SUBJECT TO COMPLETION, DATED SEPTEMBER 19, 2016

PRELIMINARY PROSPECTUS

4,300,000 Shares

TABULA RASA HEALTHCARE

Common Stock

This is the initial public offering of our common stock. We are offering 4,300,000 shares of common stock. Prior to this offering, there has been no public market for our common stock. We intend to list our common stock on the NASDAQ Global Market under the symbol "TRHC." We currently estimate that the initial public offering price will be between $13.00 and $15.00 per share of common stock.

We are an "emerging growth company" under applicable Securities and Exchange Commission rules and will be eligible for reduced public company disclosure requirements.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds, before expenses, to Tabula Rasa	$	$

(1) See "Underwriting" for a description of the compensation payable to the underwriters.

We have granted the underwriters an option for a period of 30 days to purchase up to an additional 645,000 shares of common stock from us.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 16.

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

The underwriters expect to deliver the shares to purchasers on or about , 2016.

Wells Fargo Securities **UBS Investment Bank**

Piper Jaffray

Baird **Stifel**

Prospectus dated , 2016.

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We are responsible for the information contained in this prospectus. Neither we nor any of the underwriters have authorized anyone to provide you with information different from that contained in this prospectus, and we take no responsibility for any other information others may give you. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required other than in the United States. Persons who come into possession of this prospectus and any applicable free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any such free writing prospectus applicable to that jurisdiction.

SUMMARY

This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information that may be important to you. You should read and carefully consider the entire prospectus, including our consolidated financial statements and the notes thereto appearing elsewhere in this prospectus and the matters discussed in the sections "Risk Factors," "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding to invest in our common stock.

Except as otherwise indicated herein or as the context otherwise requires, references in this prospectus to "Tabula Rasa," "the company," "we," "us" and "our" refer, prior to the Reorganization Transaction discussed below, to CareKinesis, Inc., or CareKinesis, and, after the Reorganization Transaction, to Tabula Rasa HealthCare, Inc., in each case together with its consolidated subsidiaries.

Overview

We are a leader in providing patient-specific, data-driven technology and solutions that enable healthcare organizations to optimize medication regimens to improve patient outcomes, reduce hospitalizations, lower healthcare costs and manage risk. We deliver our solutions through a comprehensive suite of technology-enabled products and services for medication risk management, which includes bundled prescription fulfillment and reminder packaging services for client populations with complex prescription needs. We also provide risk adjustment services, which help our clients to properly characterize a patient's acuity, or severity of health condition, and optimize the associated payments for care. With approximately 4.4 billion prescriptions filled in the United States in 2015, medication treatment is the most common medical intervention, and its imprecise use represents the fourth leading cause of death and contributes to an estimated 45 to 50 million adverse drug events, or ADEs, annually with 2.5 to 4.0 million of those ADEs considered serious, disabling or fatal. ADEs result in more than 100,000 deaths annually in the United States and approximately 125,000 hospitalizations, one million emergency room visits, two million affected hospital stays and 3.5 million physician office visits every year. The incidence of ADEs is highly correlated to the number of medications an individual is taking and non-adherence to prescribed regimens, and thus is particularly relevant to populations with complex healthcare needs. Our technology-driven approach to medication risk management represents an evolution from prevailing non-personalized approaches that primarily rely on single drug-to-drug interaction analysis. We currently serve approximately 125 healthcare organizations that focus on populations with complex healthcare needs and extensive medication requirements.

Our suite of cloud-based software solutions provides prescribers, pharmacists and healthcare organizations with sophisticated and innovative tools to better manage the medication-related needs of patients. We believe we offer the first prospective clinical approach to medication risk management, which is designed to increase patient safety and promote adherence to a patient's personalized medication regimen. Furthermore, our medication risk management technology helps healthcare organizations lower costs by reducing ADEs, enhancing quality of care and avoiding preventable hospital admissions. Our products and services are built around our novel and proprietary Medication Risk Mitigation Matrix, or MRM Matrix, which enables optimization of a patient's medication regimen, involving personalizing medication selection, dosage levels, time-of-day administration and reducing the total medication burden by eliminating unnecessary prescriptions. The MRM Matrix analyzes a combination of clinical and pharmacology data, population-based algorithms and extensive patient-specific data, including medical history, lab results, medication lists and individual medication-related genomic information, to deliver "precision medicine." We provide software-enabled solutions that can be bundled with prescription fulfillment and reminder packaging services, which are informed by a patient's personalized MRM Matrix to increase adherence to a patient's optimized regimen, through our three prescription fulfillment pharmacies serving clients across the United States. Our team of clinical pharmacists is available to support prescribers at the point of care through our proprietary technology platform, including real-time secure messaging, with more than 136,000 messages exchanged in August

2016. In 2015, we began offering software solutions on a standalone software-as-a-service basis, although to date, all of our medication risk management clients have contracted for a bundled offering of our software-enabled solutions, prescription fulfillment and reminder packaging services. While prescription medication revenue has comprised substantially all of our revenue to date, we do not offer prescription fulfillment and reminder packaging services on a standalone basis.

As the U.S. healthcare market continues to evolve from fee-for-service to value-based models of care, healthcare organizations require new and emerging technologies to optimize treatment and manage risk on a patient-specific, customized basis. Our solutions are targeted currently to "at-risk" healthcare organizations that are clinically and financially responsible for the populations they serve, receiving a fixed payment for the care provided to each patient for an entire episode of care or enrollment period. According to the Congressional Budget Office, or CBO, there were approximately 136 million people in the United States covered under government-sponsored programs in 2015, and this number is expected to reach 162 million by 2020. Government-sponsored programs are leading the shift to value-based care. Our solutions support our clients in achieving the Institute for Healthcare Improvement, or IHI, "Triple Aim" of improving a patient's experience, while managing the health of a client's population and controlling costs.

We are led by highly experienced and entrepreneurial executive officers with more than 70 years of cumulative experience in the healthcare industry. Our co-founder, Dr. Calvin H. Knowlton, founded excelleRx, Inc. and, along with Dr. Orsula Knowlton and other members of our management team, built it into the largest national hospice medication management pharmacy in the United States, servicing approximately 400 hospice agencies with approximately 48,000 patients in 46 states, at the time it was sold to Omnicare, Inc. in 2005.

Since our first year of active operations in 2011, our revenue has grown to $70.0 million for the year ended December 31, 2015, and $42.6 million for the six months ended June 30, 2016, with a net loss of $2.9 million and $77 thousand, respectively, and adjusted EBITDA of $8.6 million and $5.6 million, respectively, for those periods. See "Selected Consolidated Financial Data — Adjusted EBITDA" for our definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income (loss). We had an annual revenue retention rate of 99% and client retention rate of 96% in 2015. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Business Metrics" for our definitions of revenue retention rate and client retention rate.

Market Opportunity

We believe the following market trends drive a growing need for our medication risk management and risk adjustment products and services.

Pervasive Use of Medication is Driving Increased Complexity in Healthcare

Medication treatment is the most common medical intervention. In any given month, 48% of Americans take a prescription drug and 11% take five or more prescription drugs. The number of prescription drugs individuals are using in the United States is increasing as the number of medication therapies rises, the population ages and chronic diseases become more prevalent. We believe the pervasive and rising use of prescription and non-prescription drugs is increasing the complexity of medication management for healthcare organizations and making adherence to medication regimens more difficult for patients.

Imprecise Use of Medication Harms Patients and Increases Healthcare Costs

Given the extensive and increasing use of medication in the United States, the potential for harm from ADEs and patient medication non-adherence constitutes a critical patient safety and public health challenge. According to the Alliance for Human Research Protection, 2.5 to 4 million serious, disabling or fatal ADEs occur on an annual basis in the United States. In 2012, the IMS Institute of Healthcare

Informatics estimated that medication non-adherence and unnecessary use of medicines are responsible for more than $200 billion in otherwise avoidable medical spending annually in the United States alone, and ADEs contribute $3.5 billion to U.S. healthcare costs on a yearly basis, according to the Institute of Medicine.

Healthcare Organizations Have a Significant Unmet Need for Comprehensive, Personalized Medication Risk Management

The current tools for medication safety produce inconsistent results and are widely viewed as ineffective. Personalized and precision-based methods are typically absent in prevailing trial-and-error approaches to medication selection, rendering providers ineffective and ultimately limited in their ability to deliver optimal patient care due to insufficient data at the point of prescribing. Research suggests that a majority of ADEs are preventable. According to the American Academy of Pediatrics, ADEs account for up to 25% of all hospital admissions and 12% of emergency room visits in adults, of which up to 70% are preventable.

Industry Dynamics Favor a Personalized Approach to Medication Safety

The shift to value-based healthcare has increasingly placed healthcare organizations at financial risk related to imprecise medication usage, providing new incentives to reduce costs and improve quality. Rising healthcare costs and strained government budgets have driven both federal and state government agencies to expand the role of value-based, capitated payment models, which shift the incentives of healthcare organizations away from volume and toward quality and value. In these at-risk models, the provider is incentivized to deliver efficient care, increasing pressure on providers to simultaneously lower costs and improve care quality, safety and the patient experience. As a result of this transition, data on patient-specific disease states and co-morbidities, clinical and quality outcomes, resource utilization and individualized patient information have become increasingly relevant to healthcare delivery.

Accurate Coding is Critical for Optimizing Reimbursement

Accurate coding of medical procedures and diagnoses is increasingly complex and is required throughout the healthcare landscape for proper reimbursement and regulatory compliance. Coding is particularly important in at-risk, value-based care models as healthcare organizations bear financial risk for their patients' medical expenses. Risk scoring based on accurate coding is a significant factor in determining premium reimbursement rates and payments in many government-sponsored healthcare programs. In addition, government agencies, including the Centers for Medicare & Medicaid Services, or CMS, regularly perform audits of healthcare organizations to validate coding practices.

Our Solutions

Medication risk management is our leading offering, and our cloud-based software applications, including *EireneRx* and *MedWise Advisor*, together with our bundled prescription fulfillment and reminder packaging services, provide solutions for a range of payors, providers and other healthcare organizations. Our products and services are built around our proprietary MRM Matrix, which combines clinical and pharmacology data, population-based algorithms and extensive patient-specific data, including medical history, lab results, medication lists and personal genomic information, to deliver what the U.S. Food and Drug Administration, or FDA, refers to as "precision medicine." Our suite of technology products is built on a powerful rules engine that houses comprehensive pharmacotherapy profiles, provides risk alerts and includes a combination of proprietary decision-support tools, real-time secure messaging, e-prescribing and advanced precision-dosing functionality, among other functions. Our software applications help reduce ADEs, enhance medication adherence and quality of care, improve medication safety at the individual patient level and reduce the total medication burden by eliminating unnecessary prescriptions. We also provide risk adjustment services and pharmacy cost management

services to help our clients achieve correct reimbursement, maintain regulatory compliance and optimize pharmacy spend.

Precision-Based Approach to Deliver Patient-Specific Solutions

We believe we are at the forefront of precision medicine with solutions that help our clients tailor medical treatment to the individual characteristics of each patient. Our cloud-based software solutions are designed to identify high-risk individuals, detect susceptibility to ADEs and embed proper dosing guidelines. Our optional medication-adherence technology promotes adherence to a patient's personalized regimen and dosing schedule. By providing patient-specific, data-driven analytical insights and medication safety solutions, we help clients reduce trial-and-error-based medication selection, unintentional medication overdoses and other causes of ADEs.

Demonstrated Ability to Produce Higher Quality Outcomes, Reduce the Cost of Care and Improve the Patient Experience

By offering solutions that improve outcomes in a cost-effective manner, we are aligned with healthcare organizations that are transitioning to value-based healthcare. Our clients have reported that our medication risk management services have resulted in significant reductions in hospital admissions, length of hospital stays and emergency room visits for their patients, thereby reducing their medical expenditures. Our pharmacy cost management services saved our clients more than $48 million in recovered or prevented overpayments in 2015, and our risk adjustment clients realized revenue increases of approximately $385 per patient per month on average in 2015.

Our Strengths

Innovative Technology Solutions for Medication Risk Management Aligned with Transformative Shifts in Healthcare

We believe our innovative technology platform is uniquely equipped to provide comprehensive medication risk management solutions to a variety of healthcare organizations. The shift from a fee-for-service to a value-based model of care, which focuses on outcomes and quality, is driving the rapid adoption of risk-based arrangements across many healthcare organizations.

First-Mover Advantage with Track Record of Improved Outcomes

We believe the seven years we have devoted to developing and optimizing our solutions, and our intellectual property portfolio, provide a significant competitive advantage over potential competitors. Leveraging our industry experience, we believe we offer the first prospective clinical approach to medication risk management, utilizing advanced patient safety tools and medication-adherence technology that enable depth and breadth of data-driven analytical insights and actionable interventions. In addition, we integrate directly with many industry-leading electronic health record systems, or EHRs, that are used by many of our clients.

Expertise in Serving At-Risk Healthcare Organizations with Complex Patient Populations

Since our founding, we have leveraged our knowledge of medication risk management and risk adjustment to develop expertise in serving the growing at-risk segment of the healthcare system. Our focus on medication risk management is highly relevant to populations with complex care requirements, and we have developed solutions to address the needs of these patients and their providers and payors.

Highly Scalable Platform

We believe the scalability of our technology platform allows us to rapidly and cost-effectively pursue new opportunities and meet rising market demand. Our clients access our products and services

through an efficient and scalable cloud-based technology platform that allows for on-demand capacity expansion, rapid deployment capabilities and accelerated speed of execution.

Recurring Revenue Model with Significant Operating Leverage

We believe we have an attractive business model due to the recurring and predictable nature of our revenue, embedded growth opportunities within our existing client base and significant operating leverage. Our client contracts are typically exclusive and multi-year and, while they do not include minimum member or prescription volume or mix requirements, based on our experience, patient populations at our clients do not generally decline over time, the number of medications per patient have been consistent following an initial onboarding period and the overall mix of medications dispensed is generally predictable. As such, our contracts provide significant visibility into our future cash flows. The revenue models under these contracts typically include charges and dispensing fees for medication fulfillment for our clients' patients, which are often high-acuity patients with long-term prescription needs, payments on a per-member per-month basis and payments on a subscription basis. Our annual revenue retention rate was 95% and 99% for 2014 and 2015, respectively, and our client retention rate was 97% and 96%, respectively. As we grow our revenue base, we expect our operating expenses to decrease as a percentage of revenue, providing for substantial operating leverage.

Experienced Management Team

We are led by highly experienced and entrepreneurial executive officers with more than 70 years of cumulative experience in the healthcare industry. Prior to our founding in April of 2009, our co-founder, Dr. Calvin H. Knowlton, founded excelleRx, Inc., which became the largest national hospice medication management pharmacy in the United States. excelleRx was sold to Omnicare, Inc. in 2005. We believe that our experienced management team and a strong commitment to our culture are key drivers of our success and position us well for long-term growth.

Our Strategy

Further Penetrate and Grow with the Expansion of Our Current At-Risk Markets

By leveraging our industry expertise and thought leadership and expanding our sales and marketing efforts, we believe that we can increasingly penetrate the market for existing and new at-risk clients. We are the market leader in providing medication risk management to Program of All-Inclusive Care for the Elderly, or PACE, a CMS sponsored program through which participating healthcare organizations provide fully integrated healthcare delivery on an at-risk basis for elderly adults, most of whom are dually eligible for Medicare and Medicaid, where we believe we have a significant opportunity to continue to grow. The number of participants enrolled in PACE organizations, who have a typical length of stay exceeding four years, has doubled over the last five years, yet, according to a study we commissioned from AEC Consulting, LLC, an independent healthcare consulting firm, represents only 4% of the total eligible individuals within current PACE service areas. We expect our clients to continue to grow to cover more eligible lives. We are also the market leader in risk adjustment and front-end coding for PACE organizations and we plan to continue to expand these services to other Medicare Advantage programs.

Continue Expansion into Emerging At-Risk Provider and Payor Markets

We intend to leverage our expertise and experience from our existing clients to expand to other at-risk providers and payors through increased investment in our sales force and marketing efforts. We believe that the growth in government healthcare programs and the shift to value-based care models are creating opportunities for many organizations to capture growing portions of the expanding healthcare market. Accordingly, we are actively targeting at-risk, value-based markets, including managed care organizations, physician provider groups, self-insured companies and Accountable Care Organizations,

or ACOs, which are healthcare organizations characterized by a payment and care delivery model that ties provider reimbursement to quality metrics and the total cost of care for an assigned population. We also target post-acute healthcare organizations, which provide a range of medical services to support an individual's recovery or manage chronic illness after a period of in-patient care. As the market leader in pharmacy cost management solutions in the post-acute market, we believe we are also well positioned to further serve these organizations with medication risk management solutions as they migrate to an at-risk reimbursement structure.

Expand Offerings to a Large and Growing Behavioral Health Market

We believe our solutions have the potential to offer substantial value to the behavioral health market. Behavioral health medications are powerful, are subject to trial-and-error prescribing methods and are prone to side effects and ADEs. The behavioral health market is growing, in part as a result of the Patient Protection and Affordable Care Act, or ACA, which significantly expanded coverage for mental health and substance use disorder services. Accordingly, we are currently pursuing intervention studies or pilot programs to evaluate the benefits of our medication risk management solutions in the behavioral health population.

Continue to Innovate and Expand Platform Offerings to Meet Evolving Market Needs

We believe our investments in human capital, technology and services capabilities position us to continue to pursue rapid innovation and expand our medication risk management solutions and other platform offerings to the broader healthcare marketplace. We are developing or piloting new technologies and offerings to capitalize on these opportunities.

Selectively Pursue Strategic Acquisitions, Joint Ventures and Partnerships

Since our founding in 2009, we have completed and integrated four acquisitions. We plan to continue to acquire assets and businesses and may enter into joint ventures and partnerships that strengthen or expand our service offerings, capabilities and geographic reach and facilitate our entry into new markets.

Develop International Market Opportunities

We believe we are well positioned to provide our products and services to international healthcare organizations that face challenges similar to those that our clients face domestically. Our solutions are readily scalable and can be utilized by healthcare organizations abroad seeking to achieve the IHI Triple Aim.

Risks Associated with Our Business

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks are discussed more fully in the section titled "Risk Factors." If any of these risks actually occur, our business, results of operations, financial condition or prospects could be materially and adversely affected. Below is a summary of some of the principal risks we face:

- the market for technology-enabled healthcare products and services is in its early stages, which makes it difficult to forecast demand for our technology-enabled products and services;
- consolidation in the healthcare industry could lead to the elimination of some of our clients and make others larger, which could decrease demand for our solutions or create pricing pressure;
- if we are unable to offer new and innovative products and services or our products and services fail to keep pace with our clients' needs, our clients may terminate or fail to renew their relationships with us;

- we have incurred significant net losses and we may not be able to generate net income in the future;
- we may not grow at the rates we historically have achieved or at all, even if our key metrics may indicate growth;
- we derive a significant portion of our revenue from PACE organizations, and any changes in laws or regulations or any other factors that cause a decline in the use of PACE organizations to provide healthcare, could hurt our ability to generate revenue and grow our business;
- a few clients account for a significant portion of our revenue and the loss of one or more of these clients could cause us to lose significant revenue;
- our sales and implementation cycle can be long and unpredictable and can require considerable time and expense, which may cause our operating results to fluctuate;
- we may face competition and aggressive business tactics in our markets by potential competitors and may lack sufficient financial or other resources to compete successfully;
- data loss or corruption due to failures or errors in our systems may expose us to liability, hurt our reputation and relationships with existing clients and force us to incur significant costs;
- upon the completion of this offering, our executive officers, directors and principal stockholders will, in the aggregate, beneficially own shares representing approximately 55% of our capital stock and, if these stockholders were to choose to act together, they would be able to control all matters submitted to our stockholders for approval, as well as our management and affairs;
- complying with, and changes to, significant state and federal regulations could restrict our ability to conduct our business or cause us to incur significant costs; and
- we may require additional capital to support business growth, and this capital might not be available to us on acceptable terms or at all.

Our Corporate Information

We were incorporated under the laws of the state of Delaware on May 21, 2014 under the name Tabula Rasa HealthCare, Inc. Our principal executive offices are located at 228 Strawbridge Drive, Suite 100, Moorestown, NJ 08057 and our telephone number is (866) 648-2767. Our website address is www.tabularasahealthcare.com. The information contained on, or that can be accessed through, our website is not a part of this prospectus. We have included our website address in this prospectus solely as an inactive textual reference.

Reorganization Transaction

Effective June 30, 2014, in order to facilitate the administration, management and development of our business and the proposed initial public offering, we implemented a holding company reorganization pursuant to which we became the new parent company and CareKinesis became our direct, wholly owned subsidiary. To implement the reorganization, we formed CK Merger Sub, Inc. The holding company structure was implemented by the merger of CK Merger Sub, Inc. with and into CareKinesis, with CareKinesis surviving the merger as our direct, wholly owned subsidiary. As a result of the reorganization, each share of CareKinesis issued and outstanding immediately prior to the merger automatically converted into the same share, with the same rights and preferences, in our company. The business conducted by CareKinesis immediately prior to the corporate reorganization continues to be conducted by CareKinesis following the reorganization. In addition, in connection with the reorganization, CareKinesis distributed all of the equity interests in two of its wholly owned subsidiaries, Capstone Performance Systems, LLC, or Capstone, and CareVentions, Inc., to us.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from specified disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure;
- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; 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 provisions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1.0 billion in annual revenue, have more than $700 million in market value of our capital stock held by non-affiliates or issue more than $1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some, but not all, of the available exemptions. We have taken advantage of some reduced reporting burdens in this prospectus. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

THE OFFERING

Common stock offered	4,300,000 shares
Common stock to be outstanding immediately after this offering .	15,509,158 shares (16,154,158 shares if the underwriters exercise their option to purchase additional shares in full)
Option to purchase additional shares	We have granted the underwriters a 30-day option to purchase a maximum of 645,000 additional shares of our common stock.
Use of proceeds	We estimate that the net proceeds from the sale of shares of our common stock in this offering will be approximately $52.4 million (or approximately $60.8 million if the underwriters exercise their option to purchase additional shares in full), based upon an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We currently expect that we will use the net proceeds from this offering to repay approximately $34.2 million of our outstanding indebtedness, to pay the remaining portion of the cash purchase price of $5.0 million for the acquisition of primarily intellectual property and software assets, which were previously licensed by us, that are integrated in the MRM Matrix, to continue to develop new product offerings, to enter into new market segments with our existing solutions, to expand our sales and marketing infrastructure, to fund additional acquisitions of businesses and technologies and for working capital and general corporate purposes. See "Use of Proceeds" for a more complete description of the expected use of proceeds from this offering.
Risk factors	See "Risk Factors" for a discussion of factors to consider carefully before deciding to invest in our common stock.

Directed share program	At our request, the underwriters have reserved up to 5% of the common stock being offered by us in this prospectus for sale at the initial public offering price to our directors, officers, key employees and their respective friends and families. These sales will be made by UBS Financial Services Inc., a selected dealer affiliated with UBS Securities LLC, an underwriter of this offering, through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of our common stock. Participants in the directed share program who purchase more than $1,000,000 worth of shares will be subject to a 25-day lock-up with respect to any shares sold to them pursuant to such program. Any shares sold in the directed share program to our directors or executive officers will be subject to a 180-day lock-up. All of these lock-up agreements will have similar restrictions to the lock-up agreements described herein. See "Underwriting — Lock-Up Agreements" for additional information. The underwriters will receive the same underwriting discount on any shares purchased by these parties as they will on any other shares sold to the public in this offering.
Proposed NASDAQ Global Market symbol	"TRHC"

The number of shares of our common stock to be outstanding after this offering is based on 11,209,158 shares of our common stock outstanding as of June 30, 2016, which includes:

- 5,089,436 shares of common stock issuable upon the automatic conversion of all outstanding shares of preferred stock into shares of our common stock immediately prior to the completion of this offering less 71,390 shares of our common stock surrendered to us by Radius Venture Partners III QP, L.P. and its affiliates, or Radius, at the completion of this offering pursuant to the Letter Agreement, as amended, we entered into with Radius, or the Radius Shares, based upon an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus (See "Executive Compensation—Narrative to Summary Compensation Table—Long-Term Incentive Compensation—Leadership Exit Bonus Plan" for more information);
- 46,820 shares of common stock issuable to certain of our executive officers pursuant to our Leadership Exit Bonus Plan and under our 2016 Equity Compensation Plan, or the 2016 Equity Compensation Plan, upon the completion of this offering, which represents an amount equal to the Radius Shares surrendered at the completion of this offering less 24,570 shares of our common stock withheld for tax withholding purposes, based upon an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus;
- 203,745 shares of our common stock issuable upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering, assuming an initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus;
- 722,646 shares of restricted common stock issuable under our Amended and Restated 2014 Equity Compensation Plan, or the 2014 Equity Compensation Plan, and our 2016 Equity Compensation Plan, or the 2016 Equity Compensation Plan, to certain members of management

and our board of directors, respectively, immediately prior to the effective date of the registration statement of which this prospectus forms a part; and

- 357,142 shares of common stock issuable in connection with the acquisition that we completed in September 2016 of primarily intellectual property and software assets from a third party, assuming the value of our common stock on The Nasdaq Global Market calculated on each of the 31st and 61st business day following the completion of this offering, based on a specified trailing average trading price, is $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus (See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Acquisitions" for more information).

The number of shares of common stock to be outstanding after this offering excludes:

- 161,081 shares of our common stock issuable upon the exercise of outstanding warrants as of June 30, 2016, at a weighted-average exercise price of $1.55 per share, which warrants are exercisable to purchase shares of our Series A-1 preferred stock prior to the completion of this offering;
- 302,508 shares of our common stock issuable upon the exercise of outstanding warrants as of June 30, 2016, at a weighted-average exercise price of $5.75 per share, which warrants are exercisable to purchase shares of our Series B preferred stock prior to the completion of this offering;
- 2,724,783 shares of our common stock issuable upon the exercise of stock options outstanding as of June 30, 2016, under our 2014 Equity Compensation Plan at a weighted-average exercise price of $3.33 per share; and
- an additional 730,920 shares of our common stock reserved for future issuance under our 2016 Equity Compensation Plan upon the completion of this offering.

Unless otherwise indicated, all information in this prospectus assumes or gives effect to:

- the redesignation of all of our Class A Non-Voting common stock and Class B Voting common stock into shares of our common stock;
- no exercise of the other outstanding warrants or options described above;
- no exercise by the underwriters of their option to purchase up to 645,000 shares of our common stock;
- a 1-for-1.94 reverse stock split of our common stock effected on September 16, 2016;
- the amendment and restatement of our certificate of incorporation and bylaws immediately prior to the completion of this offering; and
- no purchases by our existing stockholders, directors or officers, or their respective affiliates, or other participants pursuant to the directed share program.

Summary Consolidated Financial Data

The following tables summarize our consolidated financial data and other data for the periods and at the dates indicated. We have derived the consolidated statements of operations data for the years ended December 31, 2014 and 2015 from our audited consolidated financial statements appearing elsewhere in this prospectus. The consolidated statements of operations data for the six months ended June 30, 2015 and June 30, 2016 and the consolidated balance sheet data as of June 30, 2016 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Our unaudited consolidated financial statements were prepared on the same basis as our audited consolidated financial statements and include, in our opinion, all normal recurring adjustments necessary for the fair presentation of the financial information set forth in those statements.

Our historical results for any prior period are not necessarily indicative of the results that should be expected in any future period, and our interim results are not necessarily indicative of the results to be expected for a full year. The following summary of consolidated financial data should be read in conjunction with the sections entitled "Capitalization", "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

See notes 3 and 14 to our audited consolidated financial statements and note 12 to our unaudited consolidated financial statements appearing elsewhere in this prospectus for information regarding computation of basic and diluted net income (loss) per share attributable to common stockholders, unaudited pro forma basic and diluted net income (loss) per share attributable to common stockholders, and the unaudited pro forma weighted average basic and diluted common shares outstanding used in computing the pro forma basic and diluted net income (loss) per share attributable to common stockholders.

	Year Ended December 31,		Six Months Ended June 30,	
	2014	2015	2015	2016
	(In thousands, except for share and per share amounts)			
Consolidated Statement of Operations Data:				
Revenue:				
Product revenue	$ 46,878	$ 60,060	$ 27,295	$ 38,001
Service revenue	1,550	9,979	5,031	4,574
Total revenue	48,428	70,039	32,326	42,575
Cost of revenue, exclusive of depreciation and amortization shown below:				
Product cost	37,073	45,829	21,350	28,152
Service cost	739	3,299	1,582	1,903
Total cost of revenue	37,812	49,128	22,932	30,055
Gross profit	10,616	20,911	9,394	12,520
Operating (income) expenses:				
Research and development	1,660	2,877	1,186	1,850
Sales and marketing	2,272	2,880	1,368	1,630
General and administrative	3,970	7,115	3,290	3,709
Change in fair value of acquisition-related contingent consideration expense (income)	790	(2,059)	(1,018)	99
Depreciation and amortization	1,817	3,933	1,943	2,139
Total operating expenses	10,509	14,746	6,769	9,427
Income from operations	107	6,165	2,625	3,093
Other (income) expense:				
Change in fair value of warrant liability	269	2,786	184	(13)
Interest expense	1,354	5,915	2,950	3,008
Total other expense	1,623	8,701	3,134	2,995
(Loss) income before income taxes	(1,516)	(2,536)	(509)	98
Income tax (benefit) expense	(409)	328	176	175
Net loss	$ (1,107)	$ (2,864)	$ (685)	$ (77)
Net loss attributable to common stockholders, basic and diluted	$ (4,991)	$ (12,830)	$ (1,941)	$ (279)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.23)	$ (2.97)	$ (0.47)	$ (0.06)
Weighted-average number of shares used in computing net loss per share attributable to common stockholders, basic and diluted	4,052,590	4,318,779	4,164,988	4,765,977
Pro forma net income per share attributable to common stockholders, basic (unaudited)(1)		$ 0.19		$ 0.21
Pro forma net income per share attributable to common stockholders, diluted (unaudited)(1)		$ 0.16		$ 0.17
Pro forma weighted average common shares outstanding, basic (unaudited)(1)		11,848,256		12,295,454
Pro forma weighted average common shares outstanding, diluted (unaudited)(1)		13,996,626		14,888,891
Other Financial Data:				
Adjusted EBITDA(2)	$ 2,968	$ 8,604	$ 3,862	$ 5,589

(1) See "Selected Consolidated Financial Statements" for more information regarding the calculation of pro forma net income per share.

(2) Adjusted EBITDA is a non-GAAP financial measure. See "Selected Consolidated Financial Data—Adjusted EBITDA" for our definition of Adjusted EBITDA, why we present Adjusted EBITDA, limitations on the usefulness of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net loss, the most nearly comparable GAAP measurement.

The following sets forth our consolidated summary balance sheet data as of June 30, 2016 on:

- an actual basis;
- a pro forma basis to give effect to (1) the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 5,089,436 shares of our common stock immediately prior to the completion of this offering, the subsequent surrender of the Radius Shares and the reclassification to additional paid-in capital of the warrant liability related to warrants to purchase preferred stock, (2) the issuance of 203,745 shares of our common stock upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering, assuming an initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, (3) our borrowing of an aggregate of $30.0 million under our July 1, 2016 term loan credit facility with ABC Funding, LLC, an affiliate of Summit Partners, L.P., or the ABC Credit Facility, (4) our repayment of $18.4 million of outstanding principal and interest on promissory notes relating to our acquisition of Medliance LLC, or the Medliance Notes, the repayment of $12.1 million of outstanding principal, interest and penalties under the December 2014 Eastward Loan and the April 2014 Eastward Loan, and related debt financing fees and expenses and loss on debt extinguishment, (5) the issuance of 357,142 shares of common stock, the initial payment of cash consideration of $1.0 million and the recognition of a $5.0 million consideration payable in connection with the acquisition that we completed in September 2016 of primarily intellectual property and software assets from a third party, as if such shares were issued and the initial cash payment paid on the closing of such acquisition, and (6) the issuance of 46,820 shares of our common stock to certain of our executive officers pursuant to our Leadership Exit Bonus Plan and under our 2016 Equity Compensation Plan upon the completion of this offering which represents an amount equal to the Radius Shares surrendered at the completion of this offering less 24,570 shares of our common stock withheld for tax withholding purposes, based upon an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus; and
- a pro forma as adjusted basis to give further effect to (1) our issuance and sale of 4,300,000 shares of our common stock in this offering at an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, (2) our receipt of the net proceeds of this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (3) our application of a portion of such net proceeds to repay indebtedness and the remaining

$5.0 million of the cash purchase price for the acquisition of primarily intellectual property and software assets from a third party as set forth under "Use of Proceeds."

	As of June 30, 2016		
	Actual	Pro Forma	Pro Forma as Adjusted(1)
	(In thousands)		
Consolidated Balance Sheet Data:			
Cash	$ 4,299	$ 1,628	16,345
Working capital	2,209	(5,348)	15,910
Total assets	64,503	72,535	84,499
Line of credit	14,500	14,500	14,500
Long-term debt, including current portion	12,302	30,240	1,674
Notes payable to related parties	250	250	—
Notes payable related to acquisition	16,375	—	—
Warrant liability	5,556	—	—
Total liabilities	66,942	65,816	30,709
Total redeemable convertible preferred stock	29,175	—	—
Total stockholders' (deficit) equity	(31,614)	6,719	53,790

(1) Each $1.00 increase or decrease in the assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease the pro forma as adjusted cash, working capital, total assets and total stockholders' equity by $4.0 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million shares offered by us would increase or decrease the pro forma as adjusted working capital, total assets and total stockholders' equity by $13.0 million, assuming no change in the assumed initial public offering price per share and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. This pro forma as adjusted information is illustrative only and will depend on the actual initial public offering price and other terms of this offering determined at pricing.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below together with all of the other information contained in this prospectus, including our consolidated financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in our common stock. The risks below are not the only ones we face. Additional risks and uncertainties that we are unaware of may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, prospects, operating results and financial condition could be harmed. In such event, the trading price of our common stock could decline and you might lose all or part of your investment.

Risks Relating to Our Business and Industry

The healthcare industry in the United States is undergoing significant structural change and is rapidly evolving, and the market for technology-enabled healthcare products and services is in its early stages, which makes it difficult to forecast demand for our technology-enabled products and services. If we are not successful in promoting the benefits of our products and services, our growth may be limited.

The healthcare industry in the United States is undergoing significant structural change and is rapidly evolving. We believe demand for our products and services has been driven in large part by price pressure in traditional fee-for-service healthcare, a regulatory environment that is incentivizing value-based care models, the movement toward patient-centricity and personalized healthcare and advances in technology. Widespread acceptance of the value-based care model is critical to our future growth and success. A reduction in the growth of value-based care or patient-centric models could reduce the demand for our products and services and result in a lower revenue growth rate or decreased revenue.

The market for technology-enabled healthcare products and services is in the early stages and it is uncertain whether it will achieve and sustain high levels of demand and market adoption. Our future financial performance will depend in part on growth in this market and on our ability to adapt to emerging demands of our clients. It is difficult to predict the future growth rate and size of our target market.

Our success will depend to a substantial extent on the willingness of healthcare organizations to increase their use of our technology and our ability to demonstrate the value of our technology to our existing clients and potential clients. If healthcare organizations do not recognize or acknowledge the benefits of our products and services or if we are unable to reduce healthcare costs or drive positive health outcomes, then the market for our products and services might not develop at all, or it might develop more slowly than we expect.

If we are unable to offer innovative products and services or our products and services fail to keep pace with our clients' needs, our clients may terminate or fail to renew their agreements with us and our revenue and results of operations may suffer.

Our success depends on providing innovative, high-quality products and services that healthcare providers and payors use to improve clinical, financial and operational performance. If we cannot adapt to rapidly evolving industry standards, technology and increasingly sophisticated and varied client needs, our existing technology could become undesirable, obsolete or harm our reputation. In order to remain competitive, we must continue to invest significant resources in our personnel and technology in a timely and cost-effective manner in order to enhance our existing products and services and introduce new high-quality products and services that existing clients and potential new clients will want. We are continually involved in a number of projects to develop new products and services, including the further refinement of our proprietary MRM Matrix. If our innovations are not responsive to the needs of our existing clients or potential new clients, are not appropriately timed with market opportunity, are not

effectively brought to market or significantly increase our operating costs, we may lose existing clients or be unable to obtain new clients and our results of operations may suffer.

Our limited operating history may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

We commenced active operations in 2011 and our operations to date have included organizing and staffing our company, business planning, raising capital and developing and marketing our product and services. As an early stage business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors.

We have incurred significant net losses and we may not be able to generate net income in the future.

For the years ended December 31, 2014 and 2015, we reported a net loss of $1.1 million and $2.9 million, respectively. As of June 30, 2016, we had an accumulated deficit of $31.6 million. Substantially all of our operating losses resulted from costs incurred in connection with our research and development program, acquisitions and from general and administrative costs associated with our operations. Our ability to generate net income is dependent upon, among other things, the acceptance of our products and services by, and the strength of, our existing and potential clients.

If we fail to effectively manage our growth, our business and results of operations could be harmed.

We have expanded our operations significantly since our inception. For example, we grew from 29 employees on January 1, 2011, the beginning of our first year of active operations, to 204 employees as of August 31, 2016, and our revenue increased from $32.3 million for the six months ended June 30, 2015 to $42.6 million for the six months ended June 30, 2016, and from $48.4 million for the year ended December 31, 2014 to $70.0 million for the year ended December 31, 2015. If we do not effectively manage our growth as we continue to expand, the quality of our products and services could suffer and our revenue could decline. Our growth to date has increased the significant demands on our management, our operational and financial systems, IT infrastructure, security mechanisms and other resources. In order to successfully expand our business, we must effectively recruit, integrate and motivate new employees, while maintaining the beneficial aspects of our corporate culture. We may not be able to hire new employees, including software engineers, quickly enough to meet our needs. If we fail to effectively manage our hiring needs and successfully integrate our new hires, our efficiency and ability to meet our forecasts and our employee morale, productivity and retention could suffer, and our business and results of operations could be harmed. We must also continue to improve our existing systems for operational and financial management, including our reporting systems, procedures and controls. These improvements could require significant capital expenditures and place increasing demands on our management. We may not be successful in managing or expanding our operations or in maintaining adequate financial and operating systems and controls. If we do not successfully manage these processes, our business and results of operations could be harmed.

We may not grow at the rates we historically have achieved or at all, even if our key metrics may indicate growth, which could cause the market price of our common stock to decline.

