delivered, as the case may be, to you upon conversion of a note.
Trading symbol for our common stock	Our common stock is listed on The NASDAQ Global Select Market under the symbol "PFMT."
No redemption	We may not redeem the notes prior to the maturity date, and no "sinking fund" is provided for the notes, which means that we are not required to redeem or retire the notes periodically.

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Fundamental change	If we undergo a "fundamental change" (as defined in this prospectus supplement under "Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes"), subject to certain conditions, holders may require us to repurchase for cash all or part of their notes in minimum principal amounts of $1,000 or an integral multiple thereof. The fundamental change repurchase price will be equal to 100% of the principal amount of the notes to be repurchased, *plus* accrued and unpaid interest to, but excluding, the fundamental change repurchase date. See "Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes."
Ranking	The notes will be our senior unsecured obligations and will rank: senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our current or future subsidiaries. As of December 31, 2014, our estimated total consolidated indebtedness was $111.8 million, all of which was secured indebtedness of our subsidiaries under our senior secured credit facility. After giving effect to the issuance of the notes (assuming no exercise of the underwriters' over-allotment option) and the use of proceeds therefrom, our total consolidated indebtedness would have been $ million (without giving effect to the equity component of convertible debt or any debt discount). See "Description of Other Indebtedness" and "Capitalization." The indenture governing the notes will not limit the amount of debt that we or our subsidiaries may incur.
Use of proceeds	We estimate that the proceeds from this offering will be approximately $ million (or $ million if the underwriters exercise their over-allotment option in full), after deducting the underwriting discount and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering of convertible senior notes and the concurrent common stock offering to complete the PHX acquisition, or if the PHX acquisition is not completed, to repay the outstanding indebtedness under our senior secured credit facility. See "Use of Proceeds."

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Book-entry form	The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.
Absence of a public market for the notes	The notes are new securities and there is currently no established market for the notes. Accordingly, we cannot assure you as to the development or liquidity of any market for the notes. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and they may discontinue any market making with respect to the notes without notice. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.
U.S. federal income tax consequences	For a discussion of certain material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the notes and shares of our common stock received upon conversion of notes, see "Material U.S. Federal Income Tax Consequences."
Trustee, paying agent and conversion agent	Wilmington Trust, National Association.
Concurrent common stock offering	Concurrently with this offering, we are offering up to shares of our common stock (or up to shares if the underwriters in the concurrent offering exercise their option to purchase additional shares in full) in an underwritten public offering pursuant to a separate prospectus supplement. We intend to use the net proceeds from this offering of convertible senior notes and the concurrent common stock offering to fund the initial cash consideration payable in connection with the PHX acquisition and to fund an escrow deposit related to future potential earnout payments related to the PHX acquisition, or if the PHX acquisition is not completed, to repay the outstanding indebtedness under our senior secured credit facility. See "Use of Proceeds" in this prospectus supplement.

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This prospectus supplement and accompanying prospectus shall not be deemed an offer to sell or a solicitation of an offer to buy any of the shares of our common stock. This offering of convertible senior notes is contingent upon the closing of the concurrent common stock offering, and the concurrent common stock offering is contingent upon the closing of this offering of convertible senior notes. We cannot assure you that either or both of these offerings will be completed. Unless we specifically state otherwise, the information in this prospectus supplement assumes the completion of the common stock offering and that the underwriters for the common stock offering do not exercise their over-allotment option to purchase additional shares and that the underwriters for this offering do not exercise their option to purchase additional convertible senior notes.

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Our Summary Consolidated Financial Data

The following table sets forth our summary selected historical consolidated financial and other data for the periods ended and as of the dates indicated. The consolidated statement of operations data for the fiscal years ended December 31, 2013, 2012 and 2011 and the balance sheet data as of December 31, 2013 and 2012 have been derived from, and should be read together with, our audited consolidated financial statements and the accompanying notes, which are incorporated by reference herein. The consolidated statement of operations data for the nine months ended September 30, 2014 and 2013 and the balance sheet data as of September 30, 2014 have been derived from our unaudited condensed consolidated financial statements, which are incorporated by reference herein. Our historical results are not necessarily indicative of the results that may be expected in the future. The following summary consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Year Ended December 31,			Nine Months Ended September 30,	
	2013	2012	2011	2014	2013
				(unaudited)	
			(in thousands)		
Consolidated Statement of Operations Data:					
Revenues	$ 255,302	$ 210,073	$ 162,974	$ 155,683	$ 195,326
Operating expenses:					
Salaries and benefits	96,762	83,002	67,082	71,236	72,942
Other operating expense	85,671	71,305	49,199	56,304	65,314
Impairment of trade name			13,400		
Total operating expenses	182,433	154,307	129,681	127,540	138,256
Income from operations	72,869	55,766	33,293	28,143	57,070
Debt extinguishment costs[(1)]		(3,679)			
Interest expense	(11,564)	(12,414)	(13,530)	(7,765)	(8,752)
Interest income	1	64	125		
Income before provision for income taxes	61,306	39,737	19,888	20,378	48,318
Provision for income taxes	24,967	16,786	7,516	8,599	19,848
Net income	36,339	22,951	12,372	11,779	28,470
Accrual for preferred stock dividends		2,038	6,495		
Net income available to common shareholders	$ 36,339	$ 20,913	$ 5,877	$ 11,779	$ 28,470

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	Year Ended December 31, 2013	2012	2011	Nine Months Ended September 30, 2014 (unaudited)	2013 (unaudited)
	(in thousands, except per share amounts)				
Net income per share attributable to common shareholders[2]					
Basic	$ 0.77	$ 0.48	$ 0.14	$ 0.24	$ 0.60
Diluted	$ 0.74	$ 0.44	$ 0.13	$ 0.24	$ 0.58
Weighted average shares					
Basic	47,492	43,985	42,962	48,641	47,247
Diluted	49,386	47,599	45,742	49,758	49,315

(1) Represents debt extinguishment costs comprised of approximately $3.3 million of fees paid to lenders in connection with our senior secured credit facility and approximately $0.3 million of unamortized debt issuance costs in connection with our old credit facility.

(2) Please see Note 1 to our consolidated financial statements incorporated by reference herein for an explanation of the calculations of our basic and diluted net income per share of common stock.

	As of December 31, 2013	2012	As of September 30, 2014 (unaudited)
	(in thousands)		
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 81,909	$ 37,843	$ 84,970
Total assets	257,260	211,745	265,378
Total debt	133,304	147,769	114,250
Total liabilities	183,026	187,672	173,060
Total stockholders' equity	74,234	24,073	92,318

Summary Unaudited Pro Forma Condensed Combined Financial Data

The following sets forth certain summary unaudited pro forma condensed combined financial data of Performant giving effect to (i) the Pay-Plus spin-off prior to completion of the PHX acquisition and (ii) our completion of the PHX acquisition, including the sale of the notes and the sale and issuance of shares in our concurrent common stock offering to finance the acquisition consideration. The PHX acquisition is expected to close in February 2015, subject to various contingencies including the sale and issuance of the notes and shares of our common stock to fund the cash portion of the acquisition consideration. The Pay-Plus spin-off will be completed by PHX prior to the closing of the PHX acquisition.

The summary unaudited pro forma condensed combined statement of operations data for the nine months ended September 30, 2014 and for the year ended December 31, 2013 assumes that the Pay-Plus spin-off and the PHX acquisition took place on January 1, 2013. Our unaudited condensed consolidated statement of operations for the nine months ended September 30, 2014 has been combined with PHX's unaudited consolidated statement of operations for this period after giving pro forma effect to the Pay-Plus spin-off. Our condensed consolidated statement of operations derived from audited financial statements for the year ended December 31, 2013 has been combined with PHX's audited consolidated statement of operations for this period after giving pro forma effect to the Pay-Plus spin-off.

The summary unaudited pro forma condensed combined balance sheet data as of September 30, 2014 assumes that the Pay-Plus spin-off and the PHX acquisition took place on September 30, 2014 and combines our September 30, 2014 unaudited condensed consolidated balance sheet with PHX's September 30, 2014 unaudited consolidated balance sheet after giving pro forma effect to the Pay-Plus spin-off.

The summary unaudited pro forma condensed combined financial data set forth below has been presented for informational purposes only. The summary unaudited pro forma condensed combined financial data set forth below is not necessarily indicative of what our financial position or results of operations actually would have been had the Pay-Plus spin-off and the PHX acquisition been completed as of the dates indicated. In addition, the summary unaudited pro forma condensed combined financial data does not purport to project the future financial position or operating results of the combined company. The summary unaudited pro forma condensed combined financial data below should be read in conjunction with the unaudited pro forma condensed combined financial data and the notes describing the pro forma adjustments related thereto and the accompanying disclosures included elsewhere in this prospectus supplement and with both our and PHX's historical financial statements and related notes, which are incorporated by reference in this prospectus supplement. See "Unaudited Pro Forma Condensed Combined Financial Data" beginning on page S-64 of this prospectus supplement and "Information We Incorporate By Reference" beginning on page S-127 of this prospectus supplement.

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Performant Financial Corporation and Premier Healthcare Exchange, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations Data
For the Nine Months Ended September 30, 2014

	Historical Performant	Historical PHX	Pro Forma Adjustments Pay-Plus Spin-off	Pro Forma PHX	Pro Forma Adjustments PHX Acquisition	Pro Forma Combined
			(in thousands)			
Revenue	$ 155,683	$ 68,388	$ (27,668)	$ 40,720	$	$ 196,403
Operating expenses:						
Salaries and benefits	71,236	17,401	(4,291)	13,110		84,346
Other operating expenses	56,304	32,280	(13,781)	18,499	5,684	80,487
Total operating expenses	127,540	49,681	(18,072)	31,609	5,684	164,833
Income from operations	28,143	18,707	(9,596)	9,111	(5,684)	31,570
Interest expense	(7,765)	(82)		(82)	(4,434)	(12,281)
Interest income		6		6		6
Income before provision for income taxes	20,378	18,631	(9,596)	9,035	(10,118)	19,295
Provision for income taxes	8,599	7,459	(3,833)	3,626	(4,009)	8,216
Net income	$ 11,779	$ 11,172	$ (5,763)	$ 5,409	$ (6,109)	$ 11,079

Performant Financial Corporation and Premier Healthcare Exchange, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations Data
For the Year Ended December 31, 2013

	Historical Performant	Historical PHX	Pro Forma Adjustments Pay-Plus Spin-off	Pro Forma PHX	Pro Forma Adjustments PHX Acquisition	Pro Forma Combined
			(in thousands)			
Revenue	$ 255,302	$ 52,664	$ (9,893)	$ 42,771	$	$ 298,073
Operating expenses:						
Salaries and benefits	96,762	17,962	(2,757)	15,205		111,967
Other operating expenses	85,671	26,291	(5,489)	20,802	7,579	114,052
Total operating expenses	182,433	44,253	(8,246)	36,007	7,579	226,019
Income from operations	72,869	8,411	(1,647)	6,764	(7,579)	72,054
Interest expense	(11,564)	(157)		(157)	(5,860)	(17,581)
Interest income	1	5		5		6
Income before provision for income taxes	61,306	8,259	(1,647)	6,612	(13,439)	54,479
Provision for income taxes	24,967	3,345	(662)	2,683	(5,325)	22,325

Net income	$ 36,339	$ 4,914	$ (985)	$ 3,929	$ (8,114)	$ 32,154

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Performant Financial Corporation and Premier Healthcare Exchange, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet Data

As of September 30, 2014

	Historical		Pro Forma Adjustments Pay-Plus Spin-off	Pro Forma	Pro Forma Adjustments PHX	Pro Forma
	Performant	PHX	(in thousands)	PHX	Acquisition	Combined
Cash and cash equivalents	$ 84,970	$ 17,274	$ (5,788)	$ 11,486	$ (7,655)	$ 88,801
Working capital	70,498	14,226	(2,561)	11,665	(7,655)	74,214
Total assets	265,378	37,600	(8,084)	29,516	168,045	462,939
Total debt	114,250	1,750		1,750	57,481	173,481
Total liabilities	173,060	15,794	(2,558)	13,236	111,472	297,768
Stockholders' equity	92,318	21,806	(5,526)	16,280	56,573	165,171

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RISK FACTORS

An investment in our securities involves a high degree of risk. Before purchasing our securities you should carefully consider the following risks regarding our notes, our common stock and this offering, including, without limitation, those risk factors relating to our liquidity, debt financing and current economic conditions, as well as other information in this prospectus supplement and the accompanying prospectus and in any other documents incorporated into this prospectus supplement and the accompanying prospectus by reference. The risk factors set forth herein and therein may be amended, supplemented or superseded from time to time by other reports we file with the SEC in the future. Each of the risks described in these sections and documents could adversely affect our business, financial condition and results of operations, and could result in a complete loss of your investment.

Risks Related to PHX

PHX has a short operating history in an evolving market, which makes it difficult to evaluate its future prospects and may increase the risk that it will not be successful.

PHX has a short operating history in a new and evolving market, which makes it difficult to evaluate its future prospects and may increase the risk that it will not be successful. You should consider PHX's business and prospects in light of the risks and difficulties PHX encounters in this evolving market. These risks and difficulties include its ability to, among other things:

- maintain and increase its client base;
- hire, integrate and retain talent;
- avoid interruptions or disruptions in its service;
- maintain and further develop its technology infrastructure to efficiently and reliably handle both current and increased client usage, as well as the deployment of new features and products;
- increase revenue;
- process, store and use personal data in compliance with governmental regulation and other legal obligations related to privacy;
- successfully compete with other companies that are currently in, or may in the future enter its line of business; and
- maintain, protect and enhance its intellectual property.

PHX relies on third-party vendors to help deliver its cost integrity solutions to its clients and the loss of any of these vendors or the failure of those vendors to perform as expected could harm PHX's business operations and relationships with its clients.

PHX engages certain vendors, including adjudication system partners and third-party PPO networks, to help deliver its cost integrity solutions to its clients. These vendors participate to varying degrees in the delivery of PHX's solutions. In the event one of these vendors terminates its relationship with PHX or provides deficient performance to one or more of PHX's clients, PHX may not be able to continue to provide certain solutions to its clients or may need to reduce the number or types of solutions it is currently providing. Any such disruption in client relations as a result of services provided by any of PHX's vendors could adversely affect its revenues and operating results.

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PHX is subject to extensive laws and regulations regarding the use and disclosure of confidential personal information, the cost compliance with which could be substantial and failure to comply with these regulations could cause it to incur liabilities and expenses.

PHX is subject to a wide array of federal and state laws and regulations regarding the use and disclosure of confidential personal information and security. For example, the federal Health Insurance Portability and Accountability Act of 1996, as amended, or HIPAA, and state laws regulating use and disclosure of confidential personal information and security subject PHX to substantial restrictions and requirements with respect to the use and disclosure of the personal information obtained in connection with its business and PHX must establish administrative, physical and technical safeguards to protect the confidentiality of this information. PHX is required to notify affected individuals and government agencies of data security breaches involving protected health and certain personally identifiable information. These laws and regulations also require that PHX develop, implement and maintain written, comprehensive information security programs containing safeguards that are appropriate to protect personally identifiable information and health information against unauthorized access, misuse, destruction or modification. Federal law generally does not preempt state law in the area of protection of personal information, and as a result PHX must also comply with state laws and regulations. Regulation of privacy, data use and security requires that PHX incur significant expenses, which could increase in the future as a result of additional regulations, all of which adversely affects PHX's results of operations. Failure to comply with these laws and regulations can result in penalties and in some cases expose both us and PHX to civil lawsuits.

If PHX security measures are breached or fail and unauthorized access is obtained to its clients' confidential data, its services may be perceived as insecure, the attractiveness of its cost integrity services to current or potential clients may be reduced, and it may incur significant liabilities.

PHX's cost integrity solutions involve the storage and transmission of confidential information relating to its clients and their customers, including health and other personal or confidential information. Although PHX's data security procedures are designed to protect against unauthorized access to confidential information, its computer systems, software and networks may be vulnerable to unauthorized access and disclosure of its clients' confidential information. Further, PHX may not effectively adapt its security measures to evolving security risks, address the security and privacy concerns of existing or potential clients as they change over time, or be compliant with federal, state, and local laws and regulations with respect to securing confidential information. Unauthorized access to confidential information relating to its clients and their customers could lead to reputational damage which could deter both existing and potential clients from selecting the PHX cost integrity solutions, or result in termination of contracts with those clients affected by any such breach, regulatory action, and claims against PHX.

In the event of any unauthorized access to personal or other confidential information, PHX may be required to expend significant resources to investigate and remediate vulnerabilities in its security procedures, and may be subject to fines, penalties, litigation costs, and financial losses that are either not insured against or not fully covered through any insurance maintained by us or PHX. If one or more of such failures in PHX's security and privacy measures were to occur, its business, financial condition and results of operations could suffer.

Future legal changes and interpretations affecting PHX's business and operations could adversely affect PHX and its prospects.

The health care insurance market in which PHX provides its cost integrity solutions is subject to significant legislative and regulatory focus and consumer interest. We cannot anticipate how future laws, regulations and administrative and court interpretations of present and future laws, regulations or policies may affect PHX's business and operations. Such future activities may require PHX to modify its business practices and product and service offerings which could disrupt PHX's business or otherwise have an adverse effect on PHX's business and operations.

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The potential impacts of Health Reform on the PHX's business and operations, which may be adverse to PHX, cannot be predicted.

The Patient Protection and Affordable Care Act (Public Law 111-148), signed into law March 23, 2010, and the Health Care and Education Reconciliation Act of 2010, signed into law March 30, 2010, together commonly referred to as Health Reform, include health-related provisions subsidizing insurance premiums for people making up to 400% of the federal poverty level and establishing health insurance exchange markets. Health Reform has only recently been implemented and is subject to judicial review and legislative scrutiny. We cannot predict the potential effect on PHX's business and operations of implementation of Health Reform or potential judicial interpretations or legislative or regulatory action with respect to Health Reform, which could adversely affect PHX's business and operations.

We have made certain assumptions relating to the PHX acquisition that may prove to be materially inaccurate.

We have made certain assumptions relating to the PHX acquisition, which assumptions may be inaccurate, including as the result of the failure to realize the expected benefits of the PHX acquisition, failure to realize expected revenue growth rates, higher than expected operating, transaction and integration costs, as well as general economic and business conditions that adversely affect the combined company following the PHX acquisition. These assumptions relate to numerous matters, including:

- projections of PHX's pro forma revenue growth rates and future revenues;
- our ability to maintain, develop and deepen relationships with customers of PHX;
- the amount of goodwill and intangibles that will result from the PHX acquisition;
- certain other purchase accounting adjustments that we expect will be recorded in our financial statements in connection with the PHX acquisition;
- merger costs; and
- other financial and strategic risks of the PHX acquisition.

PHX has experienced significant revenue growth over the prior three years, and there is no assurance that such growth will continue following completion of the proposed acquisition.

PHX has experienced significant pro forma revenue growth over the prior three years, with pro forma revenue increasing from $30.3 million in 2012 to $42.8 million in 2013 to $40.7 million for the nine months ended September 30, 2014. This pro forma revenue growth has been based on PHX's ability to attract new customers, to increase the scope of services it can provide to both existing and new customers through the expansion of its services and products and to attract additional customers in the healthcare payor market. Continued pro forma revenue growth for PHX following the proposed acquisition will depend on, among other factors, PHX's ability to implement solutions and integrate platforms with new clients in a timely and efficient manner, to continue to attract new customers in the increasingly competitive healthcare payor market and to maintain pricing levels with its existing and future clients. Given uncertainties surrounding the continued growth, or rate of growth, of PHX's pro forma revenue following our proposed acquisition, PHX's pro forma revenue growth over any prior period should not be held as an indication of future performance. In addition, we expect our ability to successfully cross-sell our solutions along with PHX's solutions will be a significant factor influencing our growth following completion of the proposed PHX acquisition. Following completion of the proposed acquisition, we may not be successful in cross-selling our post-payment solutions with PHX's pre-payment solutions because existing and new customers may find our existing solutions or PHX's additional solutions unnecessary or unattractive. Further, continued focus on growth and the expansion of PHX's business may place additional demands on management, operations and financial resources and will require PHX to incur additional expenses. We cannot be sure that we will be able to manage any further PHX growth effectively following completion of the acquisition.

The obligations and liabilities of PHX, some of which may be unanticipated or unknown, may be greater than we have anticipated, which may diminish or eliminate the value of PHX to us.

PHX's obligations and liabilities, some of which may not have not been disclosed to us or may not be reflected or reserved for in PHX's historical financial statements, may be greater than we have anticipated. For example, PHX is subject to adverse legal proceedings in Federal District Court in Florida for alleged patent infringement, which may result in costs and/or damages and impair aspects of its business (potentially including treble damages and attorney's fees if PHX were found to have infringed willfully or to have aided or abetted the infringement of a patent willfully). Further, PHX is a party to other legal proceedings, which could result in substantial damage or settlement costs or could require PHX to redesign PHX's products and services and seek out third party licenses, which may not be available on reasonable terms, or at all. Adverse legal proceedings can be expensive, time-consuming, and may divert the efforts of PHX's technical and managerial personnel, which could in turn harm PHX's business, whether or not PHX receives a determination favorable to it. Some of PHX's competitors may be able to devote significantly more resources to intellectual property litigation and other proceedings, and such competitors may have significantly broader patent portfolios to assert against PHX if PHX asserts its rights against them. The obligations and liabilities of PHX, individually or in the aggregate, could have a material adverse effect on PHX's business or PHX's value to us or on our business, financial condition or results of operations.

Many of PHX's contracts with its clients are short term and do not commit its clients to provide specified volumes of business.

A large portion of PHX's existing customer contracts enable its clients to unilaterally terminate their contractual relationship with PHX upon short notice, generally not more than six months, without penalty, potentially leading to a loss of business or renegotiation of terms. For example, all of the contracts of PHX's top ten customers by revenue (representing approximately 40% and 42% PHX's total pro forma revenue for 2013 and the nine months ended September 30, 2014, respectively) may be terminated upon short notice. In particular, PHX's contracts with a single customer that represented approximately 10.4% and 15.3% of total pro forma revenue for each of the year ended December 31, 2013 and the nine months ended September 30, 2014, respectively, are terminable upon short notice. Further, most of PHX's contracts in these markets allow its clients to unilaterally change the volume of claims that PHX may audit or review at any given time. Therefore, despite PHX's contractual relationships with its clients, these contracts do not provide assurance that PHX will receive a specific volume of the client's claims or generate a minimum amount of revenues. Accordingly, PHX's pro forma revenues and operating results would be negatively affected if its existing clients reduced the volume of claims provided to PHX or modified the terms of service or the level of success fees associated with such claims.

PHX faces significant competition in connection with obtaining, retaining and performing under its existing client contracts, and an inability to compete effectively in the future could harm PHX's relationships with its clients, which would impact revenues and operating results.

PHX operates in competitive markets. Initially, PHX competes with many other companies in the engagement by health plans and TPAs for its cost integrity Accordingly, maintaining high levels of performance, and doing so in a cost-effective manner, are important factors in PHX's ability to maintain and grow revenues and net income and the failure to achieve these objectives could harm the business, financial condition and results of operations of PHX. Further, some current and potential competitors in PHX's markets may have greater financial, marketing, technological or other resources, which may provide such competitors with an advantage in engaging and maintaining potential clients. In addition, the ability of any of PHX's competitors and potential competitors to adopt new and effective technology to better serve PHX's markets may allow them to gain market strength. Increasing levels of competition in the future may result in lower pricing levels, lower revenues or higher costs for resources. Any inability to compete effectively in the markets that PHX serves could adversely affect our business, financial condition and results of operations following the proposed PHX acquisition.

PHX may be harmed if it loses members of its management team or other key employees or fails to hire and retain employees with specialized skills.

PHX is highly dependent on members of its management team and other key employees and the future success of PHX following completion of the acquisition will depend in part on PHX's ability to retain these people. Further, PHX's healthcare-related cost integrity solutions requires employees with specialized skills, such as registered nurses and experts in healthcare related coding. Finding, attracting and retaining employees with these specialized skills is a critical component of PHX being able to provide its cost integrity solutions, and its inability to staff these operations appropriately represents a risk to its ongoing business and associated revenues. The inability to continue to attract and retain members of the PHX management team and other key employees following completion of the acquisition could adversely affect the business, financial condition and results of operations of the combined company.

Internal control deficiencies or weaknesses that are not yet identified could emerge.

After the PHX acquisition, we may identify deficiencies or weaknesses in its internal controls over time and, where and when appropriate, report on these deficiencies or weaknesses. However, the internal control procedures can provide only reasonable, and not absolute, assurance that deficiencies or weaknesses are identified. Deficiencies or weaknesses that have not been identified by us or PHX could emerge and these deficiencies or weaknesses could have a material impact on the results of operations for the combined company.

Prior to the PHX acquisition, PHX was a privately-held company and its new obligations of being a part of a public company may require significant resources and management attention.

Prior to the PHX acquisition, PHX was a privately-held company and its new obligations of being a part of a public company may require significant resources and management attention. Upon consummation of the PHX acquisition, PHX companies will become subsidiaries of our consolidated company, and will need to comply with the Sarbanes-Oxley Act of 2002 and the rules and regulations subsequently implemented by the Securities and Exchange Commission and the Public Company Accounting Oversight Board. We will need to ensure that the PHX establishes and maintains effective disclosure controls as well as internal controls and procedures for financial reporting, and such compliance efforts may be costly and may divert the attention of management.

Risks Related to the Proposed PHX Acquisition

This offering is not conditioned upon the closing of the PHX acquisition, and there can be no assurance that the PHX acquisition will be completed.

On January 28, 2015, we signed a definitive merger agreement to acquire PHX in a stock and cash transaction. We expect the PHX acquisition to close in February 2015, subject to customary closing conditions. Closing of the PHX acquisition is subject to completion of this offering of convertible senior notes and the concurrent common stock offering as well as other customary terms and conditions. However, completion of the PHX acquisition is not a condition to completion of this offering or the concurrent common stock offering, and there can be no assurance that the PHX acquisition will be completed. If this offering has been completed, and the PHX acquisition is terminated, does not occur for any reason or does not occur by February 12, 2015, the notes offered hereby will remain outstanding whether or not the PHX acquisition is completed and we will be required to apply the net the proceeds from this offering and from the concurrent common stock offering (and if necessary, other cash on hand) for repayment in full of all outstanding obligations under our senior secured credit facility. The failure to

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pay in full all outstanding obligations under our senior secured credit facility in accordance with the foregoing will constitute an event of default thereunder which could result in defaults under other indebtedness and obligations of ours.

Actual results may differ from any statements made by us concerning future revenue and revenue growth of PHX or the anticipated impact of the PHX acquisition on the operating results of the combined company, and these differences could be material.