We have experienced significant growth since 2011, our first year of active operations, with total revenue growing from $5.8 million for the year ended December 31, 2011, to $70.0 million for the year ended December 31, 2015, and from $32.3 million for the six months ended June 30, 2015, to $42.6 million for the six months ended June 30, 2016. Future revenue may not grow at these same rates or may decline. Our future growth will depend, in part, on our ability to grow our revenue from existing clients, to complete sales to new clients and to expand our client base in the healthcare industry and with provider and payor organizations. We may not be successful in executing on our growth strategies

and may not continue to grow our revenue at similar rates as we have in the past. Our ability to execute on our existing sales pipeline, create additional sales pipelines and expand our client base depends on, among other things, the attractiveness of our products and services relative to those offered by our competitors, our ability to demonstrate the value of our existing and future products and services and our ability to attract and retain a sufficient number of qualified sales and marketing personnel. In addition, clients in some market segments in which we have a more limited presence may be slower to adopt our products and services than we currently anticipate.

To date, we have derived substantially all of our product revenue from sales of prescription medications, and revenue from sales of prescription medications is dependent upon factors outside of our control.

To date, substantially all of our product revenue has been derived from sales of prescription medications, and we expect to continue to derive the substantial majority of our product revenue from sales of prescription medications for the foreseeable future. Revenue from prescription medication fulfillment is dependent upon a number of factors, many of which are outside of our control, such as growth or contraction in patient populations at our clients and the number and mix of medications each patient is prescribed. Any change in these factors could harm our financial results.

We derive a significant portion of our revenue from PACE organizations, and any changes in laws or regulations, or any other factors that cause a decline in the use of PACE organizations to provide healthcare could hurt our ability to generate revenue and grow our business.

We derive a significant portion of our revenue from PACE organizations, which are our largest clients, accounting for 87.7% and 91.7% of our revenue for the year ended December 31, 2015 and the six months ended June 30, 2016, respectively. PACE organizations reflect a relatively new, value-based model for providing healthcare to the elderly and are funded by both Medicare and Medicaid. If the laws and regulations that currently promote PACE organizations were to change in a way that makes operating a PACE organization less attractive, if other Medicare or Medicaid reimbursement models are developed that are more attractive to the healthcare providers that operate PACE organizations or if the prevalence of PACE organizations were to decline for any other reason, our ability to generate revenue and grow our business may be compromised.

Consolidation in the healthcare industry could lead to the elimination of some of our clients and make others larger, which could decrease demand for our solutions or create pricing pressure.

Many healthcare industry participants are consolidating to create larger and more integrated healthcare delivery systems. If regulatory and economic conditions continue to facilitate additional consolidation in the healthcare industry, some of our current clients, and possibly our future clients, may be eliminated. Such market fluctuations may result in decreased need for some or all of our products and services as some of our clients disappear, and others acquire larger market power, which may be used to develop various solutions in-house, rather than purchasing them from us, or negotiate fee reductions for our products and services.

Failure by PACE organization clients to meet applicable penetration benchmarks could result in loss of their service area, which could lead to our loss of that business and a corresponding decline in our revenue.

PACE organizations in many states are subject to penetration benchmarks regarding the number of eligible lives in their service areas that have been captured by the program. If the number of members covered by any of our PACE organization clients were to be reduced by a material amount, such decrease may lead to a loss of their service area, which could result in our loss of the client and a corresponding decline in our revenue.

The growth of our business relies, in part, on the growth of our clients, which is difficult to predict and is affected by factors outside of our control.

We enter into agreements with our clients under which a portion of our fees are dependent upon the number of members that are covered by our clients' programs each month. The number of members covered by a client's program is often affected by factors outside of our control, such as the client's pricing, overall quality of service and member retention initiatives. If the number of members covered by one or more of our client's programs were to be reduced, such decrease would lead to a decrease in our revenue. In addition, the growth forecasts of our clients are subject to significant uncertainty and are based on assumptions and estimates that may prove to be inaccurate. Even if the markets in which our clients compete meet the size estimates and growth forecasted, their program membership could fail to grow at similar rates, if at all.

A few clients account for a significant portion of our revenue and, as a result, the loss of one or more of these clients could hurt our revenue.

Our largest ten clients accounted for 53% and 54% of our revenue for the year ended December 31, 2015 and the six months ended June 30, 2016, respectively. No single client accounted for more than 10% of our revenue during the six months ended June 30, 2016. For the year ended December 31, 2015, our largest client, Viecare Beaver and Viecare Butler, together under common control, accounted for 9.8% of our revenue. For the year ended December 31, 2014, our largest clients, Viecare Beaver and Viecare Butler, together under common control, and On Lok Senior Health Services, accounted for 11% and 10% of our revenue, respectively, and 21% of our revenue in the aggregate. Our engagement with these clients is generally covered through contracts that are multi-year in their duration. One or more of these clients may decline to renew their existing contracts with us upon expiration and any such failure to renew could have a negative impact on our revenue and compromise our growth strategy. Further, if one or more of these clients significantly decreases its use of our solutions, we would lose revenue and our growth would be compromised.

Because we generally bill our clients and recognize revenue over the term of the contract, near-term declines in new or renewed agreements may not be reflected immediately in our operating results.

Most of our revenue in each quarter is derived from agreements entered into with our clients during previous quarters. Consequently, a decline in new or renewed agreements in any one quarter may not be fully reflected in our revenue for that quarter because, although we enter into multi-year arrangements with our clients and recognize revenue over the term of the contract, such revenue is not recognized ratably. Such declines, however, would negatively affect our revenue in future periods. The effect of any significant downturns in sales of, and market demand for, our products and services, as well as any potential changes in our rate of renewals or renewal terms, may not be fully reflected in our results of operations until future periods. In addition, we may be unable to adjust our cost structure rapidly or at all, to take account of reduced revenue.

If we do not continue to attract new clients, we may not be able to grow our business.

In order to grow our business, we must continually attract new clients. Our ability to do so depends in large part on the success of our sales and marketing efforts. Potential clients may seek out other options. Therefore, we must demonstrate that our products and services provide a viable solution for potential clients. If we fail to provide high-quality solutions and convince individual clients of our value proposition, we may not be able to attract new clients. If the market for our products and services declines or grows more slowly than we expect, or if the number of individual clients that use our solutions declines or fails to increase as we expect, our financial results could be harmed.

If we are not able to maintain and enhance our reputation and brand recognition, our business will be harmed.

Maintaining and enhancing our reputation and brand recognition is critical to our relationships with existing clients and to our ability to attract new clients. The promotion of our brand may require us to make substantial investments and we anticipate that, as our market becomes increasingly competitive, these marketing initiatives may become more difficult and expensive. Our marketing activities may not be successful or yield increased revenue, and to the extent that these activities yield increased revenue, the increased revenue may not offset the expenses we incur. In addition, any factor that diminishes our reputation or that of our management, including failing to meet the expectations of our clients, could make it substantially more difficult for us to attract new clients. If we do not successfully maintain and enhance our reputation and brand recognition, our business may not grow and we could lose our relationships with clients.

Initial positive outcomes and cost reductions for our clients have not been statistically analyzed, are not necessarily attributable to our services, and are not necessarily predictive of future outcomes or costs.

Although several of our clients have reported improved outcomes for their patients and cost reductions on a per member per month basis, these initial outcomes have not been statistically analyzed and are not necessarily predictive of future outcomes. Other factors, including changes in healthcare regulations or other business practices or our clients' implementation of other cost saving measures may have contributed to positive outcomes or reduced costs. Moreover, outcome and cost reduction data are often susceptible to varying interpretations and analyses, and many companies that believed their technologies and services were effective initially were unable to maintain positive results over time. If we fail to produce positive outcomes and reduce costs for our clients, they may not continue to use our services and we may be unable to attract new clients, each of which could harm our business.

Our marketing efforts depend significantly on our ability to receive positive references from our existing clients.

Our marketing efforts depend significantly on our ability to call on our current clients to provide positive references to new, potential clients. Given our limited number of long-term clients, the loss or dissatisfaction of any client could substantially harm our brand and reputation, inhibit the market adoption of our products and services, impair our ability to attract new clients and maintain existing clients and, ultimately, harm our financial results.

Our sales and implementation cycle can be long and unpredictable and can require considerable time and expense, which may cause our operating results to fluctuate.

The sales cycle for our products and services from initial sales activity with a potential client to contract execution and implementation can be long and varies widely by client, typically ranging from three to 12 months. Some of our clients undertake pilot programs for our products and services which range from six to 18 months in length. These pilot programs may result in extended sales cycles and upfront sales costs as the potential client evaluates our products and services. Our sales efforts involve educating our clients about the use, technical capabilities and benefits of our products and services. It is possible that in the future we may experience even longer sales cycles, more complex client requirements, higher upfront sales costs and less predictability in completing some of our sales as we continue to expand into new territories and add additional products and services. If our sales cycle lengthens or our substantial upfront sales and implementation investments do not result in sufficient sales to justify our investments, our operating results may be harmed.

Any failure to offer high-quality client support services may adversely affect our relationships with our clients and harm our financial results.

Our clients depend on our technical support to resolve any issues relating to our offering and technology solutions and to provide initial and ongoing training and education, when necessary. In addition, our sales process is highly dependent on the quality of our offering, our business reputation and on strong recommendations from our existing clients. Any failure to maintain high-quality and highly-responsive technical support, or a market perception that we do not maintain high-quality and highly-responsive support, could harm our reputation and compromise our ability to sell our solutions to existing and prospective clients.

We offer client support services with our offering and may be unable to respond quickly enough to accommodate short-term increases in client demand for support services, particularly as we increase the size of our client base. We also may be unable to modify the format of our support services to compete with changes in support services provided by competitors. It is difficult to predict client demand for our support services and if client demand increases significantly, we may be unable to provide satisfactory support services to our clients. Additionally, increased client demand for these services, without corresponding revenue, could increase costs and hurt our ability to achieve profitability.

Our proprietary products and services may not operate properly, which could damage our reputation, give rise to a variety of claims against us or divert our resources from other purposes, any of which could harm our business and operating results.

Technology-enabled product and service development is time-consuming, expensive and complex and may involve unforeseen difficulties. We may encounter technical obstacles, and we may discover additional problems that prevent our proprietary products and services from operating properly. If our products and services do not function reliably or fail to achieve client expectations in terms of performance, clients could assert liability claims against us and attempt to cancel their contracts with us. Moreover, material performance problems, defects or errors in our existing or new products and services may arise in the future and may result from, among other things, the lack of interoperability of our software with systems and data that we did not develop and the function of which are outside of our control or undetected in our testing. Defects or errors in our products or services might discourage existing or potential clients from purchasing services from us. Correction of defects or errors could prove to be time consuming, costly, impossible or impracticable. The existence of errors or defects in our products and services and the correction of such errors could divert our resources from other matters relating to our business, damage our reputation and increase our costs.

Adverse drug events resulting from optimizing a patient's medication regimen through recommendations made by our technology or our pharmacists could give rise to claims against us and could damage our reputation.

We provide medication risk management services which includes answering prescriber questions and making recommendations to prescribers at the point-of-prescribing, during pharmacist consultation and at periodic patient review. In the event that optimizing a patient's medication regimen through recommendations made by our technology or our pharmacists contribute to an ADE, clients and patients could assert liability claims against us, which may not be subject to a contractually agreed upon liability cap, and clients could attempt to cancel their contracts with us. Such instances may also generate significant negative publicity that could harm our reputation, increase our costs and materially affect our results of operations.

Future sales to clients outside the United States or clients with international operations might expose us to risks inherent in international markets, which could hurt our business.

An element of our growth strategy is to expand internationally. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that are different from those in the United States. We currently do not have any international operations. Because of our lack of experience with international operations, any international expansion efforts might not be successful in creating demand for our products and services outside of the United States or in effectively selling our products and services in the international markets we enter. In addition, we will face risks in doing business internationally that could hurt our business, including:

- the need to localize and adapt our products and services for specific countries, including translation into foreign languages and associated expenses;
- difficulties in staffing and managing foreign operations;
- different pricing environments, longer sales cycles and longer accounts receivable payment cycles and collections issues;
- new and different sources of competition;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- laws and business practices favoring local competitors;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, anti-bribery, foreign investment, tax, privacy and data protection laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- adverse tax consequences; and
- if we denominate our international contracts in local currencies, fluctuations in the value of the U.S. dollar and foreign currencies might negatively affect our operating results when translated into U.S. dollars.

We purchase a significant portion of our pharmaceutical products from one wholesaler.

Effective March 2016, we entered into a prime vendor agreement with AmerisourceBergen Drug Corporation, or AmerisourceBergen, a drug wholesaler, to provide us with the pharmaceutical products we sell. The prime vendor agreement was subsequently amended and restated effective May 1, 2016. As part of this agreement, we are obligated to purchase at least 95% of the total dollar amount of prescription pharmaceutical products we sell from AmerisourceBergen. The contract also commits us to a monthly minimum purchase obligation of approximately $1.75 million. Our amended and restated contract with AmerisourceBergen has an initial term of three years expiring April 30, 2019, and can be terminated by, among other things, either party's material breach that continues for 30 days, or a payment default that continues for five days after notice thereof. If we are no longer able to purchase our pharmaceutical products from AmerisourceBergen, there can be no assurance that our operations would not be disrupted or that we could obtain the necessary pharmaceutical products at similar cost or at all. In this event, failure to satisfy our clients' requirements would result in defaults under client contracts subjecting us to damages and the potential termination of those contracts.

Any restrictions on our ability to license or share data and integrate third-party technologies could harm our business.

We depend upon licenses from third parties for some of the technology and data used in our products and services, and for some of the technology platforms upon which these products and services are built and operate. Most of our third-party licenses are non-exclusive and our competitors may obtain the right to use any of the technology covered by these licenses to compete directly with us. We also license some of our technology and share data we collect with our clients, including under agreements with health systems and providers of electronic health records. We expect that we will need to obtain additional licenses from third parties in the future in connection with the development of our products and services. In addition, we obtain a portion of the data that we use from public records and from our clients for specific client engagements. Our licenses for information may not be sufficient to allow us to use the data that is incorporated into our products and services for all potential or contemplated applications and products.

In the future, data providers could withdraw their data from us or restrict our usage for any reason, including if there is a competitive reason to do so, if legislation is passed restricting the use of the data or if judicial interpretations are issued restricting use of the data that we currently use in our products and services. In addition, data providers could fail to adhere to our quality control standards in the future, causing us to incur additional expense to appropriately utilize the data. If a substantial number of data providers were to withdraw or restrict their data, or if they fail to adhere to our quality control standards, and if we are unable to identify and contract with suitable alternative data suppliers and integrate these data sources into our service offerings, our ability to provide products and services to our clients would be compromised and our future growth and success could be delayed or limited.

We also integrate into our proprietary applications and use third-party software to maintain and enhance, among other things, content generation and delivery, and to support our technology infrastructure. Some of this software is proprietary and some is open source software. Our use of third-party technologies exposes us to increased risks, including, but not limited to, risks associated with the integration of new technology into our solutions, the diversion of our resources from development of our own proprietary technology and our inability to generate revenue from licensed technology sufficient to offset associated acquisition and maintenance costs. These technologies may not be available to us in the future on commercially reasonable terms or at all and could be difficult to replace once integrated into our own proprietary applications. Most of these licenses can be renewed only by mutual consent and may be terminated if we breach the terms of the license and fail to cure the breach within a specified period of time. Our inability to obtain, maintain or comply with any of these licenses could delay development until equivalent technology can be identified, licensed and integrated, which could delay or limit our future growth.

Data loss or corruption due to failures or errors in our systems may expose us to liability, hurt our reputation and relationships with existing clients and force us to incur significant costs.

Hardware failures or errors in our systems could result in data loss or corruption or cause the information that we collect to be incomplete or contain inaccuracies that our clients regard as significant. Complex software such as ours may contain errors or failures that are not detected until after the software is introduced or updates and new versions are released. We continually introduce new software and updates and enhancements to our existing software. Despite testing by us, we may discover defects or errors in our software. Any defects or errors could expose us to risk of liability to clients and the government, and could cause delays in the introduction of new products and services, result in increased costs and diversion of development resources, require design modifications, decrease market acceptance or client satisfaction with our products and services or cause harm to our reputation. Data losses related to personal health records could result in additional risks, see "— We are subject to data privacy and security laws and regulations and contractual obligations governing the transmission, security and privacy of health and other sensitive or proprietary information, which may impose

restrictions on the manner in which we access, store, transmit, use and disclose such information and subject us to penalties if we are unable to fully comply with such laws or contractual provisions."

Furthermore, our clients might use our software together with products from other companies. As a result, when problems occur, it might be difficult to identify the source of the problem. Even when our software does not cause these problems, the existence of these errors might cause us to incur significant costs, divert the attention of our technical personnel from our product development efforts, hurt our reputation and lead to significant client relations problems.

Our business is subject to online security risks, and if we are unable to safeguard the security and privacy of confidential data, our reputation and business will be harmed.

Our products and services involve the collection, storage and analysis of confidential or proprietary information. If a cyber incident, such as a phishing attack, virus, malware installation, server malfunction, software or hardware failure, impairment of data integrity, loss of data or other computer assets, adware or other similar issue, impairs or shuts down one or more of our computing systems or our IT network, we may be subject to negative treatment and lawsuits by our clients. In addition, attention to remediating cyber incidents may distract our technical or management personnel from their normal responsibilities. Public announcements of such cyber incidents could occur and negative perception of such cyber incidents could adversely affect the price of our common stock, and we could lose sales and clients.

In certain cases, confidential or proprietary information is provided to third parties, such as the service providers that host our technology platform, and we may be unable to control the use of our information or the security protections used by third parties. Cyber incidents and malicious internet-based activity continue to increase generally, and providers of hosting and cloud-based services are often targeted. If the third parties with whom we work violate applicable laws, contracts or our security policies, these violations could also put our confidential or proprietary information at risk and otherwise hurt our business. In addition, if the security measures of our clients are compromised, even without any actual compromise of our own systems, we may face negative publicity or reputational harm if our clients or anyone else incorrectly attributes the blame for such security breaches to us or our systems.

We may be required to expend significant capital and other resources to protect against security incidents caused by known cyber vulnerabilities or to alleviate problems caused by security breaches. Despite our implementation of security measures, techniques used to obtain unauthorized access to information or to sabotage information technology systems change frequently and unknown cyber vulnerabilities caused by third-party software or services may exist within our system. As a result, we may be unable to anticipate such techniques or vulnerabilities or to implement adequate preventative measures. Any compromise or perceived compromise of our security could damage our reputation and our relationship with our clients, could reduce demand for our products and services and could subject us to significant liability or regulatory actions. In addition, in the event that new privacy or data security laws are implemented, we may not be able to timely comply with such requirements, or such requirements may not be compatible with our current processes. Changing our processes could be time consuming and expensive, and failure to timely implement required changes could subject us to liability for non-compliance.

We rely on internet infrastructure, bandwidth providers, other third parties and our own systems to provide services to our clients, and any failure or interruption in the services provided by these third parties or our own systems could expose us to litigation and hurt our reputation and relationships with clients.

Our ability to deliver our products and services, particularly our cloud-based solutions, is dependent on the development and maintenance of the infrastructure of the internet and other telecommunications services by third parties. This includes maintenance of a reliable network connection with the necessary speed, data capacity and security for providing reliable internet access and services and reliable telephone and facsimile services. Our services are designed to operate without perceptible interruption in accordance with our service level commitments.

We have, however, experienced limited interruptions in these systems in the past, including server failures that temporarily slow down the performance of our services, and we may experience similar or more significant interruptions in the future. We rely on internal systems as well as third-party suppliers, including bandwidth and telecommunications equipment providers, to provide our services. We do not currently maintain redundant systems or facilities for some of these services. Interruptions in these systems or services, whether due to system failures, cyber incidents, physical or electronic break-ins or other events, could affect the security or availability of our services and prevent or inhibit the ability of our clients and their patients to access our services. In the event of a catastrophic event with respect to one or more of these systems or facilities, we may experience an extended period of system unavailability, which could result in substantial costs to remedy those problems or harm our relationship with our clients and our business.

Additionally, any disruption in the network access, telecommunications or co-location services provided by third-party providers or any failure of or by third-party providers' systems or our own systems to handle current or higher volume of use could significantly harm our business. We exercise limited control over our third-party suppliers, which increases our vulnerability to problems with services they provide. Any errors, failures, interruptions or delays experienced in connection with these third-party technologies and information services or our own systems could hurt our relationships with clients and expose us to third-party liabilities. Although we maintain insurance for our business, the coverage under our policies may not be adequate to compensate us for all losses that may occur. In addition, we might not continue to be able to obtain adequate insurance coverage at an acceptable cost.

The reliability and performance of our internet connection may be harmed by increased usage or by denial-of-service attacks or related cyber incidents. The services of other companies delivered through the internet have experienced a variety of outages and other delays as a result of damages to portions of the internet's infrastructure, and such outages and delays could affect our systems and services in the future. These outages and delays could reduce the level of internet usage as well as the availability of the internet to us for delivery of our internet-based services.

We rely on third-party vendors to host and maintain our technology platform.

We rely on third-party vendors to host and maintain our technology platform, including our *EireneRx* and *MedWise Advisor* software. Our ability to offer our products and services and operate our business is dependent on maintaining our relationships with third-party vendors, particularly Amazon Web Services, and entering into new relationships to meet the changing needs of our business. Any deterioration in our relationships with such vendors or our failure to enter into agreements with vendors in the future could harm our business and our ability to pursue our growth strategy. Because of the large amount of data that we collect and manage, it is possible that, despite precautions taken at our vendors' facilities, the occurrence of a natural disaster, cyber incident, decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in our service. These service interruptions could cause our platform to be unavailable to our clients and impair

our ability to deliver products and services and to manage our relationships with new and existing clients.

If our vendors are unable or unwilling to provide the services necessary to support our business, or if our agreements with such vendors are terminated, our operations could be significantly disrupted. Some of our vendor agreements may be unilaterally terminated by the licensor for convenience, and if such agreements are terminated, we may not be able to enter into similar relationships in the future on reasonable terms or at all. We may also incur substantial costs, delays and disruptions to our business in transitioning such services to ourselves or other third-party vendors. In addition, third-party vendors may not be able to provide the services required in order to meet the changing needs of our business.

We depend on our senior management team, and the loss of one or more of our executive officers or key employees or an inability to attract and retain highly skilled employees could compromise our ability to pursue our growth strategy and grow our business.

Our success depends largely upon the continued services of our executive officers and other key employees. We do not maintain "key person" insurance for our executive officers, other than for our Chief Executive Officer, Dr. Calvin H. Knowlton, or any of our other key employees. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. We are highly dependent on Dr. Calvin H. Knowlton, our Chief Executive Officer, and Dr. Orsula Knowlton, our President. All of our employees' employment is at-will, including the employment of Drs. Calvin and Orsula Knowlton, which means that any of these employees could leave our employment at any time. The replacement of one or more of our executive officers or other key employees would likely involve significant time and costs and may significantly delay or prevent the achievement of our business objectives.

In addition, competition for qualified management in our industry is intense. Many of the companies with which we compete for management personnel have greater financial and other resources than we do. As a result, we may experience difficulty hiring and retaining qualified personnel. The departure of key personnel could also hurt our business. In such event, we would be required to hire other personnel to manage and operate our business, and we might not be able to employ a suitable replacement for the departing individual, or a replacement might not be willing to work for us on terms that are favorable to us.

In addition, in making employment decisions, particularly in the technology industry, job candidates often consider the value of the stock options or other equity instruments they are to receive in connection with their employment. Volatility in the price of our common stock might, therefore, compromise our ability to attract or retain highly skilled personnel. Furthermore, the requirement to expense stock options and other equity instruments might discourage us from granting the size or type of stock option or equity awards that job candidates require to join our company. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be harmed.

We may make future acquisitions and investments that may be difficult to integrate, divert management resources, result in unanticipated costs or dilute our stockholders.

Part of our business strategy is to acquire or invest in companies, products or technologies that complement our current products and services, enhance our market coverage or technical capabilities or offer growth opportunities. Future acquisitions and investments could pose numerous risks to our operations, including:

- difficulty integrating the purchased operations, products or technologies;
- substantial unanticipated integration costs;

- assimilation of the acquired businesses, which may divert significant management attention and financial resources from our other operations and could disrupt our ongoing business;
- the loss of key employees, particularly those of the acquired businesses;
- difficulty retaining or developing the acquired business' clients;
- adverse effects on our existing business relationships;
- failure to realize the potential cost savings or other financial or strategic benefits of the acquisitions, including failure to consummate any proposed or contemplated transaction; and
- liabilities from the acquired businesses for infringement of intellectual property rights, loss of intellectual property or goodwill through inadequate data security measures, unknown cyber vulnerabilities or network intrusions, or other claims and failure to obtain indemnification for such liabilities or claims.

In connection with these acquisitions or investments, we could incur debt, amortization expenses related to intangible assets or large and immediate write-offs, assume liabilities or issue stock that would dilute our current stockholders' ownership. We may be unable to complete acquisitions or integrate the operations, products or personnel gained through any such acquisition successfully or without adversely affecting our business, financial condition and results of operations.

Substantially all of our assets are pledged as collateral under our existing line of credit and term loan.

As of June 30, 2016, our total indebtedness, net of debt discounts of $0.9 million, was $43.4 million, and after giving effect to this offering and the application of a portion of the net proceeds to repay indebtedness, our total indebtedness as of June 30, 2016 would have been $16.2 million on a pro forma as adjusted basis. The 2015 Line of Credit provides for borrowings, on a revolving basis, in an aggregate amount up to $25.0 million to be used for general corporate purposes. The 2015 Line of Credit is secured by all of our personal property, whether presently existing or created or acquired in the future, as well as our intellectual property. We plan to repay all amounts due under the ABC Credit Facility with the proceeds received from this offering and such amounts repaid may not be reborrowed. The ABC Credit Facility provides for the provision of term loans, in an aggregate amount up to $50.0 million, of which (a) $30.0 million of proceeds was used to repay the Medliance Notes, the December 2014 Eastward Loan and the April 2014 Eastward Loan, and (b) $20.0 million remains available for future draws for use in connection with buy backs of outstanding warrants and to fund future acquisitions, if any. The ABC Credit Facility has a maturity date of December 30, 2021, and is secured by a subordinated security interest in all of our personal property, whether presently existing or created or acquired in the future, as well as our intellectual property. If we are unable to repay any secured borrowings that remain outstanding or that we make following this offering when due, whether at maturity or if declared due and payable following a default, the lenders would have the right to proceed against the collateral pledged to the indebtedness and may sell the assets pledged as collateral in order to repay those borrowings.

We may require additional capital to support business growth, and this capital might not be available to us on acceptable terms or at all.

Our operations have required a significant investment of cash since inception and we intend to continue to make significant investments to support our business growth, respond to business challenges or opportunities, develop new applications and services, enhance our existing platform and services, hire additional sales and marketing personnel, enhance our operating infrastructure and potentially acquire complementary businesses and technologies. As of June 30, 2016, we had $4.3 million of cash, of which $1.7 million was used in conjunction with the proceeds of the ABC Credit Facility to

repay all outstanding amounts under the Medliance Notes, the December 2014 Eastward Loan and the April 2014 Eastward Loan on July 1, 2016. The remainder was held for working capital purposes.

Our future capital requirements may be significantly different from our current estimates and will depend on many factors, including our growth rate, renewal activity, the timing and extent of spending to support product development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced products and services and the continuing market acceptance of our products and services. Accordingly, we might need to engage in equity or debt financings or collaborative arrangements to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which might make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We might have to obtain funds through arrangements with collaborators or others that may require us to relinquish rights to our technologies or offering that we otherwise would not consider. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be limited.

Our pro forma financial information may not be representative of our future performance.

In preparing the unaudited pro forma consolidated financial information included in this prospectus, we have made adjustments to our historical financial information based upon currently available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of acquisitions and as further adjusted for this offering and the contemplated use of the estimated net proceeds from this offering. The unaudited pro forma consolidated financial information also reflects the application of purchase accounting. The estimates and assumptions used in the calculation of the unaudited pro forma consolidated financial information in this prospectus may be materially different from our actual experience. Accordingly, the unaudited pro forma consolidated financial information included in this prospectus does not purport to indicate the results that would have actually been achieved had the acquisitions been completed on the assumed date or for the periods presented, or which may be realized in the future, nor does it give effect to any events other than those described in our unaudited pro forma consolidated financial statements and notes thereto.

We may become subject to litigation, which could be costly and result in significant liability.

We may become subject to litigation in the future. Any future claims may result in significant defense costs and potentially significant judgments against us, some of which we are not insured against. We generally intend to defend ourselves vigorously; however, we cannot be certain of the ultimate outcomes of any claims that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments or settlements, which, if uninsured, or if the fines, judgments and settlements exceed insured levels, could diminish our financial resources. Litigation or the resolution of litigation may also affect the availability or cost of some of our insurance coverage, which could increase our costs, expose us to increased risks that would be uninsured and compromise our ability to attract directors and officers.

Risks Related to Our Intellectual Property

If we are unable to obtain, maintain and enforce intellectual property protection for our technology and products or if the scope of our intellectual property protection is not sufficiently broad, others may be able to develop and commercialize technology and products substantially similar to ours, and our ability to successfully commercialize our technology and products may be compromised.

Our business depends on proprietary technology and content, including software, databases, confidential information and know-how, the protection of which is crucial to the success of our business. We rely on a combination of patent, trademark, trade-secret and copyright laws, confidentiality procedures, cyber security practices and contractual provisions to protect the intellectual property rights of our proprietary technology and content. We are pursuing the registration of additional trademarks and service marks in the United States, as well as patent protection related to certain business methods employed by us. We may, over time, increase our investment in protecting our intellectual property through additional trademark, patent and other intellectual property filings, which could be expensive and time-consuming. We may not be able to obtain protection for our technology and even if we are successful in attaining effective patent, trademark, trade-secret and copyright protection, it is expensive to maintain these rights and the costs of defending our rights could be substantial. Furthermore, recent changes to U.S. intellectual property laws may jeopardize the enforceability and validity of our intellectual property portfolio and harm our ability to obtain patent protection of some of our unique business methods.

In addition, these measures may not be sufficient to offer us meaningful protection or provide us with any competitive advantages. If we are unable to adequately protect our intellectual property and other proprietary rights, our competitive position and our business could be harmed, as third parties may be able to commercialize and use technologies and software products that are substantially the same as ours without incurring the development and licensing costs that we have incurred. Any of our owned or licensed intellectual property rights could be challenged, invalidated, circumvented, infringed or misappropriated, our trade secrets and other confidential information could be disclosed in an unauthorized manner to third parties, or our intellectual property rights may not be sufficient to permit us to take advantage of current market trends or to otherwise to provide us with competitive advantages, which could result in costly redesign efforts, discontinuance of some of our offerings or other competitive harm.

Monitoring unauthorized use of our intellectual property is difficult and costly. From time to time, we seek to analyze our competitors' products and services, and may in the future seek to enforce our rights against potential infringement. However, the steps we have taken to protect our proprietary rights may not be adequate to enforce our rights as against infringement or misappropriation of our intellectual property. We may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Any inability to meaningfully protect our intellectual property rights could harm our ability to compete and reduce demand for our products and services. Moreover, our failure to develop and properly manage new intellectual property could hurt our market position and business opportunities. Also, some of our products and services rely on technologies, data and software developed by or licensed from third parties, and we may not be able to maintain our relationships with such third parties or enter into similar relationships in the future on reasonable terms or at all. Any loss of the right to use any third-party technologies, data or software could result in delays in implementing or provisioning our products and services until equivalent technology is either developed by us or, if available, is identified, obtained and integrated, which could harm our business.

We may also be required to protect our proprietary technology and content in an increasing number of jurisdictions, a process that is expensive and may not be successful, or which we may not pursue in every location. In addition, effective intellectual property protection may not be available to us in every country, and the laws of some foreign countries may not be as protective of intellectual

property rights as those in the United States. Additional uncertainty may result from changes to intellectual property legislation enacted in the United States and elsewhere, and from interpretations of intellectual property laws by applicable courts and agencies. Accordingly, we may be unable to obtain, maintain and enforce the intellectual property rights necessary to provide us with a competitive advantage. Our failure to obtain, maintain and enforce our intellectual property rights could therefore adversely affect our business, financial condition and results of operations.

If our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest and our competitive position may be harmed.

The registered or unregistered trademarks or trade names that we own may be challenged, infringed, circumvented, declared generic, lapsed or determined to be infringing on or dilutive of other marks. We may not be able to protect our rights in these trademarks and trade names, which we need in order to build name recognition with potential clients. In addition, third parties may in the future file for registration of trademarks similar or identical to our trademarks. If they succeed in registering or developing common law rights in such trademarks, and if we are not successful in challenging such third-party rights, we may not be able to use these trademarks to develop brand recognition of our technologies, products or services. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively.

If we cannot protect our domain names, our ability to successfully promote our brand will be impaired.

We currently own the web domain names www.tabularasahealthcare.com, www.trhc.com, www.carekinesis.com, www.careventions.com, www.medliance.com, www.capstoneperformancesystems.com, www.eirenerx.com, www.medwiseadvisor.com and www.niarx.com, which are critical to the operation of our business. The acquisition and maintenance of domain names is generally regulated by governmental agencies and their designees. The regulation of domain names in the United States and in foreign countries is subject to change. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names in all countries in which we conduct business. Furthermore, it is unclear whether laws protecting trademarks and similar proprietary rights will be extended to protect domain names. Therefore, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights. We may not be able to successfully implement our business strategy of establishing a strong brand if we cannot prevent others from using similar domain names or trademarks. This failure could impair our ability to increase our market share and revenue.

We could incur substantial costs as a result of any claim of infringement of another party's intellectual property rights.

Our commercial success depends in part on our ability to develop and commercialize our products and services without infringing or being claimed to have infringed the intellectual property or proprietary rights of third parties. Intellectual property disputes can be costly to defend and may cause our business, operating results and financial condition to suffer. As the market for technology-enabled healthcare solutions in the United States expands and intellectual property protections asserted by others increase, the risk increases that there may be intellectual property asserted by others and patents issued to third parties that relate to our products and technology of which we are not aware or that we must challenge to continue our operations as currently contemplated. Whether merited or not, we may face allegations that we, our clients, our licensees or parties indemnified by us have infringed or otherwise violated the patents, trademarks, copyrights or other intellectual property rights of third parties. In addition, we have received letters from third parties in the past claiming that our software, technologies and methodologies are covered by their patents, and future claims may require us to

expend time and money to address and resolve these claims. Such claims may be made by competitors seeking to obtain a competitive advantage or by other parties. Additionally, in recent years, individuals and groups have begun purchasing intellectual property assets for the purpose of making claims of infringement and attempting to extract settlements from other technology-reliant companies. We may also face allegations that our employees or consultants have misappropriated the intellectual property or proprietary rights of their former employers or other third parties, as the case may be. It may be necessary for us to initiate litigation to defend ourselves in order to determine the scope, enforceability and validity of third-party intellectual property or proprietary rights, or to establish our respective rights. Regardless of whether claims that we are infringing patents or other intellectual property rights have merit, such claims can be time-consuming, divert management's attention and financial resources and can be costly to evaluate and defend. Results of any such litigation are difficult to predict and may require us to stop commercializing or using our products or technology, obtain licenses, modify our products and technology while we develop non-infringing substitutes, incur substantial damages or settlement costs, or face a temporary or permanent injunction prohibiting us from marketing or providing the affected products and services. If we require a third-party license, it may not be available on reasonable terms or at all, and we may have to pay substantial royalties, upfront fees or grant cross-licenses to intellectual property rights for our products and services. We may also have to redesign our products or services so they do not infringe third-party intellectual property rights, which may not be possible or may require substantial monetary expenditures and time, during which our technology and products may not be available for commercialization or use. Even if we have an agreement to indemnify us against such costs, the indemnifying party may be unable to uphold its contractual obligations. If we cannot or do not obtain a third-party license to the infringed technology at all, license the technology on reasonable terms or obtain similar technology from another source, our ability to operate our business could be compromised.

Our use of open source software could compromise our ability to offer our services and subject us to possible litigation.

We use open source software in connection with our products and services. Companies that incorporate open source software into their products have, from time to time, faced claims challenging the use of open source software and compliance with open source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or claiming noncompliance with open source licensing terms. Some open source software licenses require users who distribute software containing open source software to publicly disclose all or part of the source code to the licensee's software that incorporates, links or uses such open source software, and make available to third parties for no cost, any derivative works of the open source code created by the licensee, which could include the licensee's own valuable proprietary code. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur, or could be claimed to have occurred, in part because open source license terms are often ambiguous. Any actual or claimed requirement to disclose our proprietary source code or pay damages for breach of contract could harm our business and could help our competitors develop products and services that are similar to or better than ours.

We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful.

Competitors may infringe our issued patents or other intellectual property. To counter infringement or unauthorized use, we may be required to monitor for such infringement and file infringement claims, both of which can be expensive and time consuming. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents. In addition, in a patent infringement proceeding, a court may decide that a patent of ours is invalid or unenforceable, in whole or in part, or may construe the patent's claims narrowly or

refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in a proceeding could put one or more of our patents at risk of being invalidated.

We may be subject to claims by third parties asserting that our employees, our consultants or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Many of our employees were previously employed at universities or other technology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees and our consultants do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that our employees, our consultants, or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. Costly litigation may be necessary to defend against these claims.

In addition, while it is our policy to require our employees and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own. Our and their assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to management.

Intellectual property litigation could cause us to spend substantial resources and distract our personnel from their normal responsibilities.

Even if resolved in our favor, litigation or other legal proceedings against us relating to intellectual property claims may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could compromise our ability to compete in the marketplace.

If we are unable to protect the confidentiality of our trade secrets, know-how and other proprietary information, the value of our technology, products and services could be hurt.

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. In addition, our trade secrets, know-how and other proprietary information may be accessed or disclosed during a cyber incident, which could have a significant negative impact on us. Further, such cyber incidents, if disclosed publicly, could adversely affect the price of our common stock.

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. In addition, courts outside the United States are sometimes less willing to protect trade secrets, know-how and other proprietary information. 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.

Risks Related to Industry Regulation and Other Legal Compliance Matters

The healthcare regulatory and political framework is uncertain and evolving.