In connection with this offering, we have made a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act, including statements relating to expected timing of the PHX acquisition and the prospects for the combined company. These statements are based upon our management's preliminary estimates based on forecasts prepared by PHX's management. Although we believe that we have a reasonable basis for such forward-looking statements, these statements are based on our projections of future events that are subject to known and unknown risks and uncertainties and other factors that may cause the combined company's actual results, level of activity, performance or achievements expressed or implied by these forward-looking statements to differ in a material way. Additional risks and uncertainties that could cause actual results to differ materially from currently anticipated results include, but are not limited to, risks relating to our ability to successfully integrate PHX; our ability to commercialize PHX's services; unanticipated increases in costs or expenses; and the other risks identified in this prospectus supplement and the documents incorporated by reference in this prospectus supplement. Our actual financial condition and results of operations following the PHX acquisition may not be consistent with, or evident from, the statements provided herein. Other unknown or unpredictable factors also could harm our results. Consequently, actual results or developments anticipated by us may not be realized or, even if substantially realized, may not have the expected consequences to, or effects on, us. Any failure to meet expectations regarding the prospects for the combined company could have a material adverse effect on the trading price or volume of our stock.

Any failure to successfully integrate PHX's business and operations or fully realize any potential synergies from the acquisition in the expected time frame would adversely affect our business, operating results, and financial condition.

We do not have a history of acquiring other companies, and the success of the PHX acquisition will depend, in part, on our ability to successfully integrate PHX's business and operations and fully realize the anticipated benefits and potential synergies from combining our business with PHX's business. If we are unable to achieve these objectives following the acquisition, the anticipated benefits and potential synergies of the acquisition may not be realized fully or at all, or may take longer to realize than expected. Any failure to timely realize these anticipated benefits would have a material adverse effect on our business, operating results, and financial condition.

The PHX acquisition may not be completed on a timely basis or at all. The failure to complete the PHX acquisition would eliminate, or any delay in the closing of the PHX acquisition may significantly reduce, the benefits expected to be obtained from the PHX acquisition and could adversely affect the market price of our common stock and our future business and financial results.

The PHX acquisition is subject to a number of conditions, including, without limitation, completion of this offering of convertible senior notes and the concurrent common stock offering, compliance with covenants of the parties and the continuing accuracy of the representations and warranties of the parties, each of which is beyond our control and could prevent, delay or otherwise materially and adversely affect closing of the PHX acquisition. See "The PHX Acquisition Summary of the PHX Acquisition Conditions to Closing of the PHX Acquisition." Neither we nor PHX can predict whether and when these other conditions will be satisfied. In addition, both we and PHX have the ability to terminate the merger agreement under certain circumstances.

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Failure to complete the PHX acquisition would prevent us and PHX from realizing the anticipated benefits of the PHX acquisition. We would also remain liable for significant transaction costs, including legal, accounting and financial advisory fees, and we could become liable to PHX if the merger agreement is terminated under certain circumstances for an expense termination fee equal to $750,000.

In addition, the market price of our common stock may reflect various market assumptions as to whether the PHX acquisition will be completed. Consequently, the completion of, the failure to complete, or any delay in the closing of the PHX acquisition could result in a significant change in the market price of our common stock.

Uncertainty about the PHX acquisition may adversely affect the relationships that we, PHX or our combined company have with our respective customers, service providers and employees, whether or not the PHX acquisition is completed.

Parties with whom we or PHX do business may experience uncertainty associated with the PHX acquisition, including with respect to current or future business relationships with us, PHX or the combined business. These business relationships may be subject to disruption as customers and others may attempt to (a) negotiate changes in existing business relationships, (b) delay, defer or cease purchasing services from or providing services to us, PHX or our combined company or (c) consider entering into business relationships with parties other than us, PHX or the combined business, including our competitors or those of PHX. These disruptions could have a material adverse effect on the businesses, operating results, and financial condition of each of us or, if the PHX acquisition is completed, the combined business.

Uncertainties associated with the PHX acquisition may cause a loss of management personnel and other key employees that could adversely affect our future business, operations and financial results following the PHX acquisition.

Whether or not the PHX acquisition is completed, the announcement and pendency of the PHX acquisition could disrupt PHX's and our respective businesses. We and PHX are both dependent on the experience and industry knowledge of our respective senior management and other key employees, including sales and marketing executives, to execute our respective business plans. Our success after the PHX acquisition will depend in part upon the ability PHX's and our ability to retain our respective key management personnel and other of our respective key employees in advance of the PHX acquisition, and of our combined company's ability to do so following the PHX acquisition. Our current and prospective employees and those of PHX may experience uncertainty about their roles within the combined company following the PHX acquisition, which may have an adverse effect on the current ability of PHX or us to attract or retain key management and other key personnel or the ability of the combined company to do so following the PHX acquisition. Moreover, while the Chief Operating Officer of PHX plans to remain with us as PHX's President, the Chief Executive Officer and co-founder of PHX will become a consultant to us but will not remain an employee of PHX following completion of the proposed PHX acquisition.

Accordingly, no assurance can be given that the combined company will be able to attract or retain key management personnel and other key employees of ours or of PHX to the same extent that such companies have previously been able to attract or retain employees. In addition, following the PHX acquisition, we might not be able to locate suitable replacements for any such key employees who leave us or PHX or offer employment to potential replacements on satisfactory terms.

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Our results after the PHX acquisition may suffer if we do not effectively manage our expanded operations following the PHX acquisition.

Following the PHX acquisition, the size of our business will increase significantly beyond the current size of our existing business. Our future success depends, in part, upon our ability to manage this expanded business, which will pose substantial challenges for our management, including challenges related to the management and monitoring of additional operations and associated increased costs and complexity. There can be no assurances we will be successful after closing of the PHX acquisition or that we will realize the expected benefits currently anticipated from the PHX acquisition.

We will incur significant acquisition-related integration costs in connection with the PHX acquisition and significant transaction expenses in connection with the negotiation and consummation of the PHX acquisition and completion of this offering of convertible senior notes and the concurrent common stock offering.

We are currently developing a plan to integrate the operations of PHX after the completion of the PHX acquisition. In connection with that plan, we anticipate that we will incur certain non-recurring charges in connection with this integration; however, we cannot identify the timing, nature and amount of all such charges as of the date of this prospectus supplement. Further, we currently expect to incur significant transaction costs relating to negotiating and completing the PHX acquisition, this offering of convertible senior notes and the concurrent common stock offering. These integration costs and transaction expenses will be charged as an expense in the period incurred. The significant transaction costs and PHX acquisition-related integration costs could materially affect our results of operations in the period in which such charges are recorded. Although we believe that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the business, will offset incremental transaction and PHX acquisition-related costs over time, this net benefit may not be achieved in the near term, or at all.

Charges to earnings resulting from the application of the acquisition method of accounting may adversely affect the market value of our common stock following the closing of the PHX acquisition.

In accordance with GAAP, the PHX acquisition will be accounted for using the acquisition method of accounting, which will result in charges to earnings that could have an adverse impact on the market value of our common stock following the closing of the PHX acquisition. Under the acquisition method of accounting, the total estimated purchase price will be allocated to PHX's pro forma net tangible assets and identifiable intangible assets based on their respective fair values as of the date of closing of the PHX acquisition. Any excess of the purchase price over those fair values will be recorded as goodwill. The combined company will incur additional amortization expense based on the identifiable amortizable intangible assets acquired pursuant to the merger agreement and their relative useful lives. Additionally, to the extent the value of goodwill or identifiable intangible assets or other long-lived assets may become impaired, the combined company will be required to incur charges relating to the impairment. These amortization and potential impairment charges could have a material impact on the combined company's results of operations.

If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.

Under GAAP, we review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. As of September 30, 2014, we had recorded a total of $111.3 million of goodwill and other intangible assets. According to our preliminary valuation of assets acquired and liabilities assumed included in our unaudited pro forma condensed combined financial statements included elsewhere in this prospectus supplement, we will record an additional $103.3 million in goodwill in connection with our proposed acquisition of PHX. The preliminary estimates of fair value and weighted-average useful life included in our unaudited pro forma condensed combined financial statements will

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likely be different from the final acquisition accounting for the PHX transaction, and the difference could have a material impact on the pro forma condensed combined financial statements. Once we have full access to the specifics of PHX's operations, additional insight will be gained that could impact: (1) the intangible assets identified; (2) the estimated total value assigned to intangible assets; and (3) the estimated useful life of each category of intangible assets. The estimated intangible asset values and their useful lives could be impacted by a variety of factors that may become known to us only upon access to additional information and/or changes in such factors that may occur prior to the effective time of the acquisition. For each $10 million change in the fair value of identifiable intangible assets, there could be an annual change in amortization expense increase or decrease of approximately $1.1 million ($280 thousand per quarter), assuming a weighted-average useful life of 9 years. An adverse change in market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill or intangible assets. Any such material charges may have a material negative impact on our operating results.

If we successfully acquire PHX, the acquired business may underperform relative to our expectations.

Following completion of the acquisition of PHX, we may not be able to maintain the levels of revenue, earnings or operating efficiency that we and PHX have achieved or might achieve separately. PHX's business and financial performance are subject to certain risks and uncertainties, including the risk of the loss of, or changes to, its relationships with its customers and independent contractors. We may be unable to achieve the same growth, revenues and profitability that PHX has achieved in the past.

The pro forma financial statements included in this prospectus supplement are presented for illustrative purposes only and may not be an indication of our financial condition or results of operations following the PHX acquisition.

The pro forma financial statements included in this prospectus supplement are presented for illustrative purposes only, are based on various adjustments and assumptions, many of which are preliminary, and may not be an indication of our financial condition or results of operations following the PHX acquisition. Our actual financial condition and results of operations following the PHX acquisition may not be consistent with, or evident from, these pro forma financial statements. In addition, the assumptions used in preparing the pro forma financial data may not prove to be accurate, and other factors may affect our financial condition or results of operations following the PHX acquisition. In addition, this offering of convertible senior notes and the concurrent common stock offering are not conditioned upon completion of the PHX acquisition and, if this offering is completed, the notes will remain outstanding even if the PHX acquisition is not completed. Therefore, investors should refer to our historical financial statements incorporated by reference in this prospectus supplement when evaluating an investment in the notes.

Risks Related to the Notes

The notes are effectively subordinated to our secured debt and any liabilities of our subsidiaries.

The notes will rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment to our existing and future liabilities that are not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our current or future subsidiaries, including under our senior secured credit facility. See "Description of Other Indebtedness." In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure debt ranking senior in right of payment to the notes, including our senior secured credit facility, will be available to pay obligations on the notes only after the secured debt has been repaid in full from these assets. There may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. The indenture governing the notes does not prohibit us from incurring additional senior debt or secured debt, nor does it prohibit any of our subsidiaries from incurring additional liabilities.

As of December 31, 2014, our estimated total consolidated indebtedness was $111.8 million, all of which was secured indebtedness of our subsidiaries under our senior secured credit facility. After giving effect to the issuance of the notes (assuming no exercise of the underwriters' over-allotment option) and the use of proceeds therefrom, our total consolidated indebtedness would have been $ million (without giving effect to the equity component of convertible debt or any debt discount).

The notes are our obligations only and our operations are conducted through, and substantially all of our consolidated assets are held by, our subsidiaries.

The notes are our obligations exclusively and are not guaranteed by any of our subsidiaries. A substantial portion of our consolidated assets is held by our subsidiaries. If the acquisition closes, PHX and its subsidiaries, will also become subsidiaries of ours. Accordingly, our ability to service our debt, including the notes, depends on the results of operations of our subsidiaries and upon the ability of such subsidiaries to provide us with cash, whether in the form of dividends, loans or otherwise, to pay amounts due on our obligations, including the notes. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to make payments on the notes or to make any funds available for that purpose. In addition, dividends, loans or other distributions to us from such subsidiaries are restricted by our senior secured credit facility and may be restricted by any future indebtedness incurred by us or our subsidiaries. See "Description of Other Indebtedness." Such dividends, loans or other distributions may be subject to other restrictions and are subject to other business considerations.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Recent and future regulatory actions and other events may adversely affect the trading price and liquidity of the notes.

We expect that many investors in, and potential purchasers of, the notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the notes. Investors would typically implement such a strategy by selling short the common stock underlying the notes and dynamically adjusting their short position while continuing to hold the notes. Investors may also implement this type of strategy by entering into swaps on our common stock in lieu of or in addition to short selling the common stock.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules and take other actions, that may impact those engaging in short selling activity involving equity securities (including our common stock). Such rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc. and the national securities exchanges of a "Limit Up-Limit Down" program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street

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Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts the ability of investors in, or potential purchasers of, the notes to effect short sales of our common stock, borrow our common stock or enter into swaps on our common stock could adversely affect the trading price and the liquidity of the notes.

Volatility in the market price and trading volume of our common stock could adversely impact the trading price of the notes.

We expect that the trading price of the notes will be significantly affected by the market price of our common stock. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this section, elsewhere in this prospectus supplement or for reasons unrelated to our operations, many of which are beyond our control. A decrease in the market price of our common stock would likely adversely impact the trading price of the notes. The price of our common stock could also be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our common stock. This trading activity could, in turn, affect the trading prices of the notes.

We may incur substantially more debt or take other actions that would intensify the risks discussed above.

We and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. We will not be restricted under the terms of the indenture governing the notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indenture governing the notes that could have the effect of diminishing our ability to make payments on the notes when due.

We may not have the ability to raise the funds necessary to settle conversions of the notes or to repurchase the notes upon a fundamental change, and our senior secured credit facility contains and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the notes.

Holders of the notes will have the right to require us to repurchase their notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, as described under "Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes." In addition, upon conversion of the notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than cash in lieu of any fractional share), we will be required to make cash payments in respect of the notes being converted as described under "Description of Notes Conversion Rights Settlement Upon Conversion." However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor or notes being converted. In addition, our repurchasing the notes or paying cash upon conversions of the notes (other than cash in lieu of any fractional share) is prohibited under our senior secured credit facility as described under "Description of Other Indebtedness," and may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase notes at a time when the repurchase is required by the indenture or to pay any cash payable on future conversions of the notes as required by the indenture would constitute a default under the indenture. An event of default under the indenture or the fundamental change itself would each be an event of default under our senior secured credit facility and could also lead to a default under other agreements governing our or our subsidiaries' future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the notes or make cash payments upon conversions thereof.

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The conditional conversion feature of the notes, if triggered, may adversely affect our financial condition and until the payment in full of our senior secured credit facility, we will not be able to settle conversions of the notes in cash.

If the conditional conversion feature of the notes is triggered, holders of notes will be entitled to convert the notes at their option at any time during specified periods. See "Description of Notes Conversion Rights." If one or more holders elect to convert their notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than cash in lieu of any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. The latest regularly scheduled maturity date of the loans under our senior secured credit facility is in March 2018. Until the payment in full of all outstanding obligations under our senior secured credit facility, we will not be able to satisfy our conversion obligation through the payment of cash (other than cash in lieu of any fractional share). However, because the indenture under which the notes will be issued will not limit our ability to incur indebtedness, it is possible that any replacement or refinancing of our senior secured credit facility could further limit our ability to satisfy our conversion obligation through the payment of cash (other than cash in lieu of any fractional share).

The accounting method for convertible debt securities that may be settled in cash, such as the notes, is the subject of recent changes that could have a material effect on our reported financial results.

Under Accounting Standards Codification 470-20, Debt with Conversion and Other Options, or ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the notes to their face amount over the term of the notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

In addition, under certain circumstances, convertible debt instruments (such as the notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the notes, then our diluted earnings per share would be adversely affected.

Holders of notes will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to them to the extent our conversion obligation includes shares of our common stock.

Holders of notes will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock) prior to the conversion date relating to such notes (if we have elected to settle the relevant conversion by delivering solely shares of our common stock (other than cash in lieu of any fractional

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share)) or the last trading day of the relevant observation period (if we elect to pay and deliver, as the case may be, a combination of cash and shares of our common stock in respect of the relevant conversion), but holders of notes will be subject to all changes affecting our common stock. For example, if an amendment is proposed to our certificate of incorporation or by laws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date related to a holder's conversion of its notes (if we have elected to settle the relevant conversion by delivering solely shares of our common stock (other than cash in lieu of any fractional share)) or the last trading day of the relevant observation period (if we elect to pay and deliver, as the case may be, a combination of cash and shares of our common stock in respect of the relevant conversion), such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common stock.

The conditional conversion feature of the notes could result in your receiving less than the value of our common stock into which the notes would otherwise be convertible.

Prior to 5:00 p.m., New York City time, on the business day immediately preceding August 15, 2019, you may convert your notes only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your notes, and you may not be able to receive the value of the cash, common stock or a combination of cash and common stock, as applicable, into which the notes would otherwise be convertible.

Upon conversion of the notes, you may receive less valuable consideration than expected because the value of our common stock may decline after you exercise your conversion right but before we settle our conversion obligation.

Under the notes, a converting holder will be exposed to fluctuations in the value of our common stock during the period from the date such holder surrenders notes for conversion until the date we settle our conversion obligation.

Upon conversion of the notes, we have the option, subject to the limitations set forth in our senior secured credit facility, to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock. If we elect to satisfy our conversion obligation in cash or a combination of cash and shares of our common stock, the amount of consideration that you will receive upon conversion of your notes will be determined by reference to the volume weighted average prices of our common stock for each trading day in a 60 trading day observation period. As described under "Description of Notes Settlement Upon Conversion," this period would be (i) if the relevant conversion date occurs prior to August 15, 2019, the 60 consecutive trading day period beginning on, and including, the third trading day after such conversion date; and (ii) if the relevant conversion date occurs on or after August 15, 2019, the 60 consecutive trading days beginning on, and including, the 62nd scheduled trading day immediately preceding the maturity date. Accordingly, if the price of our common stock decreases during this period, the amount and/or value of consideration you receive will be adversely affected. In addition, if the market price of our common stock at the end of such period is below the average of the volume weighted average price of our common stock during such period, the value of any shares of our common stock that you will receive in satisfaction of our conversion obligation will be less than the value used to determine the number of shares that you will receive.

If we elect to satisfy our conversion obligation in solely shares of our common stock upon conversion of the notes, we will be required to deliver the shares of our common stock, together with cash for any fractional share, on the third business day following the relevant conversion date. Accordingly, if the price of our common stock decreases during this period, the value of the shares that you receive will be adversely affected and would be less than the conversion value of the notes on the conversion date.

The notes are not protected by restrictive covenants.

The indenture governing the notes will not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture will not contain any covenants or other provisions to afford protection to holders of the notes in the event of a fundamental change or other corporate transaction involving us except to the extent described under "Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes," "Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change" and "Description of Notes Consolidation, Merger and Sale of Assets."

The adjustment to the conversion rate for notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction.

If a make-whole fundamental change occurs prior to the maturity date, under certain circumstances, we will increase the conversion rate by a number of additional shares of our common stock for notes converted in connection with such make-whole fundamental change. The increase in the conversion rate will be determined based on the date on which the make-whole fundamental change becomes effective and the price paid (or deemed to be paid) per share of our common stock in such transaction, as described below under "Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change." The adjustment to the conversion rate for notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction. In addition, if the price paid (or deemed paid) per share of our common stock in the make-whole fundamental change is greater than $ per share or less than $ per share (in each case, subject to adjustment), no additional shares will be added to the conversion rate. Moreover, in no event will the conversion rate per $1,000 principal amount of notes as a result of this adjustment exceed shares of our common stock, subject to adjustments in the same manner as the conversion rate as set forth under "Description of Notes Conversion Rights Conversion Rate Adjustments."

Our obligation to increase the conversion rate upon the occurrence of a make-whole fundamental change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events, including, but not limited to, the issuance of certain stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, cash dividends and certain issuer tender or exchange offers as described under "Description of Notes Conversion Rights Conversion Rate Adjustments." However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the notes or our common stock. An event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the conversion rate.

Some significant restructuring transactions and significant changes in the composition of our board may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes.

Upon the occurrence of a fundamental change, you have the right to require us to repurchase your notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of other transactions that could adversely affect the notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings, or acquisitions initiated by us or our subsidiaries may not constitute a fundamental change requiring us to repurchase the notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

In addition, a significant change in the composition of our board, including in connection with a proxy contest where our board does not endorse a dissident slate of directors, would not automatically constitute a fundamental change. In the event of any such significant change in the composition of our board, the holders would not have the right to require us to repurchase the notes and would not be entitled to an increase in the conversion rate upon conversion as described under "Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change."

We cannot assure you that an active trading market will develop for the notes.

Prior to this offering, there has been no trading market for the notes, and we do not intend to apply to list the notes on any securities exchange or to arrange for quotation on any automated dealer quotation system. We have been informed by the underwriters that they intend to make a market in the notes after the offering is completed. However, the underwriters may cease their market-making at any time without notice. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that an active trading market will develop for the notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected. In that case you may not be able to sell your notes at a particular time or you may not be able to sell your notes at a favorable price.

Any adverse rating of the notes may cause their trading price to fall.

We do not intend to seek a rating on the notes. However, if a rating service were to rate the notes and if such rating service were to lower its rating on the notes below the rating initially assigned to the notes or otherwise announces its intention to put the notes on credit watch, the trading price of the notes could decline.

You may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the notes, even though you do not receive a corresponding cash distribution.

The conversion rate of the notes is subject to adjustment in certain circumstances, including the payment of certain cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as certain cash dividends, you will be deemed to have received, to the extent of our earnings and profits, a dividend subject to U.S. federal income tax without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the conversion rate after an event that increases your proportionate interest in us could be treated as a deemed taxable dividend to you. If a make-whole fundamental change occurs prior to the maturity date of the notes, under some circumstances, we will increase the conversion rate for notes converted in connection with the make-whole fundamental change.

Such increase may also be treated as a distribution subject to U.S. federal income tax as a dividend. See "Material U.S. Federal Income Tax Consequences." If you are a Non-U.S. Holder (as defined in "Material U.S. Federal Income Tax Consequences"), any deemed dividend would be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable treaty. In certain circumstances, if you are a U.S. Holder (as defined in "Material U.S. Federal Income Tax Consequences") or a Non-U.S. Holder, deemed dividends may be subject to backup withholding tax at a 28% rate or withholding tax at a 30% rate under legislation commonly referred to as FATCA. Any of the foregoing withholding taxes may be withheld from interest and payments upon conversion, redemption or

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maturity of the notes or, if the withholding tax is paid on behalf of you by us or other withholding agent, may be withheld from payments of cash on the notes or common stock and shares of common stock payable on the notes, if any, or sales proceeds subsequently paid or credited to you. See "Material U.S. Federal Income Tax Consequences."

You should carefully consider the U.S. federal income tax consequences of converting the notes.

The U.S. federal income tax treatment of the conversion of the notes into a combination of our common stock and cash is not entirely certain. You should consult your tax advisors with respect to the U.S. federal income tax consequences resulting from the conversion of notes into a combination of cash and common stock. A discussion of the U.S. federal income tax consequences of the purchase, ownership and disposition of the notes is contained in this prospectus supplement under "Material U.S. Federal Income Tax Consequences."

Risks Related to Our Business

Our agreements with the Department of Education and CMS, two of our largest customers, are currently subject to rebidding processes, and our failure to renew these agreements or a renewal on less favorable terms would have a significant negative impact on our revenues and results of operations.

Our existing contracts with the Department of Education and CMS are currently subject to rebidding processes. The Department of Education and CMS were responsible for approximately 25% and 18% of our revenues for the nine months ended September 30, 2014, respectively, and 20% and 26% of our revenues for the year ended December 31, 2013, respectively. The Department of Education has announced that it expects to award contracts in in April 2015 and that the number of recovery service providers under the new contracts is to be reduced from 17 to between eight and 12. We are currently participating in a competitive bidding process for the next RAC contract, but this process has been and may continue to be delayed, including by ongoing litigation related to the bidding process, protests following the award of contracts or other factors. While we believe our performance under existing contracts with the Department of Education and CMS and the experience we have gained in performing under these contracts position us well to renew both of these agreements, continued delays in the award of the new contracts, failure to retain either of these agreements or a significant adverse change in the terms of either of these agreements upon any renewal would seriously harm our revenues and our operating results.

The transition rules implemented by CMS in connection with the award of the new RAC contract and the delays associated with the award of the new RAC contract will have an adverse impact on our revenues.

Our ability to make claims under our existing RAC contract continues to be limited by contract transition rules announced by CMS. In this regard, CMS suspended our ability to request medical records for audit during a significant portion of the fourth quarter of 2013 and all of 2014 other than a brief period in January and February 2014, beginning again in August 2014 through year end. Recently, CMS announced that it extended our existing RAC contract through December 31, 2015, but has not indicated the type of audit activities and the scope of procedures we will be allowed to conduct during this extended period. In addition, even during periods of permitted audit activity, CMS has placed restrictions on the types of claims and the amount of certain medical records requests that we may make during the transition period, and CMS has generally maintained a long-running prohibition on requesting medical records from PIP providers. These transition rules have had a material adverse effect on our revenues during the year ended December 31, 2014. Our revenues from CMS during the quarter ended September 30, 2014 were $4.0 million, compared to $28.2 million in the same quarter of 2013. Our revenues under this contract will be further diminished during the 2015 calendar year. In addition, a federal appeals court is reviewing a lower court decision denying a protest involving three of the four new RAC contracts, which has resulted in an injunction barring the award of three of the four new RAC contracts. A fifth RAC contract, which is a

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new type of RAC contract covering the identification and recovery of improper claims for durable medical equipment, prosthetics, orthotics and supplies and home health and hospice claims, was not covered by the injunction and was awarded to another party in January 2015. We are not a party to this litigation. CMS has stated that the injunction will delay the award of the three RAC contracts that are subject to the injunction until the judge's ruling on the injunction, which is not expected to occur until summer 2015. It is uncertain whether CMS will award the RAC contract not covered by the injunction in the interim period or wait to award all of the new RAC contracts at the same time. As a result of the delays in the award of the new RAC contract and the restrictions on our audit activities under the existing contract, we expect the reduction in healthcare revenues will have a material adverse effect on our revenues for 2014 and 2015. In addition, if we are successful in obtaining a new RAC contract with CMS, we expect there will be an approximate four to six month period until we start to recognize revenue after the award is made.

Revenues generated from our four largest clients represented 72% of our revenues for the nine months ended September 30, 2014 and 75% of our revenues for the year ended December 31, 2013, and any termination of or deterioration in our relationship with any of these clients would result in a decline in our revenues.

We derive a substantial majority of our revenues from a limited number of clients, including the Department of Education, CMS and two GAs. Revenues from our four largest clients represented 72% of our revenues for the nine month ended September 30, 2014 and 75% of our revenues for the year ended December 31, 2013. All of our contracts with these clients are subject to periodic renewal and re-bidding processes and if we lose one of these clients or if the terms of our relationships with any of these clients become less favorable to us, our revenues would decline, which would harm our business, financial condition and results of operations.