Healthcare laws and regulations are rapidly evolving and may change significantly in the future. For example, in March 2010, the ACA was adopted, which is a healthcare reform measure that seeks to contain healthcare costs while improving quality and access to coverage. The ACA includes a variety of healthcare reform provisions and requirements that have already become effective or will become effective at varying times through 2018 and substantially changes the way healthcare is financed by both governmental and private insurers, which may significantly affect our industry and our business. Many of the provisions of the ACA will phase in over the course of the next several years, and we may be unable to predict accurately what effect the ACA or other healthcare reform measures that may be adopted in the future, including amendments to the ACA, will have on our business. In addition, provisions of the ACA may be challenged in the courts. For example, in 2015 the U.S. Supreme Court determined that the IRS can extend tax credits to individuals enrolled in a plan offered by the federal health insurance exchanges established by the U.S. Department of Health & Human Services, or HHS, despite language in the ACA that was alleged to authorize tax credits only for individuals enrolled in a plan offered by exchanges established by states.

In addition, we are subject to various other healthcare laws and regulations, including, among others, the Stark Law relating to self-referrals, anti-kickback laws, including the federal Anti-Kickback Statute, antitrust laws and the data privacy and security laws and regulations described below. See "Business — Healthcare Regulatory Environment". If we were to become subject to litigation or liabilities or found to be out of compliance with these or other laws, our business could be hurt. See "— We may become subject to litigation, which could be costly and result in significant liability."

We are subject to data privacy and security laws, regulations and contractual obligations governing the transmission, security and privacy of health and other sensitive or proprietary information, which may impose restrictions on the manner in which we access, store, transmit, use and disclose such information and subject us to penalties if we are unable to fully comply with such laws or contractual provisions.

As described below, we are required to comply with numerous federal and state laws and regulations governing the collection, use, disclosure, storage and transmission of individually identifiable health information that we may obtain or have access to in connection with the provision of our services. These laws and regulations, including their interpretation by governmental agencies, are subject to frequent change. These laws and regulations include the following.

- The Health Insurance Portability and Accountability Act, or HIPAA, and its implementing regulations, required expanded protection of the privacy and security of protected health information, the execution of certain contracts to safeguard protected health information and the adoption of standards for the exchange of electronic health information, for health plans, healthcare clearinghouses and certain healthcare providers, which we refer to as Covered Entities, and their business associates. Among the standards that HHS has adopted pursuant to

HIPAA are standards for electronic transactions and code sets, unique identifiers for providers, employers, health plans and individuals, security, electronic signatures, privacy and enforcement. Actual failure to comply with HIPAA could result in fines and civil and criminal penalties, as well as contractual damages, which could harm our business, finances and reputation.

- The Health Information Technology for Economic and Clinical Health Act, or the HITECH Act, enacted as part of the American Recovery and Reinvestment Act of 2009, also known as the "Stimulus Bill", effective February 22, 2010, modified HIPAA by setting forth health information security breach notification requirements and increasing penalties for violations of HIPAA, among other things. The HITECH Act requires individual notification for all breaches as defined by HIPAA, media notification of breaches affecting over 500 individuals located in the same region and either prompt or annual reporting of breaches to HHS, depending on the number of affected individuals. The HITECH Act also replaced the prior monetary penalty system of $100 per violation and an annual maximum of $25,000 per violation with a four-tier system of sanctions for breaches. Penalties now range from a minimum of $100 per violation and an annual maximum of $25,000 per violation for the first tier to a minimum of $50,000 per violation and an annual maximum of $1.5 million per violation for the fourth tier. Failure to comply with HIPAA as modified by the HITECH Act could result in fines and penalties, criminal sanctions and reputational damage that could harm our business.
- Numerous other federal and state laws may apply that restrict the use and disclosure and mandate the protection of the privacy and security of individually identifiable information, as well as employee personal information, and that require notifications and mitigation in the event of a breach. These include state medical information privacy laws, state social security number protection laws and federal and state consumer protection laws, among others. These various laws in many cases are not preempted by HIPAA and may be subject to varying interpretations by the courts and government agencies, creating complex compliance issues for us and our clients and potentially exposing us to additional expense, adverse publicity and liability.
- Federal and state consumer protection laws are increasingly being applied by the United States Federal Trade Commission, or FTC, and states' attorneys general to regulate the collection, use, storage and disclosure of personal or individually identifiable information, through websites or otherwise, and to regulate the presentation of website content.

There is ongoing concern from privacy advocates, regulators and others regarding data protection and privacy issues, and the number of jurisdictions with data protection and privacy laws has been increasing. In addition, the scope of protection afforded to data subjects by many of these data protection and privacy laws has been increasing. Also, there are ongoing public policy discussions regarding whether the standards for deidentified, anonymous or pseudonomized health information are sufficient, and the risk of re-identification sufficiently small, to adequately protect patient privacy. These discussions may lead to further restrictions on the use of such information. These initiatives or future initiatives could compromise our ability to access and use data or to develop or market current or future services.

The security measures that we and our third-party vendors and subcontractors have in place to ensure compliance with privacy and data protection laws and contractual commitments may not protect our facilities and systems from security breaches, acts of vandalism or theft, cyber incidents, misplaced or lost data, programming and human errors or other similar events. The occurrence of a cyber incident that affects either individually identifiable health information or other confidential or proprietary information with which we have been entrusted may result in liability and hurt our reputation.

Additionally, as a business associate under HIPAA, we may also be liable for privacy and security breaches of protected health information and certain similar failures of our subcontractors. Even though we contractually require our subcontractors to safeguard protected health information as required by law, we still have limited control over their actions and practices. An actual or perceived breach of privacy or

security of individually identifiable health information held by us or by our subcontractor may result in an enforcement action, including criminal and civil liability, against us, as well as negative publicity, reputational harm and contractual ramifications with our clients.

We are not able to predict the full extent of the impact such incidents may have on our business if such incidents occur. Any failure we may have in complying with HIPAA may result in criminal or civil liability, and due to the heightened enforcement climate and recent changes to the law, the potential for enforcement action against business associates under HIPAA is now greater than in prior years. Enforcement actions against us could be costly and could interrupt regular operations, which may harm our business. While we have not received any notices of violation of the applicable privacy and data protection laws and believe we adequately protect our information, including in compliance with such laws, there can be no assurance that we will not receive such notices in the future. Further, costly breaches can occur regardless of our compliance infrastructure.

We operate in a highly regulated industry and must comply with a significant number of complex and evolving requirements. Achieving and sustaining compliance with state and federal statutes and regulation related to the healthcare industry may prove costly. Changes in these laws could restrict our ability to conduct our business. Further, if we fail to comply with these requirements, we could incur significant penalties and our reputation could suffer.

In addition to HIPAA, additional federal and state statutes, regulations, guidance and contractual provisions regarding healthcare that may apply to our business activities, including:

- The federal Anti-Kickback Statute, or AKS, prohibits individuals and entities from knowingly and willfully paying, offering, receiving or soliciting anything of value in order to induce the referral of patients or in return for purchasing, leasing, ordering, arranging for, or recommending services or goods covered in whole or in part by Medicare, Medicaid, or other government healthcare programs. The AKS is an intent-based statute and the failure of an arrangement to satisfy all elements of a safe harbor will not necessarily make it illegal, but it may subject that arrangement to scrutiny by enforcement authorities. Any violation of the AKS can lead to significant penalties, including criminal penalties, civil fines and exclusion from participation in a federal healthcare program, among other penalties.
- Various state anti-kickback laws that sometimes track federal AKS prohibitions, although some apply to all-payors as opposed to only government healthcare programs.
- The federal physician self-referral law, often referred to as the Stark Law, prohibits, with limited exceptions, physicians from referring Medicare or Medicaid patients to an entity for the provision of specified Designated Health Services, or DHS, among them outpatient prescription drugs, if the physician or a member of such physician's immediate family has a direct or indirect financial relationship (including an ownership interest or a compensation arrangement) with the entity. The Stark Law also prohibits the entity from billing Medicare or Medicaid programs for such DHS. A referral that may implicate the Stark Law does not fall within a statutory exception is strictly prohibited by the Stark Law. A violation of the Stark Law is punishable by civil sanctions, including significant fines and exclusion from participation in Medicare and Medicaid programs.
- State data privacy and security laws that track federal requirements or impose more stringent or different requirements than HIPAA regarding storage, transmission, use and disclosure of protected health information, general individually identifiable information or other sensitive information.
- Consumer protection laws require us to publish statements to users of our services that describe how we handle personal information. If such information that we publish is considered untrue, we may be subject to claims of deceptive practices, which could lead to significant liabilities and consequences, including, costs of defending against litigation, settling claims and loss of willingness of current and potential future clients to work with us.

- Federal and state false claims laws, including the civil False Claims Act, impose civil and criminal liability on individuals or entities that knowingly submit false or fraudulent claims for payment to the government or knowingly make, or cause to be made, a false statement in order to have a false claim paid. The civil False Claims Act provides for treble damages and mandatory minimum penalties per false claim or statement. In this context, it is particularly notable that a significant portion of our revenue is derived from services provided to PACE organizations. PACE organizations are funded by both Medicare and Medicaid, and the Medicare risk-adjustment methodology applies to the Medicare component of PACE organization reimbursement. PACE submissions may also be comparable to state Medicaid risk-adjustment submissions, and vary by state. Because risk adjustment submissions to Medicare and state Medicaid programs have a direct impact on the amounts that Medicare and Medicaid Programs pay to PACE organizations, these activities may be the subject of scrutiny and litigation under the federal civil False Claims Act.
- HHS Office of Inspector General, or OIG, and many state Medicaid agencies maintain lists of individuals and organizations that have been excluded from participation in a federal healthcare program. A significant part of our revenue is derived from our services as federal healthcare program providers, specialty pharmacies, or contractors to federal healthcare program providers or plans and as such, we need to comply with restrictions on employing or contracting with personnel and vendors who have been excluded from participation in federal healthcare programs. Adhering to the best practice of conducting monthly screenings against the federal and state exclusion lists for employees and contractors may be costly and resource-consuming, but failure to do so may give rise to significant administrative liability and sanctions.
- As contractors to PACE organizations and Medicare Advantage organizations, or MAOs, we are subject to contractual provisions, which impose on us various obligations related to healthcare compliance and healthcare fraud, waste and abuse reduction and elimination efforts. These obligations stem from the provisions contained in prime contracts between PACE organizations and MAOs, and the federal government. Examples of such flow down provisions include subcontractor's compliance with all applicable state and federal laws, subcontractor's obligation to screen state and federal exclusion lists and its obligation to conduct periodic audits, among many others. Breaches of these requirements would not necessarily be a regulatory risk *per se*, but they could create contract compliance issues, which may yield contractual damages, be costly to resolve and may hurt our reputation and restrict our ability to service such organizations in the future.
- Various state licensure, registration and certification laws are applicable to pharmacies, pharmacists, pharmacy technicians and other pharmacy personnel. If we are unable to maintain our licenses or if states place burdensome restrictions or limitations on non-resident pharmacies, this could limit or affect our ability to operate in some states. Additionally, if we or any of our personnel violate conditions of their pharmacy or pharmacist licensure, we could face penalties and lose valuable personnel.
- A number of federal and state laws and registration requirements are applicable to dispensing controlled substances. If we are unable to maintain our registrations this could limit or affect our ability to dispense controlled substances and other violations of these laws could subject us to criminal or other sanctions.
- Federal and state laws and policies require pharmacies to maintain, enroll and participate in federal healthcare programs or to report specified changes in their operations to the agencies that administer these programs. If we do not comply with these laws, we may not be able to participate in some federal healthcare programs, which could compromise our ability to sell our solutions.

- A number of FDA regulations are applicable to our business. Some technologies and software applications used in healthcare analytics, genomic testing and analysis are considered medical devices and are subject to regulation by the FDA. If any of our current or future services or applications become regulated by the FDA as medical devices, we would be subject to various laws, regulations and policies enforced by the FDA or other governmental authorities, such as the U.S. Federal Trade Commission, including both premarket and post-market requirements. FDA and state regulators, such as state boards of pharmacy, also regulate drug packaging and repackaging. Our drug packaging activities must comply with the relevant FDA and state statutes, regulations and policies. Noncompliance with applicable FDA requirements, including those related to pharmaceutical and medical device promotional practices and the pre-market and post-market approval requirements for medical devices can result in an enforcement action that could substantially harm our business. Changes in existing regulatory requirements, our failure to comply with current or future requirements or adoption of new requirements could negatively affect our business.

Further modifications to the Medicare Part D program and changes in pricing benchmarks may reduce revenue and impose additional costs to the industry.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 included a major expansion of the Medicare program with the addition of a prescription drug benefit under the new Medicare Part D program. The continued impact of these regulations depends upon a variety of factors, including our ongoing relationships with the Part D Plans and the patient mix of our clients. Future modifications to the Medicare Part D program may reduce revenue and impose additional costs to the industry. In addition, contracts and fee schedules in the prescription drug industry, including our contracts with certain of our clients use certain published benchmarks, including average wholesale price, or AWP, to establish pricing for prescription drugs. Most of our contracts utilize the AWP standard. However, there can be no assurance that our clients will continue to utilize AWP, as previously calculated, or that other pricing benchmarks will not be adopted to establish prices for prescription drugs within the industry.

Risks Related to Our Common Stock and This Offering

After this offering, our executive officers, directors and principal stockholders, if they choose to act together, will continue to have the ability to control all matters submitted to stockholders for approval.

Upon the completion of this offering, our executive officers and directors, combined with our stockholders who own more than five percent of our outstanding capital stock before this offering will, in the aggregate, beneficially own shares representing approximately 55% of our capital stock. As a result, if these stockholders were to choose to act together, they would be able to control all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, would control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of ownership control may:

- delay, defer or prevent a change in control;
- entrench our management and the board of directors; or
- impede a merger, consolidation, takeover or other business combination involving us that other stockholders may desire.

As a result, these executive officers, directors and current five percent or greater stockholders could pursue transactions that may not be in our best interests and which could harm our business. Certain of our directors and executive officers may purchase shares in our directed share program. If these

individuals were to purchase shares in this offering, the percentage of our outstanding voting power represented by our executive officers, directors and five percent or greater stockholders would increase.

Some provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws may deter third parties from acquiring us.

We expect that our amended and restated certificate of incorporation and amended and restated bylaws will, among other things:

- divide our board of directors into three staggered classes of directors that are each elected to three-year terms;
- provide that the authorized number of directors may be changed only by resolution of our board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- prohibit stockholder action by written consent;
- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares of capital stock, making a takeover more difficult and expensive;
- prohibit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;
- provide that special meetings of the stockholders may be called only by or at the direction of the board of directors, the chairman of our board or the chief executive officer; and
- require advance notice to be given by stockholders for any stockholder proposals or director nominees.

In addition, Section 203 of the General Corporation Law of the State of Delaware, or the DGCL, may affect the ability of an "interested stockholder" to engage in specified business combinations, for a period of three years following the time that the stockholder becomes an "interested stockholder". We intend to elect in our amended and restated certificate of incorporation not to be subject to Section 203 of the DGCL. Nevertheless, our amended and restated certificate of incorporation will contain provisions that have the same effect as Section 203 of the DGCL.

These and other provisions could have the effect of discouraging, delaying or preventing a transaction involving a change in control of our company or could make it more difficult for you and other stockholders to elect directors of your choosing or to cause us to take other corporate actions that you desire. See "Description of Capital Stock".

Our amended and restated certificate of incorporation will designate courts in the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation will provide that, subject to limited exceptions, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (c) any action asserting a claim against us arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws, (d) any action to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or

amended and restated bylaws or (e) any other action asserting a claim against us that is governed by the internal affairs doctrine. We refer to each of these proceedings as a covered proceeding. In addition, our amended and restated certificate of incorporation will provide that if any action the subject matter of which is a covered proceeding is filed in a court other than the specified Delaware courts without the approval of our board of directors, which we refer to as a foreign action, the claiming party will be deemed to have consented to (1) the personal jurisdiction of the specified Delaware courts in connection with any action brought in any such courts to enforce the exclusive forum provision described above and (2) having service of process made upon such claiming party in any such enforcement action by service upon such claiming party's counsel in the foreign action as agent for such claiming party. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to these provisions. These provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions.

If you purchase shares of common stock in this offering, you will suffer immediate dilution of your investment.

The initial public offering price of our common stock will be substantially higher than the net tangible book value per share of our common stock. Therefore, if you purchase shares of our common stock in this offering, you will pay a price per share that substantially exceeds our net tangible book value per share after this offering. This dilution is due in large part to the fact that our earlier investors paid substantially less than the initial public offering price when they purchased their shares of capital stock. To the extent shares subsequently are issued pursuant to the exercise of options to purchase common stock under our equity incentive plans, you will incur further dilution. For a further description of the dilution that you will experience immediately after this offering, see the section of this prospectus titled "Dilution".

An active trading market for our common stock may not develop.

Prior to this offering, there has been no public market for our common stock. The initial public offering price for our common stock will be determined through negotiations with the underwriters. Although we have applied to have our common stock approved for listing on the NASDAQ Global Market, an active trading market for our shares may never develop or be sustained following this offering. If an active market for our common stock does not develop, it may be difficult for you to sell shares you purchase in this offering without depressing the market price for the shares or at all. An inactive market may also impair our ability to raise capital by selling our common stock and may impair our ability to acquire other companies, products or technologies by using our common stock as consideration.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our common stock could be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price will likely decline. If one or more of these analysts fails to publish reports on us regularly, demand for our

common stock could decrease, which might cause our common stock price and trading volume to decline.

The price of our common stock may be volatile and fluctuate substantially, which could result in substantial losses for purchasers of our common stock in this offering.

Our stock price is likely to be volatile. The stock market in general and the market for smaller healthcare technology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, you may not be able to sell your common stock at or above the initial public offering price. The market price for our common stock may be influenced by many factors, including:

- the success of competitive products, services or technologies;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to developing any of our products or services;
- the results of our efforts to discover, develop, acquire or in-license additional products;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the healthcare technology sector;
- global and general economic, industry and market conditions; and
- the other factors described in this "Risk Factors" section.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our common stock. The failure by our management to apply these funds effectively could result in financial losses that could harm our business, cause the price of our common stock to decline and delay further development of our products. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

A significant portion of our total outstanding shares are eligible to be sold into the market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. After this offering, we will have outstanding 15,509,158 shares of common stock based on the number of shares outstanding as of June 30, 2016. This includes the shares that we are selling in this offering, which may be resold in the public market immediately without restriction, unless purchased by our affiliates or existing stockholders, or participants in our directed share program who purchase more than $1,000,000 worth of shares of our common stock. See

"Prospectus Summary — Directed Share Program" and "Shares Eligible for Future Sale" for additional information. Of the remaining shares, 11,209,158 shares are currently restricted as a result of securities laws or lock-up agreements but will become eligible to be sold at various times after the offering. Moreover, after this offering, holders of an aggregate of 5,018,046 shares of our common stock will have rights, subject to specified conditions, to require us to file registration statements covering their shares or, along with holders of additional shares of our common stock, to include their shares in registration statements that we may file for ourselves or other stockholders. We also intend to register all shares of common stock that we may issue under our equity compensation plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates and the lock-up agreements described in the "Underwriting" section of this prospectus.

We are an "emerging growth company," and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and may remain an emerging growth company for up to five years. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from some disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure;
- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; 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 have taken advantage of reduced reporting burdens in this prospectus. In particular, in this prospectus, we have provided only two years of audited financial statements and have not included all of the executive compensation related information that would be required if we were not an emerging growth company. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of these accounting standards until they would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.

As a public company, we will be required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act

of 2002, or the Sarbanes-Oxley Act, requires that we evaluate and determine the effectiveness of our internal control over financial reporting and, beginning with our annual report for the year ending December 31, 2016, provide a management report on the internal control over financial reporting. Our independent registered public accounting firm is not required to audit the effectiveness of our internal control over financial reporting until after we are no longer an "emerging growth company," as defined 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 internal control over financial reporting is documented, designed or operating.

If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our consolidated financial statements may be materially misstated. In connection with the audit for the year ended December 31, 2015, we identified certain deficiencies in our internal controls over financial reporting, including a material weakness in our internal control over financial reporting during 2015 related to the determination of the fair value of stock-based compensation, the redemption value of our preferred stock and the preferred stock warrant liability. Specifically, as part of the valuation process, we provided our third-party valuation specialist our consolidated forecast file, which included clerical errors which arose as a result of a lack of (i) adequate resources to conduct a more thorough review of a complex area of accounting and (ii) systems with built in controls to assist in the prevention of clerical errors. We are taking the following actions to remediate the internal control deficiencies identified: (I) adding resources to the accounting organization; (II) adding new accounting software that would significantly cut down on the potential for clerical errors and (III) increasing management oversight. If we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be negatively affected and we could become subject to investigations by the NASDAQ Global Market, on which our securities will be listed, the SEC or other regulatory authorities, which could require us to obtain additional financial and management resources.

The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business, particularly after we are no longer an "emerging growth company".

Following the completion of this offering, we will be required to comply with various regulatory and reporting requirements, including those required by the SEC and the NASDAQ Stock Market. Complying with these reporting and other regulatory requirements will be time-consuming and will result in increased costs to us. As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, and the Sarbanes-Oxley Act. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures, we may need to commit significant resources, hire additional staff and provide additional management oversight. We will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. Sustaining our growth as a public company will also require us to commit additional management, operational and financial resources to identify new professionals to join our company and to maintain appropriate operational and financial systems to adequately support expansion. These activities may also divert management's attention from other business concerns.

As an "emerging growth company" as defined in the JOBS Act, we may take advantage of temporary exemptions from various reporting requirements, including, but not limited to, not being

required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements.

When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

Our business and stock price may suffer as a result of our lack of public company operating experience.

We have been a privately held company since we began operations in 2009. Our lack of public company operating experience may make it difficult to forecast and evaluate our future prospects. If we are unable to execute our business strategy, either as a result of our inability to effectively manage our business in a public company environment or for any other reason, our stock price may be harmed.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be your sole source of gain.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation's ability to use its pre-change federal net operating loss carryforwards, or NOLs, and other pre-change federal tax attributes (such as research tax credits) to offset its post-change income may be limited. We have experienced ownership changes in the past, but have not determined if such changes could limit the use of our NOLs. In addition, we may experience ownership changes in the future as a result of the completion of this offering and subsequent shifts in our stock ownership. State NOL carryforwards may be similarly or more stringently limited. As a result, if we earn net taxable income, our ability to use our pre-change NOLs to offset United States federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical fact, contained in this prospectus, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "might," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements in this prospectus include, among other things, statements about:

- our expectations regarding industry and market trends, including the expected growth and continued structural change and consolidation in the market for healthcare in the United States;
- our expectations about the growth of PACE organizations;
- our expectations about private payors establishing their own at-risk programs;
- the advantages of our solutions as compared to those of competitors;
- our estimates about our financial performance, including our expectation that some of our expenses will decline as a percentage of total revenue;
- the visibility into future cash flows from our business model;
- our growth strategy, including our ability to grow our client base;
- our plans to further penetrate existing markets and enter new markets;
- our plans to pursue strategic acquisitions and partnerships and international expansion;
- our plans to expand and enhance our solutions; and
- our estimates regarding capital requirements and needs for additional financing.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. We operate in a very competitive and rapidly changing environment. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make, and accordingly you should not place undue reliance on our forward-looking statements. We have included important factors in the cautionary statements included in this prospectus, particularly in the "Risk Factors" section that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement of which this prospectus is a part completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this prospectus by these cautionary statements. Except as required by law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

TRADEMARKS AND TRADE NAMES

Our material trademarks, service marks and other marks include EireneRx®, Medication Risk Mitigation by CareKinesis®, MedWise Advisor®, NiaRx®, Capstone Performance Systems™, CareVentions™, Medication Risk Mitigation™, Medication Risk Mitigation Matrix™, Medliance™ and Tabula Rasa HealthCare™. We also have trademark applications pending to register marks in the United States. We have proprietary and licensed rights to trademarks used in this prospectus which are important to our business, many of which are registered under applicable intellectual property laws. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the "®" or "™" symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent possible under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies. Each trademark, trade name or service mark of any other company appearing in this prospectus is the property of its respective holder.

MARKET AND INDUSTRY DATA

This prospectus contains estimates and other statistical data, including those relating to our industry and the market in which we operate, that we have obtained or derived from industry publications and reports, including reports from the Centers for Medicare & Medicaid Services, the Centers for Disease Control and Prevention, the Alliance for Human Research Protection and the Kaiser Family Foundation. These industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. Based on our industry experience, we believe that the publications and reports are reliable and that the conclusions contained in the publications and reports are reasonable. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled "Risk Factors." These and other factors could cause our actual results to differ materially from those expressed in the industry publications and reports.

Information referenced in this prospectus regarding the total eligible individuals within current PACE service areas is based upon estimates of the eligible individuals as of July 2015, prepared by AEC Consulting, LLC, an Altitude Edge company, an independent healthcare consulting firm. We have included these estimates in reliance on the authority of such firm as an expert in such matters.

USE OF PROCEEDS

We estimate that the net proceeds from our issuance and sale of 4,300,000 shares of our common stock in this offering will be approximately $52.4 million, assuming an initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their option to purchase additional shares in full, we estimate that the net proceeds from this offering will be approximately $60.8 million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

A $1.00 increase or decrease in the assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease the net proceeds from this offering by approximately $4.0 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million shares of common stock offered by us would increase or decrease the net proceeds from this offering by approximately $13.0 million, assuming the assumed initial public offering price remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We currently estimate that we will use the net proceeds from this offering as follows:

- to fully repay ABC Funding, LLC, an affiliate of Summit Partners, L.P., or ABC Funding, under our July 1, 2016 term loan credit facility, or the ABC Credit Facility, which had an outstanding balance of $30.0 million as of July 1, 2016 and a prepayment fee of $3.9 million as of the completion of this offering;
- to fully repay Dr. John Durham and Mrs. Joanne Durham under our $250,000 demand promissory note bearing interest at 6% per annum, which had an outstanding balance of $250,000 as of June 30, 2016;
- to pay $5.0 million, which represents the remaining portion of the cash purchase price for the acquisition, completed in September 2016, of primarily intellectual property and software assets, which were previously licensed by us, that are integrated in the MRM Matrix;
- to continue to develop new product offerings;
- to enter into new market segments with our existing solutions;
- to expand our sales and marketing infrastructure;
- to fund additional acquisitions of businesses and technologies; and
- the remainder for working capital and general corporate purposes.

In July 2016, we entered into the ABC Credit Facility with ABC Funding pursuant to which we can request up to an aggregate amount of $50.0 million in term loan advances. The proceeds of the initial term loan advance of $30.0 million under the ABC Credit Facility, together with available cash, were used to repay all outstanding amounts under the Medliance Notes, the December 2014 Eastward Loan and the April 2014 Eastward Loan. Any future term loan advances under the ABC Credit Facility will be used to buy back outstanding warrants and fund future acquisitions, if any. Amounts outstanding under the ABC Credit Facility bear interest at a per annum rate equal to 12.0% payable monthly in arrears. The ABC Credit Facility has a maturity date of December 30, 2021, and is secured by a subordinated security interest in all of our personal property, whether presently existing or created or acquired in the future, as well as our intellectual property. Any amounts outstanding under the ABC Credit Facility that are repaid may not be reborrowed.

The expected use of net proceeds from this offering represents our intentions based upon our current plans and business conditions, which could change in the future as our plans and business conditions evolve. The amounts and timing of our actual expenditures may vary significantly depending on numerous factors including the factors described in the section titled "Risk Factors." As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering. In addition, our anticipated use of proceeds does not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments that we may make. We have no current understandings, agreements or commitments for any material acquisitions or licenses of any products, businesses or technologies. Pending our use of the net proceeds from this offering, we intend to invest the net proceeds in a variety of capital preservation investments, including short-term, investment-grade, interest-bearing instruments and U.S. government securities.

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We intend to retain all of our future earnings, if any, to finance the growth and development of our business. We do not intend to pay cash dividends to our stockholders in the foreseeable future. In addition, under the terms of our loan and security agreement with Western Alliance and our term loan credit facility with ABC Funding we may not declare or pay any cash dividends or distributions without the consent of Western Alliance and ABC Funding respectively.

CAPITALIZATION

The following table sets forth our cash and capitalization as of June 30, 2016 on:

- an actual basis;
- a pro forma basis to give effect to (1) the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 5,089,436 shares of our common stock immediately prior to the completion of this offering, the subsequent surrender of the 71,390 Radius Shares, based upon an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and the reclassification to additional paid-in capital of the warrant liability related to warrants to purchase preferred stock, (2) the issuance of 203,745 shares of our common stock upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering, assuming an initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, (3) the issuance of 722,646 shares of restricted common stock under our 2014 Equity Compensation Plan and our 2016 Equity Compensation Plan to members of management and our board of directors, respectively, immediately prior to the effective date of the registration statement of which this prospectus forms a part, (4) our borrowing of an aggregate of $30.0 million under the ABC Credit Facility, (5) our repayment of $18.4 million of outstanding principal and interest under the Medliance Notes, repayment of $12.1 million of outstanding principal, interest and penalties under the December 2014 Eastward Loan and the April 2014 Eastward Loan, and related debt financing fees and expenses and loss on debt extinguishment, (6) the issuance of 357,142 shares of common stock in connection with the acquisition that we completed in September 2016 of primarily intellectual property and software assets from a third party, assuming the value of our common stock on The Nasdaq Global Market calculated on each of the 31st and 61st business day following the completion of this offering, based on a specified trailing average trading price, is $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus and the initial payment of cash consideration of $1.0 million and the recognition of a $5.0 million consideration payable in connection with that acquisition, as if such shares were issued and the initial cash payment paid on the closing of such acquisition, and (7) the issuance of 46,820 shares of our common stock to certain of our executive officers pursuant to our Leadership Exit Bonus Plan and under our 2016 Equity Compensation Plan upon the completion of this offering, which represents an amount equal to the Radius Shares surrendered at the completion of this offering less 24,570 shares of our common stock withheld for tax withholding purposes, based upon an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus; and
- a pro forma as adjusted basis to give further effect to (1) our issuance and sale of shares of our common stock in this offering at an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, (2) our receipt of the net proceeds of this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (3) our application of a portion of such net proceeds to repay indebtedness and the remaining $5.0 million of the cash purchase price for the acquisition of primarily intellectual property and software assets from a third party, as set forth under "Use of Proceeds."

The information in this table is illustrative only and our capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table in conjunction with the information contained in the sections titled "Selected Consolidated Financial Data" and "Management's Discussion and

Analysis of Financial Condition and Results of Operations," along with our consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

	June 30, 2016		
	Actual	Pro Forma	Pro Forma As Adjusted
	(In thousands)		
Cash	$ 4,299	$ 1,628	$ 16,345
Line of credit	$ 14,500	$ 14,500	$ 14,500
Notes payable to related parties	250	250	—
Notes payable related to acquisition	16,375	—	—
Long-term debt, including current portion	12,302	30,240	1,674
Warrant liability	5,556	—	—
Redeemable convertible preferred stock:			
Series A and A-1 preferred stock, $0.0001 par value per share; 7,224,266 shares authorized, 6,911,766 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	6,755	—	—
Series B preferred stock, $0.0001 par value per share; 3,548,614 shares authorized, 2,961,745 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	22,420	—	—
Total redeemable convertible preferred stock	29,175	—	—
Stockholders' equity (deficit):			
Preferred stock, $0.0001 par value per share; no shares authorized, issued or outstanding, actual; 10,000,000 shares authorized, no shares issued or outstanding, pro forma and pro forma as adjusted	—	—	—
Common stock, $0.0001 par value per share; 27,836,869 shares authorized, 4,860,759 shares issued and outstanding, actual; 100,000,000 shares authorized, 11,209,158 shares issued and outstanding, pro forma; 100,000,000 shares authorized, 15,509,158 shares issued and outstanding, pro forma as adjusted	0	1	2
Additional paid-in capital	—	40,730	93,146
Accumulated deficit	(31,614)	(34,012)	(39,358)
Total stockholders' equity (deficit)	(31,614)	6,719	53,790
Total capitalization	$ 46,544	$ 51,709	$ 69,964

A $1.00 increase or decrease in the assumed initial public offering price of $14.00 per share would increase or decrease each of the pro forma as adjusted cash, additional paid-in capital, total stockholders' equity (deficit) and total capitalization by $4.0 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase or decrease of 1.0 million shares offered by us would increase or decrease each of pro forma as adjusted cash, additional paid-in capital, total stockholders' equity (deficit) and total capitalization by $13.0 million, assuming that the assumed initial public offering price, which is the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The table above does not include:

- 161,081 shares of our common stock issuable upon the exercise of outstanding warrants as of June 30, 2016 at a weighted-average exercise price of $1.55 per share, which warrants are exercisable to purchase shares of our Series A-1 preferred stock prior to the completion of this offering;
- 302,508 shares of our common stock issuable upon the exercise of outstanding warrants as of June 30, 2016 at a weighted-average exercise price of $5.75 per share, which warrants are exercisable to purchase shares of our Series B preferred stock prior to the completion of this offering;
- 2,724,783 shares of our common stock issuable upon the exercise of stock options outstanding as of June 30, 2016 under our 2014 Equity Compensation Plan at a weighted-average exercise price of $3.33 per share; and
- an additional 730,920 shares of our common stock reserved for future issuance under our 2016 Equity Compensation Plan, upon the completion of this offering.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted immediately to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. Net tangible book value per share of our common stock is determined at any date by subtracting our total liabilities and redeemable convertible preferred stock from the amount of our total tangible assets and dividing the difference by the number of shares of our common stock deemed outstanding at that date.

The historical net tangible book value of our common stock as of June 30, 2016 was a deficit of $(69.8) million, or $(14.36) per share, based on 4,860,759 shares of our common stock outstanding as of June 30, 2016.

The pro forma net tangible book value of our common stock as of June 30, 2016 was a deficit of $42.5 million, or $3.79 per share, after giving effect to (1) the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 5,089,436 shares of our common stock immediately prior to the completion of this offering, the subsequent surrender of the 71,390 Radius Shares and the reclassification to additional paid-in capital of the warrant liability related to warrants to purchase preferred stock, (2) the issuance of 203,745 shares of our common stock upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering, assuming an initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, (3) our borrowing of an aggregate of $30.0 million under the ABC Credit Facility, (4) our repayment of $18.4 million of outstanding principal and interest under the Medliance Notes, repayment of $12.1 million of outstanding principal, interest and penalties under the December 2014 Eastward Loan and the April 2014 Eastward Loan, and related debt financing fees and expenses and loss on debt extinguishment, (5) the issuance of 722,646 shares of restricted common stock under our 2014 Equity Compensation Plan and our 2016 Equity Compensation Plan to members of management and our board of directors, respectively, immediately prior to the effective date of the registration statement of which this prospectus forms a part, (6) the issuance of 357,142 shares of common stock in connection with the acquisition that we completed in September 2016 of primarily intellectual property and software assets from a third party, assuming the value of our common stock on The Nasdaq Global Market calculated on each of the 31st and 61st business day following the completion of this offering, based on a specified trailing average trading price, is $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and (7) the issuance of 46,820 shares of our common stock to certain of our executive officers pursuant to our Leadership Exit Bonus Plan and under our 2016 Equity Compensation Plan upon the completion of this offering, which represents an amount equal to the Radius Shares surrendered at the completion of this offering less 24,570 shares of our common stock withheld for tax withholding purposes, based upon an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus.

After giving further effect to (1) our issuance and sale of 4,300,000 shares of our common stock in this offering at an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, (2) our receipt of the net proceeds of this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (3) our application of a portion of such net proceeds to repay indebtedness and the remaining $5.0 million of the cash purchase price for the acquisition of primarily intellectual property and software assets from a third party, as set forth under "Use of Proceeds," our pro forma as adjusted net tangible book value as of June 30, 2016 would have been $4.6 million, or $0.30 per share. This represents an immediate increase in pro forma as adjusted net tangible book value of $4.09 per

share to existing stockholders, and an immediate dilution of $13.70 per share to investors purchasing common stock in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share		$14.00
Historical net tangible book value (deficit) per share as of June 30, 2016	$(14.36)	
Pro forma increase in net tangible book value per share attributable to the pro forma effects described above	10.57	
Pro forma net tangible book value (deficit) per share as of June 30, 2016	(3.79)	
Pro forma increase in net tangible book value per share attributable to new investors	4.09	
Pro forma as adjusted net tangible book value per share after this offering		0.30
Dilution per share to new investors purchasing common stock in this offering		$13.70

A $1.00 increase or decrease in the assumed initial public offering price of $14.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease our pro forma as adjusted net tangible book value by $4.0 million, or $0.26 per share, and the dilution to new investors in this offering by $0.74 per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase or decrease of 1.0 million shares offered by us would increase or decrease our pro forma as adjusted net tangible book value, by $13.0 million, or $0.77 per share, and the dilution per share to new investors purchasing common stock in this offering by $0.77 per share, assuming the assumed initial public offering price, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters partially or fully exercise their option to purchase additional shares from us, the pro forma as adjusted net tangible book value per share after giving effect to this offering would be $0.81 per share, which amount represents an immediate increase in pro forma net tangible book value of $0.51 per share of our common stock to existing stockholders and an immediate dilution in net tangible book value of $13.19 per share of our common stock to new investors purchasing shares of common stock in this offering.

The following table summarizes, as of June 30, 2016, on the pro forma basis described above, the differences between the number of shares purchased from us, the total consideration paid to us, and the average price per share paid to us by existing stockholders and by new investors purchasing common stock in this offering at an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price
	Number	Percentage	Amount	Percentage	Per Share
			(Dollars in thousands)		
Existing stockholders	11,209,158	72%	$29,837,000	33%	$ 2.66
New investors	4,300,000	28	60,200,000	67	14.00
Total	15,509,158	100%	$90,037,000	100%	

The number of shares of our common stock to be outstanding after this offering is based on 11,209,158 shares of our common stock outstanding as of June 30, 2016, which includes:

- 5,089,436 shares of common stock issuable upon the automatic conversion of all outstanding shares of preferred stock into shares of our common stock immediately prior to the completion of this offering less the Radius Shares;
- 46,820 shares of common stock issuable to certain of our executive officers pursuant to our Leadership Exit Bonus Plan and under our 2016 Equity Compensation Plan upon the completion of this offering, which represents an amount equal to the Radius Shares surrendered at the completion of this offering less 24,570 shares of our common stock withheld for tax withholding purposes, based upon an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus;
- 203,745 shares of our common stock issuable upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering, assuming an initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus;
- 722,646 shares of restricted common stock issuable under our 2014 Equity Compensation Plan and our 2016 Equity Compensation Plan to certain members of management and our board of directors, respectively, immediately prior to the effective date of the registration statement of which this prospectus forms a part; and
- 357,142 shares of common stock issuable in connection with the acquisition that we completed in September 2016 of primarily intellectual property and software assets from a third party, assuming the value of our common stock on The Nasdaq Global Market calculated on each of the 31st and 61st business day following the completion of this offering, based on a specified trailing average trading price, is $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and that such shares were issued on June 30, 2016.

The number of shares of common stock to be outstanding after this offering excludes:

- 161,081 shares of our common stock issuable upon the exercise of outstanding warrants as of June 30, 2016 at a weighted-average exercise price of $1.55 per share, which warrants are exercisable to purchase shares of our Series A-1 preferred stock prior to the completion of this offering;
- 302,508 shares of our common stock issuable upon the exercise of outstanding warrants as of June 30, 2016 at a weighted-average exercise price of $5.75 per share, which warrants are exercisable to purchase shares of our Series B preferred stock prior to the completion of this offering; and
- 2,724,783 shares of our common stock issuable upon the exercise of stock options outstanding as of June 30, 2016 under the 2014 Equity Compensation Plan at a weighted-average exercise price of $3.33 per share.

To the extent that outstanding stock options or warrants are subsequently exercised, there will be further dilution to new investors. The information in this section does not reflect the potential purchases of shares reserved for the directed share program.

Effective upon the completion of this offering, an aggregate of 730,920 shares of our common stock will be reserved for future issuance under our 2016 Equity Compensation Plan, and the number of reserved shares will also be subject to automatic annual increases in accordance with the terms of such plan. New options that we may grant under our 2016 Equity Compensation Plan will further dilute investors purchasing common stock in this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth selected consolidated financial data and other data for the periods and at the dates indicated. We have derived the consolidated statements of operations data for the years ended December 31, 2014 and 2015 and the consolidated balance sheet data as of December 31, 2014 and 2015 from our audited consolidated financial statements appearing elsewhere in this prospectus. The consolidated statements of operations data for the six months ended June 30, 2015 and June 30, 2016 and the consolidated balance sheet data as of June 30, 2016 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Our unaudited consolidated financial statements were prepared on the same basis as our audited consolidated financial statements and include, in our opinion, all normal recurring adjustments necessary for the fair presentation of the financial information set forth in those statements.

Our historical results for any prior period are not necessarily indicative of the results that should be expected in any future period, and our interim results are not necessarily indicative of the results to be expected for a full year. The following selected consolidated financial data should be read in conjunction with the sections entitled "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

See notes 3 and 14 to our audited consolidated financial statements and note 12 to our unaudited consolidated financial statements appearing elsewhere in this prospectus for information regarding computation of basic and diluted net loss per share attributable to common stockholders, unaudited pro forma basic and diluted net loss per share attributable to common stockholders, and the unaudited pro forma weighted average basic and diluted common shares outstanding used in computing the pro forma basic and diluted net loss per share attributable to common stockholders.

	Year Ended December 31,		Six Months Ended June 30,	
	2014	2015	2015	2016
	(In thousands, except for share and per share amounts)			
Consolidated Statement of Operations Data:				
Revenue:				
Product revenue	$ 46,878	$ 60,060	$ 27,295	$ 38,001
Service revenue	1,550	9,979	5,031	4,574
Total revenue	48,428	70,039	32,326	42,575
Cost of revenue, exclusive of depreciation and amortization shown below:				
Product cost	37,073	45,829	21,350	28,152
Service cost	739	3,299	1,582	1,903
Total cost of revenue	37,812	49,128	22,932	30,055
Gross profit	10,616	20,911	9,394	12,520
Operating (income) expenses:				
Research and development	1,660	2,877	1,186	1,850
Sales and marketing	2,272	2,880	1,368	1,630
General and administrative	3,970	7,115	3,290	3,709
Change in fair value of acquisition-related contingent consideration expense (income)	790	(2,059)	(1,018)	99
Depreciation and amortization	1,817	3,933	1,943	2,139
Total operating expenses	10,509	14,746	6,769	9,427
Income from operations	107	6,165	2,625	3,093
Other (income) expense:				
Change in fair value of warrant liability	269	2,786	184	(13)
Interest expense	1,354	5,915	2,950	3,008
Total other expense	1,623	8,701	3,134	2,995
(Loss) income before income taxes	(1,516)	(2,536)	(509)	98
Income tax (benefit) expense	(409)	328	176	175
Net loss	$ (1,107)	$ (2,864)	$ (685)	$ (77)
Net loss attributable to common stockholders, basic and diluted	$ (4,991)	$ (12,830)	$ (1,941)	$ (279)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.23)	$ (2.97)	$ (0.47)	$ (0.06)
Weighted-average number of shares used in computing net loss per share attributable to common stockholders, basic and diluted	4,052,590	4,318,779	4,164,988	4,765,977
Pro forma net income per share attributable to common stockholders, basic (unaudited)(1)		$ 0.19		$ 0.21
Pro forma net income per share attributable to common stockholders, diluted (unaudited)(1)		$ 0.16		$ 0.17
Pro forma weighted average common shares outstanding, basic (unaudited)(1)		11,848,256		12,295,454
Pro forma weighted average common shares outstanding, diluted (unaudited)(1)		13,996,626		14,888,891
Other Financial Data:				
Adjusted EBITDA(2)	$ 2,968	$ 8,604	$ 3,862	$ 5,589

Footnotes on following page

(1) The table below sets forth the computation of our unaudited pro forma basic and diluted net income per share attributable to common stockholders and the related adjustments to give effect to this offering as if it had occurred as of the beginning of the reporting period:

	Year Ended December 31, 2015	Six Months Ended June 30, 2016
Numerator (basic):		
Net loss attributable to common stockholders	$ (12,830)	$ (279)
Accretion of redeemable convertible preferred stock	9,966	202
Reduction of interest expense on repaid debt	5,158	2,613
Pro forma net income attributable to common stockholders, basic	2,294	2,536
Adjustment for the revaluation of warrant liability	—	(13)
Pro forma net income attributable to common stockholders, diluted	$ 2,294	$ 2,523
Denominator (basic):		
Weighted average shares of common stock outstanding	4,318,779	4,765,977
Conversion of redeemable convertible preferred stock	5,089,436	5,089,436
Common shares sold in offering related to repayment of debt	2,440,041	2,440,041
Pro forma weighted average common shares outstanding, basic	11,848,256	12,295,454
Denominator (diluted):		
Pro forma weighted average common shares outstanding, basic		
Effect of potential dilutive securities:		
Weighted average dilutive effect of stock options	1,756,623	1,974,718
Weighted average dilutive effect of common shares from stock warrants	391,747	293,455
Dilutive effect from preferred stock warrants assuming conversion	—	325,264
Pro forma weighted average common shares outstanding, diluted	13,996,626	14,888,891
Pro forma net income per share attributable to common stockholders, basic	$ 0.19	$ 0.21
Pro forma net income per share attributable to common stockholders, diluted	$ 0.16	$ 0.17

(2) Adjusted EBITDA is a non-GAAP financial measure. See "Adjusted EBITDA" below for our definition of Adjusted EBITDA, why we present Adjusted EBITDA, limitations on the usefulness of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net loss, the most nearly comparable GAAP measurement.

	December 31,		June 30,
	2014	2015	2016
	(In thousands)		
Consolidated Balance Sheet Data:			
Cash	$ 4,122	$ 2,026	$ 4,299
Working capital	(9,822)	(39,545)	2,209
Total assets	58,823	58,707	64,503
Line of credit	6,860	10,000	14,500
Long-term debt, including current portion	15,110	14,061	12,302
Notes payable to related parties	1,014	250	250
Notes payable related to acquisition	14,350	15,620	16,375
Warrant liability	2,783	5,569	5,556
Total liabilities	59,818	61,362	66,942
Total redeemable convertible preferred stock	19,007	28,973	29,175
Total stockholders' deficit	(20,002)	(31,628)	(31,614)

Adjusted EBITDA

The following is a reconciliation of Adjusted EBITDA to our net income (loss) for the years ended December 31, 2014 and 2015 and the six months ended June 30, 2015 and 2016:

	Year Ended December 31,		Six Months Ended June 30,	
	2014	2015	2015	2016
	(In thousands)			
Reconciliation of Adjusted EBITDA to net loss:				
Net loss	$(1,107)	$(2,864)	$ (685)	$ (77)
Add:				
Change in fair value of warrant liability	269	2,786	184	(13)
Interest expense	1,354	5,915	2,950	3,008
Income tax (benefit) expense	(409)	328	176	175
Depreciation and amortization	1,817	3,933	1,943	2,139
Change in fair value of acquisition-related contingent consideration expense (income)	790	(2,059)	(1,018)	99
Stock-based compensation expense	254	565	312	258
Adjusted EBITDA	$2,968	$ 8,604	$ 3,862	$5,589

To provide investors with additional information about our financial results, we disclose within this prospectus Adjusted EBITDA, a non-GAAP financial measure. Adjusted EBITDA consists of net loss plus total other expenses, which includes change in fair value of warrant liability and interest expense; provision (benefit) for income tax, depreciation and amortization, change in fair value of acquisition-related contingent consideration (income) expense and stock-based compensation expense. We present Adjusted EBITDA because it is one of the measures used by our management and board of directors to understand and evaluate our core operating performance, and we consider it an important supplemental measure of performance. We believe this metric is commonly used by the financial community, and we present it to enhance investors' understanding of our operating performance and cash flows. We believe Adjusted EBITDA provides investors and other users of our financial information consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations.

Our management uses Adjusted EBITDA:

- as a measure of operating performance to assist in comparing performance from period to period on a consistent basis;
- to prepare and approve our annual budget; and
- to develop short- and long-term operational plans

Adjusted EBITDA is not in accordance with, or an alternative to, measures prepared in accordance with GAAP. In addition, this non-GAAP measure is not based on any comprehensive set of accounting rules or principles. As a non-GAAP measure, Adjusted EBITDA has limitations in that it does not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. In particular:

- 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 cash interest income or expense;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the potentially dilutive impact of stock-based compensation;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate Adjusted EBITDA or similarly titled measures differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider Adjusted EBITDA alongside other GAAP-based financial performance measures, including various cash flow metrics, net income and our other GAAP financial results and not in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. You should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in the presentation, and we do not intend to imply that our future results will be unaffected by unusual or non-recurring items.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes appearing elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this prospectus, our actual results could differ materially from the results we describe or imply in the forward-looking statements contained in the following discussion and analysis.

Overview

We are a leader in providing patient-specific, data-driven technology and solutions that enable healthcare organizations to optimize medication regimens to improve patient outcomes, reduce hospitalizations, lower healthcare costs and manage risk. We deliver our solutions through a comprehensive suite of technology-enabled products and services for medication risk management, which includes bundled prescription fulfillment and reminder packaging services for client populations with complex prescription needs. We also provide risk adjustment services, which help our clients to properly characterize a patient's acuity, or severity of health condition, and optimize the associated payments for care, as well as pharmacy cost management services, which help our clients manage and optimize pharmacy spend.

Our suite of cloud-based software solutions provides prescribers, pharmacists and healthcare organizations with sophisticated and innovative tools to better manage the medication-related needs of their patients. We believe we offer the first prospective clinical approach to medication risk management, which is designed to increase patient safety and promote adherence to a patient's personalized medication regimen. Furthermore, our medication risk management technology helps healthcare organizations lower costs by reducing ADEs, enhancing quality of care and avoiding preventable hospital admissions. Our products and services are built around our novel and proprietary MRM Matrix, which enables optimization of a patient's medication regimen, involving personalizing medication selection, dosage levels, time-of-day administration and reducing the total medication burden by eliminating unnecessary prescriptions. The MRM Matrix analyzes a combination of clinical and pharmacology data, population-based algorithms and extensive patient-specific data, including medical history, lab results, medication lists and individual genomic data, to deliver "precision medicine." We provide software-enabled solutions that can be bundled with prescription fulfillment and reminder packaging services, which are informed by a patient's personalized MRM Matrix to increase adherence to a patient's optimized regimen, through our three prescription fulfillment pharmacies. Our prescription fulfillment pharmacies are strategically located to efficiently distribute medications nationwide for our clients and medications are packaged to promote adherence to their patients' personalized regimens and dosing schedules. Our team of clinical pharmacists is available to support prescribers at the point of care through our proprietary technology platform, including real-time secure messaging, with more than 136,000 messages exchanged in August 2016. In 2015, we began offering software solutions on a standalone software-as-a-service basis, although to date, all of our medication risk management clients have contracted for a bundled offering of our software-enabled solutions, prescription fulfillment and reminder packaging services. While prescription medication revenue has comprised substantially all of our revenue to date, we do not offer prescription fulfillment and reminder packaging services on a standalone basis.

Our technology-driven approach to medication risk management represents an evolution from prevailing non-personalized approaches that primarily rely on single drug-to-drug interaction analysis. At the end of 2011, 2012, 2013, 2014 and 2015, we were serving 8, 13, 20, 51 and 119 healthcare organizations,

respectively, and as of August 31, 2016, this number had grown to 125 healthcare organizations that focus on populations with complex healthcare needs and extensive medication requirements.

Our total revenue and Adjusted EBITDA for the six months ended June 30, 2016 were $42.6 million and $5.6 million, respectively, compared to $32.3 million and $3.9 million, respectively, for the six months ended June 30, 2015. Our total revenue and Adjusted EBITDA for the year ended December 31, 2015 were $70.0 million and $8.6 million, respectively, compared to $48.4 million and $3.0 million, respectively, for the year ended December 31, 2014. We incurred a net loss of $685 thousand and $77 thousand for the six months ended June 30, 2015 and 2016, respectively, and a net loss of $1.1 million and $2.9 million for the years ended December 31, 2014 and 2015, respectively. See "Selected Consolidated Financial Data — Adjusted EBITDA" for our definition of Adjusted EBITDA, why we present Adjusted EBITDA and a reconciliation of net losses to Adjusted EBITDA. Our quarterly revenue has grown from $4.9 million in the first quarter of 2013 to $22.4 million in the second quarter of 2016. The following table summarizes our revenue, by quarter, since 2013:

Quarter	Revenue ($ in millions)
First Quarter of 2013	4.9
Second Quarter of 2013	5.7
Third Quarter of 2013	6.7
Fourth Quarter of 2013	7.9
First Quarter of 2014	10.2
Second Quarter of 2014	11.5
Third Quarter of 2014	13.0
Fourth Quarter of 2014	13.8
First Quarter of 2015	15.5
Second Quarter of 2015	16.8
Third Quarter of 2015	17.9
Fourth Quarter of 2015	19.8
First Quarter of 2016	20.2
Second Quarter of 2016	22.4

We face a variety of challenges and risks, which we will need to address and manage as we pursue our growth strategy. In particular, we will need to continue to innovate in the face of a rapidly changing healthcare landscape if we are to remain competitive. We will also need to effectively manage our growth, especially related to our expansion beyond the PACE and post-acute markets to other at-risk providers and payors. Our senior management continuously focuses on these and other challenges, and we believe that our culture of innovation and our history of growth and expansion will contribute to the success of our business. We cannot, however, assure you that we will be successful in addressing and managing the many challenges and risks that we face.

We manage our operations and allocate resources as a single reportable segment. All of our revenue is recognized in the United States and all of our assets are located in the United States.

Key Business Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate and manage our business and that are useful in evaluating our operating performance compared to that of other companies in our industry.

	Six Months Ended June 30,		Change	
	2015	2016	$	%
	(Dollars in thousands)			
Total revenue	$32,326	$42,575	$10,249	32%
Net loss	(685)	(77)	608	89
Adjusted EBITDA	3,862	5,589	1,727	45

	Year Ended December 31,		Change	
	2014	2015	$	%
	(Dollars in thousands)			
Total revenue	$48,428	$70,039	$21,611	45%
Net loss	(1,107)	(2,864)	(1,757)	(159)
Adjusted EBITDA	2,968	8,604	5,636	190

We monitor the key metrics set forth in the preceding table to help us evaluate trends, establish budgets, measure the effectiveness and efficiency of our operations and gauge our cash generation. We discuss Adjusted EBITDA in more detail in "Selected Consolidated Financial Data — Adjusted EBITDA."

We also monitor revenue retention rate and client retention rate. Our revenue retention rate and client retention rate were 99% and 96%, respectively for 2015 and 95% and 97%, respectively, for 2014.

Revenue retention rate

We believe that our ability to retain revenue associated with new or existing client relationships is an indicator of the stability of our revenue base and the long-term value we provide to our clients. We assess our performance in this area using a metric we refer to as our revenue retention rate. We calculate our revenue retention rate at the end of each calendar year by dividing total revenue in the year from client contracts that have not renewed or have been terminated during the year by our total revenue for that year, and subtracting this quotient from 100%.

Client retention rate

We monitor our client retention rate as a measure for our overall business performance. We believe that our ability to retain clients is an indicator of the stability of our revenue base and the long-term value of our client relationships. We assess our performance in this area using a metric we refer to as our client retention rate. We calculate this rate by dividing the number of client terminations and client non-renewals during a calendar year by the total number of clients serviced during that year, and subtracting this quotient from 100%.

Factors Affecting our Future Performance

We believe that our future success will be dependent on many factors, including our ability to maintain and grow our relationships with existing clients, expand our client base, continue to enter new markets and expand our offerings to meet evolving market needs. While these areas present significant opportunity, they also present risks that we must manage to ensure successful results. See the section

entitled "Risk Factors" for a discussion of certain risks and uncertainties that may impact our future success.

Recent Developments

Reorganization

Effective June 30, 2014, in order to facilitate the administration, management and development of our business and the proposed initial public offering, we implemented a holding company reorganization pursuant to which we became the new parent company and CareKinesis became our direct, wholly owned subsidiary. To implement the reorganization, we formed CK Merger Sub, Inc. The holding company structure was implemented by the merger of CK Merger Sub, Inc. with and into CareKinesis, with CareKinesis surviving the merger as our direct, wholly owned subsidiary. As a result of the reorganization, each share of CareKinesis issued and outstanding immediately prior to the merger automatically converted into the same share, with the same rights and preferences, of stock in our company. The business conducted by CareKinesis immediately prior to the corporate reorganization continues to be conducted by CareKinesis following the reorganization. In addition, in connection with the reorganization, CareKinesis distributed all of the equity interests in two of its wholly owned subsidiaries, Capstone Performance Systems, LLC, or Capstone, and CareVentions, Inc., to us.

Acquisitions

In January 2014, we acquired all of the authorized, issued and outstanding shares of capital stock of J. A. Robertson, Inc., doing business as St. Mary Prescription Pharmacy, or SMPP, a pharmacy based in San Francisco, California that has been servicing the needs of PACE participants for over 30 years. The acquisition consideration consisted of cash consideration of up to $2.0 million, consisting of $1.0 million payable upon closing, up to $500 thousand payable following the six-month anniversary of the closing date, up to $300 thousand payable following the 12-month anniversary of the closing date and a fixed amount of $200 thousand payable following the 24-month anniversary of the closing date. The first two cash payments made subsequent to the closing date were contingent upon the achievement of specified revenue targets, as set forth in the underlying purchase agreement, and the final payment was contingent upon no claims for indemnification being made pursuant to the purchase agreement. As of June 30, 2016, the first two cash payments have been paid in full. A final cash payment of $185 thousand, which included a $15 thousand reduction for an indemnification claim we made pursuant to the purchase agreement, was made in the first quarter of 2016. In addition to the cash consideration, the purchase price included up to 108,247 shares of our common stock, consisting of 54,124 shares due upon the closing of the acquisition, up to 27,062 shares due following the six-month anniversary of the closing date, up to 16,237 shares due following the 12-month anniversary of the closing date and a fixed amount of 10,824 shares due following the 24-month anniversary of the closing date. The first two issuances made subsequent to the closing date were contingent upon the achievement of specified revenue targets and the last issuance made subsequent to the closing date was contingent upon no claims for indemnification being made pursuant to the purchase agreement. As of June 30, 2016, all stock consideration had been paid in full. No further consideration is payable with respect to this acquisition.

In April 2014, we acquired substantially all of the assets, and assumed certain liabilities, of Capstone, a consulting business providing expert Medicare risk adjustment services for at-risk healthcare organizations. The acquisition consideration consisted of cash consideration consisting of $3.0 million payable upon closing, $500 thousand payable following the six-month anniversary of the closing date, and the greater of (i) $2.0 million or (ii) an amount equal to a multiple of EBITDA, as defined in the purchase agreement, payable following the 12-month anniversary of the closing date. As of June 30, 2016, all contingent cash payments had been made, totaling $577 thousand, and no additional contingent cash consideration is payable. In addition to the cash consideration, the purchase price included up to 349,413 shares of our common stock, which was issuable following the 12-month anniversary of the

closing date if specified net income targets, as defined in the purchase agreement, were achieved. As of June 30, 2016, 123,241 shares of our common stock have been issued and no additional stock consideration is payable.

In December 2014, we acquired all of the authorized, issued and outstanding equity interests of Medliance LLC, or Medliance, which provides pharmacy cost management services through data analytics. The acquisition consideration consisted of $16.4 million in the form of promissory notes with an aggregate fair value of $14.3 million as of the acquisition date, or the Medliance Notes, and cash consideration consisting of $12.0 million payable upon closing and contingent purchase price consideration with an estimated acquisition date fair value of $7.3 million due upon achieving specified revenue targets as of the 12-, 24- and 36-month anniversaries of the acquisition. The Medliance Notes have been satisfied in full as of July 1, 2016 and are no longer outstanding. As of June 30, 2016, the first contingent cash payment based on the 12-month anniversary revenue target had been made and the estimated fair value of the remaining contingent consideration payable was $3.4 million at June 30, 2016.

In September 2016, we acquired certain enumerated assets, consisting primarily of intellectual property and software assets, and assumed certain enumerated liabilities, of 9176-1916 Quebec Inc. (an entity indirectly controlled by our Chief Scientific Officer, Jacques Turgeon). The intellectual property and software assets were previously licensed by us and are integrated in to the MRM Matrix. The acquisition consideration consisted of cash consideration of up to $6.0 million, consisting of $1.0 million payable upon closing, $2.2 million payable on the 20th business day following the completion of this offering, $2.2 million payable on the 45th business day following the completion of this offering and $600 thousand following the 12-month anniversary of the closing date of the acquisition, which is contingent upon no claims for indemnification being made pursuant to the purchase agreement; provided that if this offering is not completed prior to the 55th day following the closing of the acquisition, the first two installment payments shall be paid on such 55th day. In addition to the cash consideration, the purchase price included $5,000,000 worth of our common stock, consisting of $2,500,000 worth of our common stock due on the 31st business day following the completion of this offering and $2,500,000 worth of our common stock due on the 61st business day following the completion of this offering. The stock consideration to be paid on the 31st and 61st business days following the completion of this offering shall be calculated based on the arithmetic average of the daily volume-weighted average price of our common stock for the 30 business days ending on, and including, the 30th and 60th business day, respectively, following the completion of this offering. If this offering is not completed prior to the 55th day following the closing of the acquisition, the entire portion of the stock consideration will be paid promptly following the completion of a valuation of our common stock as of December 31, 2016.

We account for acquisitions using the purchase method of accounting. In each case, we allocated the purchase price to the assets acquired, including intangible assets and liabilities assumed, based on estimated fair values at the date of the acquisition. The results of operations from each acquisition are included in our consolidated financial statements from the acquisition date.

Financing

On April 29, 2015 we entered into a revolving line of credit, which was amended on July 1, 2016, or the 2015 Line of Credit, with a lender pursuant to the terms of a loan and security agreement, which provides for borrowings in an aggregate amount up to $25.0 million to be used for general corporate purposes, including repayment of a prior line of credit. We borrowed $10.0 million under the 2015 Line of Credit at that time. As of June 30, 2016, we had $14.5 million outstanding under the 2015 Line of Credit. See "Liquidity and Capital Resources — Revolving Credit Facility" below for additional information with respect to the 2015 Line of Credit.

On July 1, 2016, we entered into the ABC Credit Facility with ABC Funding, LLC, an affiliate of Summit Partners, L.P., or the ABC Credit Facility, pursuant to which we can request up to an aggregate

amount of $50.0 million in term loan advances. The proceeds of the initial term loan advance of $30.0 million under the ABC Credit Facility were used to repay all outstanding amounts under the Medliance Notes, the December 2014 Eastward Loan and the April 2014 Eastward Loan. Any future term loan advances under the ABC Credit Facility will be used to buy back outstanding warrants and fund future acquisitions, if any. See "Liquidity and Capital Resources — Term Loan Facility" below for additional information with respect to the ABC Credit Facility.

Enhanced Medication Therapy Management Program Development Opportunity

We have been selected to participate with a large, regional Medicare Part D Prescription Drug Plan, or Regional PDP, to develop and deliver an Enhanced Medication Therapy Management, or EMTM, program. We believe this EMTM program will address the requirements of the Part D Enhanced Medication Therapy Management Model test, which the Centers for Medicare and Medicaid Innovation, or CMMI, proposed in September 2015 and recently approved. Final approval will be authorized upon full execution of the calendar year 2017 Medicare Part D contract.

The Part D EMTM model created by the Centers for Medicare & Medicaid Services, or CMS, is designed to test strategies to improve medication use among Medicare beneficiaries enrolled in Part D and to assess whether providing selected PDPs with additional incentives and increased flexibility to design and implement innovative programs will better achieve the overall goals for EMTM programs.

To develop this EMTM program, we will use our MRM Matrix and certain other services to perform medication risk stratification and reviews and safety assessments of complex medication regimens, providing an innovative, alternative approach to pharmacotherapy to the 240,000 members of this Regional PDP, representing less than one percent of the entire eligible Part D market. In 2015, the number of individuals covered through Medicare Part D programs was more than 39 million. We believe if we are successful in developing and delivering an EMTM program to the Regional PDP, we will be able to expand into a greater portion of the Part D market. There can be no assurances that our EMTM program will be successful or we will actually be able to expand this program as currently contemplated.

Components of Our Results of Operations

Revenue

Our revenue is derived from our product sales and service activities. For the six months ended June 30, 2015 and 2016, product sales represented 84% and 89% respectively, of our total revenue, and service revenue represented 16% and 11%, respectively, of our total revenue.

For the years ended December 31, 2014 and 2015, product sales represented 97% and 86%, respectively, of our total revenue, and service revenue represented 3% and 14%, respectively, of our total revenue. We did not generate service revenue until our acquisition of Capstone in April 2014.

Product Revenue

Our product revenue is primarily generated through our medication risk management contracts with healthcare organizations. Our MRM Matrix technology enables our pharmacists to prospectively optimize personalized medication regimens for each patient. In 2015, we began offering software solutions on a standalone software-as-a-service basis, although to date, all of our medication risk management clients have contracted for a bundled offering of our software-enabled solutions, prescription fulfillment and reminder packaging services. We do not offer, and have not generated any revenue from, standalone prescription fulfillment and reminder packaging services.

Under our medication risk management contracts, revenue is generated through the following components:

Prescription medication revenue. We sell prescription medications directly to healthcare organizations through our prescription fulfillment pharmacies. Prescription medication fees are based upon the prices stated in client contracts for the prescription and include a dispensing fee. For the periods presented, substantially all of our product revenue has consisted of prescription medication revenue.

Per member per month, or PMPM, fees. We also receive a fixed monthly administrative fee for each member in the program contracted for medication risk management services.

Our revenue from prescription medication sales varies based on the number and mix of medications dispensed; however, based on our historical experience, patient populations at our clients do not generally decline over time, the number of medications per patient have been consistent following an initial onboarding period and the overall mix of medications dispensed is generally predictable. In addition, our dispensing fees vary directly with the volume of prescription medication sales each period. Our PMPM fees vary directly with the number of members serviced by our clients each month. Although revenue is generated from various sources, pricing and other key contractual terms are negotiated on a bundled basis.

Service Revenue

Our service revenue is generated by the risk adjustment and pharmacy cost management services that we provide to healthcare organizations. Our client contracts for these services include a PMPM fee for selected services, monthly subscription fees, initial set up fees and hourly consulting charges. PMPM fees vary directly with the number of members serviced by our clients each month under our risk adjustment contracts. Additionally, service revenue includes data and statistics fees we receive from medication manufacturers for the sale of medication utilization data we collect through our pharmacy cost management engagements, which is recognized when we receive such amounts due to the variable nature of payment amounts. As noted above, PMPM fees associated with our medication risk management services are currently included in product revenue.

Cost of Revenue

Product Cost

Cost of product revenue includes all costs directly related to the medication risk management offering, including costs relating to our pharmacists' collaboration on a patient's medication management, medication risk analysis and offering guidance to the prescriber based upon the assessment of the MRM Matrix and the individual patient's medical history, as well as the fulfillment and distribution of prescription medications. Costs consist primarily of the purchase price of the prescription medications we dispense. For the six months ended June 30, 2015 and 2016, prescription medication costs represented 77% and 76% of our total product costs, respectively. For the years ended December 31, 2014 and 2015, prescription medication costs represented 75% and 76%, respectively, of our total product costs. In addition to costs incurred for the prescription medications we dispense, other costs include expenses to package, dispense and distribute prescription medications, expenses associated with our clinical pharmacist support centers and prescription fulfillment centers, including employment costs and stock-based compensation, and expenses related to the hosting of our technology platform. Such costs also include direct overhead expenses, as well as allocated miscellaneous overhead costs. We allocate miscellaneous overhead costs among functions based on employee headcount.

Service Cost

Cost of service revenue includes all labor costs, including stock-based compensation expense, directly related to the risk adjustment and pharmacy cost management services and expenses for claims processing, technology services and overhead costs.

Research and Development Expenses

Our research and development expenses consist primarily of salaries and related costs, including stock-based compensation expense, for personnel in our research and development functions, which include software developers, project managers and other employees engaged in the development and enhancement of our service offerings. Research and development expenses also include costs for design and development of new software and technology and new service offerings, as well as enhancement of existing software and technology and service offerings, including fees paid to third-party consultants, costs related to quality assurance and testing, and other allocated facility-related overhead and expenses.

We continue to focus our research and development efforts on adding new features and applications, increasing the functionality and enhancing the ease of use of our existing suite of software solutions.

We capitalize certain costs incurred in connection with obtaining or developing internal-use software, including external direct costs of material and services and payroll costs for employees directly involved with the software development. Capitalized software costs are amortized beginning when the software project is substantially complete and the asset is ready for its intended use. Costs incurred during the preliminary project stage and post-implementation stage, as well as maintenance and training costs, are expensed as incurred as part of research and development expenses.

We expect our research and development expenses will increase in absolute dollars as we increase our research and development headcount to further strengthen and enhance our software solutions and service offerings, but will decrease as a percentage of revenue in the long term as we expect our revenue to increase at a greater rate than such expenses.

Sales and Marketing Expenses

Sales and marketing expenses consist principally of salaries, commissions, bonuses, stock-based compensation and employee benefits for sales and marketing personnel, as well as travel costs related to sales, marketing and client service activities. Marketing costs also include costs of communication and branding materials, trade shows and public relations, as well as allocated overhead.

We expect our sales and marketing expenses to increase in absolute dollars as we strategically invest to grow our marketing operations and expand into new products and markets, but decrease as a percentage of revenue in the long term. We expect to hire additional sales personnel and related account management and sales support personnel as we continue to grow.

General and Administrative Expenses

General and administrative expenses consist principally of salaries and related costs for executives, administrative personnel and consultants, including stock-based compensation and travel expenses. Other general and administrative expenses include professional fees for legal, consulting and accounting services. General and administrative expenses are expensed when incurred.

We expect that our general and administrative expenses will increase as we expand our infrastructure and transition to a public company. These increases will likely include increased costs for director and officer liability insurance, costs related to the hiring of additional personnel and increased fees for directors, outside consultants, lawyers and accountants. We also expect to incur significant costs

to comply with corporate governance, internal controls and similar requirements applicable to public companies.

Remeasurement of Acquisition-related Contingent Consideration

We classify our acquisition-related contingent consideration as a liability. Acquisition-related contingent consideration is subject to remeasurement at each balance sheet date. Any change in the fair value of such acquisition-related contingent consideration is reflected in our consolidated statements of operations as a change in fair value of the liability. We will continue to adjust the carrying value of the acquisition-related contingent consideration until the contingency is finally determined.

Depreciation and Amortization Expenses

Depreciation and amortization expenses are primarily attributable to our capital investment in equipment and our capitalized software and acquisition-related intangibles.

Change in Fair Value of Warrant Liability

Warrants to purchase shares of our preferred stock are classified as warrant liabilities and recorded at fair value. This warrant liability is subject to remeasurement at each balance sheet date and we recognize any change in fair value in our consolidated statements of operations as a change in fair value of the warrant liability. Upon the completion of this offering, these warrants will automatically convert into warrants to purchase shares of our common stock. At that time, the liabilities will be reclassified to additional paid-in capital, a component of stockholders' equity (deficit).

Interest Expense

Interest expense is primarily attributable to interest expense associated with our revolving credit facility, term loans, related party notes, capital lease obligations and acquisition-related notes. It also includes the amortization of discounts on debt and amortization of deferred financing costs related to these various debt arrangements.

Accretion (Decretion) of Redeemable Convertible Preferred Stock

The carrying values of Series A and Series A-1 redeemable convertible preferred stock are being accreted to their respective redemption values at each reporting period, from the date of issuance to the earliest date the holders can demand redemption. The carrying value of Series B redeemable convertible preferred stock is being accreted (decreted) to redemption value at each reporting period at the greater of (i) the original issuance price plus unpaid accrued dividends or (ii) the fair value of the redeemable convertible preferred stock. Upon the completion of this offering, our preferred stock will automatically convert into shares of our common stock. At that time, we will discontinue accreting our preferred stock to its redemption value.

Results of Operations

The following table summarizes our results of operations for the years ended December 31, 2014 and 2015 and for the six months ended June 30, 2015 and 2016:

	Year Ended December 31,		Change		Six Months Ended June 30,		Change	
	2014	2015	$	%	2015	2016	$	%
	(Dollars in thousands)							
Revenue:								
Product revenue	$46,878	$60,060	$13,182	28%	$27,295	$38,001	$10,706	39%
Service revenue	1,550	9,979	8,429	nm	5,031	4,574	(457)	(9)
Total revenue	48,428	70,039	21,611	45	32,326	42,575	10,249	32
Cost of revenue, exclusive of depreciation and amortization shown below:								
Product cost	37,073	45,829	8,756	24	21,350	28,152	6,802	32
Service cost	739	3,299	2,560	nm	1,582	1,903	321	20
Total cost of revenue	37,812	49,128	11,316	30	22,932	30,055	7,123	31
Gross profit	10,616	20,911	10,295	97	9,394	12,520	3,126	33
Operating (income) expenses:								
Research and development	1,660	2,877	1,217	73	1,186	1,850	664	56
Sales and marketing	2,272	2,880	608	27	1,368	1,630	262	19
General and administrative	3,970	7,115	3,145	79	3,290	3,709	419	13
Change in fair value of acquisition-related contingent consideration expense (income)	790	(2,059)	(2,849)	nm	(1,018)	99	1,117	nm
Depreciation and amortization	1,817	3,933	2,116	116	1,943	2,139	196	10
Total operating expenses	10,509	14,746	4,237	40	6,769	9,427	2,658	39
Income from operations	107	6,165	6,058	nm	2,625	3,093	468	18
Other (income) expense:								
Change in fair value of warrant liability	269	2,786	2,517	nm	184	(13)	(197)	nm
Interest expense	1,354	5,915	4,561	nm	2,950	3,008	58	2
Total other expense	1,623	8,701	7,078	nm	3,134	2,995	(139)	(4)
(Loss) income before income taxes	(1,516)	(2,536)	(1,020)	67	(509)	98	607	nm
Income tax (benefit) expense	(409)	328	737	nm	176	175	(1)	(1)
Net loss	$ (1,107)	$ (2,864)	(1,757)	nm	$ (685)	$ (77)	608	nm
Net loss attributable to common stockholders	$ (4,991)	$(12,830)	(7,839)	nm	$ (1,941)	$ (279)	1,662	nm

nm = not meaningful

Comparison of the Six Months Ended June 30, 2015 and 2016

Product Revenue

Product revenue increased $10.7 million, or 39%, from $27.3 million for the six months ended June 30, 2015 to $38.0 million for the comparable period in 2016. The increase was primarily driven by organic growth in medication risk management, which represented approximately $7.7 million of the increase. Of that $7.7 million increase, $2.5 million was attributable to new customers acquired period over period, while the remaining $5.2 million was attributable to increased prescription fulfillment volume from existing customers. Medication mix of prescriptions filled and payor mix contributed to an additional $3.0 million of the overall increase in product revenue.

Service Revenue

Service revenue decreased $457 thousand, or 9%, from $5.0 million for the six months ended June 30, 2015 to $4.6 million for the six months ended June 30, 2016. The decrease was primarily the result of a $1.1 million decrease related to our pharmacy cost management services as a result of the loss of certain customers as well as a reduction in manufacturer fees related to the sale of medication utilization data. This decrease was partially offset by an increase of $587 thousand in revenue related to our risk adjustment services. Of this total increase, $384 thousand was related to revenue generated from new risk adjustment clients and $203 thousand was attributable to organic growth with existing clients.

For the six months ended June 30, 2015, revenue generated from our PMPM fees and subscription revenue was $1.9 million and the remaining $3.1 million represented hourly consulting charges, setup fees and data and statistics revenue. For the six months ended June 30, 2016, $2.4 million related to PMPM fees and subscription revenue, and $2.2 million represented hourly consulting charges, setup fees and data and statistics revenue.

Cost of Product Revenue

Cost of product revenue increased $6.8 million, or 32%, from $21.4 million for the six months ended June 30, 2015 to $28.2 million for the comparable period in 2016. This increase was largely driven by increased volume of revenue, which contributed $5.1 million to the change. Manufacturer price increases and medication mix of prescriptions filled for our clients' patients contributed an additional $392 thousand to the overall increase in the cost of product revenue. In addition, labor costs increased $1.0 million, which was primarily due to added pharmacy headcount, including additional pharmacists, technicians and support staff, to support our growth, and distribution charges increase of $398 thousand related to increased shipping volume for the medications we fulfilled for our clients' patients. These increases were partially offset by more favorable rebates on wholesale product purchases of prescription medications, which decreased the cost of the prescription medications we purchased for the six months ended June 30, 2016 by $444 thousand compared to the six months ended June 30, 2015.

Cost of Service Revenue

Cost of service revenue increased $321 thousand, or 20%, from $1.6 million for the six months ended June 30, 2015 to $1.9 million for the six months ended June 30, 2016. The increase was primarily attributable to a $248 thousand increase in risk adjustment personnel costs primarily due to added headcount to support client growth and increased salaries and benefits for existing employees related to market adjustments and performance-based increases.