Many of our contracts with our clients for the recovery of student loans and other receivables are not exclusive and do not commit our clients to provide specified volumes of business. In addition, the terms of these contracts may be changed unilaterally and on short notice by our clients. As a consequence, there is no assurance that we will be able to maintain our revenues and operating results.

Substantially all of our existing contracts for the recovery of student loans and other receivables, which represented approximately 81% of our revenues for the nine months ended September 30, 2014 and 74% of our revenues in the year ended December 31, 2013, enable our clients to unilaterally terminate their contractual relationship with us at any time without penalty, potentially leading to loss of business or renegotiation of terms. Further, most of our contracts in these markets allow our clients to unilaterally change the volume of loans and other receivables that are placed with us or the payment terms at any given time. In addition, most of our contracts are not exclusive, with our clients retaining multiple service providers with whom we must compete for placements of loans or other obligations. Therefore, despite our contractual relationships with our clients, our contracts do not provide assurance that we will generate a minimum amount of revenues or that we will receive a specific volume of placements.

Our revenues and operating results would be negatively affected if our student loan and receivables clients, which include four of our five largest clients for the nine months ended September 30, 2014 and 2013, reduce the volume of student loan placements provided to us, modify the terms of service, including the success fees we are able to earn upon recovery of defaulted student loans, or any of these clients establish more favorable relationships with our competitors. For example, in 2013 in connection with the Department of Education's decision to have its recovery vendors promote income-based repayment, or IBR, to defaulted student loans, the Department of Education unilaterally reduced the contingency fee rate that we receive for rehabilitating student loans by approximately 13%. Further, in October 2014, the Department of Education announced a change to a fixed fee of $1,710 payable for each loan that is rehabilitated in place of a recovery fee that historically had been based on a percentage of the balance of the rehabilitated loan. Although this change to a fixed fee structure will not take place until April 2015, had the new fixed fee structure been in place for 2014, we estimate that our overall student lending revenues would have decreased by approximately 13% for the nine months ended September 30, 2014 and by approximately $2.4 million in the third quarter of 2014, assuming no variation in our student loan placements during the periods.

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Any other changes in the contingency fee percentages or other compensation terms that we are paid under existing and future contracts could have a significant impact on our revenues and operating results.

Over the course of our existing RAC contract, there has been an increase in the number of appeals by healthcare providers to the third, or ALJ, level of appeal relating to claims we have audited, and there can be no assurance that our estimated liability for such appeals will be adequate.

Under our RAC contract with CMS, we recognize revenues when the healthcare provider has paid CMS for a claim or has agreed to an offset against other claims by the provider. Healthcare providers have the right to appeal a claim and may pursue additional levels of appeal if the initial appeal is found in favor of CMS. We accrue an estimated liability for appeals at the time revenue is recognized based on our estimate of the amount of revenue probable of being refunded to CMS following successful appeal based on historical data and other trends relating to such appeals. In addition, if our estimate of liability for appeals with respect to revenues recognized during a prior period changes, we increase or decrease the estimated liability reserve in the current period. Over the course of our existing RAC contract, healthcare providers have increased their pursuit of appeals beyond the first and second levels of appeals to the third level of appeal, where cases are heard by administrative law judges, or ALJs. In our experience, decisions at the third level of appeal are the least favorable as ALJs exercise greater discretion and there is less predictability in the ALJ decisions as compared to appeals at the first or second levels. The pursuit of third level appeals by healthcare providers has also resulted in a backlog of claims at that level of appeal. This increase of ALJ appeals and backlog of claims at the third level of appeal is the primary reason our estimated liability for appeals has grown from a balance of $4.4 million at December 31, 2012, to $15.3 million at December 31, 2013 to $17.2 million as of September 30, 2014. Our estimates for our appeal reserve are subject to uncertainties, and accordingly we may underestimate the number of successful appeals or the financial impact of successful appeals in a given year or period. To the extent that the amount of commissions that we are required to return to healthcare providers as a result of successful appeals exceeds our estimated appeals reserve, our revenues in the applicable period will be reduced by the amount of such excess. If we underestimate the amount of commissions that are subject to successful appeal, our revenues in future periods could be adversely affected.

Further, CMS recently offered to pay hospitals 68% of what they have billed Medicare to settle a backlog of pending appeals challenging Medicare's denials of reimbursement for certain types of short-term care. The implication of this settlement offer related to claims for which recovery auditors have already been paid under existing RAC contracts is uncertain at this time. Any payments we are required to make to CMS under our existing RAC contract in connection with such settlement offer may be significant and in excess of the amount we have reserved for appeals, which could have a material negative impact our financial position and liquidity.

Our ability to derive revenues under our RAC contract will depend in part on the number and types of potentially improper claims that we are allowed to pursue by CMS, and our results of operations may be harmed if the scope of claims that we are allowed to pursue and be compensated for is limited.

Under our existing RAC contract with CMS and any new RAC contract that we enter into upon completion of the current rebidding process with CMS, we are not permitted to and may not seek the recovery of an improper claim unless that particular type of claim has been pre-approved by CMS to ensure compliance with applicable Medicare payment policies, as well as national and local coverage determinations. Accordingly, the long-term growth of the revenues we derive under a RAC contract will also depend in part on CMS expanding the scope of potentially improper claims that we are allowed to pursue. If we are unable to continue to identify improper claims within the types of claims that we are permitted to pursue from time to time or if CMS does not expand the scope of potentially improper claims that we are allowed to pursue, our results of operations could be adversely affected.

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In addition, CMS has implemented rules that prevent RAC contractors from being able to review and audit (i) whether inpatient care delivered to patients with hospital stays lasting less than two midnights was medically necessary and therefore deserving of the higher reimbursement levels under Medicare Part A or (ii) whether inpatient treatment was medically necessary for admissions spanning more than two midnights. In connection with these restrictions, hospitals cannot bill CMS for outpatient services on hospital stays lasting less than two midnights during such period. Fees associated with recoveries initiated by us based upon improper claims for inpatient reimbursement of these short stays have represented a substantial portion of the revenues we have earned under our existing RAC contract. The continued suspension of this type of review activity could have a material adverse effect on our future healthcare revenues and operating results in the event we are successful in obtaining a second RAC contract, depending on a variety of factors including, among other things, CMS's evaluation of provider compliance with the new rules, the rules ultimately adopted by CMS with respect to medical necessity reviews of Medicare reimbursement claims associated with short stay inpatient admissions and, more generally, the scope of improper claims that CMS allows us to pursue and our ability to successfully identify improper claims within the permitted scope. In connection with the award of the new RAC contract, CMS has indicated that it is reviewing certain aspects of the RAC contract including the amount of medical records that RAC vendors may request and the timeframes for review and communications between RAC vendors and providers.

Our current or future indebtedness could adversely affect our business and financial condition and reduce the funds available to us for other purposes, and our failure to comply with the covenants contained in our senior secured credit facility could result in an event of default that could adversely affect our results of operations.

As of December 31, 2014, our estimated total debt was $111.8 million. For the nine months ended September 30, 2014 our consolidated interest expense was $7.8 million. Our ability to make scheduled payments or to refinance our debt obligations and to fund our other liquidity needs depends on our financial and operating performance, which is subject to factors specific to our business, such as maintaining our agreements with our key clients, as well as prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot make assurances that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal and interest on our indebtedness and to fund our other liquidity needs. If our cash flows and capital resources are insufficient to fund our debt service obligations and allow us to maintain compliance with the financial covenants and other covenants under our senior secured credit facility or to fund our other liquidity needs, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We cannot ensure that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our existing or future debt agreements, including our senior secured credit facility. If we cannot make scheduled payments on our debt, we will be in default and, as a result, our debt holders could declare all outstanding principal and interest to be due and payable, the lenders under our senior secured credit facility could terminate their commitments to lend us money and foreclose against the assets securing our borrowings and we could be forced into bankruptcy or liquidation.

Our debt agreements contain, and any agreements to refinance our debt likely will contain, financial and restrictive covenants that limit our ability to incur additional debt, including to finance future operations or other capital needs, and to engage in other activities that we may believe are in our long-term best interests, including to dispose of or acquire assets or make capital expenditures. Our failure to comply with these covenants may result in an event of default, which, if not cured or waived, could accelerate the maturity of our indebtedness or result in modifications to our credit terms. In November 2014, we entered into an agreement amending the terms of our senior secured credit facility, particularly in light of the delays in awarding new RAC contracts, and in connection with this offering and the proposed PHX acquisition we entered into a further amendment of our senior secured credit facility. See

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"Description of Other Indebtedness" for a more detailed discussion of our financial covenants as well as our current status under these covenants. If our indebtedness is accelerated, we may not have sufficient cash resources to satisfy our debt obligations and we may not be able to continue our operations as planned.

We face significant competition in connection with obtaining, retaining and performing under our existing client contracts, including our contracts with the Department of Education and CMS, and an inability to compete effectively in the future could harm our relationships with our clients, which would impact our ability to maintain our revenues and operating results.

We operate in very competitive markets. In providing our services to the student loan and other receivables markets, we face competition from many other companies. Initially, we compete with these companies to be one of typically several firms engaged to provide recovery services to a particular client and, if we are successful in being engaged, we then face continuing competition from the client's other retained firms based on the client's benchmarking of the recovery rates of its several vendors. In addition, those recovery vendors who produce the highest recovery rates from a client often will be allocated additional placements and in some cases additional success fees. Accordingly, maintaining high levels of recovery performance, and doing so in a cost-effective manner, are important factors in our ability to maintain and grow our revenues and net income and the failure to achieve these objectives could harm our business, financial condition and results of operations. Some of our current and potential competitors in the markets in which we operate may have greater financial, marketing, technological or other resources than we do. The ability of any of our competitors and potential competitors to adopt new and effective technology to better serve our markets may allow them to gain market strength. Increasing levels of competition in the future may result in lower recovery fees, lower volumes of contracted recovery services or higher costs for resources. Any inability to compete effectively in the markets that we serve could adversely affect our business, financial condition and results of operations.

The U.S. federal government accounts for a significant portion of our revenues, and any loss of business from, or change in our relationship with, the U.S. federal government would result in a significant decrease in our revenues and operating results.

We have historically derived and are likely to continue to derive a significant portion of our revenues from the U.S. federal government. For the nine months ended September 30, 2014, revenues under contracts with the U.S. federal government accounted for approximately 47.0% of our total revenues, compared to 48.0% for the year ended December 31, 2013. In addition, fees payable by the U.S. federal government are expected to become a larger percentage of our total revenues over the next several years as a result of legislation that has transferred responsibility for all new student loan origination to the Department of Education. The continuation and exercise of renewal options on existing government contracts and any new government contracts are, among other things, contingent upon the availability of adequate funding for the applicable federal government agency. Changes in federal government spending could directly affect our financial performance.

For example, the Bipartisan Budget Act of 2013, which was signed into law by President Obama on December 26, 2013, reduced the compensation paid to GAs for the rehabilitation of student loans, effective July 1, 2014. This "revenue enhancement" measure reduced from 18.5% to 16.0% of the outstanding loan balance, the amount that GAs can charge borrowers when a rehabilitated loan is sold by the GA and eliminated entirely the GAs retention of 18.5% of the outstanding loan balance as a fee for rehabilitation services. The reduction in compensation the GAs receive resulted in a decrease of approximately 25.0% in the contingency fee percentage that we receive from the GAs for assisting in the rehabilitation of defaulted student loans. Further, in October 2014, the Department of Education announced a new fee structure with respect to payment for rehabilitated loans to provide a fixed fee of $1,710 payable for each loan that is rehabilitated in place of a recovery fee that historically had been based

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as a percentage of the balance of the rehabilitated loan. Although this change to a fixed fee structure will not take place until April 2015, had the new fixed fee structure been in place for 2014, we estimate that our overall student lending revenue would have decreased by approximately 13% for the nine months ended September 30, 2014 and by approximately $2.4 million in the third quarter of 2014, assuming no variation in our student loan placement volume in the periods. Any additional decrease in the student loan contingency fees would result in a further decrease of our revenues. Further, any amounts that we may be obligated to pay CMS under existing RAC contract as a result of CMS's recent offer to pay hospitals 68% of what they have billed Medicare to settle a backlog of pending appeals challenging Medicare's denials of reimbursement for certain types of short-term care could have a material negative impact our financial position and liquidity. The loss of business from the U.S. federal government, or significant policy changes or financial pressures within the agencies of the U.S. federal government that we serve would result in a significant decrease in our revenues, which would adversely affect our business, financial condition and results of operations.

Future legislative or regulatory changes affecting the markets in which we operate could impair our business and operations.

The two principal markets in which we provide our recovery services, government-supported student loans and the Medicare program, are a subject of significant legislative and regulatory focus and we cannot anticipate how future changes in government policy may affect our business and operations. For example, the Student Aid and Fiscal Responsibility Act of 2009, or SAFRA, significantly changed the structure of the government-supported student loan market by assigning responsibility for all new government-supported student loan originations to the Department of Education, rather than originations by private institutions and backed by one of 30 government-supported GAs. This legislation, and any future changes in the legislation and regulations that govern these markets, may require us to adapt our business to the new circumstances and we may be unable to do so in a manner that does not adversely affect our business and operations.

Our business relationship with the Department of Education has accounted for a significant portion of our revenues and will take on increasing importance to our business as a result of SAFRA. Our failure to maintain this relationship would significantly decrease our revenues.