Research and Development Expenses

Research and development expenses increased $664 thousand, or 56%, from $1.2 million for the six months ended June 30, 2015 to $1.9 million for the comparable period in 2016. The increase was primarily due to an increase in payroll and payroll-related costs for additional headcount as well as

increases in salary and benefits for existing employees related to market adjustments and performance based increases.

Sales and Marketing Expenses

Sales and marketing expenses increased $262 thousand, or 19%, from $1.4 million for the six months ended June 30, 2015 to $1.6 million for the comparable period in 2016. The increase was primarily attributable to an increase in personnel costs, which increased $209 thousand from the prior year, related to added headcount and increases in salaries and benefits for existing employees related to market adjustments and performance-based increases.

General and Administrative Expenses

General and administrative expenses increased $419 thousand, or 13%, from $3.3 million for the six months ended June 30, 2015 to $3.7 million for the six months ended June 30, 2016. The increase was primarily attributable to a $225 thousand increase in personnel costs, including salaries and benefits, primarily related to an increase in headcount to support the overall growth of our operations. In addition, an additional $98 thousand of costs related to employee training and professional development contributed to the increase.

Acquisition-related Contingent Consideration Expense

During the six months ended June 30, 2015, we recognized a $1.0 million remeasurement gain as compared to a $99 thousand remeasurement charge during the six months ended June 30, 2016, related to the decretion and accretion, respectively, of contingent consideration associated with our Medliance acquisition. The gain during the six months ended June 30, 2015 was due to a decrease in projected revenue related to the loss of certain customers from Medliance.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased $196 thousand, or 10%, from $1.9 million for the six months ended June 30, 2015 to $2.1 million for the comparable period in 2016. This increase was primarily due to an increase in amortization of capitalized software related to new software functionality placed into service during the six months ended June 30, 2016.

Change in Fair Value of Warrant Liability

During the six months ended June 30, 2015, we recognized a $184 thousand loss for the change in fair value of warrant liability as compared to a gain of $13 thousand during the six months ended June 30, 2016. The change in fair value of warrant liability for the six months ended June 30, 2015 was due to an increase in the fair value of our Series A-1 and Series B redeemable convertible preferred stock.

Interest Expense

Interest expense increased $58 thousand, or 2%, for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 primarily due to the line of credit balance of $14.5 million outstanding as of June 30, 2016 compared to $10.0 million outstanding as of June 30, 2015.

Income Taxes

For the six months ended June 30, 2015 and June 30, 2016, we recorded tax expense of $176 thousand and $175 thousand, respectively, which resulted in an effective tax rate of (34.6%) and 178.6%, respectively. The expense for each period was primarily related to deferred tax expense associated with indefinite-lived deferred tax liabilities for goodwill amortization.

Comparison of the Years Ended December 31, 2014 and 2015

Product Revenue

Product revenue increased $13.2 million, or 28%, from $46.9 million for the year ended December 31, 2014 to $60.1 million for the year ended December 31, 2015. The increase was primarily driven by organic growth in our core business, medication risk management, which represented $9.0 million of the increase. Of that $9.0 million increase, $3.9 million was attributable to new customers acquired year over year, while the remaining $5.1 million was attributable to increased prescription fulfillment volume from existing customers. Manufacturer price increases, medication mix we fulfilled for our clients' patients and payor mix contributed to an additional $4.2 million of the overall increase in product revenue.

Service Revenue

Service revenue increased $8.4 million from $1.6 million for the year ended December 31, 2014 to $10.0 million for the year ended December 31, 2015, which was primarily the result of a $7.0 million increase related to our pharmacy cost management services associated with Medliance, which we acquired in December 2014. Of this increase, $595 thousand was related to 12 months of revenue from risk adjustment services related to Capstone for the period ended December 31, 2015 as compared to only eight months for the period ended December 31, 2014. Additionally, new risk adjustment customers acquired during 2015 contributed $372 thousand to the increase and growth in service revenue from existing customers contributed $415 thousand.

For the year ended December 31, 2014, revenue generated from our PMPM fees and subscription revenue was $1.4 million, while the remainder of the service revenue primarily related to hourly consulting charges and setup fees. For the year ended December 31, 2015, $4.2 million related to PMPM fees and subscription revenue and $5.8 million represented hourly consulting charges and data and statistics revenue.

Cost of Product Revenue

Cost of product revenue increased $8.8 million, or 24%, from $37.1 million for the year ended December 31, 2014 to $45.8 million for the year ended December 31, 2015. This increase was largely driven by increased volume of revenue, which contributed $5.8 million to the change, while manufacturer price increases and medication mix we fulfilled for our clients' patients contributed $2.5 million to the overall increase in the cost of product revenue. In addition, labor costs increased $998 thousand, which was primarily due to added pharmacy headcount, including additional pharmacists, technicians and support staff, to support our growth, as well as a $482 thousand increase in distribution charges related to increased shipping volume for the medications we fulfilled for our clients' patients. Of this increase, $179 thousand was attributable to increases in other normal pharmacy operating costs. These increases were offset by more favorable rebates on wholesale product purchases of prescription medications. Specifically, we joined a purchasing group in the first quarter of 2014 and, as a result, were able to gain access to more favorable pricing, which decreased the cost of the prescription medications we purchased by $1.2 million.

Cost of Service Revenue

Cost of service revenue increased $2.6 million from $739 thousand for the year ended December 31, 2014 to $3.3 million for the year ended December 31, 2015. Of the $2.6 million increase, $1.9 million was attributable to pharmacy cost management services related to Medliance, which we acquired in December 2014, and $262 thousand was the result of risk adjustment services related to Capstone for the 12 months ended December 31, 2015 as compared to eight months for the period ended December 31, 2014. The remainder of the increase was attributable to added headcount to support growth of our risk adjustment services.

Research and Development Expenses

Research and development expenses increased $1.2 million, or 73%, from $1.7 million for the year ended December 31, 2014 to $2.9 million for the year ended December 31, 2015. The overall increase was primarily attributable to a $952 thousand increase in payroll and payroll-related costs. Additionally, $285 thousand of the increase was from expenses related to new Medliance product offerings.

Sales and Marketing Expenses

Sales and marketing expenses increased $608 thousand, or 27%, from $2.3 million for the year ended December 31, 2014 to $2.9 million for the year ended December 31, 2015. The increase was primarily attributable to a $245 thousand increase in personnel costs, including salaries and benefits, related to market adjustments as well as performance-based increases for our existing employees. The remaining portion of the increase was principally related to increased marketing efforts, in particular marketing events and conferences, which contributed approximately $115 thousand to the overall increase in such expenses. The increase in the period also included $164 thousand in sales and marketing expenses related to the ongoing operations of Capstone and Medliance, each of which we acquired in 2014.

General and Administrative Expenses

General and administrative expenses increased $3.1 million, or 79%, from $4.0 million for the year ended December 31, 2014 to $7.1 million for the year ended December 31, 2015. The increase was primarily attributable to a $1.2 million increase in personnel costs, including salaries and benefits, related to an increase in headcount to support the overall growth of our operations. Finance and accounting fees increased by $922 thousand as a result of higher costs related to preparation for this offering that did not qualify for deferral. Additionally, the increase in the period included $834 thousand of general and administrative expenses related to the ongoing operations of Medliance, which we acquired in December 2014.

Acquisition-related Contingent Consideration Expense

During the year ended December 31, 2014, we recognized a $790 thousand remeasurement charge, as compared to a $2.1 million remeasurement gain during the year ended December 31, 2015, related to the contingent consideration associated with our acquisitions of SMPP, Capstone and Medliance. The remeasurement gain recorded during the year ended December 31, 2015 was due to a decrease in expected revenue for Medliance due to the loss of certain customers in 2015, which reduced the amount of contingent consideration we expect to pay.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased $2.1 million, or 116%, from $1.8 million for the year ended December 31, 2014 to $3.9 million for the year ended December 31, 2015. This increase was due to an increase in depreciation expense of $138 thousand primarily related to the continued capital investment in pharmacy and other equipment to support our medication adherence and fulfillment technology, an increase in amortization expense of $134 thousand primarily due to capitalized internal-use software placed into service and an increase of $1.8 million due to amortization expense related to acquisition-related intangibles.

Change in Fair Value of Warrant Liability

During the year ended December 31, 2014, we recognized $269 thousand of expense for the change in fair value of warrant liability as compared to expense of $2.8 million during the year ended December 31, 2015. The change in fair value of warrant liability for the year ended December 31, 2015

was due to the increase in the fair value of our Series A-1 and Series B redeemable convertible preferred stock.

Interest Expense

Interest expense increased $4.6 million from $1.4 million for the year ended December 31, 2014 to $5.9 million for the year ended December 31, 2015. The increase was primarily attributable to interest payable and the amortization of debt discounts recorded in connection with various acquisition debt financing, including the Medliance Notes, in an aggregate amount of $4.6 million, slightly offset by a decrease in interest payments as a result of continued principal payments on notes previously outstanding.

Income Taxes

During the year ended December 31, 2015, we recognized expense of $328 thousand related to state income taxes and deferred income tax expense. For the year ended December 31, 2014, we recognized a $409 thousand income tax benefit. The income tax benefit was primarily the result of deferred tax liabilities that were recorded in connection with the acquisition of SMPP, which created a source of recoverability of a portion of previously reserved deferred tax assets.

Liquidity and Capital Resources

Historically, we have incurred net losses from our operations. We incurred net losses of $1.1 million and $2.9 million for the years ended December 31, 2014 and 2015, respectively, and $685 thousand and $77 thousand for the six months ended June 30, 2015 and 2016, respectively. Our primary liquidity and capital requirements are for research and development, sales and marketing, general and administrative expenses, debt service obligations and strategic business acquisitions. We have funded our operations, working capital needs and investments with cash generated through operations, issuance of preferred stock and borrowings under our credit facilities. At June 30, 2016, we had cash of $4.3 million. Through June 30, 2016, we had received net proceeds of $13.5 million from the issuance of our preferred and common stock, including pursuant to the exercise of stock options.

Summary of Cash Flows

The following table shows a summary of our cash flows for the years ended December 31, 2014 and 2015 and the six months ended June 30, 2015 and 2016.

	Year Ended December 31,		Six Months Ended June 30,	
	2014	2015	2015	2016
	(In thousands)			
Net cash provided by operating activities	$ 870	$ 3,256	$ 1,639	$ 6,914
Net cash used in investing activities	(14,916)	(3,277)	(2,675)	(3,306)
Net cash provided by (used in) financing activities	12,141	(2,075)	(433)	(1,335)
Net increase (decrease) in cash and cash equivalents	$ (1,905)	$(2,096)	$(1,469)	$ 2,273

Operating Activities

Net cash provided by operating activities was $1.6 million for the six months ended June 30, 2015 and consisted primarily of our net loss of $685 thousand and changes in our operating assets and liabilities totaling $208 thousand, which was offset by the addition of noncash items of $2.5 million. The significant factors that contributed to the change in operating assets and liabilities included an increase in accounts receivable due to an increased customer base and higher sales volumes, and the payment of

contingent purchase price consideration related to the acquisitions of SMPP and Capstone, which were partially offset by an increase in accounts payable due to increased purchases and extended payment terms. The noncash items primarily included depreciation and amortization expenses related to leasehold improvements, capital equipment, capitalized internal-use software development costs, and acquisition related intangibles of $1.9 million, amortization of deferred financing fees and debt discounts of $1.0 million, stock-based compensation expenses of $312 thousand, an increase in the fair value of the warrant liability of $184 thousand, and an expense of $176 thousand related to deferred income taxes. The noncash items were partially offset by a decrease in the fair value of the acquisition related contingent consideration of $1.0 million and payments of $105 thousand for imputed interest on debt.

Net cash provided by operating activities was $6.9 million for the six months ended June 30, 2016 and consisted primarily of our net loss of $77 thousand, offset by changes in our operating assets and liabilities totaling $3.8 million and the addition of noncash items of $3.2 million. The significant factors that contributed to the change in operating assets and liabilities primarily included a net increase in accrued expenses and other long-term liabilities for deferred rent expense related to our new office location for our headquarters and accrued interest on the Medliance Notes, which is classified as long-term. Cash provided by operating activities was also due to an increase in accounts payable primarily due to increased inventory purchases to support higher revenue growth. The noncash items primarily included depreciation and amortization expenses related to leasehold improvements, capital equipment, capitalized internal-use software development costs, and acquisition related intangibles of $2.1 million, amortization of deferred financing fees and debt discounts of $1.2 million, stock-based compensation expense of $258 thousand, an expense of $133 thousand for deferred income taxes, and an expense of $99 thousand for the revaluation of acquisition contingent consideration, which were partially offset by payments of $589 thousand for imputed interest on debt.

Net cash provided by operating activities was $870 thousand for the year ended December 31, 2014 and consisted primarily of our net loss of $1.1 million and changes in our operating assets and liabilities totaling $1.0 million, offset by noncash items of $3.0 million. The significant factors that contributed to the change in operating assets and liabilities included increases in accounts receivable, inventories and rebates receivable, which were directly related to the increase in product sales, partially offset by increases in accounts payable of $1.4 million and accrued expenses and other liabilities of $604 thousand, each of which was primarily due to the timing of our vendor payments and the purchase of prescription medications to build inventory to support our increase in sales. The noncash items primarily included depreciation and amortization expenses related to leasehold improvements, capital equipment and capitalized internal-use software development costs of $1.8 million, amortization of deferred financing fees of $259 thousand, stock-based compensation expenses of $254 thousand and an expense of $790 thousand for the revaluation of acquisition contingent consideration partially offset by deferred income tax benefit of $422 thousand. The income tax benefit was primarily the result of deferred tax liabilities that were recorded in connection with the acquisition of SMPP, which created a source of recoverability of a portion of previously reserved deferred tax assets.

Net cash provided by operating activities was $3.3 million for the year ended December 31, 2015 and consisted primarily of our net loss of $2.9 million and decreases in cash from changes in our operating assets and liabilities totaling $1.4 million, which were more than offset by non-cash charges of $7.6 million, which were primarily attributable to depreciation and amortization expenses related to leasehold improvements, capital equipment and capitalized internal-use software development costs of $3.9 million, amortization of deferred financing fees and debt discount of $2.1 million, stock-based compensation expense of $565 thousand, the non-cash expense related to the revaluation of the warrant liability of $2.8 million partially offset by a gain of $2.1 million for the revaluation of acquisition-related contingent consideration. The significant factors that contributed to the decrease in cash from changes in operating assets and liabilities included increases in accounts receivable, inventories and prepaid expenses and other assets due to the increase in our product sales and the timing of payments associated with rent and 2016 conferences, partially offset by increases in accounts payable of

$440 thousand primarily due to the timing of our vendor payments and the purchase of prescription medications to build inventory that supports our increase in sales, and accrued expenses and other liabilities of $1.1 million due to the increase in accrued interest on acquisition-related notes payable, offset by a $610 thousand decrease primarily attributable to contingent considerations payments made in connection with the acquisition of Capstone in excess of the estimated amount accrued as of the acquisition date.

Investing Activities

Net cash used in investing activities was $2.7 million for the six months ended June 30, 2015 and $3.3 million for the six months ended June 30, 2016. Investing activities for the six months ended June 30, 2015 reflects $2.4 million paid in connection with the acquisition of Medliance, along with $449 thousand paid for software development costs and $123 thousand in purchases of property and equipment. Net cash used in investing activities during 2015 was offset by a decrease of $300 thousand in restricted cash from the release of funds related to a contingent purchase price payment for the SMPP acquisition. Net cash used in investing activities for the six months ended June 30, 2016 reflects $2.9 million in purchases of property, equipment and leasehold improvements primarily related to our new office location for our headquarters and $576 thousand in software development costs, which were partially offset by a decrease of $200 thousand in restricted cash from the release of funds for the final acquisition consideration payment related to the SMPP acquisition.

Net cash used in investing activities was $14.9 million for the year ended December 31, 2014 and $3.3 million for the year ended December 31, 2015. Investing activities for the year ended December 31, 2014 reflects $13.4 million paid in connection with the acquisitions of SMPP, Capstone and Medliance, net of cash acquired, along with $230 thousand in purchases of property and equipment, a $500 thousand increase in restricted cash due to funds placed in escrow for the SMPP acquisition and $738 thousand in software development costs. Investing activities for the year ended December 31, 2015 reflects $2.4 million paid in connection with the acquisition of Medliance, along with $234 thousand in purchases of property and equipment and $940 thousand in software development costs, offset by a decrease of $300 thousand in restricted cash from the release of funds related to a contingent purchase price payment for the SMPP acquisition that was paid.

Financing Activities

Net cash used in financing activities was $433 thousand for the six months ended June 30, 2015 and $1.3 million for the six months ended June 30, 2016. Financing activities for the six months ended June 30, 2015 were primarily attributable to the $6.9 million repayment of the 2013 Credit Facility, $2.2 million in payments of deferred and contingent purchase price consideration related to our Capstone and SMPP acquisitions, and $1.1 million in payments of long-term debt. Net cash used in financing activities was partially offset by net borrowings of $10.0 million under the 2015 Line of Credit. Financing activities for the six months ended June 30, 2016 primarily reflect $2.7 million in payments of long-term debt, $2.1 million in payments of deferred and contingent purchase price consideration related to our SMPP and Medliance acquisitions, and payments of $982 thousand for deferred costs associated with this offering. Net cash used in financing activities was partially offset by net borrowings of $4.5 million under the 2015 Line of Credit.

Net cash provided by financing activities was $12.1 million for the year ended December 31, 2014 as compared to net cash used in financing activities of $2.1 million for the year ended December 31, 2015. Financing activities for the year ended December 31, 2014 primarily reflect net borrowings under our various financing arrangements of $13.2 million offset by $212 thousand in deferred financing costs and $927 thousand in payments of deferred and contingent purchase price consideration related to our SMPP acquisition. Financing activities for the year ended December 31, 2015 were primarily attributable to net borrowings of $625 thousand under our various financing arrangements offset by $69 thousand in deferred financing costs, $2.2 million in payments of deferred and contingent purchase price consideration related to our SMPP and Capstone acquisitions and $481 thousand in payments of deferred costs associated with this offering.

Funding Requirements

Historically, we have incurred net losses since our inception and we had an accumulated deficit of $31.6 million as of December 31, 2015. Following this offering, we will be a publicly traded company and will incur significant legal, accounting and other expenses that we were not required to incur as a private company. In addition, the Sarbanes-Oxley Act, as well as rules adopted by the SEC and NASDAQ Stock Market, require public companies to implement specified corporate governance practices that are currently inapplicable to us as a private company. We expect these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. We estimate that we will incur approximately $1.0 million to $2.0 million in incremental costs per year as a result of being a publicly traded company, although it is possible that our actual incremental costs will be higher than we currently estimate. Additionally, as disclosed in note 9 to our audited consolidated financial statements, we were required to pay $16.4 million pursuant to the terms of the Medliance Notes. We have paid the Medliance Notes in full as of July 1, 2016 and they are no longer outstanding.

We believe that the net proceeds of this offering, together with our cash of $4.3 million as of June 30, 2016, borrowing capacity under our 2015 Line of Credit, our ABC Credit Facility and cash flows from continuing operations, will be sufficient to fund our planned operations through at least March 31, 2018. Our ability to maintain successful operations will depend on, among other things, new business, the retention of clients and the effectiveness of sales and marketing initiatives.

We may seek additional funding through public or private debt or equity financings. We may not be able to obtain financing on acceptable terms, or at all. The terms of any financing may adversely affect our stockholders. If we are unable to obtain funding, we could be forced to delay, reduce or eliminate our research and development programs, product portfolio expansion or commercialization efforts, which could adversely affect our business prospects. There is no assurance that we will be successful in obtaining sufficient funding on terms acceptable to us to fund continuing operations, if at all.

Contractual Obligations and Commitments

The following summarizes our significant contractual obligations as of December 31, 2015:

	Payments due by period(1)				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(In thousands)		
Revolver(2)	$10,000	$ —	$10,000	$ —	$ —
Long-term debt(3)	16,409	6,978	9,431	—	—
Related party notes(4)	250	250	—	—	—
Contingent consideration payments(5)	5,554	1,895	3,659	—	—
Non-contingent consideration payments(6)	17,889	17,889	—	—	—
Capital leases(7)	1,073	538	535	—	—
Operating leases(8)	18,125	735	2,872	3,106	11,412
Total	$69,300	$28,285	$26,497	$3,106	$11,412

(1) Table does not reflect our obligations pursuant to the ABC Credit Facility, which was entered into in July 2016. Pursuant to the terms of the ABC Credit Facility, we will make monthly interest payments beginning on August 1, 2016. The maturity date of the ABC Credit Facility is December 30, 2021. The principal amount outstanding under the ABC Credit Facility as of July 1, 2016 was $30.0 million, which is not included in the table above, and our aggregate cash obligation to pay such amount is due in more than five years. In addition, the table does not reflect up to an additional $5.0 million of cash consideration payable to a third party in connection with our acquisition of primarily intellectual property and software assets in September 2016, $4.4 million of which is due in less than one year and $600 thousand of which would be due, if payable, between one and three years.

(2) Revolver represents the principal balance outstanding as of December 31, 2015 under the 2015 Line of Credit which was amended on July 1, 2016 to, among other things, increase the aggregate amount that may be borrowed up to $25.0 million. As disclosed in note 9 of our audited consolidated financial statements, we were required to pay $16.4 million on June 30, 2016, related to the Medliance Notes, which could have adversely impacted our ability to maintain compliance with the liquidity covenant set forth in the loan agreement for the 2015 Line of Credit. Due to this uncertainty, as of December 31, 2015, we have classified the amount outstanding on the 2015 Revolving Line as a current liability on our consolidated balance sheet at December 31, 2015. As of June 30, 2016, we had $14.5 million of debt outstanding under the 2015 Line of Credit. However, we have repaid the Medliance Notes in full as of July 1, 2016 and they are no longer outstanding.

(3) Long-term debt represents contractual obligations outstanding as of December 31, 2015 under our senior secured term loans, including both principal and interest. As disclosed in note 9 of our audited consolidated financial statements, we were required to pay $16.4 million pursuant to the terms of the Medliance Notes, which was satisfied on July 1, 2016. Because such payment was uncertain at that time, the balance of the April 2014 Eastward Loan and the December 2014 Eastward Loan are included in the current portion of long term debt on our consolidated balance sheet as of December 31, 2015. However, we have paid the Medliance Notes and each Eastward Loan in full as of July 1, 2016, and they are no longer outstanding.

(4) Related party notes represents the principal balances outstanding as of December 31, 2015 on outstanding indebtedness due to related parties.

(5) Contingent consideration represents the estimated future cash payments as of December 31, 2015 related to our acquisition of Medliance in 2014. In accordance with the Medliance purchase agreement, the maximum contingent payments which could be payable is $5,684.

(6) Non-contingent consideration includes outstanding obligations associated with acquisition-related notes, including the Medliance Notes, and deferred payments, including accrued interest. We have repaid the Medliance Notes in full as of July 1, 2016 and they are no longer outstanding.

(7) Capital lease obligations represent future lease payments for equipment including interest.

(8) The operating lease obligations represent future lease payments for office space.

We purchase a large portion of our prescription drug inventory from AmerisourceBergen. Effective March 2016, we entered into an agreement with AmerisourceBergen, which was subsequently amended and restated effective May 1, 2016, that required a minimum of approximately $1.75 million in purchase obligations each month. The table above does not reflect this obligation because we entered into the agreement after December 31, 2015.

Except for the AmerisourceBergen obligation and the refinancing and contemporaneous repayments set forth in the notes above, our contractual obligations as of July 1, 2016 have not materially changed from December 31, 2015.

Revolving Credit Facility

In December 2013, we entered into a Revolving Credit Facility, or the 2013 Credit Facility, with Silicon Valley Bank pursuant to which we had the ability to request up to $7.0 million in revolving advances. The proceeds of the 2013 Facility were used to repay existing indebtedness, fund a portion of the acquisition of SMPP and fund our general business requirements. As of April 2015, we had $6.9 million of debt outstanding under the 2013 Facility.

In April 2015, we entered into the 2015 Line of Credit with Western Alliance, which was amended in July 2016, pursuant to which we can request up to $25.0 million in revolving advances. In April 2015, we borrowed $10.0 million under the 2015 Line of Credit of which $6.9 million was used to repay all outstanding amounts owed under the 2013 Credit Facility and $2.6 million was used to fund the final deferred payments associated with the acquisition of Capstone. During the six months ending June 30, 2016, we had additional borrowings of $4.5 million under the 2015 Line of Credit of which $2.0 million were used to make the first contingent payment associated with the acquisition of Medliance and the final consideration payment related to the acquisition of SMPP and $1.5 million was drawn down in conjunction with the refinancing of our Medliance Notes and several of our term loans as discussed below. Amounts outstanding under the 2015 Line of Credit bear interest at a variable rate based upon Western Alliance's prime rate plus 1.0%, with Western Alliance's prime rate having a floor of 3.5%. Interest is payable monthly. The 2015 Line of Credit has a maturity date of July 1, 2018, and is secured by all of our personal property, whether presently existing or created or acquired in the future, as well as our intellectual property. As of June 30, 2016, we had $14.5 million of debt outstanding under the 2015 Line of Credit.

The 2015 Line of Credit contains financial covenants, including covenants requiring us to maintain a minimum unrestricted cash and unused availability balance under the 2015 Line of Credit, a minimum monthly recurring revenue retention rate, measured quarterly, and a minimum EBITDA, measured quarterly. The 2015 Line of Credit also contains operating covenants, including covenants restricting our ability to effect a sale of any part of our business, merge with or acquire another company, incur additional indebtedness, encumber or assign any right to or interest in our property, pay dividends or other distributions, make certain investments, transact with affiliates outside of the ordinary course of business and incur annual capital expenditures in excess of $2.5 million. The 2015 Line of Credit contains customary events of default, including upon the occurrence of a payment default, a covenant default, a material adverse change, our insolvency and judgments against us in excess of $250 thousand

that remain unsatisfied for 30 days or longer. The 2015 Line of Credit provides for a ten day cure period for a covenant breach, which may be extended to up to 30 days in certain circumstances. As of June 30, 2016, we were in compliance with all of the financial covenants related to the 2015 Line of Credit.

Term Loan Facility

In July 2016, we entered into the ABC Credit Facility with ABC Funding, an affiliate of Summit Partners, L.P., pursuant to which we can request up to an aggregate amount of $50 million in term loan advances. The proceeds of the initial term loan advance of $30 million under ABC Credit Facility were used to repay all outstanding amounts under the Medliance Notes, repay the December 2014 Eastward Loan and the April 2014 Eastward Loan. Any future term loan advances under the ABC Credit Facility will be used to buy back outstanding warrants and fund future acquisitions, if any. Amounts outstanding under the ABC Credit Facility bear interest at a per annum rate equal to 12.0%, payable monthly in arrears. The ABC Credit Facility has a maturity date of December 30, 2021, and is secured by a subordinated security interest in all of our personal property, whether presently existing or created or acquired in the future, as well as our intellectual property. Any amounts outstanding under the ABC Credit Facility that are repaid may not be reborrowed.

The ABC Credit Facility contains the financial covenants contained in the 2015 Line of Credit, as well as covenants requiring us to maintain a maximum total leverage ratio, a maximum first lien leverage ratio and a minimum fixed charge coverage ratio, in each case measured quarterly. The ABC Credit Facility also contains operating covenants, including covenants restricting our ability to incur additional indebtedness, effect an asset sale, pay dividends or other distributions, incur annual capital expenditures in excess of $2.5 million, transact with affiliates outside of the ordinary course of business, and change our business, operations or management. The ABC Credit Facility contains customary events of default, including upon a payment default, a covenant default, invalidity of security interests, a default in the payment of other indebtedness, our insolvency, a change of control event, a material adverse change, and judgments against us in excess of $250 thousand that remain unsatisfied for 30 days or longer. The ABC Credit Facility provides for ten and fifteen day cure periods for certain covenant breaches, which time period depends upon the applicable covenant. As of July 1, 2016, we were in compliance with all of the financial covenants related to the ABC Credit Facility.

Cumulative Preferred Stock Dividends

As of June 30, 2016, accrued dividends in the amount of $1.2 million, $622 thousand and $863 thousand were payable on our Series A preferred stock, Series A-1 preferred stock and Series B preferred stock, respectively, if declared by our board of directors or upon the occurrence of certain other events, including a liquidation event, as set forth in our certificate of incorporation. All accumulated dividends are forfeited upon conversion of our preferred stock into shares of our common stock, which will occur immediately prior to the consummation of this offering.

Off-Balance Sheet Arrangements

During the periods presented, we did not have any off-balance sheet arrangements, as defined by applicable SEC rules and regulations.

Critical Accounting Policies and Significant Judgments and Estimates

We base this management's discussion and analysis of our financial condition and results of operations on our consolidated financial statements, which we have prepared in accordance with generally accepted accounting practices in the United States, or GAAP. The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in our consolidated financial statements. We evaluate our estimates and judgments, including

those related to: (i) the fair value of assets acquired and liabilities assumed for business combinations, (ii) the valuation of our common stock and preferred stock, (iii) the recognition and disclosure of contingent liabilities, (iv) the useful lives of long-lived assets (including definite-lived intangible assets), (v) the evaluation of revenue recognition criteria, (vi) assumptions used in the Black-Scholes option-pricing model to determine the fair value of equity and liability classified warrants and stock-based compensation instruments and (vii) the realizability of long-lived assets including goodwill and intangible assets. We base our estimates on historical experience, known trends and events and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. You should consider your evaluation of our financial condition and results of operations with these policies, judgments and estimates in mind.

While we describe our significant accounting policies in the notes to our consolidated financial statements appearing elsewhere in this prospectus, we believe the following accounting policies are the most critical to the judgments and estimates we use in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenue from product sales or services rendered when (i) persuasive evidence of an arrangement exists, (ii) services have been rendered, (iii) the price to our client is fixed or determinable and (iv) collectability is reasonably assured.

When we enter into arrangements with multiple deliverables, we apply the accounting guidance for revenue arrangements with multiple deliverables and evaluate each deliverable to determine whether it represents a separate unit of accounting based on the following criteria: (i) whether the delivered item has value to the client on a standalone basis, and (ii) if the contract includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in our control. Revenue is allocated to each element in an arrangement based on a selling price hierarchy. The selling price for a deliverable is based on estimated selling prices, or ESP, as vendor specific objective evidence or third party evidence is not available. We establish ESP for the elements of our arrangements based upon our pricing practices and class of client. The stated prices for the various deliverables of our contracts are consistent across classes of clients.

Product Revenue

We enter into multiple-element arrangements with healthcare organizations to provide software-enabled medication risk management solutions. Under these contracts, revenue is generated through the following components:

Prescription drug revenue

We sell prescription medications directly to healthcare organizations through our prescription fulfillment pharmacies. Prescription medication fees are based upon the prices stated in client contracts for the prescription and include a dispensing fee. Prescription medications are considered a separate unit of accounting. Prescription medication revenue, including dispensing fees, is recognized when the product is shipped to the client. For the periods presented, substantially all of our product revenue has been in the form of prescription medication revenue.

Per member per month fees — medication risk management services

We receive a fixed monthly administrative fee for each member in the program contracted for medication risk management services. This fee, which is included in product revenue in our income statement, is recognized on a monthly basis as medication risk management services are

provided. The services associated with the per member per month fees are considered a separate unit of accounting.

Service Revenue

We enter into contracts with healthcare organizations to provide (i) risk adjustment services and (ii) pharmacy cost management services, which include training client staff and providers about documentation and diagnosis coding, analyzing clients' data collection and submission processes and delivering meaningful analytics for understanding reimbursement complexities.

Under the risk adjustment contracts, there are three revenue generating components:

Set up fees

Our contracts with our risk adjustment service clients often require clients to pay non-refundable set up fees, which are deferred and recognized over the estimated term of the contract. These fees are charged at the beginning of the client relationship as compensation for our efforts to prepare the client and configure its system for the data collection process. The set up activities do not represent a separate unit of accounting as they do not have value apart from the broader risk adjustment service contracts.

Per member per month fees — risk adjustment services

We receive a fixed monthly fee for each member in the program contracted for risk adjustment services. These services represent a separate unit of accounting and are offered independently from any other services. Revenue for these services is recognized each month as the related risk adjustment services are performed.

Hourly consulting fees

We contract with clients to perform various risk adjustment services. Such services are billed on a time and materials basis, at agreed hourly rates. Consulting services represent a separate unit of accounting and are offered independently from any other services. Revenue for these services is recognized as time is incurred on the project.

Our pharmacy cost management services include subscription revenue from clients and revenues from drug manufacturers for the sale of drug utilization data. Subscription revenue is recognized monthly as either a flat fee or as a percentage of monthly transactions incurred. Data and statistics fees from drug manufacturers are recognized as revenue when received due to the unpredictable nature of the payment amounts and because fees are not fixed and determinable until received.

Business Combinations and Contingent Consideration

Acquired businesses are accounted for using the purchase method of accounting, which requires that the purchase price be allocated to the net assets acquired at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Amounts allocated to contingent consideration are recorded to the balance sheet at the date of acquisition based on their relative fair values. The purchase price allocation requires us to make significant estimates and assumptions, especially at the acquisition date, with respect to intangible assets. Although we believe the assumptions and estimates we have made are reasonable, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain.

We account for contingent consideration in accordance with applicable guidance provided within the business combination accounting rules. As part of our consideration for the SMPP, Capstone and Medliance acquisitions, we are contractually obligated to pay certain consideration resulting from the

outcome of future events. Therefore, we are required to update our underlying assumptions each reporting period, based on new developments, and record such contingent consideration liabilities at fair value until the contingency is resolved. Changes in the fair value of the contingent consideration liabilities are recognized each reporting period and included in our consolidated statements of operations.

Examples of critical estimates used in valuing certain of the intangible assets and contingent consideration include:

- future expected cash flows from sales, and acquired developed technologies;
- the acquired company's trade name and customer relationships as well as assumptions about the period of time the acquired trade name and customer relationships will continue to be used in the combined company's portfolio;
- the probability of meeting the future events; and
- discount rates used to determine the present value of estimated future cash flows.

These estimates are inherently uncertain and unpredictable, and if different estimates were used the purchase price for the acquisition could be allocated to the acquired assets and liabilities differently from the allocation that we have made. In addition, unanticipated events and circumstances may occur, which may affect the accuracy or validity of such estimates, and if such events occur we may be required to record a charge against the value ascribed to an acquired asset or an increase in the amounts recorded for assumed liabilities.

Warrant Liability

We classified our warrants to purchase shares of our preferred stock as a warrant liability, which we record at fair value. We estimate the warrant fair values using the option pricing method as discussed in the American Institute of Certified Public Accountants, Audit and Accounting Practice Aid Series: *Valuation of Privately Held Company Equity Securities Issued as Compensation*, or the AICPA Practice Guide. The option pricing method treats securities as options based on the enterprise's value, with exercise prices based on the liquidation preferences set forth in the terms of the underlying stock, option or warrant agreements. Preferred stock, common stock, options and warrants are treated as call options that give the holder the right to buy the underlying net assets at a predetermined or "strike" price at a liquidity event. The option pricing method considers the various terms of the stockholder agreements and implicitly considers the effect of the liquidation preference as of the appropriate date in the future and uses the Black-Scholes model to price the call option.

The significant inputs, which we estimate as part of this method, include the expected term of the warrants, expected volatility and the estimated fair value of the underlying share of preferred stock. Because we do not have sufficient history to estimate the expected volatility of our stock price, expected volatility is based on the average volatility of peer public entities that are similar in size and industry. We estimate the expected term of the warrants based on the timing of anticipated future liquidity events. The risk-free rate is based on the U.S. Treasury yield curve equal to the expected term of the warrant as of the measurement date. These warrant liabilities are subject to remeasurement at each balance sheet date, and we recognize any change in fair value in our statements of operations as a change in fair value of the derivative liability.

Goodwill

Goodwill consists of the excess purchase price over fair value of net tangible and intangible assets acquired. Goodwill is not amortized, but tested for impairment annually. GAAP provides an entity an option to perform a qualitative assessment to determine whether it is more-likely than-not that the fair value of a reporting unit is less than its carrying amount prior to performing the two-step goodwill

impairment test. If this is the case, the two-step goodwill impairment test is required. If it is more-likely than-not that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required. If the two-step goodwill impairment test is required, first, the fair value of the reporting unit is compared with its carrying amount (including goodwill). If the fair value of the reporting unit is less than its carrying amount, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting units' goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

Factors we generally consider important in our qualitative assessment that could trigger a step-two impairment test include significant underperformance relative to expected operating trends, significant changes in the way assets are used, underutilization of our tangible assets, discontinuance of certain products by us or by our clients, changes in the competitive environment and significant negative industry or economic trends.

Impairment of Long-Lived Assets Including Other Intangible Assets

Long-lived assets consist of property and equipment, software development costs and definite-lived intangible assets. Long-lived assets to be held and used are tested for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that we consider in deciding when to perform an impairment review include significant underperformance of the business in relation to expectations, significant negative industry or economic trends and significant changes or planned changes in the use of the assets. If an impairment review is performed to evaluate a long-lived asset for recoverability, we compare forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset are less than its carrying amount. The impairment loss would be based on the excess of the carrying value of the impaired asset over its fair value, determined based on discounted cash flows.

Although we believe the carrying values of our long-lived assets are currently realizable, future events could cause us to conclude otherwise.

Stock-Based Compensation

We recognize compensation expense related to the fair value of stock-based awards in our consolidated statements of operations. For stock options we issued to employees and members of our board of directors for their services on our board of directors, we estimate the grant-date fair value of options using the Black-Scholes option pricing model. The use of the Black-Scholes option pricing model requires management to make assumptions with respect to the expected term of the option, the expected volatility of the common stock consistent with the expected life of the option, risk-free interest rates and the value of the common stock. For awards subject to time-based vesting, we recognize stock-based compensation expense, net of estimated forfeitures, on a straight-line basis over the requisite service period, which is generally the vesting term of the award. We record stock-based awards issued to non-employees and non-directors at their fair values, and periodically revalue them as the equity instruments vest and are recognized as expense over the related service period of the award.

We will continue to use judgment in evaluating the expected volatility, expected terms and forfeiture rates utilized for our stock-based compensation calculations on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to the estimates of our expected volatility, expected terms and forfeiture rates, which could materially impact our future stock-based compensation expense.

Fair Value of Common and Preferred Stock

We are required to estimate the fair value of the common stock underlying our stock-based awards when performing fair value calculations. We are also required to estimate the fair value of our preferred stock as it relates to determining the fair value of our Series B redeemable convertible preferred stock and our warrant liability. We engaged an independent third-party valuation firm to assist our board of directors in estimating the fair value of the common and preferred stock on a retrospective basis. We have granted all options to purchase shares of our common stock with an exercise price per share no less than the fair value per share of our common stock underlying those options on the date of grant, based on the information we knew on the date of grant.

In the absence of a public trading market for our common stock, on each grant date, we develop an estimate of the fair value of our common stock in order to determine an exercise price for the option grants based in part on input from the independent third-party valuation firm. We determined the fair value of our common and preferred stock using methodologies, approaches and assumptions consistent with the AICPA Practice Guide. In addition, our board of directors considered various objective and subjective factors, along with input from management and the independent third-party valuation firm, to estimate the fair value of our common stock, including external market conditions affecting the healthcare market, trends within the healthcare market, the prices at which we sold shares of our different series of preferred stock, the superior rights and preferences of each series of preferred stock relative to our common stock at the time of each grant, our results of operations and financial position, our business strategy, the lack of an active public market for our common and our preferred stock and the likelihood of achieving a liquidity event such as an initial public offering or sale in light of prevailing market conditions.

The per share estimated fair value of common stock in the table below represents the determination by our board of directors of the fair value of our common stock as of the date of grant, taking into consideration the various objective and subjective factors described above, including the conclusions, if applicable, of contemporaneous valuations of our common stock as discussed below. The following table presents the grant dates and related exercise prices of stock options granted to employees and non-employees from January 1, 2014 through the date of this prospectus:

Month of Issuance	Number of Shares Underlying Option Grants	Exercise Price Per Option	Per Share Estimated Fair Value of Common Stock
January 2014	132,885	$ 5.82	$ 3.58
January 2014	83,595	6.40	3.58
February 2014	2,061	5.82	3.58
March 2014	4,379	5.82	3.58
April 2014	13,841	5.82	3.56
May 2014	386	5.82	3.56
June 2014	2,834	5.82	3.56
July 2014	9,259	5.82	3.56
August 2014	2,317	5.82	3.56
September 2014	2,446	5.82	3.56
October 2014	2,833	5.82	3.56
November 2014	3,092	5.82	3.56
January 2015	192,120	5.82	5.82
January 2015	72,164	6.40	5.82
February 2015	33,711	5.82	5.82
February 2015	3,522	6.40	5.82
March 2015	3,348	5.82	5.82
April 2015	6,827	5.82	5.82
June 2015	31,771	5.82	6.34
July 2015	1,030	IPO Price	IPO Price
August 2015	4,894	IPO Price	IPO Price
September 2015	7,211	IPO Price	IPO Price
October 2015	1,030	IPO Price	IPO Price
November 2015	5,924	IPO Price	IPO Price
December 2015	1,545	IPO Price	IPO Price
January 2016	1,802	IPO Price	IPO Price
February 2016	2,962	IPO Price	IPO Price
June 2016	1,546	IPO Price	IPO Price

In determining the fair value of our common stock for purposes of granting stock options and in determining the fair value of our preferred stock for purposes of valuing our Series B redeemable convertible preferred stock and warrant liability, our board of directors considered the most recent valuations of our common and preferred stock, which an independent third party prepared as of June 28, 2013, January 7, 2014, June 30, 2014, January 1, 2015, September 30, 2015, December 31, 2015, and June 30, 2016. The board of directors based its determination in part on the analyses summarized below in determining the exercise price of options to be issued after those dates.

In valuing our common and preferred stock, the board of directors determined the equity value of our business by taking a combination of the income and market approaches.

The income approach estimates the fair value of a company based on the present value of the company's future estimated cash flows and the residual value of the company beyond the forecast period. These future values are discounted to their present values using a discount rate which is derived from an analysis of the cost of capital of comparable publicly-traded companies in the same industry or similar lines of business as of each valuation date and is adjusted to reflect the risks inherent in the company achieving these estimated cash flows.

For the market approach, we utilized the guideline company method by analyzing a population of comparable companies and selected those technology companies that we considered to be the most

comparable to us in terms of product offerings, revenue, margins and growth. Under the market approach, we then used these guideline companies to develop relevant market multiples and ratios, which are then applied to our corresponding financial metrics to estimate our equity value.

Prior to 2015, the enterprise values determined by the income and market approaches were then allocated to the common stock using the Option Pricing Method, or OPM.

The OPM treats common stock and preferred stock as call options on a company's enterprise value, with exercise prices based on the liquidation preferences of the preferred stock. Therefore, the common stock has value only if the funds available for distribution to the stockholders exceed the value of the liquidation preference at the time of an assumed liquidity event such as a merger, sale or IPO. The common stock is modeled as a call option with a claim on the enterprise at an exercise price equal to the remaining value immediately after the preferred stock is liquidated. The OPM uses the Black-Scholes option-pricing model to determine the price of the call option. The OPM is appropriate to use when the range of possible future outcomes is so difficult to predict that forecasts would be highly speculative.

Beginning in 2015, we used the probability-weighted expected return method to determine the value of our common stock. Under the probability-weighted expected return method, the value of an enterprise's common stock is estimated based upon an analysis of future values assuming various possible future liquidity events, such as an initial public offering, a strategic sale or merger and remaining a private enterprise without a liquidity event. The fair market value of the stock is based upon the probability-weighted present value of expected future net cash flows as a result of distributions to stockholders considering each of the possible future events, as well as the rights and preferences of each class of stock.

Once our common stock commences publicly trading following the completion of this offering it will not be necessary to use estimates to determine the fair value of new stock-based awards. Additionally, we will no longer need to estimate the fair value of our preferred stock as it converts to common stock.

The aggregate intrinsic value of vested and unvested stock options as of June 30, 2016, based on an assumed public offering price per share of $14.00, which is the midpoint of the price range set forth on the cover page of this prospectus, was $23.8 million and $5.6 million, respectively.

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risks are principally limited to interest rate fluctuations.

We had cash of $2.0 million and $4.3 million as of December 31, 2015 and June 30, 2016, respectively. The primary objective of our investment activities is to preserve principal and liquidity while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of our investment portfolio, we do not believe an immediate one percentage point increase in interest rates would have a material effect on the fair market value of our portfolio, and accordingly we do not expect a sudden change in market interest rates to affect materially our operating results or cash flows.

We had $14.5 million outstanding under our 2015 Line of Credit as of June 30, 2016. We entered into the 2015 Line of Credit to refinance outstanding indebtedness and to fund acquisition-related activities. Interest on the loan is based on the lender's prime rate plus 1.0%, with the lender's prime rate having a floor of 3.5%, which exposes us to market risk due to changes in interest rates. This means that a change in the prevailing interest rates may cause our periodic interest payment obligations to fluctuate. We believe that a one percentage point increase in interest rates would result in an approximate $61 thousand increase to our interest expense for the six months ended June 30, 2016.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09. ASU 2014-09 represents a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of promised goods or services to clients in an amount that reflects the consideration to which the company expects to be entitled to receive in exchange for those goods or services. ASU 2014-09 sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed. For public companies, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017 and interim reporting periods within that reporting period. Early adoption is not permitted. Accordingly, we will adopt ASU 2014-09 on January 1, 2018. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements and have not yet selected a transition method.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern,* or ASU 2014-15. ASU 2014-15 will explicitly require management to assess a company's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The new standard will be effective in the first annual period ending after December 15, 2016. Early application is permitted. We are currently evaluating the impact of the adoption of ASU 2014-15 on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, or ASU 2015-11, which simplifies the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower of cost and net realizable value test. ASU 2015-11 is effective for public business entities for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of ASU 2015-11 on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, or ASU 2016-02. ASU 2016-02 establishes a right-of-use, or ROU, model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. We are currently evaluating the potential impact of the adoption of ASU 2016-02 on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, or ASU 2016-09, which simplifies certain aspects related to how share-based payments are accounted for and presented in the financial statements. ASU 2016-09 will require excess tax benefits and tax deficiencies to be recorded as an income tax benefit or expense in the statement of operations when the awards vest or are settled. ASU 2016-09 will also allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted in any annual or interim period for which financial statements have not been issued or made available for issuance, but all guidance must be adopted in the same period. We are currently evaluating the impact of ASU 2016-09 on our consolidated financial statements.

JOBS Act

In April 2012, the Jumpstart Our Business Startups Act, or JOBS Act, was enacted. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other companies.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," we intend to rely on certain of these exemptions, including without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenue of at least $1.0 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the prior June 30th and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

BUSINESS

Overview

We are a leader in providing patient-specific, data-driven technology and solutions that enable healthcare organizations to optimize medication regimens to improve patient outcomes, reduce hospitalizations, lower healthcare costs and manage risk. We deliver our solutions through a comprehensive suite of technology-enabled products and services for medication risk management, which includes bundled prescription fulfillment and reminder packaging services for client populations with complex prescription needs. We also provide risk adjustment services, which help our clients to properly characterize a patient's acuity, or severity of health condition, and optimize the associated payments for care. With 4.4 billion prescriptions filled in the United States in 2015, medication treatment is the most common medical intervention, and its imprecise use represents the fourth leading cause of death and contributes to an estimated 45 to 50 million adverse drug events, or ADEs, annually with 2.5 to 4.0 million of those ADEs considered serious, disabling or fatal. The incidence of ADEs is highly correlated to the number of medications an individual is taking and non-adherence to prescribed regimens, and thus is particularly relevant to populations with complex healthcare needs. Our technology-driven approach to medication risk management represents an evolution from prevailing non-personalized approaches that primarily rely on single drug-to-drug interaction analysis. We currently serve approximately 125 healthcare organizations that focus on populations with complex healthcare needs and extensive medication requirements.

Our suite of cloud-based software solutions provides prescribers, pharmacists and healthcare organizations with sophisticated and innovative tools to better manage the medication-related needs of patients. We believe we offer the first prospective clinical approach to medication risk management, which is designed to increase patient safety and promote adherence to a patient's personalized medication regimen. Furthermore, our medication risk management technology helps healthcare organizations lower costs by reducing ADEs, enhancing quality of care and avoiding preventable hospital admissions. Our products and services are built around our novel and proprietary Medication Risk Mitigation Matrix, or MRM Matrix, which enables optimization of a patient's medication regimen, involving personalizing medication selection, dosage levels, time-of-day administration and reducing the total medication burden by eliminating unnecessary prescriptions. The MRM Matrix analyzes a combination of clinical and pharmacology data, population-based algorithms and extensive patient-specific data, including medical history, lab results, medication lists and individual medication-related genomic information, to deliver "precision medicine." We provide software-enabled solutions that can be bundled with prescription fulfillment and reminder packaging services, which are informed by a patient's personalized MRM Matrix to increase adherence to a patient's optimized regimen, through our three prescription fulfillment pharmacies serving clients across the United States. Our team of clinical pharmacists is available to support prescribers at the point of care through our proprietary technology platform, including real-time secure messaging, with more than 136,000 messages exchanged in August 2016. Recently, we began offering software solutions on a standalone software-as-a-service basis, although to date, all of our medication risk management clients have contracted for a bundled offering of our software-enabled solutions, prescription fulfillment and reminder packaging services. While prescription medication revenue has comprised substantially all of our revenue to date, we do not offer prescription fulfillment and reminder packaging services on a standalone basis.

Total spending in the United States on prescription medicines was $425 billion in 2015, according to a report issued by the IMS Institute for Healthcare Informatics. According to the Centers for Disease Control and Prevention, in any given month, 48% of Americans take a prescription medication, and 11% take five or more prescription medications. According to the Alliance for Human Research Protection, ADEs result in more than 100,000 deaths annually in the United States, and a study by the U.S. Department of Health and Human Services, or HHS, notes that ADEs cause approximately 125,000 hospitalizations, one million emergency room visits, two million affected hospital stays and 3.5 million physician office visits every year. According to a book published by the National Academy of Sciences

in 2000, for every dollar spent on ambulatory medications, another dollar is spent to treat new health problems caused by the medication. These statistics indicate that medication treatment is complex, and current tools available to healthcare organizations have been largely unsuccessful in mitigating ADEs.

To enhance healthcare outcomes and better control costs, employers, health insurers and government agencies are restructuring health coverage and care models to make healthcare providers more accountable for healthcare utilization and quality of care. As the U.S. healthcare market continues to evolve from a fee-for-service to a value-based model of care, healthcare organizations require new and emerging technologies to optimize treatment and manage risk on a patient-specific, customized basis. Our solutions are targeted currently to "at-risk" healthcare organizations that are clinically and financially responsible for the populations they serve, receiving a fixed payment for the care provided to each patient for an entire episode of care or enrollment period. According to the Congressional Budget Office, or CBO, there were approximately 136 million people in the United States covered under government-sponsored programs in 2015, and this number is expected to reach 162 million by 2020. Government-sponsored programs are leading the shift to value-based healthcare. Our solutions support our clients in achieving the Institute for Healthcare Improvement, or IHI, "Triple Aim" of improving a patient's experience, while managing the health of a client's population and controlling costs.

We are led by highly experienced and entrepreneurial executive officers with more than 70 years of cumulative experience in the healthcare industry. Our co-founder, Dr. Calvin H. Knowlton, founded excelleRx, Inc., and along with Dr. Orsula Knowlton and other members of our management team, built it into the largest national hospice medication management pharmacy in the United States servicing approximately 400 hospice agencies with approximately 48,000 patients in 46 states, at the time it was sold to Omnicare, Inc. in 2005.

Since our first year of active operations in 2011, our revenue has grown to $70.0 million for the year ended December 31, 2015, and $42.6 million for the six months ended June 30, 2016 with a net loss of $2.9 million and $77 thousand, respectively, and Adjusted EBITDA of $8.6 million and $5.6 million, respectively for those periods. See "Selected Consolidated Financial Data — Adjusted EBITDA" for our definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net losses. We had an annual revenue retention rate of 99% and client retention rate of 96% in 2015. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Business Metrics" for our definitions of revenue retention rate and client retention rate.

Market Opportunity

The pervasive use of medications, including the prevalent use of multiple medications for each patient, causes increased treatment complexity that healthcare organizations have been unable to effectively manage. This results in imprecise medication usage, which is a leading cause of ADEs that harm patients and increase healthcare costs. Accordingly, while a majority of ADEs are preventable, the prevailing tools that attempt to address these avoidable harms and costs have been largely ineffective. The shift to value-based healthcare and pressures to control healthcare costs have increasingly placed healthcare organizations at financial risk related to imprecise medication usage. As a result, healthcare organizations are now strongly incentivized to adopt new, data-driven and personalized technologies and solutions that address the substantial unmet need for comprehensive medication risk management.

Pervasive Use of Medication is Driving Increased Complexity in Healthcare

Medication treatment is the most common medical intervention. In any given month, 48% of Americans take a prescription medication and 11% take five or more prescription medications. According to HHS, among adults 65 years of age or older in the United States, 57% to 59% reported taking five to nine medications in 2006, and 17% to 19% reported taking ten or more medications over the course of that year. According to a 2013 study published in the Annals of Pharmacotherapy, the risk of an ADE in persons taking five to nine medications is 50%, 81% with ten to fourteen medications, 92% with fifteen to nineteen medications and 100% with twenty or more medications. The number of prescription

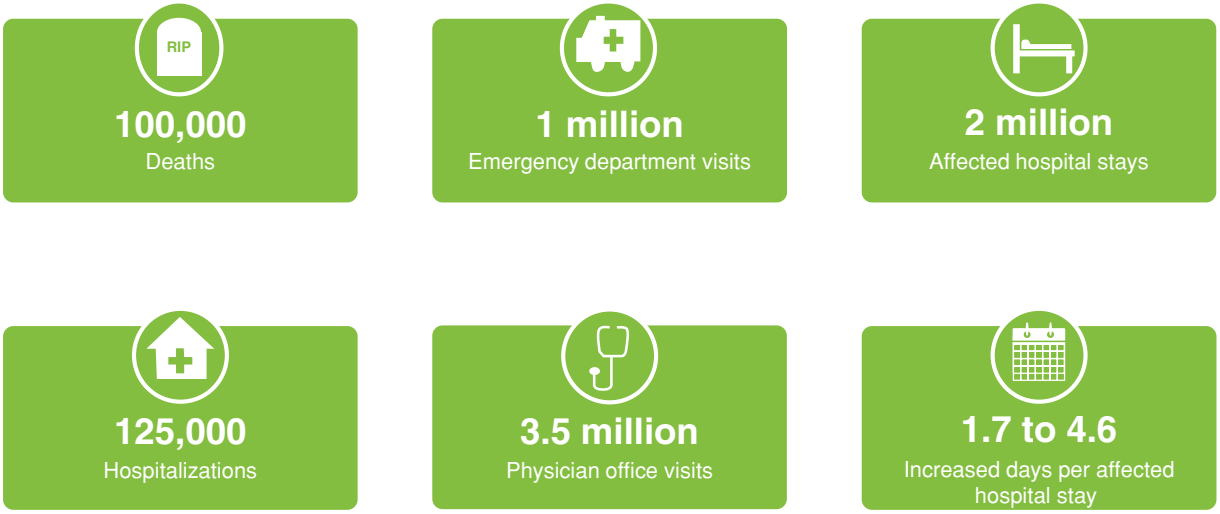
medications individuals are using in the United States is increasing as the number of medication therapies rises, the population ages and chronic diseases become more prevalent. According to the CDC, the percentage of individuals aged 65 years or older taking three or more prescriptions increased from 51.8%, in the period from 1999 and 2002, to 64.8%, in the period from 2009 to 2012.

According to the National Institute of Mental Health, in 2014 there were 13.6 million people in the United States with a chronic severe mental illness like schizophrenia, major depression or bipolar disorder. Prescription medications were the most significant medical expense for mental health treatment in 2014, estimated to be 30% of total healthcare expenditures by payors, more than total hospital costs, physician expenses and insurance administration, according to the Substance Abuse and Mental Health Services Administration, or SAMHSA. We believe the pervasive and rising use of prescription and non-prescription drugs is increasing the complexity of medication management for healthcare organizations and making adherence to medication regimens more difficult for patients.

Imprecise Use of Medication Harms Patients and Increases Healthcare Costs

Given the extensive and increasing use of medication in the United States, the potential for harm from ADEs and patient medication non-adherence constitutes a critical patient safety and public health challenge. In 2012, the IMS Institute of Healthcare Informatics estimated that medication non-adherence and unnecessary use of medicines are responsible for more than $200 billion in otherwise avoidable medical spending annually in the United States alone, and ADEs contribute $3.5 billion to U.S. healthcare costs on a yearly basis, according to the Institute of Medicine.

According to the Alliance for Human Research Protection and HHS, ADEs in the United States annually result in approximately:



The majority of individuals in the United States who are prescribed a medication are non-adherent in one or more ways, including taking a dose other than the prescribed dose or not taking the prescription. A study published by the National Community Pharmacists Association in 2013 reported that approximately 75% of adults 40 and older with a chronic condition report at least one non-adherent behavior in the past 12 months, and more than half report multiple forms of non-adherence. Furthermore, the inability to read medication labels due to poor eyesight or the inability to read English has been associated with medication non-adherence.

Healthcare Organizations Have a Significant Unmet Need for Comprehensive, Personalized Medication Risk Management

The current tools for medication safety produce inconsistent results and are widely viewed as ineffective. Most prevailing approaches rely upon slowly increasing dosage levels, prescribers' individual clinical experience, single drug-to-drug interaction tables, black box warnings and the Beers' Criteria of drugs to avoid in the elderly. Personalized and precision-based methods are typically absent in prevailing trial-and-error approaches to medication selection, rendering providers ineffective and ultimately limited in their ability to deliver optimal patient care due to insufficient data at the point of prescribing.

Research suggests that a majority of ADEs are preventable. A 2007 study published by the Institute of Medicine's Committee on Identifying and Preventing Medication Errors estimated that at least 1.5 million preventable ADEs occur each year in the United States. According to the American Academy of Pediatrics, ADEs account for up to 25% of all hospital admissions and 12% of emergency room visits in adults, of which up to 70% are preventable. According to a 2011 study published by the *New England Journal of Medicine*, nearly half of hospitalizations for ADEs involve patients 80 years of age or older and two-thirds of those hospitalizations were due to unintentional overdoses. In addition, an April 2015 article published in the journal *Nature* suggested that 75% or more of people are unresponsive or mis-responsive to the ten highest grossing medications in the United States.

In 2010, one in five adults in the United States was on at least one medication to treat a psychological or behavioral disorder, according to the American Psychological Association. Behavioral health medications are powerful, are subject to trial-and-error prescribing methods and are prone to side effects and ADEs. Mental illness is also associated with increased occurrence of chronic diseases as well as with reduced adherence to medication therapies. According to a report from SAMHSA, the healthcare expenditures on mental health treatment were expected to be $186.3 billion in 2015.

Industry Dynamics Favor a Personalized Approach to Medication Safety

The shift to value-based healthcare has increasingly placed healthcare organizations at financial risk related to imprecise medication usage, providing new incentives to reduce costs and improve quality. Rising healthcare costs and strained government budgets have driven both federal and state government agencies to expand the role of value-based, capitated payment models, under which a fixed payment is made to deliver all or multiple facets of patient care. In January 2015, HHS set a goal of tying 90% of all traditional Medicare payments to quality or value by 2018. Both federal and state governments are actively promoting value-based payment models through government-sponsored programs such as Medicare Advantage, Medicare Shared Savings Program, managed Medicaid plans and bundled payment models. These models shift the incentives of healthcare organizations away from volume and toward quality and value and have encouraged the creation of Accountable Care Organizations, or ACOs, including Programs of All-inclusive Care for the Elderly, or PACE. The private sector is acting in parallel, with private payors establishing their own accountable care, capitated and bundled-payment structures with physician practice groups.

With the emergence of these new payment models, healthcare organizations are increasingly becoming "at risk" by taking on greater clinical and financial responsibility for the populations they serve. In these at-risk models, the provider is incentivized to deliver efficient care because the provider receives a fixed payment for the care provided to any given patient for an entire episode of care or enrollment period. The focus on profitability rather than revenue has placed increasing pressure on providers to lower costs and improve care quality, safety and the patient experience. As a result of this transition, data on patient-specific disease states and co-morbidities, clinical and quality outcomes, resource utilization and individualized patient information have become increasingly relevant to healthcare delivery.

Accurate Coding is Critical for Optimizing Reimbursement

Accurate coding of medical procedures and diagnoses is required throughout the healthcare landscape for proper reimbursement and regulatory compliance. Payments to healthcare organizations are determined and adjusted by the acuity and relative risk scores of patients, which in turn are derived from the coding of medical services by their providers. Coding is particularly important in at-risk, value-based care models as healthcare organizations bear financial risk for their patients' medical expenses. If a healthcare organization submits coding that is inaccurate, the organization may receive inadequate reimbursement for the services it provides. Risk scoring based on accurate coding is a significant factor in determining premium reimbursement rates and payments in many government-sponsored healthcare programs including Medicare Advantage, managed Medicaid and Medicare Part D plans and ACOs, including PACE organizations. According to the Kaiser Family Foundation, the number of individuals covered through Medicare Advantage and Medicare Part D programs was more than 16 million and 39 million, respectively, in 2015, up from 11 million and 27 million, respectively, in 2010, with more than 1,900 Medicare Advantage plans and more than 1,000 Medicare Part D plans in 2015.

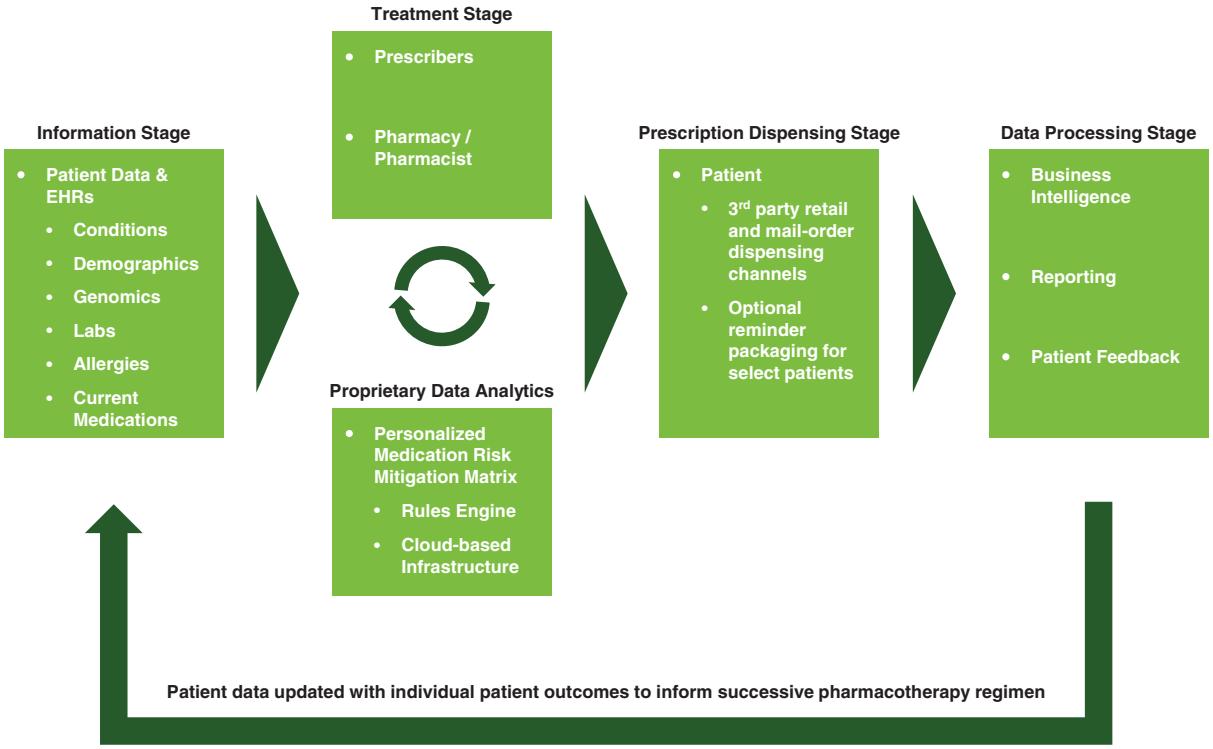
Accurate coding is increasingly complex, with more than 140,000 procedures in the ICD-10, which became the primary coding benchmark for most U.S. healthcare programs in October 2015. Government agencies, including the Centers for Medicare & Medicaid Services, or CMS, regularly perform audits of healthcare organizations to validate coding practices. Inaccurate coding results in incorrect reimbursement as well as the potential for sanctions such as exclusion from program participation, civil or criminal penalties and fines. Healthcare organizations that are able to efficiently and accurately code under the value-based framework will be better positioned financially and more likely to avoid potential legal and regulatory penalties associated with improper coding.

Our Solutions

Medication risk management is our leading offering, and our cloud-based software applications, including *EireneRx* and *MedWise Advisor*, together with our bundled prescription fulfillment and reminder packaging services, provide solutions for a range of payors, providers and other healthcare organizations. Our products and services are built around our proprietary MRM Matrix, which combines clinical and pharmacology data, population-based algorithms and extensive patient-specific data, including medical history, lab results, medication lists and personal genomic information, to deliver what the U.S. Food and Drug Administration, or FDA, refers to as "precision medicine." Precision medicine combines traditional evidence-based medication selection with new patient-specific medication selection to better optimize a patient's medication therapy. Our suite of technology products is built on a powerful rules engine that houses comprehensive pharmacotherapy profiles, provides risk alerts and includes a combination of proprietary decision-support tools, real-time secure messaging, e-prescribing and advanced precision-dosing functionality, among other functions. Our software applications help reduce ADEs, enhance medication adherence and quality of care, improve medication safety at the individual patient level and reduce the total medication burden by eliminating unnecessary prescriptions.

We also provide risk adjustment services and pharmacy cost management services to help our clients achieve correct reimbursement, maintain regulatory compliance and optimize pharmacy spend.

The following chart sets forth the environment within which our solutions, enabled by our personalized MRM Matrix, apply precision medicine practices to collect, analyze and process patient information to accurately inform each patient's medication regimen.



Precision-Based Approach to Deliver Patient-Specific Solutions

We believe we are at the forefront of precision medicine with solutions that help our clients tailor medical treatment to the individual characteristics of each patient. Our technology platform enables healthcare providers to design a safer medication regimen for each patient by supplementing clinician insight with population-based algorithms and extensive patient-specific data, including medical history, lab results, medication lists and individual medication-related genomic data. Our cloud-based software solutions are designed to identify high-risk individuals, detect susceptibility to ADEs and embed proper dosing guidelines. By providing patient-specific, data-driven analytical insights and medication safety solutions, we help clients reduce trial-and-error-based medication selection, unintentional medication overdoses and other causes of ADEs.

Our team of clinical pharmacists is available to collaborate with prescribers through our proprietary technology platform to promote medication safety. Our platform provides real-time secure messaging capability between prescribers at the point-of-care and our pharmacists. Once a patient's medication schedule and regimen is optimized, our prescription fulfillment and reminder packaging services ensure that each patient's medications are packaged to promote adherence to their personalized regimen and dosing schedule. Our software includes multilingual resources and health literacy aids, which are designed to explain, in simple and easy-to-read language, the patient's dosing schedule and medication risks, and provide other patient-specific instructions to help optimize medication adherence.

Demonstrated Ability to Produce Higher Quality Outcomes, Reduce the Cost of Care and Improve the Patient Experience

By offering solutions that improve outcomes in a cost-effective manner, we are aligned with healthcare organizations that are transitioning to value-based healthcare. We believe we offer significant

value to our clients, measured by patient outcomes, monetary savings and payor and provider satisfaction. According to the National PACE Association, the average PACE organization spends 10% of its revenue on hospitalization costs. According to the Agency for Healthcare Research and Quality, each hospitalization for adults with multiple chronic conditions, a population similar to that of PACE, is estimated to cost, on average, $14,500 in the United States. Our PACE clients have reported that our medication risk management services have resulted in significant reductions in hospital admissions, length of hospital stays and emergency room visits for their patients, thereby reducing their medical expenditures. Our pharmacy cost management services saved our clients more than $48 million in recovered or prevented overpayments in 2015, and our risk adjustment clients realized revenue increases of approximately $385 per patient per month on average in 2015. We believe our solutions deliver savings throughout the healthcare system, facilitate correct reimbursement and enable patients to live healthier lives.

Our Strengths

Innovative Technology Solutions for Medication Risk Management Aligned with Transformative Shifts in Healthcare

We believe that medication risk management provides a significant opportunity to improve healthcare outcomes and create efficiencies in today's healthcare system, and our innovative technology platform is uniquely equipped to provide comprehensive medication risk management solutions to a variety of healthcare organizations. The shift from a fee-for-service to a value-based model of care, which focuses on outcomes and quality, is driving the rapid adoption of risk-based arrangements across many healthcare organizations. Under these risk-based models, providers often receive capitated payments to deliver all or multiple facets of a patient's care at a fixed price. According to the CBO, in 2015 there were approximately 136 million people in the United States covered under government-sponsored programs, and this number is expected to reach 162 million by 2020. Government-sponsored programs are leading the shift to value-based care. Given this shift, there is a corresponding increase in focus on high-acuity populations with complex healthcare needs to curtail the rapid rise in healthcare costs. Medication treatment is the most frequent intervention in healthcare, and chronically ill patients, elderly patients and patients who suffer from multiple conditions typically have extensive medication requirements and utilize multiple prescription medications, often prescribed by multiple providers. These complex medication regimens often result in negative outcomes. Our solutions are designed to provide comprehensive medication risk management for these populations to help our clients improve health outcomes and manage rising healthcare costs.

First-Mover Advantage with Track Record of Improved Outcomes

We believe the seven years we have devoted to developing and optimizing our solutions, and our intellectual property portfolio, provide a significant competitive advantage over potential competitors. Leveraging our industry experience, we believe we offer the first prospective clinical approach to medication risk management, utilizing advanced patient safety tools and medication-adherence technology that enable depth and breadth of data-driven analytical insights and actionable interventions. We intend to continue developing and patenting technologies that are designed to increase medication safety, reduce ADEs and healthcare utilization and improve the prescribing process. In addition, we integrate directly with many industry-leading electronic health record systems, or EHRs, that are used by many of our clients.

Expertise in Serving At-Risk Healthcare Organizations with Complex Patient Populations

Since our founding, we have leveraged our knowledge of medication risk management and risk adjustment to develop expertise in serving the growing at-risk segment of the healthcare system. Our clients currently include more than 55 PACE organizations, the first fully at-risk provider system, as well as more than 1,300 post-acute care facilities. In general, post-acute care facilities are migrating to an at-risk bundled-reimbursement model. Our focus on medication risk management is highly relevant to

populations with complex care requirements, such as chronically ill patients, elderly patients and patients who suffer from multiple conditions and the healthcare organizations that care for them. According to the CDC, chronic diseases account for 86% of healthcare spending in the United States. We have developed solutions to address the needs of these patients and their providers and payors.

Highly Scalable Platform

We believe the scalability of our technology platform allows us to rapidly and cost-effectively pursue new opportunities and meet rising market demand. Our clients access our products and services through an efficient and scalable cloud-based technology platform. We have developed this platform using open-source technologies, internet distribution methodologies, horizontal scaling and search and sorting algorithms, enabling seamless integration of our software solutions with the existing systems of new clients. Our cloud-based technology platform allows for on-demand capacity expansion, rapid deployment capabilities and accelerated speed of execution.

Recurring Revenue Model with Significant Operating Leverage

We believe we have an attractive business model due to the recurring and predictable nature of our revenue, embedded growth opportunities within our existing client base and significant operating leverage. Our client contracts are typically exclusive and multi-year and, while they do not include minimum member or prescription volume or mix requirements, based on our experience, patient populations at our clients do not generally decline over time, the number of medications per patient have been consistent following an initial onboarding period and the overall mix of medications dispensed is generally predictable. As such, our contracts provide significant visibility into our future cash flows. The revenue models under these contracts typically include charges and dispensing fees for medication fulfillment for our clients' patients, which are often high-acuity patients with long-term prescription needs, payments on a per-member per-month basis and payments on a subscription basis. Our annual revenue retention rate was 95% and 99% for 2014 and 2015, respectively, and our client retention rate was 97% and 96%, respectively. We believe this reflects strong client satisfaction with our solutions. Since our first year of active operations in 2011, our revenue has grown to $70.0 million and $42.6 million for the year ended December 31, 2015 and the six months ended June 30, 2016, respectively, and our cash flows from operating activities were positive for the same periods. As we grow our revenue base, we expect our operating expenses to decrease as a percentage of revenue, providing for substantial operating leverage. We believe this operating leverage inherent in our business, coupled with extensive cross-sell opportunities and low client acquisition costs, will help drive future cash flow.

Experienced Management Team

We are led by highly experienced and entrepreneurial executive officers with more than 70 years of cumulative experience in the healthcare industry. Prior to our founding in April 2009, our co-founder, Dr. Calvin H. Knowlton, founded excelleRx, Inc. and, along with Dr. Orsula Knowlton and other members of our management team, built it into the largest national hospice medication management pharmacy in the United States, servicing approximately 400 hospice agencies providing care to approximately 48,000 patients in 46 states, at the time it was sold to Omnicare, Inc. in 2005. Our management team brings deep experience to their relevant areas including pharmacotherapy, technology, pharmacy, operations, supply chain, marketing, finance and legal. Since 2009, we have acquired and integrated four businesses to enhance our comprehensive suite of solutions and solidify our market leadership position. Our culture of service, innovation, product excellence, collaboration, accountability and integrity underlies our interactions with each other as well as with our clients. We believe that our experienced management team and a strong commitment to our culture are key drivers of our success and position us well for long-term growth.

Our Strategy

Further Penetrate and Grow with the Expansion of Our Current At-Risk Markets

By leveraging our industry expertise and thought leadership and expanding our sales and marketing efforts, we believe that we can increasingly penetrate the market for existing and new at-risk clients. We are the market leader in providing medication risk management to PACE, a CMS sponsored program through which participating healthcare organizations provide fully integrated healthcare delivery on an at-risk basis for elderly adults, most of whom are dually eligible for Medicare and Medicaid. Our PACE clients cover approximately 15% of the total PACE enrollees nationwide. We believe that we have a significant opportunity to continue to grow within this market. From 2012 to 2016, the number of PACE organizations has increased from 84 to 116 and the number of PACE centers has increased from 126 to 228. The number of participants enrolled in PACE organizations, who have a typical length of stay exceeding four years, has doubled over the last five years, yet, according to a study we commissioned from AEC Consulting, LLC, represents only 4% of the total eligible individuals within current PACE service areas.

We expect our PACE clients to continue to grow to cover more eligible lives. This growth may be facilitated by existing state and federal initiatives that present expansion opportunities for PACE, including recently allowing the formation of PACE organizations by for-profit providers, and the creation of other PACE-like, at-risk organizations, many of which would be targets for our solutions. For example, the PACE Innovation Act of 2015 allows CMS to develop pilot programs using the PACE model of care to serve individuals under age 55 and at risk of needing nursing home care as well as other patients with chronic diseases. On April 4, 2016, CMS announced payment changes that will impact PACE organizations in 2017, and we believe that such changes will produce increased payments of approximately 2%. Further, in August 2016, CMS proposed a rule to update and modernize the PACE program, which would include strengthening protections and improving care for beneficiaries, as well as providing administrative flexibility and regulatory relief for PACE organizations, resulting in program expansion. Working with our scalable solutions can help PACE organizations facilitate their growth.

Furthermore, in Medicare Advantage and similar value-based care models, patients are assigned relative risk scores based on diagnosis, which need to be documented accurately each year for proper reimbursement. We are also the market leader in risk adjustment and front-end coding for PACE organizations, and we plan to continue to expand these services to other Medicare Advantage programs.

We have been selected to participate with a large, regional Medicare Part D Prescription Drug Plan, or Regional PDP, to develop and deliver an Enhanced Medication Therapy Management, or EMTM, program. We believe this EMTM program will address the requirements of the Part D Enhanced Medication Therapy Management Model test, which the Centers for Medicare and Medicaid Innovation, or CMMI, proposed in September 2015 and recently approved. Final approval will be authorized upon full execution of the calendar year 2017 Medicare Part D contract.

The Part D EMTM model created by the Centers for Medicare & Medicaid Services, or CMS, is designed to test strategies to improve medication use among Medicare beneficiaries enrolled in Part D and to assess whether providing selected PDPs with additional incentives and increased flexibility to design and implement innovative programs will better achieve the overall goals for EMTM programs.