While the majority of our historical revenues from the student loan market have come from our relationships with the GAs, as a result of SAFRA, the Department of Education will ultimately become the sole source of revenues in this market, although the GAs will continue to service their existing student loan portfolios for many years to come. As a result, over time, and assuming we are successful in entering into a new contract with the Department of Education under the current rebidding process, defaults on student loans originated by the Department of Education will predominate and our ability to maintain the revenues we had previously received from a number of GA clients will depend on our relationship with a single client, the Department of Education. While we have 25 years of experience in performing student loan recovery services for the Department of Education, we are one of 17 unrestricted recovery service providers on the current Department of Education contract. The Department of Education has announced that it expects to award new contracts in April of 2015, and that the number of recovery service providers under the new contracts is to be reduced from 17 to between eight and 12. If our relationship with the Department of Education terminates or deteriorates or if the Department of Education, ultimately as the sole holder of defaulted student loans, requires its contractors to agree to less favorable terms, our revenues would significantly decrease, and our business, financial condition and results of operations would be harmed.

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We could lose clients as a result of consolidation among the GAs, which would decrease our revenues.

As a result of SAFRA, which terminated the ability of the GAs to originate government-supported student loans, some have speculated that there may be consolidation among the 30 GAs. This speculation has heightened as a result of the reduction of fees that the GAs will receive for rehabilitating student loans as a result of the Bipartisan Budget Act of 2013. If GAs that are our clients are combined with GAs with whom we do not have a relationship, we could suffer a loss of business. We currently have relationships with 11 of the 30 GAs and two of our GA clients were each responsible for more than 10% of our total revenues for the nine months ended September 30, 2014 and 2013. The consolidation of our GA clients with others and the failure to provide recovery services to the consolidated entity could decrease our revenues, which could negatively impact our business, financial condition and results of operations.

Our results of operations may fluctuate on a quarterly or annual basis and cause volatility in the price of our stock.

Our revenues and operating results could vary significantly from period-to-period and may fail to match our past performance because of a variety of factors, some of which are outside of our control. Any of these factors could cause the price of our common stock to fluctuate. Factors that could contribute to the variability of our operating results include:

- the amount of defaulted student loans and other receivables that our clients place with us for recovery;
- the timing of placements of student loans and other receivables which are entirely in the discretion of our clients;
- the schedules of government agencies for awarding contracts including the impact of any protests or lawsuits filed in connection with the award of any such contracts;
- our ability to successfully identify improper Medicare claims and the number and type of potentially improper claims that CMS authorizes us to pursue under our RAC contract;
- the loss or gain of significant clients or changes in the contingency fee rates or other significant terms of our business arrangements with our significant clients;
- technological and operational issues that may affect our clients and regulatory changes in the markets we service; and
- general industry and macroeconomic conditions.

Downturns in domestic or global economic conditions and other macroeconomic factors could harm our business and results of operations.

Various macroeconomic factors influence our business and results of operations. These include the volume of student loan originations in the United States, together with tuition costs and student enrollment rates, the default rate of student loan borrowers, which is impacted by domestic and global economic conditions, rates of unemployment and similar factors, and the growth in Medicare expenditures resulting from changes in healthcare costs. For example, during the global financial crisis beginning in 2008, the market for securitized student loan portfolios was disrupted, resulting in delays in the ability of some GA clients to resell rehabilitated student loans and, as a result, delays our ability to recognize revenues from these rehabilitated loans. Changes in the overall economy could lead to a reduction in overall recovery rates by our clients, which in turn could adversely affect our business, financial condition and results of operations.

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We may not be able to manage our growth effectively and our results of operations could be negatively affected.

Our business has expanded significantly, especially in recent years with the expansion of our services in the healthcare market, and we intend to maintain our focus on growth. However, our continued focus on growth and the expansion of our business may place additional demands on our management, operations and financial resources and will require us to incur additional expenses. We cannot be sure that we will be able to manage our growth effectively. In order to successfully manage our growth, our expenses will increase to recruit, train and manage additional qualified employees and subcontractors and to expand and enhance our administrative infrastructure and continue to improve our management, financial and information systems and controls. If we cannot manage our growth effectively, our expenses may increase and our results of operations could be negatively affected.

A failure of our operating systems or technology infrastructure, or those of our third-party vendors and subcontractors, could disrupt the operation of our business.

A failure of our operating systems or technology infrastructure, or those of our third-party vendors and subcontractors, could disrupt our operations. Our operating systems and technology infrastructure are susceptible to damage or interruption from various causes, including acts of God and other natural disasters, power losses, computer systems failures, Internet and telecommunications or data network failures, operator error, computer viruses, losses of and corruption of data and similar events. The occurrence of any of these events could result in interruptions, delays or cessations in service to our clients, reduce the attractiveness of our recovery services to current or potential clients and adversely impact our financial condition and results of operations. While we have backup systems in many of our operating facilities, an extended outage of utility or network services may harm our ability to operate our business. Further, the situations we plan for and the amount of insurance coverage we maintain for losses as result of failures of our operating systems and infrastructure may not be adequate in any particular case.

If our security measures are breached or fail and unauthorized access is obtained to our clients' confidential data, our services may be perceived as insecure, the attractiveness of our recovery services to current or potential clients may be reduced, and we may incur significant liabilities.

Our recovery services involve the storage and transmission of confidential information relating to our clients and their customers, including health, financial, credit, payment and other personal or confidential information. Although our data security procedures are designed to protect against unauthorized access to confidential information, our computer systems, software and networks may be vulnerable to unauthorized access and disclosure of our clients' confidential information. Further, we may not effectively adapt our security measures to evolving security risks, address the security and privacy concerns of existing or potential clients as they change over time, or be compliant with federal, state, and local laws and regulations with respect to securing confidential information. Unauthorized access to confidential information relating to our clients and their customers could lead to reputational damage which could deter our clients and potential clients from selecting our recovery services, or result in termination of contracts with those clients affected by any such breach, regulatory action, and claims against us.

In the event of any unauthorized access to personal or other confidential information, we may be required to expend significant resources to investigate and remediate vulnerabilities in our security procedures, and we may be subject to fines, penalties, litigation costs, and financial losses that are either not insured against or not fully covered through any insurance maintained by us. If one or more of such failures in our security and privacy measures were to occur, our business, financial condition and results of operations could suffer.

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Our business may be harmed if we lose members of our management team or other key employees.

We are highly dependent on members of our management team and other key employees and our future success depends in part on our ability to retain these people. Our inability to continue to attract and retain members of our management team and other key employees could adversely affect our business, financial condition and results of operations.

The growth of our healthcare business will require us to hire and retain employees with specialized skills and failure to do so could harm our ability to grow our business.

The growth of our healthcare business will depend in part on our ability to recruit, train and manage additional qualified employees. Our healthcare-related operations require us to hire registered nurses and experts in Medicare coding. Finding, attracting and retaining employees with these skills is a critical component of providing our healthcare-related recovery and audit services, and our inability to staff these operations appropriately represents a risk to our healthcare service offering and associated revenues. An inability to hire qualified personnel, particularly to serve our healthcare clients, may restrain the growth of our business.

We rely on subcontractors to provide services to our clients and the failure of subcontractors to perform as expected could harm our business operations and our relationships with our clients.

We engage subcontractors to provide certain services to our clients. These subcontractors participate to varying degrees in our recovery activities with regards to all of the services we provide. While most of our subcontractors provide specific services to us, we engage one subcontractor to provide all of the audit and recovery services under our contract with CMS within a portion of our region. While we believe that we perform appropriate due diligence before we hire subcontractors, our subcontractors may not provide adequate service or otherwise comply with the terms set forth in their agreements. In the event a subcontractor provides deficient performance to one or more of our clients, any such client may reduce the volume of services we are providing under an existing contract or may terminate the relevant contract entirely and we may face claims for breach of contract. Any such disruption in our relations with our clients as a result of services provided by any of our subcontractors could adversely affect our revenues and operating results.

If our software vendors or utility and network providers fail to deliver or perform as expected our business operations could be adversely affected.

Our recovery services depend in part on third-party providers, including software vendors and utility and network providers. Our ability to service our clients depends on these third-party providers meeting our expectations and contractual obligations in a timely and effective manner. Our business could be materially and adversely affected, and we might incur significant additional liabilities, if the services provided by these third-party providers do not meet our expectations or if they terminate or refuse to renew their relationships with us on similar contractual terms.

We are subject to extensive regulations regarding the use and disclosure of confidential personal information and failure to comply with these regulations could cause us to incur liabilities and expenses.

We are subject to a wide array of federal and state laws and regulations regarding the use and disclosure of confidential personal information and security. For example, the federal Health Insurance Portability and Accountability Act of 1996, as amended, or HIPAA, and related state laws subject us to substantial restrictions and requirements with respect to the use and disclosure of the personal health information that we obtain in connection with our audit and recovery services under our contract with CMS and we must establish administrative, physical and technical safeguards to protect the confidentiality of this information. Similar protections extend to the type of personal financial and other information we acquire from our student loan, state tax and federal receivables clients. We are required to notify affected individuals and government agencies of data security breaches involving protected health and certain personally identifiable information. These laws and regulations also require that we develop, implement and maintain written, comprehensive information security programs containing safeguards that are appropriate to protect personally identifiable information or health information against unauthorized access, misuse, destruction or modification. Federal law generally does not preempt state law in the area of protection of personal information, and as a result we must also comply with state laws and regulations. Regulation of privacy, data use and security requires that we incur significant expenses, which could increase in the future as a result of additional regulations, all of which adversely affects our results of operations. Failure to comply with these laws and regulations can result in penalties and in some cases expose us to civil lawsuits.

Our student loan recovery business is subject to extensive regulation and consumer protection laws and our failure to comply with these regulations and laws may subject us to liability and result in significant costs.

Our student loan recovery business is subject to regulation and oversight by various state and federal agencies, particularly in the area of consumer protection. The Fair Debt Collection Practices Act, or FDCPA, and related state laws provide specific guidelines that we must follow in communicating with holders of student loans and regulates the manner in which we can recover defaulted student loans. Some state attorney generals have been active in this area of consumer protection regulation. We are subject, and may be subject in the future, to inquiries and audits from state and federal regulators, as well as frequent litigation from private plaintiffs regarding compliance under the FDCPA and related state regulations. We are also subject to the Fair Credit Reporting Act, or FCRA, which regulates consumer credit reporting and may impose liability on us to the extent adverse credit information reported to a credit bureau is false or inaccurate. Our compliance with the FDCPA, FCRA and other federal and state regulations that affect our student loan recovery business may result in significant costs, including litigation costs. We may also become subject to regulations promulgated by the United States Consumer Financial Protection Bureau, or CFPB, which was established in July 2011 as part of the Dodd-Frank Act to, among other things, establish regulations regarding consumer financial protection laws. In addition, the CFPB has investigatory and enforcement authority with respect to whether persons are engaged in unlawful acts or practices in connection with the collection of consumer debts. On April 12, 2013, we received a Civil Investigative Demand, or a CID, from the CFPB requesting production of documents and answers to questions generally related to the Company's debt collection practices and procedures. The CFPB has not alleged a violation by us of any law or regulation. We responded to the CID, but have not been examined by the CFPB. In light of the possibility that the CFPB may issue interpretative regulations for the FDCPA, the issuance of such regulations could adversely affect our business and results of operations if we are not able to adapt our services and client relationships to meet any new regulatory structure that might be required.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We will continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

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However, for as long as we remain an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We may take advantage of these reporting exemptions until we are no longer an "emerging growth company."

We will remain an "emerging growth company" for up to five years following our initial public offering in August 2012, although if the market value of our common stock that is held by non-affiliates exceeds $700 million as of any June 30 before that time, our revenues exceed $1 billion, or we issue more than $1 billion in non-convertible debt in a three-year period, we would cease to be an "emerging growth company" as of the following December 31.

As a result of disclosure of information as a public company, our business and financial condition have become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business operations and financial results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business operations and financial results. These factors could also make it more difficult for us to attract and retain qualified employees, executive officers and members of our board of directors.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of Sarbanes-Oxley would impair our ability to produce accurate and reliable financial statements, which would harm our stock price.

We are subject to reporting obligations under Section 404 of the Sarbanes-Oxley Act that require us to include a management report on our internal control over financial reporting in our annual report, which contains management's assessment of the effectiveness of our internal control over financial reporting. These requirements first applied to our annual report on Form 10-K for the year ended December 31, 2013 and complying with these requirements can be difficult. For example, in June 2012, we determined that we had incorrectly accounted for our mandatorily redeemable preferred stock, which required audit adjusting entries for the three-year period ended December 31, 2011. Our failure to detect this error was deemed to be a deficiency in internal control and this deficiency was considered to be a material weakness. To address this situation, our independent registered public accounting firm recommended that the Company emphasize the importance of thoroughly researching all new accounting policies and revisiting accounting policies set for existing transactions when changes in the business or reporting requirements occur or are expected to occur. To prevent issues like these in the future, we have bolstered our technical accounting expertise and, where appropriate, engaged outside consultants with specialized knowledge.

Our management may conclude that our internal control over our financial reporting is not effective. We have limited accounting personnel and other resources with which to address our internal controls and procedures. If we fail to timely achieve and maintain the adequacy of our internal control over financial reporting, we may not be able to produce reliable financial reports or help prevent fraud. Our failure to achieve and maintain effective internal control over financial reporting could prevent us from filing our periodic reports on a timely basis, which could result in the loss of investor confidence in the reliability of our financial statements, harm our business and negatively impact the trading price of our common stock.

We are required to disclose changes made in our internal controls and procedures on a quarterly basis. However, our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until such time that

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we are no longer an "emerging growth company" as defined in the JOBS Act, if we continue to take advantage of the exemptions contained in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Our remediation efforts may not enable us to avoid a material weakness in the future.

Litigation may result in substantial costs of defense, damages or settlement, any of which could subject us to significant costs and expenses.

We are party to lawsuits in the normal course of business, particularly in connection with our student loan recovery services. For example, we are regularly subject to claims that we have violated the guidelines and procedures that must be followed under federal and state laws in communicating with consumer debtors. We may not ultimately prevail or otherwise be able to satisfactorily resolve any pending or future litigation, which may result in substantial costs of defense, damages or settlement. In the future, we may be required to alter our business practices or pay substantial damages or settlement costs as a result of litigation proceedings, which could adversely affect our business operations and results of operations.

We typically face a long period to implement a new contract which may cause us to incur expenses before we receive revenues from new client relationships.

If we are successful in obtaining an engagement with a new client or a new contract with an existing client, we typically have a subsequent long implementation period in which the services are planned in detail and we integrate our technology, processes and resources with the client's operations. If we enter into a contract with a new client, we typically will not receive revenues until implementation is completed and work under the contract actually begins. Our clients may also experience delays in obtaining approvals or delays associated with technology or system implementations, such as the delays experienced with the implementation of our RAC contract with CMS due to an appeal by competitors who were unsuccessful in bidding on the contract. Because we generally begin to hire new employees to provide services to a new client once a contract is signed, we may incur significant expenses associated with these additional hires before we receive corresponding revenues under any such new contract. If we are not successful in maintaining contractual commitments after the expenses we incur during our typically long implementation cycle, our results of operations could be adversely affected.

If we are unable to adequately protect our proprietary technology, our competitive position could be harmed or we could be required to incur significant costs to enforce our rights.

The success of our business depends in part upon our proprietary technology platform. We rely on a combination of copyright, patent, trademark, and trade secret laws, as well as on confidentiality procedures and non-compete agreements, to establish and protect our proprietary technology rights. The steps we have taken to deter misappropriation of our proprietary technology may be insufficient to protect our proprietary information. In particular, we may not be able to protect our trade secrets, know-how and other proprietary information adequately. Although we use reasonable efforts to protect this proprietary information and technology, our employees, consultants and other parties may unintentionally or willfully disclose our information or technology to competitors. Enforcing a claim that a third party illegally obtained and is using any of our proprietary information or technology is expensive and time consuming, and the outcome is unpredictable. We rely, in part, on non-disclosure, confidentiality and invention assignment agreements with our employees, consultants and other parties to protect our trade secrets, know-how and other intellectual property and proprietary information. These agreements may not be self-executing, or they may be breached and we may not have adequate remedies for such breach. Moreover, third parties may independently develop similar or equivalent proprietary information or otherwise gain access to our trade secrets, know-how and other proprietary information. Any infringement, misappropriation or other violation of our patents, trademarks, copyrights, trade secrets, or other

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intellectual property rights could adversely affect any competitive advantage we currently derive or may derive from our proprietary technology platform and we may incur significant costs associated with litigation that may be necessary to enforce our intellectual property rights.

Claims by others that we infringe their intellectual property could force us to incur significant costs or revise the way we conduct our business.

Our competitors protect their proprietary rights by means of patents, trade secrets, copyrights, trademarks and other intellectual property. Any party asserting that we infringe, misappropriate or violate their intellectual property rights may force us to defend ourselves, and potentially our clients, against the alleged claim. These claims and any resulting lawsuit, if successful, could be time-consuming and expensive to defend, subject us to significant liability for damages or invalidation of our proprietary rights, prevent us from operating all or a portion of our business or force us to redesign our services or technology platform or cause an interruption or cessation of our business operations, any of which could adversely affect our business and operating results. In addition, any litigation relating to the infringement of intellectual property rights could harm our relationships with current and prospective clients. The risk of such claims and lawsuits could increase if we increase the size and scope of our services in our existing markets or expand into new markets.

We may make acquisitions that prove unsuccessful, strain or divert our resources and harm our results of operations and stock price.

We may consider acquisitions of other companies in our industry or in new markets. We may not be able to successfully complete any such acquisition and, if completed, any such acquisition may fail to achieve the intended financial results. We may not be able to successfully integrate any acquired businesses with our own and we may be unable to maintain our standards, controls and policies. Further, acquisitions may place additional constraints on our resources by diverting the attention of our management from other business concerns. Moreover, any acquisition may result in a potentially dilutive issuance of equity securities, the incurrence of additional debt and amortization of expenses related to intangible assets, all of which could adversely affect our results of operations and stock price.

Risks Related to Our Common Stock

The price of our common stock could be volatile, and you may not be able to sell your shares at or above the public offering price.

Since our initial public offering in August 2012, the price of our common stock, as reported by The NASDAQ Global Select Market, has ranged from a low sales price of $5.50 on January 21, 2015 to a high sales price of $14.09 on March 4, 2013. The trading price of our common stock may be significantly affected by various factors, including: quarterly fluctuations in our operating results; the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections; changes in investors' and analysts' perception of the business risks and conditions of our business; our ability to meet the earnings estimates and other performance expectations of financial analysts or investors; unfavorable commentary or downgrades of our stock by equity research analysts; termination of lock-up agreements or other restrictions on the ability of our existing stockholders to sell their shares after this offering; changes in our capital structure, such as future issuances of debt or equity securities; lawsuits threatened or filed against us; strategic actions by us or our competitors, such as acquisitions or restructurings; new legislation or regulatory actions; changes in our relationship with any of our significant clients; fluctuations in the stock prices of our peer companies or in stock markets in general; and general economic conditions.

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Future sales, or the perception of future sales, of our common stock may lower our stock price.

If our existing stockholders sell a large number of shares of our common stock following this offering, the market price of our common stock could decline significantly. In addition, the perception in the public market that our existing stockholders might sell shares of common stock could depress the market price of our common stock, regardless of the actual plans of our existing stockholders.

Our significant stockholders have the ability to influence significant corporate activities and our significant stockholders' interests may not coincide with yours.

Parthenon Capital Partners and Invesco Ltd. beneficially owned approximately 27.4% and 19.9% of our common stock, respectively, as of December 31, 2014. As a result of their ownership, Parthenon Capital Partners and Invesco Ltd. have the ability to influence the outcome of matters submitted to a vote of stockholders and, through our board of directors, the ability to influence decision-making with respect to our business direction and policies. Parthenon Capital Partners and Invesco Ltd. may have interests different from our other stockholders' interests, and may vote in a manner adverse to those interests. Matters over which Parthenon Capital Partners and Invesco Ltd. can, directly or indirectly, exercise influence include:

- the election of our board of directors and the appointment and removal of our officers;
- mergers and other business combination transactions, including proposed transactions that would result in our stockholders receiving a premium price for their shares;
- other acquisitions or dispositions of businesses or assets;
- incurrence of indebtedness and the issuance of equity securities;
- repurchase of stock and payment of dividends; and
- the issuance of shares to management under our equity incentive plans.

In addition, Parthenon Capital Partners has a contractual right to designate a number of directors proportionate to its stock ownership. Further, under our amended and restated certificate of incorporation, Parthenon Capital Partners does not have any obligation to present to us, and Parthenon Capital Partners may separately pursue, corporate opportunities of which it becomes aware, even if those opportunities are ones that we would have pursued if granted the opportunity.

Anti-takeover provisions contained in our certificate of incorporation and bylaws could impair a takeover attempt that our stockholders may find beneficial.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our board of directors. Our corporate governance documents include the following provisions: establishing a classified board of directors so that not all members of our board are elected at one time; providing that directors may be removed by stockholders only for cause; authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock; limiting the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting; limiting our ability to engage in certain business combinations with any "interested stockholder," other than Parthenon Capital Partners, for a three-year period following the time that the stockholder became an interested stockholder; requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors; requiring a super majority vote for certain amendments to our amended and restated certificate of incorporation and amended and restated bylaws; and limiting the determination of the number of directors on our board of directors and the filling of vacancies or newly created seats on the board to our board of directors then in office. These provisions,

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alone or together, could have the effect of delaying or deterring a change in control, could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Because we do not intend to pay cash dividends in the foreseeable future, you may not receive any return on investment unless you are able to sell your common stock for a price greater than your purchase price.

For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. In addition, our ability to pay dividends is subject to restrictive covenants contained in our senior secured credit facility. As a result, you may not receive any return on investment unless you are able to sell your common stock for a price greater than your purchase price.

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THE PHX ACQUISITION

The following summary describes material provisions of the merger agreement. This summary is subject to, and qualified in its entirety by reference to, the merger agreement, a copy of which is included as an exhibit to our Current Report on Form 8-K filed with the SEC on January 28, 2015, which is incorporated by reference into this prospectus supplement and the accompanying prospectus. You are urged to read the merger agreement carefully and in its entirety, as it is the legal document governing the merger.

The merger agreement and the following summary have been included to provide you with information regarding the terms of the merger agreement. The representations and warranties contained in the merger agreement are not intended to be a source of business or operational information about us or PHX as such representations and warranties are made as of a specified date, are tools used to allocate risk between the parties, are subject to contractual standards of knowledge and materiality and are modified or qualified by information contained in our public filings and in the disclosure schedules exchanged by the parties. Business and operational information regarding us and PHX can be found elsewhere in this prospectus supplement, our Current Report on Form 8-K filed with the SEC on January 28, 2015, and, with respect to us, in the other public documents that we file with the SEC. See "Where You Can Find More Information."

Summary of PHX Acquisition

On January 28, 2015, we entered into a merger agreement with PHX under which we agreed to acquire all of PHX's outstanding capital stock through a merger of a wholly owned subsidiary of ours with PHX. Following the acquisition, PHX will be our wholly-owned subsidiary. We refer to this transaction as the PHX acquisition. Prior to the closing of the PHX acquisition, PHX will spin-off its subsidiary, Pay-Plus Solutions, Inc., which operates a separate business which we are not acquiring. Consideration for the PHX acquisition consists of $108.0 million in cash, subject to certain adjustments contemplated by the merger agreement, and $22.0 million of our common stock. The shares of common stock issued in connection with the merger will be issued to the three largest stockholders of PHX, including the Chief Executive Officer, the Chief Operating Officer and an affiliate of Edison Venture Partners, in exchange for a portion of their shares of PHX. These shares will be subject to restrictions on sale ranging from six months to approximately two years after the closing of the PHX acquisition. In addition, we have agreed to pay to PHX's stockholders an earnout payment of up to an additional $19.1 million in cash contingent on PHX, on a stand-alone pro forma basis, generating specified levels of revenue for the year ending December 31, 2015. PHX's achievement of the pro forma revenue targets described in the merger agreement would represent meaningful revenue growth over PHX's pro forma revenues for the year ended December 31, 2014. If the pro forma revenue targets are not met, there will be no such additional payments.

Our board of directors has approved and adopted the merger agreement. The PHX acquisition is not subject to approval by our stockholders. The merger agreement has also been approved and adopted by the board of directors and stockholders of PHX.

The following transactions are expected to occur prior to the consummation of the PHX acquisition:

- our completion of the offering and sale of the notes and the offering and sale of shares of common stock in our concurrent common stock offering;
- PHX will spin-off Pay-Plus, one of its subsidiaries whose business is operated separately from the business of PHX that we have agreed to acquire; and
- our senior secured credit facility will be amended, among other things, in order to permit the PHX acquisition and the offering and sale of the notes.

The net proceeds from this offering of convertible senior notes and the concurrent common stock offering will be used to fund the cash consideration payable pursuant to the merger agreement including,

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the deposit into escrow of $13.0 million related to potential earnout payments to PHX stockholders and to pay related transaction fees and expenses and for other purposes described herein. See "Use of Proceeds."

Contingent Consideration

Earn Out

In connection with the acquisition of PHX, we have agreed to pay additional consideration in the form of a cash earnout of up to $19.1 million. The earnout is payable based on the achievement of certain targets for the revenue of PHX for the full year ending December 31, 2015. No earnout payment is due if PHX's pro forma revenues for the full year ending December 31, 2015 are less than $64.0 million. The earnout payment is approximately $6.9 million based on pro forma revenue of $64.0 million, gradually increasing in amount based on pro forma revenues in excess of $64.0 million. The earnout payment is capped at $19.1 million once PHX's pro forma revenues reach $78.2 million. At the closing of the PHX acquisition, we will deposit $13.0 million into escrow to partially secure our obligation to make the earnout payment to PHX's stockholders. If our earnout payment obligation is less than the amount on deposit, the excess will be refunded to us.

Escrow

From the total consideration payable by us at the effective time of the merger, $13.0 million (less the pro rata portion allocable to any dissenting shares) will be deposited into an escrow account to secure PHX's compliance with the representations, warranties, covenants and special indemnities in favor of us under the merger agreement. The indemnification escrow will remain in existence for 15 months after the PHX acquisition, except that amounts that are the subject of pending claims by us will remain in escrow until the resolution of such claims.

Conditions to the Completion of the PHX Acquisition

Each party's obligation to consummate the PHX acquisition is subject to the satisfaction or waiver of customary closing conditions, including the absence of injunction or the enactment of any law that would make the merger illegal. Conditions related to compliance with premerger antitrust approval and the approval of the merger by PHX's stockholders have been satisfied.

Our obligation to consummate the PHX acquisition is subject to the satisfaction or waiver of certain conditions including:

- The accuracy in all material respects of the representations and warranties of PHX contained in the merger agreement.

- PHX's compliance, in all material respects, with its obligations under the merger agreement.

- There shall not have been any event or occurrence that has a material adverse effect on PHX's business.

- Holders of not more than 5% of the shares of PHX's outstanding common stock have exercised the statutory appraisal rights with respect to their common stock immediately prior to the closing.

- Agreements related to employee retention, general releases, share lock-ups, and non-competition shall be in full force and effect.