To develop this EMTM program, we will use our MRM Matrix and certain other services to perform medication risk stratification and reviews and safety assessments of complex medication regimens, providing an innovative, alternative approach to pharmacotherapy to the 240,000 members of this Regional PDP, representing less than one percent of the entire eligible Part D market. In 2015, the number of individuals covered through Medicare Part D programs was more than 39 million. We believe if we are successful in developing and delivering an EMTM program to the Regional PDP, we will be able to expand into a greater portion of the Part D market. This is our first offering without fulfillment and reminder packaging services for client population.

Continue Expansion into Emerging At-Risk Provider and Payor Markets

We intend to leverage our expertise and experience from our existing clients to expand to other at-risk providers and payors through increased investment in our sales force and marketing efforts.

We believe that the growth in government healthcare programs and the shift to value-based care models are creating opportunities for many organizations to capture growing portions of the expanding healthcare market. Accordingly, we are actively targeting at-risk, value-based markets, including managed care organizations, physician provider groups, self-insured companies and ACOs, which are healthcare organizations characterized by a payment and care delivery model that ties provider reimbursement to quality metrics and the total cost of care for an assigned population. We also target post-acute healthcare organizations, which provide a range of medical services to support an individual's recovery or manage chronic illness after a period of in-patient care. We believe non-PACE ACOs offer another large market for our solutions, as they operate under a similar at-risk reimbursement model. The number of ACOs in the United States has increased from 64 in 2011 to 744 in January 2015, collectively covering approximately 23.5 million individuals. Many physician provider groups are moving to at-risk, capitated payment models in response to incentives from managed care organizations and government programs. We are currently working with Oak Street Health, an at-risk, Medicare focused, primary care physician group, to provide medication risk management products and solutions.

Many post-acute healthcare services are also transitioning to value-based care models. On April 1, 2015, the CMS Innovation Center's Bundled Payments for Care Improvement, or BPCI, initiative began, which comprises four broadly defined models of care designed to improve the coordination and quality of care at a lower cost to Medicare. In the BPCI initiative, post-acute care facilities and home health agencies receive bundled payments for episodes of care. According to a recent report by the Advisory Board Company, more than 4,000 post-acute facilities and a number of home health agencies have already signed up to participate in the BPCI program. As the market leader in pharmacy cost management solutions in the post-acute market, we believe we are also well positioned to further serve these organizations with medication risk management solutions as they continue migrating to an at-risk reimbursement structure.

Expand Offerings to a Large and Growing Behavioral Health Market

We believe our solutions have the potential to offer substantial value to the behavioral health market. Behavioral health medications are powerful, are subject to trial-and-error prescribing methods and are prone to side effects and ADEs. The behavioral health market is growing in part as a result of the Patient Protection and Affordable Care Act, or ACA, which significantly expanded coverage for mental health and substance use disorder services. These new protections build on the Mental Health Parity and Addiction Equity Act of 2008 provisions to expand mental health and substance use disorder benefits and federal parity protections to an estimated 62 million Americans.

Accordingly, we are pursuing intervention studies or pilot programs to evaluate the benefits of our medication risk management solutions in the behavioral health population. We continue to explore additional expansion opportunities with behavioral health providers as this market evolves.

Continue to Innovate and Expand Platform Offerings to Meet Evolving Market Needs

We believe our investments in human capital, technology and services capabilities position us to continue to pursue rapid innovation and expand our medication risk management solutions and other platform offerings to the broader healthcare marketplace. For example, we are developing high-throughput medication risk stratification technology for identification of high-risk patients in need of clinical intervention, and we are developing a patient engagement application of our MRM Matrix solution. In addition, to further our commitment to innovation in the healthcare technology sector, we have established the Jack Russell Software Innovation Center which works collaboratively with our corporate university, TRHC University, to provide technology leadership, creative problem solving skills

and training to our employees as well as the healthcare community more broadly. We also believe there is a substantial opportunity in our existing client base to cross-sell our full set of solutions.

Selectively Pursue Strategic Acquisitions and Partnerships

Since our founding in 2009, we have successfully completed and integrated four acquisitions, which have significantly expanded our market footprint and broadened our medication risk management and risk adjustment offerings. We plan to continue to acquire assets and businesses and may enter into strategic partnerships that strengthen or expand our service offerings, capabilities and geographic reach and facilitate our entry into new markets. Our acquisition strategy is driven by our commitment to serving client needs, and we are continuously assessing the market for potential opportunities.

Develop International Market Opportunities

We believe we are well positioned to provide our products and services to international healthcare organizations that face challenges similar to those that our clients face domestically. Our solutions are readily scalable and can be utilized by healthcare organizations abroad seeking to achieve the IHI Triple Aim. We believe our solutions would provide significant value to the international healthcare landscape, which is frequently characterized by single-payor government-administered healthcare.

Our Core Technology

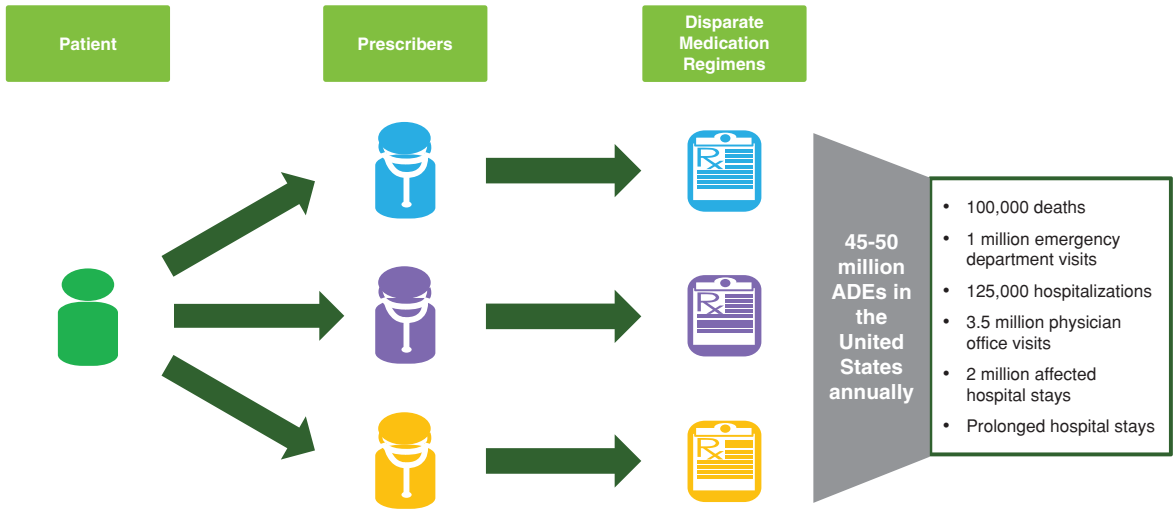
ADEs often result from unintended drug overdoses due to factors such as multi-drug interactions, impaired renal function, medication-related genomic variants and the cumulative impact of drug-related sensitivities, such as excess sedation and increased risk of falls and injury. Combining medications with anticholinergic drugs, which are drugs that block the action of the neurotransmitter acetylcholine to the nervous system, increases the likelihood of these and other similar ADEs. The risk of ADEs resulting from combining certain drugs with those that have anticholinergic properties is high given the fact that many common over-the-counter and prescription medications contain anticholinergic ingredients. Our goal is to enable prescribers to optimize the use of medications using a prospective approach to medication risk management in order to avoid ADEs and improve patient outcomes. Our technology suite enables a novel approach to optimize the medication regimen of individual patients and address the issues with prevailing prescribing methodologies.

Utilizing our technology, prescribers obtain real-time information about the factors impacting a medication's effectiveness and safety for a particular patient grounded in evidence-based clinical data and extensive patient-specific data. Our technologies deliver prospective intervention and are designed to reduce ADEs, increase medication adherence and quality of care and improve medication safety at the individual patient level. Our cloud-based applications are scalable, easily accessible to healthcare organizations, seamlessly integrated with client applications and databases and customized for use across the healthcare continuum of care. Our software systems provide secure communication between prescribers and our pharmacists, and our sophisticated medication decision-support tools are interoperable with many industry-leading EHRs. We believe our innovative technology platform offers a means of improving patient outcomes while mitigating medication-related and financial risk for healthcare organizations.

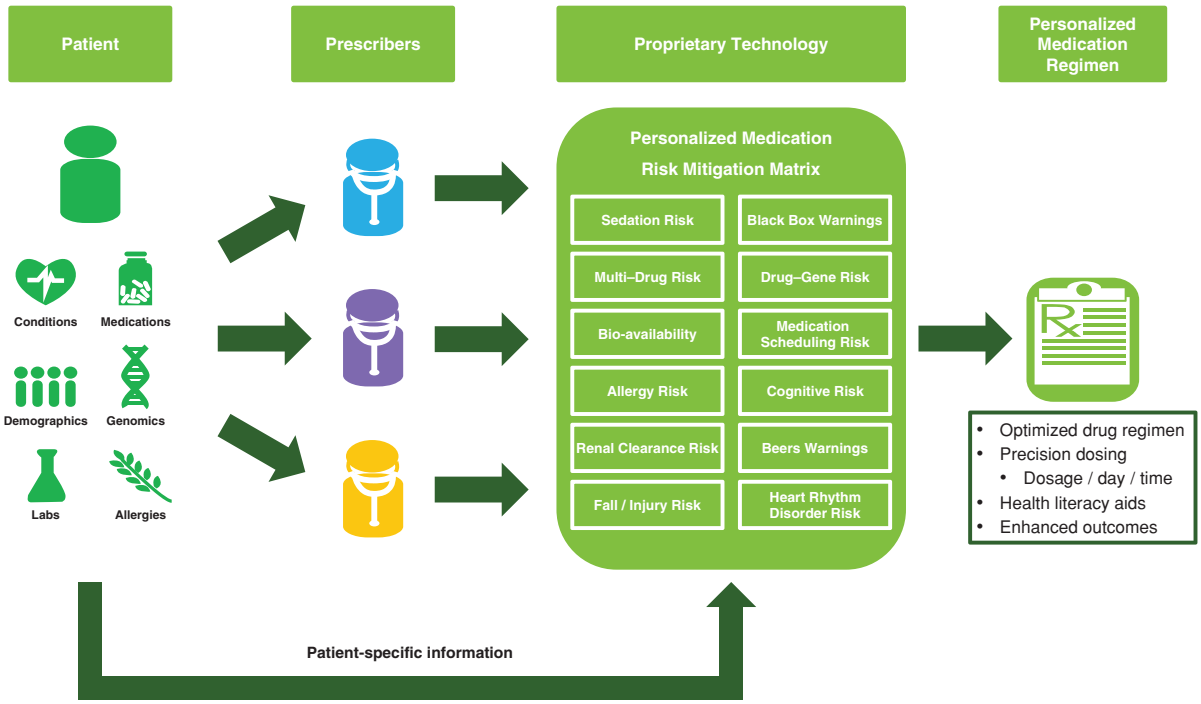
Our suite of cloud-based software solutions incorporates comprehensive pharmacotherapy profiles, a combination of proprietary decision-support tools, risk alerts, e-prescribing, advanced precision-dosing functionality, real-time secure messaging and health literacy aids, among other functions. At the core of our technology platform is our proprietary MRM Matrix. Through a sophisticated rules engine, the MRM Matrix combines patient-specific data with the science of pharmacokinetics, the effects of what the body does to drugs, and pharmacodynamics, the effects of what the drug does to the body, to enable our clients to personalize the medication regimen of each patient. The MRM Matrix also draws upon pharmacoevidence, which considers published guidelines that denote potentially inappropriate medications for older adults such as the Beers Criteria and potentially unsafe medications in various age groups such as the FDA's Black Box warnings, as well as pharmacoeconomics, which compares the cost, expressed in monetary terms, and effects, expressed in terms of monetary value, efficacy or enhanced quality of life, of one pharmaceutical drug or drug therapy to another.

The following charts contrast the prevailing approach to prescribing medications, which is often uncoordinated and non-personalized and results in inconsistent and ineffective medication regimens for the same patient, with our personalized approach utilizing our proprietary MRM Matrix.

Prevailing Approach



Our Personalized Approach



Our software offerings are developed by our in-house team of software engineers that continuously enhances our solutions and their functionality. By maintaining in-house development and support, we can efficiently leverage our institutional knowledge to augment our solutions while protecting our intellectual property. Our solutions are further protected by patent, copyright, trademark and trade secret laws as well as confidentiality agreements, licenses and other agreements with employees, consultants, vendors and clients. Our software offerings are scalable, fault-tolerant and compliant with the Health Insurance Portability and Accountability Act of 1996, or HIPAA, and Health Information Technology for Economic and Clinical Health Act, or HITECH, regulations and are Meaningful-Use certified, which means they qualify in determining eligibility for EHR incentive payments from CMS under the American Recovery and Reinvestment Act of 2009.

Our Software and Services

Our Software

Our cloud-based software applications include *EireneRx,* which is used by at-risk healthcare organizations to access their patients' medication-related information through our dashboard that shows the results of the MRM Matrix and medication recommendations, *MedWise Advisor,* which allows for components of *EireneRx* to be used independently and by a broader healthcare audience, and *NiaRx,* which is our educational software platform designed to facilitate brand awareness of our solutions in the pharmacy educational community. These software-enabled solutions are offered on a standalone basis or bundled with prescription fulfillment and reminder packaging services for client populations with complex prescription needs.

Our personalized medication risk management services are based on our MRM Matrix technology. For each patient, our software creates a personalized MRM Matrix, which incorporates personal medical history data inputs, summarizes the medications the patient is taking and provides clinical alerts, including for the risk of falls and injury, sedation risk and medication scheduling risk. This MRM Matrix is utilized by prescribers independently and, in some cases, in conjunction with our pharmacists, to optimize each patient's medication regimen utilizing one of our proprietary software solutions below:

	EireneRx	***MedWise Advisor***
Revenue Model	• Per-member per-month • Fee-for-service model (for prescription fulfillment and reminder packaging services)	• Recurring monthly subscription • SaaS model
Current Target Clients	• Healthcare organizations with all-inclusive, or closed, care models with an emphasis on coordination of care, such as PACE, ACOs, Integrated Delivery Networks and Patient Centered-Medical Homes • Risk-bearing provider groups	• Healthcare organizations able to leverage the MRM Matrix • Health plans • Risk-bearing provider groups • Hospitals and health systems • Pharmacies and pharmacists • Potential patient engagement application through existing relationships

	EireneRx	*MedWise Advisor*
Key Technology Features	• Cloud-based electronic portal • MRM Matrix • e-prescribing • Decision support at the point of care • Computerized physician order entry • Modular certified for Meaningful Use • Real-time secure messaging capabilities with our pharmacists • Storage of personalized actionable pharmacogenomic data, which is data on how genes affect a person's response to drugs	• Cloud-based electronic portal • MRM Matrix • Decision support at the point of care • Real-time secure messaging capabilities with our pharmacists • Storage of personalized actionable pharmacogenomic data
Service Features	• Fully interoperable with many industry-leading EHRs and dispensing software • Sophisticated medication decision-support tools • Precision dosing systems • May be combined with prescription fulfillment and adherence packaging, patient-focused health literacy and adherence tools and pharmacist consultation	• Used independently or readily integrated with other pharmacy management systems, long-term care clinical systems, case management platforms, industry-leading EHRs or dispensing software • Sophisticated medication decision-support tools • Precision dosing systems
Differentiated Attributes	• Enables physicians and pharmacists to collaborate on a patient's medication management in real time • Offers clinical analysis and aggregates reports that optimize outcomes and show risk mitigation results • Compatible with third-party dispensing-systems	• Sophisticated alert functionalities and patient risk evaluation • Built-in module with capabilities to remove repetitive components of a comprehensive medication review

EireneRx

EireneRx is our cloud-based medication decision-support and e-prescribing platform, which includes a computerized order entry module used by healthcare organizations to access patient medication-related information and utilize our personalized proprietary MRM Matrix. *EireneRx* provides a single version of a patient's medication profile, enabling prescribers and our pharmacists to collaborate on a patient's medication management in real time. The *EireneRx* platform provides a dashboard report that shows the results of the MRM Matrix. We have a team of pharmacists available to perform a clinical analysis of the results and, when necessary, offer guidance to the prescriber based upon its assessment of the MRM Matrix and the individual patient's medical history. *EireneRx* provides several communication workflows through which our pharmacists can answer questions and make recommendations to prescribers.

Medication decision-support tools and precision-dosing aides are presented to prescribers at the point-of-prescribing, during pharmacist consultation and at periodic patient reviews, providing detailed patient-specific information. These tools are Meaningful Use Stage I and II certified, meaning they qualify in determining eligibility for EHR incentive payments from CMS under the American Recovery and Reinvestment Act of 2009. *EireneRx* is integrated with our prescription fulfillment pharmacies, which can deliver medications to our clients' patients nationally. The platform is also capable of sending prescriptions to substantially all pharmacies in the United States.

MedWise Advisor

MedWise Advisor software provides the medication decision support components of *EireneRx*, primarily our MRM Matrix, to support clients seeking to manage their medication risk and improve medication outcomes and patient relationships by enhancing their existing systems. *MedWise Advisor* can be integrated with a variety of e-prescribing modules, EHRs, pharmacy management systems, clinical systems, case management platforms and other clinical databases. The software enables a prescribing environment where the physician prescribes medication with real-time pharmacist consultation. We have a team of pharmacists available to perform clinical analysis of the results and, when necessary, offer guidance to the prescriber based upon their review of the MRM Matrix and the individual patient's medical history. We believe *MedWise Advisor* is broadly applicable to all healthcare organizations that employ clinicians who prescribe medications and those with pharmacists or other clinicians that provide support to prescribers. We are currently working with managed care and behavioral health organizations that are utilizing *MedWise Advisor* to improve medication therapy outcomes, and we are targeting a broad range of healthcare systems, hospitals, post-acute providers and pharmacies and intend to target consumers with this solution. To date, the only clients using *MedWise Advisor* are doing so through pilot programs, and we have not yet generated any revenue from *MedWise Advisor* clients.

NiaRx

NiaRx is a cloud-based software platform designed to facilitate the cognitive practice of pharmacy through case-based learning utilizing the MRM Matrix. NiaRx is in use by six schools of pharmacy, with over 2,000 registered academic users, and is intended to build literacy and brand awareness of our suite of technology solutions with thought-leaders and students in the pharmacy educational community, and drive adoption in the professional pharmacy community.

Our Services

Our clinical pharmacist collaboration service, prescription fulfillment and reminder packaging service and pharmacy cost management service are designed to improve patient experiences and outcomes and contain costs while our risk adjustment services help optimize revenue. The revenue models under these service contracts typically include payments on a per-member per-month basis, payments on a subscription basis and charges and dispensing fees for medication fulfillment for our clients' patients.

Clinical Pharmacist Collaboration

We have a team of pharmacists available to perform medication risk analysis and offer guidance, including the clinical application of pharmacogenomic test results and data application, to the prescriber based upon their assessment of the MRM Matrix and the individual patient's medical history. Our clinical pharmacists provide these personalized medication recommendations predominantly through secure real-time messaging. Available 24/7, 365 days per year, this service supports the medication risk management clinical decision making process with medication safety recommendations, including to eliminate unnecessary prescriptions, and execution of the optimized medication regimen. We exchanged over 136,000 secure real-time messages in August 2016.

Prescription Fulfillment and Reminder Packaging

We operate three prescription fulfillment pharmacies strategically located to efficiently distribute medications nationwide for our clients. Informed by each patient's personalized MRM Matrix, we package, synchronize and aggregate medications by day, time-of-day and dosage to increase the ease of adherence by patients to their optimized medication regimens. Using automated, robotic dispensing machines, our scalable, high-performance systems allow for an array of medication packaging options, including multi-dose deep well cards and multi-dose pouches.

Effective March 2016, we entered into a prime vendor agreement with AmerisourceBergen Drug Corporation, or AmerisourceBergen, a drug wholesaler, to provide us with the pharmaceutical products we sell. The prime vendor agreement was subsequently amended and restated effective May 1, 2016. As part of this agreement, we are obligated to purchase at least 95% of the total dollar amount of prescription pharmaceutical products we sell from AmerisourceBergen. The contract also commits us to a monthly minimum purchase obligation of approximately $1.75 million. Our amended and restated contract with AmerisourceBergen has an initial term of three years expiring April 30, 2019, and can be terminated by, among other things, either party's material breach that continues for 30 days. Pursuant to the terms of a security agreement entered into in connection with the prime vendor agreement, AmerisourceBergen also holds a subordinated security interest in all of our assets.

The reason we purchase large quantities of pharmaceutical products from a single wholesaler is primarily for ease of administration and pricing. In the event of a termination of our relationship with AmerisourceBergen, we believe that there is typically at least one alternative drug wholesaler from whom we could source each non-limited distribution drug we dispense. We further believe that we could replace the inventories without a material disruption to our operations.

Risk Adjustment

We take a prospective approach to risk adjustment, going beyond the typical strategy of providing retrospective reviews and claims data analysis. We identify opportunities for efficiency and performance improvement in coding patterns, data integrity and diagnosis volumes and trends. Our consultants help clients to refine processes and systems to capture timely, complete and accurate claims data. Our team of expert physicians and nurse consultants trains client staff and providers about documentation and diagnosis coding, analyzes client data collection and submission processes and delivers meaningful analytics for understanding reimbursement complexities.

Long-term optimization of risk adjustment outcomes is complex and, for many organizations, significantly affects financial performance. We specialize in helping clients optimize processes and systems to capture timely, complete and accurate data. Through these services, we currently help PACE and other healthcare organizations remain compliant with regulations, make reliable comparisons to internal and external benchmarks and identify high-volume/high-cost issues for quality program initiatives.

Pharmacy Cost Management

We design, implement and manage pharmacy cost-containment strategies for our post-acute care clients. Pharmacy cost management services help our clients reduce risk, increase compliance and optimize spending. For many of our clients, excessive pharmacy costs are a common driver of shrinking profit margins. Complex contract language, atypical dispensing practices and a lack of recourse for pricing errors contribute to inaccurate pharmacy budgets, improper reimbursement and waste. Our analytics provide real-time reporting, simplify drug-spend data and are designed to create contract transparency for our clients. By simplifying and adding oversight to the adjudication process, we help clients avoid risks associated with managing pharmacy costs by preventing overpayments and ensuring appropriate reimbursements.

Our Clients

Our clients are at-risk healthcare organizations, primarily PACE organizations, managed-care organizations, including government and commercial plans, post-acute care facilities, behavioral health organizations and other provider groups. We have strong and long-standing relationships with our clients, providing services under multi-year contracts. At the end of 2011, 2012, 2013, 2014 and 2015; we were serving 8, 13, 20, 51, and 119 healthcare organizations, respectively, and this number had grown to 125 as of June 30, 2016. Our annual revenue retention rate was 95% and 99% for 2014 and 2015, respectively, and our client retention rate was 97% and 96%, respectively, which we believe reflects strong client satisfaction with our solutions. No single client accounted for more than 10% of our revenue during the six months ended June 30, 2016. For the year ended December 31, 2015, our largest client, Viecare Beaver and Viecare Butler, together under common control, accounted for 9.8% of our revenue. For the year ended December 31, 2014, our two largest clients, Viecare Beaver and Viecare Butler, together under common control, and On Lok Senior Health Services, accounted for 11% and 10% of our revenue, respectively. We believe our clients view us as a trusted partner that shares their commitment to improving medication-related health outcomes and reducing overall healthcare costs.

Providers Serving Dual-eligible Patients

The majority of our clients serve dual-eligible patients as of June 30, 2016. Dual-eligible patients, who are eligible for coverage under both Medicare and Medicaid, are typically among the most vulnerable and highest-acuity beneficiaries covered by the healthcare system, with some of the most complex medication requirements. They represent 18% of the Medicare population and 16% of the Medicaid population, but account for 25% of total Medicare costs and 37% of total Medicaid costs. Because of the high costs associated with care for these patients, the federal government and many states are implementing systems and service models to integrate care and align reimbursement under at-risk structures.

PACE Organizations

PACE, a federal and state collaboration, is one growing model serving the dual-eligible patient population that focuses on averting institutional-based placement. PACE embodies many of the characteristics and trends affecting the healthcare industry as a whole. Our proof of concept was to provide medication risk management technology and services to PACE organizations, which are responsible for elderly patients, typically with complex medication regimens. Over the past four years, we have become the market-leader in providing PACE with medication risk management. Our PACE clients cover approximately 15% of the total PACE enrollees nationwide. However, the existing 40,000 PACE enrollees represent only 4% of the 900,000 total eligible individuals within current PACE service areas, according to a study we commissioned from AEC Consulting, LLC. In addition to personalized medication management, we also provide risk adjustment services and intend to provide pharmacy cost management services to PACE organizations.

Managed Care Organizations

Since 2004, the number of beneficiaries enrolled in Medicare Advantage, or MA, plans has almost tripled from 5.3 million to 16.8 million in 2015 and is expected to grow to 22 million by 2020. MA is a capitated program with payment rates that are calculated based on the acuity of the patients served. Accordingly, patients are assigned relative risk scores based on diagnosis, which need to be documented accurately each year for appropriate reimbursement. We have become the market leader in risk adjustment and front-end coding for PACE organizations and we plan to continue to expand these services to other MA programs. Furthermore, we believe our solutions are broadly applicable throughout the managed care landscape, including to the self-funded employer groups. According to the CBO, in 2015 there were approximately 55 million people in the United States covered under Medicare, approximately 71 million people covered under Medicaid and 207 million people covered under

commercial managed care. These numbers are expected to reach 63 million, 76 million and 219 million, respectively, by 2020.

Acute and Post-Acute Care Providers

Acute and post-acute care providers are increasingly operating in value-based care models. Under the BPCI, providers such as hospitals, skilled nursing facilities, in-patient rehabilitation facilities and home health agencies began to receive bundled payments for episodes of care. According to a recent report, more than 4,000 facilities and agencies have already signed up to participate in the BPCI program.

We are the market leader in pharmacy cost management solutions in the post-acute arena, helping facilities manage their pharmacy spend for their capitated patients. Our clients include more than 1,300 of the more than 15,400 post-acute facilities in the United States. We believe there are significant opportunities to cross-sell our medication risk management solutions within this client base.

Physician Provider Groups

We currently serve physician provider groups through our risk adjustment services. We are also currently piloting programs providing our medication risk management solutions directly to physician provider groups that are under at-risk care models. We are working with Oak Street Health, a network of primary care clinics in the greater Chicago area whose physicians manage the dual-eligible population in a PACE-like model.

Behavioral Health Organizations

According to the National Institute of Mental Health, in 2014 there were 13.6 million people in the United States with a chronic severe mental illness like schizophrenia, major depression or bipolar disorder. According to SAMHSA, total spending on mental health treatment is projected to increase from $147 billion in 2009 to $239 billion in 2020. For these individuals, in 2014, prescription medications were the most significant mental health spend, accounting for 30% of total expenditures by provider, more than total hospital costs, physician expenses and insurance administration, according to a 2014 study by HHS. Behavioral health organizations are increasingly operating under value-based care models, and according to the National Council for Behavioral Health, there are over 2,200 behavioral health organizations in the United States. We are currently pursuing intervention studies or pilot programs to evaluate the benefits of clinical interventions in the behavioral health setting.

Client Case Studies

The following examples illustrate how we partner with healthcare organizations to help them reduce cost and improve quality, safety and patient experience through our medication risk management solutions. Although our clients reported that our solutions contributed to positive outcomes and reduced costs, these changes have not been statistically analyzed and other factors, including changes in healthcare regulations or other business practices, or our clients' implementation of other cost saving measures may have contributed to these changes.

Client Case Study 1

Client 1 is a PACE organization that opened in 2008 and changed pharmacy service providers three times in three years. At the start of our engagement, the program had 189 participants and was struggling with lack of clinical medication decision support, ineffective processes to foster medication adherence, medication-related workflow inefficiencies and insufficient access to medications.

We began working with Client 1 in November 2011, implementing *EireneRx* for e-prescribing, which had immediate uptake among prescribers and the clinic nursing staff. By the first quarter of 2012,

Client 1 reported that it began to see results, including substantial reductions in emergency room visits, hospitalizations, length-of-stay and pharmacy errors that they attribute in part to our services. The PMPM medication costs, despite annual drug price increases by manufacturers, had an initial reduction and have remained stable, which they attribute in part to our services. The organization's number of participants has increased nearly 50% since we began working with them.

Client Case Study 2

Client 2 is a PACE organization that opened in 1998 providing clinical care primarily through nurse practitioners. As enrollment grew, the program struggled with a lack of clinical pharmacist support, limited on-site medication access and a disorganized medication delivery, packaging and refill request system.

We began providing services to Client 2 in November 2013. As part of the implementation, a comprehensive medication reconciliation was conducted by a team of their nurse practitioners and our pharmacists, which reviewed each medication profile for baseline assessment of risk and medication regimens were optimized to enhance medication safety. Client 2 reported that 565 prescription medications were discontinued as a result of this process, which represented approximately 8% of the total prescription burden, thereby reducing waste and polypharmacy, which is the use of four or more medications by a patient. The ongoing collaboration with Client 2 focuses on their high-risk areas, including the creation of accurate medication profiles upon hospital admission. In the first quarter of 2014, Client 2 reported that it began to realize a reduction in hospitalization and emergency room visits compared to the same time in previous years, a reduction that they attribute in part to our services.

Client Case Study 3

Client 3 is a PACE organization that opened in 2008 and initially utilized our risk adjustment services. At the start of our engagement, the program was struggling with lack of clinical medication decision support, ineffective manual processes for medication-related workflow and a high volume of medication refill requests resulting in excess supply of medications for participants.

We began working with Client 3 in August 2014, implementing EireneRx for e-prescribing, which integrated with the electronic medical record system already in place. Client 3 reported that it began to see results, including reductions in polypharmacy, increased accuracy and a deficiency free audit by CMS that they attribute in part to our services. The PMPM medication costs have been reduced since our engagement by Client 3, which they attribute in part to our services.

Client Case Study 4

Client 4 is a PACE organization that started in March 2009. Prior to our involvement, Client 4 lacked a prospective approach to medication management, prescriber support and patient adherence tools. As of December 1, 2015, the program had the highest percent of patients with end stage renal disease in the United States.

We began working with Client 4 in January 2011. The medication use process improved, and system efficiencies were created, which they attribute in part to our collaboration. Client 4 reported reduced hospitalizations and improved outcomes for patients over time, which they attribute in part to the introduction in 2013 of the MRM Matrix and interaction with our clinical pharmacists, in collaboration with the prescribers.

Client Case Study 5

Client 5 is a PACE organization that opened in 2010 and sought to improve their clinical support and workflow. We began working with Client 5 in January, 2012 and, at the start of the engagement, the program was struggling with lack of medical leadership and consistent clinic staff, despite continued

growth, due to the program's high medical staff turnover, which made the collaboration and recommendation acceptance process a challenge. We introduced the MRM Matrix in the fourth quarter of 2013 to the program and, together with increasing continuity in the program's medical staff, the program reported a 62% reduction in hospitalization during the period from the first quarter of 2015 to the fourth quarter of 2015, a reduction that they attributed in part to our service.

Intellectual Property

We create, own and maintain a wide array of intellectual property assets which, in the aggregate, are of material importance to our business. Our intellectual property assets include: one patent and three pending patent applications related to our innovations, products and services; trademarks and trademark applications related to our brands, products and services; copyrights in software, documentation, content and databases; trade secrets relating to data processing, statistical methodologies, data security and other aspects of our business; and other intellectual property rights and licenses of various kinds. We are licensed to use certain technology and other intellectual property rights owned and controlled by others, and, similarly, other companies are licensed on a non-exclusive basis to use certain technology and other intellectual property rights owned and controlled by us.

We rely on patent, copyright, trademark and trade secret laws as well as confidentiality agreements, licenses and other agreements with employees, consultants, vendors and clients. We also seek to control access to and distribution of our proprietary software, confidential information and know-how, technology and other intellectual property. We have one issued patent for our medication management system and method (U.S. Pat. No. 8,392,220, issued March 2013) and three patent applications pending in the United States, the first, filed in December 2014, relates to our Medication Risk Mitigation System and Method and the second and third, filed in January 2016 and May 2016, respectively, relate to our MRM Matrix. Our issued patent expires on November 8, 2031. We own one registered copyright protecting the code and documentation related to *EireneRx*, initially filed in 2012 and updated in 2015.

We own and use trademarks in connection with products and services, including both unregistered common law marks and issued trademark registrations in the United States. Our material trademarks, service marks and other marks include: EireneRx®, Medication Risk Mitigation by CareKinesis®, MedWise Advisor®, NiaRx®, CareVentions™, Tabula Rasa HealthCare™, Medliance™, Capstone Performance Systems™, Medication Risk Mitigation™ and Medication Risk Mitigation Matrix™. We also have trademark applications pending to register marks in the United States.

Our Competitive Landscape

We compete with a broad and diverse set of businesses. We believe the competitive landscape is highly fragmented with no single competitor offering similarly expansive capabilities and solution offerings in medication risk management. Our competitive advantage is largely based on our analytical capabilities, healthcare industry expertise, breadth and depth of services, intellectual property, the size and quality of our underlying datasets and benchmarks, ease of use, reputation, innovation, security, price, reliability and client service. Our primary competitive challenge is to demonstrate to our existing and potential clients the value of utilizing our platforms rather than developing or assembling their own alternative capabilities or utilizing providers offering a subset of our services. However, we believe that the combination of our competitive strengths and successful culture of innovation, including our industry-leading analytics, the real-world-tested nature of our platforms and subject matter expertise of our associates, make it time and cost prohibitive for our clients or competitors to replace or replicate all that we offer without facing material risk.

Current industry players providing medication risk management and related service offerings include large and small healthcare data analytics and consulting companies, community or long-term care pharmacies, national pharmacy providers, health plans, genomic testing labs and healthcare

information technology companies, among others. Many of our competitors' solutions are regulatory-driven, retrospective in nature and offer no intervention at the point of care. The services offered by these organizations may include e-prescribing and EHRs utilizing single drug-to-drug interaction analysis, lab-based genomic evaluation, basic risk stratification solutions and other prevailing approaches to medication therapy management. Many health plans attempt to address non-adherence through outreach efforts, which often require the intervention of in-house or third-party consultants and have low success rates. Some healthcare information technology providers offer risk adjustment and pharmacy cost management services, but lack the comprehensive solutions we provide. Many genomic testing labs lack the ability to apply patient test results in a useful way at the point of care. Post-acute providers typically employ pharmacist consultants to review prescription regimens every 30 days, which is retrospective in nature and generally ineffective in improving patient outcomes. Furthermore, typical prescription fulfillment models are reimbursed on a fee-for-service basis and are incentivized based on prescription dispensing volumes. Our clients partner with us in order to prospectively address ADEs, lower healthcare costs and improve overall health outcomes, which often involves utilizing our software to reduce the number of prescriptions per patient to optimize prescription regimens.

While we believe that no competitor provides the breadth of our suite of solutions, we nevertheless compete with other companies with regards to specific products or solutions and markets or care settings. We expect that competition will continue to increase as a result of consolidation in both the information technology and healthcare industries. The anticipated growth in healthcare spending, the shift to a value-based payment model, the rise of consumerism and changes in government regulation may draw increasing attention to healthcare data and analytics, and new competitors, such as management consultants, technology companies and start-ups may enter the market, and we may face increased competition from these sources.

Healthcare Regulatory Environment

We operate in a highly regulated industry and our business operations must comply with a number of complex and evolving federal and state agency requirements. While we believe we comply in all material respects with applicable healthcare laws and regulations, these laws can vary significantly from jurisdiction to jurisdiction, and the state and federal interpretation of existing laws and regulations, and their enforcement, may change from time to time. Additionally, a state or federal government enforcement body may disagree that we are in material compliance with applicable healthcare laws and regulations. Federal and state legislatures also may enact various legislative proposals that could materially impact certain aspects of our business.

A non-exhaustive list of federal and state statutes, regulations, sub-regulatory guidance and contractual provisions that may apply to our business activities include:

Healthcare Reform

In 2010, Congress passed major health reform legislation, mostly through the ACA. Generally, the ACA was designed to expand coverage for the uninsured while at the same time containing overall healthcare costs. While not all of these reforms affect our business directly, many affect the coverage and plan designs that are or will be provided by many of our clients. Consequently, these reforms could impact some or many of our business arrangements directly or indirectly.

Given that certain regulations implementing ACA are still being formulated and finalized, and given that sub-regulatory guidance is still being promulgated by federal agencies, such as HHS and the Internal Revenue Service, and state agencies, we cannot predict with any certainty the outcome of any future legislation, regulation or litigation related to healthcare reform.

PACE Organizations

Our partnership with PACE organizations is a significant source of our current revenue stream. The PACE program is a unique, comprehensive managed care benefit for certain frail elderly individuals, most of whom are dually eligible for Medicare and Medicaid benefits, provided by a not-for-profit or public entity. The PACE program features a comprehensive medical and social service delivery system using an interdisciplinary team approach in an adult day health center that is supplemented by in-home and referral services in accordance with participants' needs. Financing for the program is capped, which allows providers to deliver all services participants need rather than only those reimbursable under Medicare and Medicaid fee-for-service plans. PACE is a program under Medicare, and states can elect to provide PACE services to Medicaid program beneficiaries as an optional Medicaid benefit. The PACE program becomes the sole source of Medicaid and Medicare benefits for PACE participants.

As PACE organization contractors, we are subject to numerous contractual obligations imposed by our partner organizations, as well as to various audit and certification requirements.

HIPAA Healthcare Fraud Provisions

HIPAA also created additional federal criminal statutes regarding fraud. Specifically, the HIPAA healthcare fraud statute prohibits, among other things, knowingly and willfully executing or attempting to execute a scheme to defraud any healthcare benefit program, knowingly and willfully embezzling or stealing from a healthcare benefit program, and willfully obstructing a criminal investigation of a healthcare offense. The HIPAA false statements statute prohibits, among other things, concealing a material fact or making a materially false statement in connection with the payment for healthcare benefits, items or services. Like the federal Anti-Kickback Statute, the ACA amended the intent standard for certain healthcare fraud statutes under HIPAA such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Those found to have aided in a violation of these prohibitions are deemed by statute to have committed the offense and are punishable as a principal offender.