- The Pay-Plus spin-off shall have been consummated.

- We shall have completed the offering and sale of the notes and shares of our common stock in our concurrent common stock offering.

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PHX's obligation to consummate the PHX acquisition is subject to the satisfaction or waiver of the following conditions:

- The accuracy in all material respects of our representations and warranties contained in the merger agreement.
- We shall have complied in all material respects with our obligations under the merger agreement.

Termination of the Merger Agreement

The merger agreement may be terminated at any time before the effective time of the PHX acquisition by the mutual written consent of us and PHX, and under the following circumstances:

- By either party if the PHX acquisition is not consummated by February 12, 2015 (provided that the right to terminate the merger agreement will not be available to a party whose breach of a representation, warranty, covenant or agreement caused the failure of the PHX acquisition to be consummated by such date).
- By either party if a permanent injunction or other order which is final and non-appealable is issued preventing or prohibiting the consummation of the PHX acquisition.
- By either party if there is a breach of any representation, warranty, covenant or agreement in the merger agreement by the other party, or any of the other party's representations or warranties becomes untrue after the date of the merger agreement, that would cause a closing condition to fail to occur, and such breach has not been cured within 30 days after notice to the breaching party.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of the notes in this offering will be approximately $ million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' option to purchase additional notes in this offering is exercised in full, we estimate that our net proceeds from this offering will be approximately $ million upon completion of this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use all of the net proceeds from this offering along with the net proceeds from the concurrent common stock offering (expected to collectively generate approximately $ million in net proceeds) to fund the initial cash consideration payable at the closing of the PHX acquisition, which we estimate at $113.9 million, and to fund a $13.0 million escrow deposit related to future potential earnout payments under the PHX merger agreement. See "The PHX Acquisition Summary of the PHX Acquisition Contingent Consideration."

This offering is not conditioned upon the completion of the PHX acquisition and there can be no assurance that the PHX acquisition will be completed. If the PHX acquisition is not completed, then pursuant to the terms of our senior secured credit facility, we are required to apply all of the net proceeds from the sale of the notes and the sale of shares in our concurrent common stock offering and, if necessary, other cash on hand, to repay in full all of our outstanding obligations under our senior secured credit facility. As of December 31, 2014, the estimated aggregate principal amount outstanding under our senior secured credit facility was $111.8 million and the interest rates for the term A loan and term B loan were 6.75% and 7.25%, respectively. The term A loan matures on March 19, 2017 and the term B loan matures on March 19, 2018.

Pending the use of the net proceeds from this offering as described above, we plan to invest the net proceeds of this offering in capital preservation investments, including short-term marketable securities.

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CAPITALIZATION

The table below sets forth our cash and cash equivalents and capitalization as of September 30, 2014:

- on an actual basis;

- on an as adjusted basis to give effect to the sale and issuance of an assumed $80.0 million aggregate principal amount of notes and the sale and issuance of $50.0 million shares of our common stock pursuant to our concurrent common stock offering at an assumed public offering price of $5.90 per share, the last reported sale price of our common stock on The NASDAQ Global Select Market on January 27, 2015, after deducting underwriting discounts and commissions and estimated offering expenses payable by us and the repayment of $10.0 million in principal amount of our outstanding term loans as required by the third amendment to our senior secured credit facility; and

- on a pro forma as adjusted basis to give effect to (1) the sale and issuance of an assumed $80.0 million of aggregate principal amount of notes and the sale and issuance of $50.0 million shares of our common stock pursuant to our concurrent common stock offering at an assumed public offering price of $5.90 per share, the last reported sale price of our common stock on The NASDAQ Global Select Market on January 27, 2015, after deducting underwriting discounts and commissions and estimated offering expenses payable by us and the repayment of $10.0 million in principal amount of our outstanding term loans, which repayment shall be applied ratably to the term A loans and term B loans in inverse order for both loans, respectively, as required by the third amendment to our senior secured credit facility, and (2) the acquisition of PHX for cash and shares of our common stock, including the deposit into escrow of $13.0 million as part of a potential additional cash payment of up to $19.1 million contingent upon PHX generating specified levels of revenue during 2015.

The as adjusted and pro forma as adjusted data in the following table assumes the transactions referred to above had been completed as of September 30, 2014 on the terms and in accordance with the assumptions set forth under "Unaudited Pro Forma Condensed Combined Financial Information" included elsewhere in this prospectus supplement. You should read this table together with "Use of Proceeds," which appears elsewhere in this prospectus supplement, as well as our "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the year ended December 31, 2013 and in our Quarterly Report on Form 10-Q

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for the quarter ended September 30, 2014 and our consolidated financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of September 30, 2014		
	Actual	As Adjusted	Pro Forma as Adjusted
	(unaudited, in thousands, except per share amounts)		
Cash and cash equivalents	$ 84,970	$ 198,660	$ 88,801
Debt:			
Notes offered hereby[(1)]	$	$ 66,470[(1)]	$ 66,470[(1)]
Revolving Credit Facility			
Term A Loan	28,532	25,870	25,870
Term B Loan	85,898	78,380	78,380
Total Debt	114,250	170,720	170,720
Stockholders' equity:			
Common stock, $.0001 par value. 500,000,000 shares authorized, 49,324 shares issued and outstanding actual; 57,799 shares issued and outstanding as adjusted and pro forma as adjusted	5	5	5
Preferred stock, $.0001 par value, 50,000,000 shares authorized, no shares issued and outstanding			
Additional paid-in capital[(1)(2)(3)]	56,096	109,049	131,049
Retained earnings	36,217	36,217	34,117
Total stockholders' equity	92,318	145,271	165,171
Total capitalization	$ 206,568	$ 315,991	$ 335,891

(1) In accordance with ASC 470-20, a convertible debt instrument that may be wholly or partially settled in cash is required to be separated into a liability and an equity component, such that interest expense reflects the issuer's non-convertible debt interest rate. Upon issuance, a debt discount is recognized as a decrease in debt and an increase in equity. The debt component will accrete up to the principal over the expected term of the debt. ASC 470-20 does not affect the actual amount that we are required to repay, and such amounts reflect the approximate liability component net of the debt discount that is recognized in equity.

(2) Additional paid-in capital as adjusted reflects the addition of the convertible debt equity component of $10,769 net of equity issuance costs of $430 and the equity impact of the associated deferred tax liability of $4,267.

(3) Additional paid-in-capital as adjusted reflects the sale of shares of common stock in this offering with gross proceeds of $50 million before estimated underwriter discounts and concession of $2.5 million and estimated offering expenses of $0.4 million.

The information in the table above assumes no exercise of the underwriters' option to purchase additional convertible senior notes or, in the concurrent common stock offering, additional shares of common stock.

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DIVIDEND POLICY

Our ability to pay dividends is subject to restrictive covenants contained in our senior secured credit facility. Our board of directors does not currently intend to pay regular dividends on our common stock.

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COMMON STOCK PRICE RANGE

Our common stock originally began trading on The NASDAQ Global Market under the symbol "PFMT" on August 15, 2012. Prior to that, there was no public market for our common stock. The following table sets forth, for the periods indicated, the high and low sales prices for our common stock as reported on The NASDAQ Global Select Market.

	High	Low
Year ending December 31, 2015		
First Quarter (through January 27, 2015)	$ 6.69	$ 5.50
Year ended December 31, 2014		
Fourth Quarter	$ 9.02	$ 5.95
Third Quarter	10.97	8.04
Second Quarter	10.32	8.10
First Quarter	11.56	7.11
Year ended December 31, 2013		
Fourth Quarter	$ 11.02	$ 9.26
Third Quarter	12.01	10.27
Second Quarter	13.26	9.25
First Quarter	14.09	10.06
Year ended December 31, 2012		
Fourth Quarter	$ 11.84	$ 7.55
Third Quarter (beginning August 10, 2012)	12.18	9.20

The last reported sales price for our common stock on January 27, 2015 is set forth on the cover page of this prospectus supplement. As of December 31, 2014, there were approximately 10 holders of record of our common stock.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The following sets forth certain unaudited pro forma condensed combined financial data giving effect to (i) the completion of the Pay-Plus spin-off prior to completion of the PHX acquisition and (ii) our completion of the PHX acquisition, including the sale of the notes and the sale of shares of common stock in our concurrent common stock offering to finance the acquisition consideration. The PHX acquisition is expected to close in February 2015, subject to various contingencies, including the sale and issuance of the notes in this offering and the sale and issuance of the shares of common stock in the concurrent common stock offering to fund the cash portion of the acquisition consideration. The Pay-Plus spin-off will be completed by PHX prior to the closing of the PHX acquisition.

The unaudited pro forma condensed combined financial data set forth below has been presented for informational purposes only. The unaudited pro forma condensed combined financial data set forth below is not necessarily indicative of what our financial position or results of operations actually would have been had PHX completed the Pay-Plus spin-off and had the PHX acquisition been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial data does not purport to project the future financial position or operating results of the combined company. There were no transactions between us and PHX during the periods presented in the unaudited pro forma condensed combined financial statements that would need to be eliminated.

The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2014 and for the year ended December 31, 2013 assumes that the Pay-Plus spin-off and the PHX acquisition took place on January 1, 2013. Our unaudited condensed consolidated statement of operations for the nine months ended September 30, 2014 has been combined with PHX's unaudited consolidated statement of operations for this period after giving pro forma effect to the Pay-Plus spin-off. Our condensed consolidated statement of operations derived from audited financial statements for the year ended December 31, 2013 has been combined with PHX's audited consolidated statement of operations for this period after giving pro forma effect to the Pay-Plus spin-off.

The unaudited pro forma condensed combined balance sheet as of September 30, 2014 assumes that the Pay-Plus spin-off and the PHX acquisition took place on September 30, 2014 and combines our September 30, 2014 unaudited condensed consolidated balance sheet with PHX's September 30, 2014 unaudited consolidated balance sheet after giving pro forma effect to the Pay-Plus spin-off.

The historical consolidated financial data of PHX has been adjusted in the unaudited pro forma consolidated financial data of PHX to give effect to pro forma events that are (1) directly attributable to the Pay-Plus spin-off, (2) factually supportable, and (3) with respect to the statement of operations, expected to have a continuing impact on PHX. Our historical consolidated financial data has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the PHX acquisition, (2) factually supportable, and (3) with respect to the statement of operations, expected to have a continuing impact on the combined company. The unaudited pro forma condensed combined financial data should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined information set forth below. In addition, the unaudited pro forma consolidated financial data was based on and should be read in conjunction with our historical consolidated financial statements and accompanying notes and those of PHX for the applicable periods which are incorporated by reference in this prospectus supplement.

The unaudited pro forma condensed combined financial data has been prepared using the acquisition method of accounting under existing U.S. generally accepted accounting principles, or GAAP, which are subject to change and interpretation. We have been treated as the acquiror in the PHX acquisition for accounting purposes. The acquisition method of accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial data. Differences

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between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined company's future results of operations and financial position.

The unaudited pro forma condensed combined financial data does not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the PHX acquisition, the costs to combine our operations with those of PHX or the costs necessary to achieve any of the foregoing cost savings, operating synergies and revenue enhancements. The unaudited pro forma condensed combined financial data also reflects the notes and common stock contemplated to be issued in connection with the PHX acquisition.

Performant Financial Corporation and Premier Healthcare Exchange, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended September 30, 2014
(In thousands, except per share amounts)

	Historical		Pro Forma Adjustments Pay-Plus Spin-off	Pro Forma PHX	Pro Forma Adjustments PHX Acquisition		Pro Forma Combined	
	Performant	PHX						
Revenues	$ 155,683	$ 68,388	$ (27,668)	$ 40,720	$		$ 196,403	
Operating expenses:								
Salaries and benefits	71,236	17,401	(4,291)	13,110			84,346	
Other operating expenses	56,304	32,280	(13,781)	18,499	5,684	**A**	80,487	
Total operating expenses	127,540	49,681	(18,072)	31,609	5,684		164,833	
Income from operations	28,143	18,707	(9,596)	9,111	(5,684)		31,570	
Interest expense	(7,765)	(82)		(82)	(4,434)	**B, C**	(12,281)	
Interest income		6		6			6	
Income before provision for income taxes	20,378	18,631	(9,596)	9,035	(10,118)		19,295	
Provision for income taxes	8,599	7,459	(3,833)	3,626	(4,009)	**D**	8,216	
Net income	$ 11,779	$ 11,172	$ (5,763)	$ 5,409	$ (6,109)		$ 11,079	
Net income per share								
Basic	$ 0.24						$ .18	
Diluted	$ 0.24						$ .18	**F**
Weighted average shares								
Basic	48,641				12,204	**E**	60,825	
Diluted	49,758				12,204	**E**	61,962	

See the accompanying notes to the unaudited pro forma condensed combined financial data, which are an integral part of these statements. The pro forma adjustments are explained in Note 5 Adjustments to Unaudited Pro Forma Condensed Combined Statements of Operations.

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Performant Financial Corporation and Premier Healthcare Exchange, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations

For the Year Ended December 31, 2013
(In thousands, except per share amounts)

	Historical		Pro Forma Adjustments Pay-Plus	Pro Forma	Pro Forma Adjustments PHX		Pro Forma
	Performant	PHX	Spin-off	PHX	Acquisition		Combined
Revenues	$ 255,302	$ 52,664	$ (9,893)	$ 42,771	$		$ 298,073
Operating expenses:							
Salaries and benefits	96,762	17,962	(2,757)	15,205			111,967
Other operating expenses	85,671	26,291	(5,489)	20,802	7,579	**A**	114,052