State and Federal Data Privacy and Security Laws

We process, collect, use and disclose individual patient data for patients directly or for our clients and therefore, are subject to various laws protecting privacy and security of the patient information. Certain segments of our company qualify as a "Covered Entity" under HIPAA, and others qualify as a "Business Associate" to our partners who are Covered Entities and as such we are required to comply with HIPAA and HITECH, as implemented through regulations promulgated thereunder by HHS, including the HIPAA Omnibus Final Rule, the HIPAA Privacy Rule and the HIPAA Security Rule. HIPAA generally requires Covered Entities and their Business Associates to adopt certain safeguards to ensure the privacy and security of protected health information, or PHI, and to limit uses and disclosures of such PHI to those permissible under the law. When Covered Entities utilize Business Associates to provide services, pursuant to which the Business Associate may access the Covered Entity's PHI, the parties must enter into a Business Associate agreement through which the Business Associate must contractually agree to safeguard PHI in certain ways and to notify the Covered Entity of improper uses or disclosures of PHI.

Covered Entities and Business Associates are required to have written policies and procedures addressing HIPAA compliance and must designate a Security Officer to oversee the development and implementation of the policies and procedures related to the safeguards to protect privacy of electronic PHI. Covered Entities must also designate a Privacy Officer, although the Privacy Officer and the Security Officer may be the same person. As part of their security policies and procedures, Covered Entities and Business Associates are required to conduct periodic risk assessments to identify vulnerabilities to electronic PHI. Additionally, Covered Entities and Business Associates are required to train all employees on their HIPAA policies and procedures. Further, in the event of a breach of PHI as

defined by HIPAA, Covered Entities must notify affected individuals, HHS and sometimes the media, as well as take steps to mitigate damage, and they may be subject to fines and penalties. HIPAA violations can result in significant civil monetary penalties and/or imprisonment for up to ten years depending on the facts surrounding the violation.

Many states also have similar data privacy and security laws that track federal requirements or impose different and/or more stringent conditions for use and disclosure of protected health information. Failure to comply with these laws may also result in the imposition of significant civil and/or criminal penalties.

Food, Drug and Cosmetic Act and Implementing Regulations

Some technologies and software applications used in connection with healthcare analytics and genomic testing and analysis are considered medical devices and are subject to regulation by the FDA. FDA and state regulators, such as state boards of pharmacy, also regulate drug packaging and repackaging. If any of our current or future services, technologies or software applications are regulated by the FDA as medical devices, we would be subject to various statutes, regulations and policies enforced by the FDA and other governmental authorities, such as the Federal Trade Commission, including both premarket and post-market requirements. Similarly, our drug packaging activities must comply with the applicable FDA and state statutes, regulations and policies. Noncompliance with applicable FDA or state requirements, including those related to the pre-market and post-market approval requirements for medical devices or repackaged drug products, can result in an enforcement action that could substantially harm our business.

Anti-Kickback Laws

The federal Anti-Kickback Statute, or AKS, makes it unlawful for individuals or entities, among other things, to knowingly and willfully solicit, offer, receive or pay any kickback, bribe or other remuneration, directly or indirectly, in cash or in kind, in exchange for or to induce or reward the referral of an individual to a person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part under a federal healthcare program, or the purchase, lease or order, or arranging for or recommending purchasing, leasing or ordering, any good, facility, service or item for which payment may be made in whole or in part under a federal healthcare program. Penalties for violations include criminal penalties and civil sanctions such as fines, imprisonment and possible exclusion from federal healthcare programs. The federal AKS is an intent-based statute, but following amendment from the ACA, a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Further, the failure of an arrangement to satisfy all elements of an AKS safe harbor will not necessarily make it illegal, but it may subject that arrangement to increased scrutiny by enforcement authorities. The federal AKS is applicable to us as operators of specialty pharmacies, contractors to health plans and providers, as well as contractors to various federal healthcare program payors. When our compensation arrangements implicate the AKS and/or state anti-kickback laws we evaluate whether we believe they fall within one of the safe harbors. If not, we consider the factors to identify the intent behind such arrangements and the relative risk of fraud and abuse. We also design business models that seek to reduce the risk that any such arrangements might be viewed as abusive and trigger AKS scrutiny or claims.

In addition to the federal AKS, many states have anti-kickback prohibitions that may apply to arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors.

Federal and State Self-Referral Laws

The federal physician self-referral law, often referred to as the Stark Law, with limited exceptions, prohibits physicians from referring Medicare Program or Medicaid patients to an entity for the provision of certain designated health services, among them outpatient prescription medications, if the physician or a member of such physician's immediate family has a direct or indirect financial relationship (including an ownership or investment interest or a compensation arrangement) with the entity. The Stark Law also prohibits the entity from billing Medicare or Medicaid for such designated health services. A referral that does not fall within a statutory exception is strictly prohibited by the Stark Law. A violation of the Stark Law is punishable by civil sanctions, including significant fines and exclusion from participation in Medicare and Medicaid Programs.

We evaluate when these physician (or immediate family member) financial arrangements are created to strive to ensure we do not enter into a prohibited financial relationship and design structures that satisfy exceptions under the Stark Law.

Our business may implicate federal and state physician self-referral laws to the extent our pharmacy, a designated health services entity, has financial arrangements in the form of ownership, investment or compensation with referring physicians or a referring physician's immediate family member. No physician has an ownership or investment interest in our business, but our pharmacy may have compensation arrangements with physicians who serve on its Clinical Advisory Panel and who order designated health services for patients enrolled in a PACE program. If any such compensation arrangements exist, we believe such compensation arrangements fall within an exception to the physician self-referral prohibition.

A number of states have statutes and regulations that prohibit the same general types of conduct as those prohibited by the Stark Law, but some have even broader application, extending beyond Medicare and Medicaid Programs and including commercial and self payors.

Federal and State False Claims Acts

The federal false claims and civil monetary penalties laws, including the civil False Claims Act, impose criminal and civil liability on individuals and entities that, among other things, knowingly submit, or cause to be submitted, false or fraudulent claims for payment to the federal government or knowingly make, or cause to be made, a false statement in order to have a false claim paid. The civil False Claims Act provides for treble damages and mandatory and significant minimum penalties per false claim or statement ($5,500 to $11,000 per false claim). The *qui tam* or whistleblower provisions of the civil False Claims Act permit a private individual to bring actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government, and to share in any monetary recovery. Our future activities relating to the manner in which we sell and market our services may be subject to scrutiny under these laws. False Claims Act qui tam lawsuits in healthcare are common, although the government often declines to pursue such actions following investigation. Analogous state false claims laws also may apply to our sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third party payors.

Other State Laws

The vast majority, if not all states have laws regulating licensure, registration and certification of pharmacies, pharmacists, pharmacy technicians and other pharmacy personnel. We are licensed in all states that require such licensure in which we do business and believe that we substantially comply with all state licensing laws applicable to our business. Where required by law, we also have pharmacists licensed in all states in which we dispense. If we violate state pharmacy licensure laws or engage in conduct prohibited under our license, we could be subject to enforcement action, including but not limited to suspension or loss of such pharmacy license

The U.S. Drug Enforcement Administration, as well as some similar state agencies, requires our pharmacy locations to individually register in order to handle controlled substances, including prescription pharmaceuticals. Federal and various state laws also regulate specific labeling, reporting and record-keeping aspects related to controlled substances. We maintain U.S. Drug Enforcement Administration registrations for each of our facilities that require such registration and follow procedures intended to comply with all applicable federal and state requirements regarding dispensing controlled substances.

Employees

As of August 31, 2016, we had 204 employees. Of those employees, 127 provide direct client service, including 46 who are clinical pharmacists who perform medication risk analysis and offer guidance, 11 are involved in sales, marketing and client support, 33 are involved in software development, eight are involved in the development and enhancement of our service offerings and 25 are devoted to information technology, administrative and financial activities. None of our employees are represented by labor unions or subject to collective bargaining agreements and all of our employees currently work in the United States. We consider our employee relations to be good.

Facilities

Our corporate headquarters is located in Moorestown, New Jersey, where we occupy 49,710 square feet of space. At our corporate headquarters, 24,855 square feet is utilized for pharmacy dispensing, and 24,855 square feet is utilized for office space under two lease agreements that expire in November 2027. We have entered into a third lease agreement for 24,855 additional square feet in Moorestown, New Jersey, which will also expire in November 2027, to be used as additional office space for our corporate headquarters, which we expect to begin to occupy in October 2016. In addition, we lease an aggregate of 18,584 square feet at the following locations: Boulder, Colorado; Charleston, South Carolina; San Francisco, California; St. Louis, Missouri; and Phoenix, Arizona. This includes 9,599 square feet dedicated to pharmacy dispensing in Boulder, Colorado and San Francisco, California. We have entered into a new lease for 4,792 square feet in San Francisco dedicated to pharmacy dispensing that we expect to begin on or around October 1, 2016, which will replace the 1,754 square feet of space we currently occupy there. At such time, the aggregate amount of dispensing space for Boulder and San Francisco will be 12,637 square feet.

We believe that our properties are adequate for our business as presently conducted.

Legal Proceedings

We are not currently party to any material legal proceedings. From time to time, however, we may be a party to litigation and subject to claims in the ordinary course of business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

MANAGEMENT

The following table sets forth the name, age and position of each of our executive officers, directors and key employees as of August 31, 2016.

Name	Age	Position
Executive Officers and Directors		
Dr. Calvin H. Knowlton	66	Chief Executive Officer, Chairman of the Board of Directors
Dr. Orsula V. Knowlton	48	President, Director
Brian Adams	35	Chief Financial Officer
Glen Bressner(2)(3)	55	Director and Nominating and Corporate Governance Chair
Daniel Lubin(1)(2)	56	Director and Compensation Committee Chair
Bruce Luehrs(1)(3)	63	Director
A Gordon Tunstall(1)(2)(3)	72	Director and Audit Committee Chair
Key Employees		
Dr. Robert L. Alesiani	59	Chief Pharmacotherapy Officer
Joseph J. Filippoli	51	Chief Information Officer
Michael Greenhalgh	54	Chief Operating Officer
Philip W. Heath	51	Chief Administrative Officer
Brian J. Litten, Esq.	51	Chief Strategy Officer, General Counsel and Chief Compliance Officer
Jacques Turgeon	57	Chief Scientific Officer

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Nominating and Corporate Governance Committee.

Executive Officers and Directors

Dr. Calvin H. Knowlton, BScPharm, MDiv, PhD. Dr. Calvin Knowlton is our co-founder and has served as our Chairman and Chief Executive Officer since June 2014. He has served as Chairman and Chief Executive Officer of CareKinesis since May 2009. Dr. Calvin Knowlton founded excelleRx Inc., a national hospice medication management pharmacy serving the elderly, where he acted as President and Chief Executive Officer from April 1995 through July 2007. Dr. Calvin Knowlton has served on the Board and Executive Committee of the Coriell Institute for Medical Research since 2009, and the Evergreens Continuing Care Retirement Community Board of Trustees since 2011. He is the incoming Board Chair of the Evergreens Retirement Community effective as of January 1, 2017, has chaired the Board of Coriell Life Sciences, Inc. since 2011 and has served as a founding member of the Board of the Cooper Medical School of Rowan University since 2011. Dr. Calvin Knowlton served on the Board of St. Christopher's Hospital for Children in Philadelphia from 2005 to 2011. Dr. Calvin Knowlton has been a member of the APhA Pharmacogenomics Task Force, as well as the national Pharmacogenomics Advisory Group since 2010 and 2011, respectively. Dr. Calvin Knowlton served as President of the American Pharmacists Association from 1994 to 1996, and President of the American Pharmacist Association Foundation from 2008 to 2009. Dr. Calvin Knowlton was awarded the highest national honor in pharmacy, the Remington Honor Medal, in 2015. Dr. Calvin Knowlton received his pharmacy degree from Temple University, his Divinity degree from Princeton Theological Seminary and his Ph.D. in Pharmacoeconomics from the University of Maryland. Dr. Calvin Knowlton is married to Dr. Orsula Knowlton. The board of directors believes that Dr. Calvin Knowlton's extensive healthcare services and technology experience, coupled with previous experience founding companies, brings valuable observations to the board of directors on a broad range of matters relating to healthcare services and technology company operations and regulatory interactions.

Dr. Orsula V. Knowlton, BScPharm, PharmD, MBA. Dr. Orsula Knowlton is our co-founder and has served as our President since June 2014. She has served as President and a director of CareKinesis since May 2009. She served in numerous positions, including Vice President and Chief Marketing, New Business Development and Strategy Officer, of excelleRx, Inc. from April 1995 through July 2007. Dr. Orsula Knowlton currently serves on the Board of Trustees, a position she has held since 2009, and has chaired the Quality Committee for Samaritan Hospice, Marlton, NJ since 2012. She has been a member of the Board of Trustees for the West Jersey Chamber Music Society from 2009. Dr. Orsula Knowlton served on the Dean's Advisory Board, School of Public Health, Drexel University, Philadelphia from 2008 through 2011; the founding Dean's Advisory Board of Jefferson School of Pharmacy, Philadelphia, PA from 2009 through 2012; the Board of Advisors for the George Washington Institute on Spirituality and Health, Washington, DC from 2009 through 2012; and the Board of Trustees for Family Services, Mt. Holly, NJ (Oaks Integrated Care) from 2009 through 2012. Dr. Orsula Knowlton graduated from the University of the Sciences School of Pharmacy and Temple University's executive Masters in Business Administration program. Dr. Orsula Knowlton is married to Dr. Calvin Knowlton. The board of directors believes that Dr. Orsula Knowlton is qualified as a director based on her extensive marketing and strategy experience in the healthcare services and technology industry, coupled with her previous experience founding companies.

Brian W. Adams. Mr. Adams has served as our Chief Financial Officer since June 2014, and prior to that served as Vice President of Finance and Director of Finance for CareKinesis since October 2011. From September 2007 through October 2011, Mr. Adams served as Senior Financial Analyst, Manager of Finance and Associate Director of Finance and Accounting at KPMG LLP. Mr. Adams served as the Manager of Financial Planning and Analysis of excelleRx, Inc. from July 2005 through September 2007. Mr. Adams graduated from The University of Richmond, Robins School of Business with a Bachelor of Science in Business Administration with a concentration in finance.

Glen Bressner. Mr. Bressner has served as a member of our board of directors since June 2014, and as a director of CareKinesis since August 2010. Since September 2008, Mr. Bressner has served as a Managing Partner for Originate Ventures, a venture capital investment firm targeting early stage companies in the Mid-Atlantic region with a focus on medical devices, healthcare, consumer, information technology, web-based and commercial products. Mr. Bressner has been a Managing Partner with Mid-Atlantic Venture Funds since October 1985 and combined its fifth fund to help establish Originate Ventures. Mr. Bressner is Vice Chairman of NASDAQ-listed Innovative Solutions and Support Inc., a provider of flat panel display systems to the aerospace industry, and currently serves as the Chairman of its Audit Committee. Over his career, Mr. Bressner has served on the board of various health-related companies, including Access Health, Inc., UltraCision, Inc., CareGain, Inc. and FSAstore.com, Inc. Mr. Bressner has been a Partner and board member of Alum-a-Lift, Inc. since January 1987. He is currently a member of the Board of Governors of St. Christopher's Hospital for Children. The board of directors believes that Mr. Bressner's experience in venture capital makes him a valuable member of our board of directors.

Daniel Lubin. Mr. Lubin has served as a member of our board of directors since June 2014, and as a director of CareKinesis since June 2013. Mr. Lubin has been a Managing Partner and co-founder of Radius Ventures, LLC, which acts as the investment advisor to the Radius Funds, a venture capital firm that invests in leading-edge, growth equity and expansion-stage health and life sciences companies, since 1997. Prior to co-founding Radius, Mr. Lubin was a Director in the Investment Banking Division of Schroder Wertheim & Co., with co-responsibility for managing the firm's Health Care Group from 1994 through 1997. In 1991, Mr. Lubin co-founded and was Managing Director of KBL Healthcare, Inc., a health and life science venture capital and investment banking organization, and served as President and Chief Operating Officer of KBL Healthcare Acquisition Corp. from 1991 through 1994. Mr. Lubin earned a Bachelor of Science in Foreign Service from the Georgetown University School of Foreign Service and a Masters in Business Administration from Harvard Business School. The board of directors

believes Mr. Lubin is a valuable addition to the board of directors because of his experience in investing in the healthcare services and information technology sectors.

Bruce Luehrs. Mr. Luehrs has served as a member of our board of directors since June 2014, and as a director of CareKinesis since August 2010. Mr. Luehrs has served as the Managing Partner of Rittenhouse Ventures since January 2015, and its predecessor fund Emerald Stage2 Ventures, an early stage venture fund, since its founding in 2007. Prior to joining Rittenhouse Ventures, Mr. Luehrs was a Partner at Penn Valley Capital from July 2006 through June 2007 and a Partner at the Edison Venture Fund from December 1997 through June 2006. Mr. Luehrs previously served as a director of Octagon Research, Cadient and Innaphase. Mr. Luehrs received a Masters in Business Administration from the Kellogg School of Management at Northwestern University following graduation from Duke University with a Bachelor of Arts in Economics. The board of directors believes Mr. Luehrs' prior director experience across the healthcare technology arena and his specific healthcare experience in pharmaceutical information technology makes him a valuable member of the board of directors.

A Gordon Tunstall. Mr. Tunstall has served as a member of our board of directors since June 2014 and as a director of CareKinesis since February 2012. Mr. Tunstall founded Tunstall Consulting, Inc. in 1980, which provides entrepreneurs with advisory services developing growth capital in the institutional capital markets. Mr. Tunstall has served as director on several boards, including excelleRx, Inc., Kforce Inc., Health Insurance Innovations, Inc., Advanced Lighting Technologies, Inc., JLM Industries, Inc., Horizon Medical Products, Inc., Discount Auto Parts, Inc., L.A.T. Sportswear and OrthoSynetics, Inc. (formerly Orthodontic Centers of America, Inc.). Mr. Tunstall is a CPA. Mr. Tunstall attended Widener College and received a Bachelor of Science in accounting. Because of his strong background of service on the boards of directors of numerous companies, his vast industry experience and his background as a successful strategic consultant for over 35 years advising a large number of companies in a variety of industries, the board of directors believes Mr. Tunstall has the qualifications and expertise necessary to serve on our board of directors.

Key Employees

Robert L. Alesiani, Jr., PharmD, CGP. Dr. Alesiani has served as our Chief Pharmacotherapy Officer since June 2014, and prior to that held the same position at CareKinesis since October 2009. From January 2009 through September 2009, Dr. Alesiani was the Senior Vice President of Clinical Pharmacy Operations for RevolutionCare, Inc. From August 2007 through December 2008, Dr. Alesiani was the Pharmacist in Charge at Stoke Compounding Pharmacy. Dr. Alesiani served as the Director of Compounding, then the Pharmacist Leader for excelleRx from June 1996 through July 2007. Dr. Alesiani was responsible for the education and oversight of more than 60 clinical pharmacists and pharmacy technicians and was responsible for formulating unique dosage forms for medication administration for the hospice patients. From December 1994 through May 1996, Dr. Alesiani was the Site Director and Clinical Pharmacist until 1996 when he became the Director of the Clinical Intake and Assessment Center at Hospice Pharmacia. From May 1987 through November 1994, Dr. Alesiani was the Director of Institutional Pharmacy and Clinical Community Pharmacist at Amherst Pharmacy. Dr. Alesiani is a Certified Geriatric Pharmacist who received his bachelor's degree in Marine Sciences from The Richard Stockton University of New Jersey, a bachelor's degree in Pharmacy from the University of the Sciences in Philadelphia and his doctorate in Pharmacy from the University of Florida.

Joseph J. Filippoli. Mr. Filippoli has served as our Chief Information Officer since June 2014, and as the Senior Vice President for CareKinesis since January 2012. From February 2008 through January 2012, Mr. Filippoli served as the Director of Information Management, leading the Enterprise Analytics and Reporting Department in Information Services, at The Children's Hospital of Philadelphia. Mr. Filippoli founded and served as President of JF Technology Advisors consulting firm from August 2007 to February 2008. From February 2000 through August 2007, he served as the Senior Vice President & Chief Technology Officer for excelleRx, Inc. Mr. Filippoli also served in technology

management at Christiana Care Health System in Delaware from March 1998 through February 2000, and as Director of Management Information Systems and Chief Technology Architect at Delaware Park Casino from 1995 through March 1998. Mr. Filippoli received his Masters in Business Administration from Drexel University. Mr. Filippoli is a son-in-law of Dr. Calvin Knowlton.

Michael Greenhalgh. Mr. Greenhalgh has served as our Chief Operating Officer since June 2014. Mr. Greenhalgh has served as the Chief Operating Officer of CareKinesis since May 2009, where he also served as the chief architect and designer of all pharmacy operations. Prior to CareKinesis, Mr. Greenhalgh was co-founder and President of Myofacial Associates from February 2003 through June 2006, a professional wellness center specializing in a natural alternative medicine approach to patient care with emphasis on well care visits. From March 1988 through March 1998, Mr. Greenhalgh was the President and owner of Red Fern Pharmacy, Norris Hills Pharmacy, Inc. and Red Fern Medical Inc. Red Fern Pharmacy and Norris Hills Pharmacy, Inc. became leaders in health education and pharmaceutical care for various disease states and hospice care. Red Fern Medical specialized in diabetes care, medical supplies and breast prosthesis for breast cancer patients. All three companies were acquired by Rite Aid, a Fortune 500 company. In addition to Mr. Greenhalgh's experience in pharmacy operations and health care management, Mr. Greenhalgh is the founder and managing partner of Blairhart Developing Inc. and MG2 Properties, each a real estate acquisitions and property management company, since 1992. Further, Mr. Greenhalgh was the owner of Exit Realty Pennsylvania, a sub-franchisor of Exit Realty International, a real estate brokerage where Mr. Greenhalgh was a franchisor for the Commonwealth of Pennsylvania, from 2002 through 2009. Mr. Greenhalgh graduated from Temple University with his bachelor's degree in Pharmacy in May 1985.

Phillip W. Heath. Mr. Heath has served as our Chief Administrative Officer since February 2015. From January, 2012 through January 2015, Mr. Heath served as Chief Marketing and Sales Officer and Chief Administrative Officer at InnovAge, a provider of long-term care services including PACE, home care, affordable senior housing and care management services. From January 2010 through December 2011, Mr. Heath served as the Vice President of Business Development for The Denver Hospice. Mr. Heath was the Regional Director of PACE Operations for InnovAge Greater Colorado PACE from August 2008 through December 2009. From June 2007 through August 2008, Mr. Heath served as the General Manager and Executive Director of Odyssey Healthcare. Mr. Heath was the Director of Access and Admissions for TRU Community Care from August 2003 through June 2007. Mr. Heath holds a Bachelor of Arts from Morehouse College and a Masters in Health Services Administration from the University of Detroit Mercy. Mr. Health also completed a Healthcare Leadership certification from Cornell University.

Brian J. Litten, Esq. Mr. Litten has served as our Chief Strategy Officer, General Counsel and Chief Compliance Officer since September 2014. Prior to joining the company, Mr. Litten served as Chief Executive Officer of PathForward Oncology, LLC, a healthcare technology company, from November 2010 to July 2013 and as Strategic Advisor to the Chief Executive Officer of eviti, Inc., a healthcare technology company, from November 2010 through August 2014. Mr. Litten served as Vice President of Strategic and External Affairs for AmeriHealth New Jersey, a for-profit subsidiary of Independence Blue Cross (Philadelphia), from October 2008 through October 2010. Mr. Litten served as Director, Government Affairs from August 2003 through September 2008 for Horizon Blue Cross Blue Shield of New Jersey. Mr. Litten was the Managing Director, State and Civic Affairs, for Continental Airlines from July 2000 through July 2003. Mr. Litten was appointed to serve as Chief Legislative Counsel and Assistant Attorney General in New Jersey's Office of the Attorney General, Department of Law and Public Safety, from September 1995 through July 2000. Mr. Litten has served on the Board of the Public Affairs Council since June 2015 and, previously, from August 2003 through August 2012. From January 2011 through December 2012, Mr. Litten served as a Senior Fellow at the Jefferson School of Population Health. Mr. Litten also served on the Board and the Executive Committee of the Coriell Institute for Medical Research, a non-profit biomedical research center, from September 2008 through December 2012. Mr. Litten served on the New Jersey Association of Health plans Board of Directors

from August 2003 through October 2010 and was elected as its Chairman from January 2005 through October 2010. Mr. Litten earned a Juris Doctor from Rutgers University School of Law and a Bachelor of Arts in Economics from Vassar College. Mr. Litten is a member in good standing of the Bar of the State of New Jersey.

Jacques Turgeon, PhD. Dr. Turgeon has served as our Chief Scientific Officer since September 2015. Dr. Turgeon served as the Chief Executive Officer of the Centre hospitalier de l'Universite de Montreal, the major francophone university hospital in the province of Quebec, from April 2015 to September 2015, and was previously the Executive Director beginning in June 2014. From April 2007 to June 2014, Dr. Turgeon was the Director of the Research Center of the Centre hospitalier de l'Université de Montréal. Dr. Turgeon was Dean of the Faculty of Pharmacy at the Université de Montréal where he is a professor in drug metabolism, pharmacokinetics and pharmacogenomics. Dr. Turgeon received his Bachelor of Science in Pharmacy from l'Université Laval in Quebec City followed by a Master of Science in pharmacokinetics and a Ph.D. in drug metabolism from the same institution. Dr. Turgeon completed post-doctoral studies in the department of Clinical Pharmacology at Vanderbilt University.

Board Composition and Election of Directors

Board Composition

Our board of directors currently consists of six directors, four of whom qualify as independent directors under the rules and regulations of the Securities and Exchange Commission, or SEC, and The NASDAQ Stock Market, LLC, or NASDAQ.

Effective upon the completion of this offering, our board of directors will be divided into three classes, class I, class II and class III, with members of each class serving staggered three-year terms. The members of the classes will be divided as follows:

- the class I directors will be Glen Bressner, Daniel Lubin and Bruce Luehrs, and their term will expire at the annual meeting of stockholders to be held in 2017;
- no directors will be designated as Class II directors; and
- the class III directors will be Calvin Knowlton, Orsula Knowlton and A Gordon Tunstall, and their term will expire at the annual meeting of stockholders to be held in 2019.

Our amended and restated certificate of incorporation and amended and restated bylaws provide that the number of our directors shall be fixed from time to time by a resolution of the majority of our board of directors. Any additional directorships resulting from an increase in the number of directors will initially be designated as Class II directors and, thereafter, such directorships will be distributed among the three classes so that, as nearly as possible, each class shall consist of one third of the board of directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent stockholder efforts to effect a change of our management or a change in control.

We have no formal policy regarding board diversity. Our priority in selection of board members is identification of members who will further the interests of our stockholders through his or her established record of professional accomplishment, the ability to contribute positively to the collaborative culture among board members, knowledge of our business and understanding of the competitive landscape.

Director Independence

Rule 5605 of the NASDAQ Marketplace Rules, or the NASDAQ Listing Rules, requires that a company listing in connection with its initial public offering must meet the following requirements (1) for its audit, compensation and nominating committees, (a) one member satisfying the independence requirements applicable to such committees described below at the time of listing, (b) a majority of members satisfying such requirements within 90 days of listing and (c) all members satisfying such

requirements within one year of listing; and (2) independent directors compose a majority of the listed company's board of directors within one year of listing. In addition, the NASDAQ Listing Rules require that, subject to specified exceptions, each member of a listed company's audit committee, compensation committee and nominating committee (to the extent that the listed company select or recommend director nominees through a nominating committee instead of independent directors constituting a majority of the board of directors' independent directors), be independent and that audit committee members and compensation committee members also satisfy additional independence criteria. Under NASDAQ Listing Rule 5605(a)(2), a director will only qualify as "independent" if the person meets the independence criteria listed therein and, in the opinion of our board of directors that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Under NASDAQ Listing Rule 5605(c)(2), audit committee members must also meet the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, under which a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee: (1) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries. Under NASDAQ Listing Rule 5605(d)(2), members of the compensation committee must also satisfy additional independence requirements under which the board of directors of the listed company must consider, in affirmatively determining the independence of a director who will serve on the compensation committee, all factors specifically relevant to determining whether a director has a relationship to the listed company that is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to, the source of compensation of such director, including any consulting, advisory or other compensatory fee from the listed company, and whether the compensation committee member is affiliated with the listed company, any of its subsidiaries or an affiliate of a subsidiary of the listed company.

In September 2016, our board of directors undertook a review of the composition of our board of directors and its committees and the independence of each director. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family and other relationships, including those relationships described under "Transactions with Related Persons," our board of directors determined that each of our directors, with the exception of Drs. Calvin and Orsula Knowlton, is an "independent director" as that term is defined under Rule 5605(a)(2) of the NASDAQ Listing Rules. Drs. Calvin and Orsula Knowlton are not considered independent because they currently serve as our Chief Executive Officer and President, respectively. Our board of directors also determined that each member of the audit, compensation and nominating and corporate governance committees satisfies the independence standards for such committees established by the SEC and the NASDAQ Listing Rules. In making these determinations regarding the independence of our directors, our board of directors considered the relationships that each such non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining independence, including the beneficial ownership of our capital stock by each non-employee director.

Board Leadership Structure and the Role of the Board in Risk Oversight

Board Leadership Structure

The positions of our chairman of the board and chief executive officer are combined, our board of directors does not have a policy on whether the role of the chairman and the chief executive officer should be separate and believes it should maintain flexibility to select a chairman and board leadership structure from time to time. Currently, the board of directors believes that it is in the best interests of the company and its stockholders for Dr. Calvin Knowlton to serve in both roles given his knowledge of the company and industry.

Role of the Board in Risk Oversight

We face a number of risks, including those described in the section titled "Risk Factors". Our board of directors believes that risk management is an important part of establishing, updating and executing the company's business strategy. Our board of directors, as a whole and at the committee level, has oversight responsibility relating to risks that could affect the corporate strategy, business objectives, compliance, operations and the financial condition and performance of the company. Our board of directors focuses its oversight on the most significant risks facing the company and on its processes to identify, prioritize, assess, manage and mitigate those risks. Our board of directors and its committees receive regular reports from members of the company's senior management on areas of material risk to the company, including strategic, operational, financial, legal and regulatory risks. While our board of directors has an oversight role, management is principally tasked with direct responsibility for management and assessment of risks and the implementation of processes and controls to mitigate the effects of risks on the company.

The audit committee, as part of its responsibilities, oversees the management of financial risks, including accounting matters, liquidity and credit risks, corporate tax positions, insurance coverage and cash investment strategy and results. The audit committee is also responsible for overseeing the management of risks relating to the performance of the company's internal audit function, if required, and its independent registered public accounting firm, as well as our systems of internal controls and disclosure controls and procedures. The compensation committee is responsible for overseeing the management of risks relating to our executive compensation and overall compensation and benefit strategies, plans, arrangements, practices and policies. The nominating and corporate governance committee oversees the management of risks associated with our overall compliance and corporate governance practices, and the independence and composition of our board of directors. These committees provide regular reports, on at least a quarterly basis, to the full board of directors.

Committees of the Board

Our board of directors has a standing audit committee, compensation committee and nominating and corporate governance committee. The composition and responsibilities of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our board.

Audit Committee

The audit committee is responsible for assisting our board of directors in its oversight of the integrity of our consolidated financial statements, the qualifications and independence of our independent auditors and our internal financial and accounting controls. The audit committee has direct responsibility for the appointment, compensation, retention (including termination) and oversight of our independent auditors, and our independent auditors report directly to the audit committee. The audit committee also prepares the audit committee report that the SEC requires to be included in our annual proxy statement.

The members of the audit committee are Mr. Lubin, Mr. Luehrs and Mr. Tunstall, and Mr. Tunstall serves as chair of the audit committee. Each member of the audit committee qualifies as an independent director under the corporate governance standards of the NASDAQ Listing Rules and the independence requirements of Rule 10A-3 of the Exchange Act. Our board of directors has determined that Mr. Tunstall qualifies as an "audit committee financial expert" as such term is currently defined in Item 407(d)(5) of Regulation S-K. The audit committee has adopted a written charter that satisfies the applicable standards of the SEC and the NASDAQ Listing Rules, which we will post on our website upon completion of this offering.

Compensation Committee

The compensation committee approves the compensation objectives for the company, approves the compensation of the chief executive officer and approves or recommends to our board of directors for approval the compensation for other executives. The compensation committee reviews all compensation components, including base salary, bonus, benefits and other perquisites.

The members of the compensation committee are Mr. Bressner, Mr. Lubin and Mr. Tunstall, and Mr. Lubin serves as chair of the compensation committee. Each member of the compensation committee is a non-employee director within the meaning of Rule 16b-3 of the rules promulgated under the Exchange Act, each is an outside director as defined by Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, or the Code, and each is an independent director as defined by the NASDAQ Listing Rules, including NASDAQ Listing Rule 5605(d)(2). The compensation committee has adopted a written charter that satisfies the applicable standards of the SEC and the NASDAQ Listing Rules, which we will post on our website upon completion of this offering.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee is responsible for making recommendations to our board of directors regarding candidates for directorships and the structure and composition of our board and the board committees. In addition, the nominating and corporate governance committee is responsible for developing and recommending to our board, corporate governance guidelines applicable to the company and advising our board on corporate governance matters.

The members of the nominating and corporate governance committee are Mr. Bressner, Mr. Luehrs and Mr. Tunstall and Mr. Bressner serves as chair of the nominating and corporate governance committee. Each member of the nominating and corporate governance committee is a non-employee director within the meaning of Rule 16b-3 of the rules promulgated under the Exchange Act and an independent director as defined by the NASDAQ Listing Rules. The nominating and corporate governance committee has adopted a written charter that satisfies the applicable standards of the NASDAQ Listing Rules, which we will post on our website upon completion of this offering.

Code of Business Conduct and Ethics

We will adopt a code of business conduct and ethics that applies to all of our employees, officers and directors including those officers responsible for financial reporting. Upon completion of this offering, we will post the code of business conduct and ethics on our website. We intend to disclose future amendments to the code or any waivers of its requirements on our website to the extent permitted by the applicable rules and exchange requirements.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee has ever been an officer or employee of the company. None of our executive officers serves, or has served during the last three year, as a member of the board of directors, compensation committee or other board committee performing equivalent functions of any entity that has one or more executive officers serving as one of our directors or on our compensation committee.

EXECUTIVE COMPENSATION

This section discusses the material components of the executive compensation program for our executive officers who are named in the "Summary Compensation Table" below. As an emerging growth company, we have opted to comply with the executive compensation disclosure rules applicable to "smaller reporting companies" as such term is defined in the rules promulgated under the Securities Act, which require compensation disclosure for our principal executive officer and our two other most highly compensated executive officers. In 2015, our chief executive officer and our two other highest-paid executive officers, referred to collectively as our "named executive officers", were as follows:

- Dr. Calvin Knowlton, Chief Executive Officer;
- Dr. Orsula Knowlton, President; and
- Brian Adams, Chief Financial Officer.

We review compensation annually for all employees, including our named executive officers. In setting base salaries and bonuses and granting equity incentive awards, we consider compensation for comparable positions in the market, individual performance as compared to our expectations and objectives, our desire to motivate our named executive officers to achieve short- and long-term results that are in the best interests of our stockholders and a long-term commitment to our company.

Prior to 2015, we did not engage in competitive benchmarking with peer companies or formally work with a compensation consultant. In 2015, we engaged Pearl Meyer & Partners, or Pearl Meyer, an independent compensation consultant, to provide a review of our overall executive compensation program and benchmark director compensation. We expect to utilize Pearl Meyer going forward to benchmark our executive compensation program and to provide recommendation to ensure that our program continues to enable us to attract and retain qualified executives.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt following the completion of this offering may differ materially from the currently planned programs summarized in this discussion.

Summary Compensation Table

The following table sets forth information for the years ended December 31, 2014 and 2015, regarding compensation awarded to or earned by our named executive officers.

Name and Principal Position	Year	Salary(1) ($)	Option Awards(2) ($)	Non-Equity Incentive Plan Compensation(3) ($)	All Other Compensation(4) ($)	Total ($)
Dr. Calvin Knowlton	2015	296,512	110,976	105,000	56,367	568,855
Chief Executive Officer	2014	277,025	61,695	102,000	56,311	497,031
Dr. Orsula Knowlton	2015	280,507	110,454	98,000	8,580	497,541
President	2014	247,539	60,366	95,840	10,634	414,379
Brian Adams	2015	217,540	33,464	49,000	6,812	306,816
Chief Financial Officer	2014	188,879	17,179	47,500	8,999	262,557

(1) Amounts shown for 2015 include $25,986, $24,415 and $15,844 and for 2014 include $10,830, $9,675 and $3,640 for Drs. Calvin and Orsula Knowlton and Mr. Adams, respectively, as payment of accrued but unused paid time off in excess of 80 hours in accordance with our paid time off policy applicable to all employees.

(2) Amounts reflect the grant date fair value of option awards granted in accordance with FASB ASC Topic 718. Our named executive officers will only realize compensation to the extent the market price of our common stock is greater than the exercise price of such stock options. For information regarding assumptions

underlying the valuation of equity awards, see note 13 to our consolidated financial statements appearing at the end of this prospectus.

(3) Amounts reflect annual performance bonuses paid under our short-term incentive compensation program, as discussed in the "Short-Term Incentive Compensation" section.

(4) Includes the following additional compensation:

Name and Principal Position	Year	Company Contribution to 401(k) Plan ($)	After-Tax Retirement Payment(a) ($)	Health and Welfare Benefits(b) ($)	Executive Life Insurance Program(c) ($)	Perquisites(d) ($)
Dr. Calvin Knowlton	2015	8,099	—	27,352	8,543	12,373
Chief Executive Officer	2014	5,590	2,873	24,388	8,543	12,903
Dr. Orsula Knowlton	2015	7,900	—	—	680	—
President	2014	5,253	2,687	—	680	—
Brian Adams	2015	6,034	—	—	778	—
Chief Financial Officer	2014	4,165	2,042	—	778	—

(a) For 2014, this amount reflects the value of the after-tax retirement payment in the amount of 3% of base salary made to each of the named executive officers under the retirement policy applicable to all employees prior to the second quarter of 2014.

(b) Includes the premiums paid for our medical plan for Dr. Calvin Knowlton, covering both him and Dr. Orsula Knowlton, which are fully paid by us, as discussed below in the "Other Benefits" section.

(c) Includes premiums paid for our executive life insurance program, discussed below in the "Other Benefits" section.

(d) The aggregate amount of perquisites does not exceed $10,000 per annum for each of the named executive officers, except for Dr. Calvin Knowlton. The amount reported here for Dr. Calvin Knowlton reflects the value of country club and social club dues paid by us, discussed below in the "Other Benefits" section.

Narrative to Summary Compensation Table

Employment Agreements

None of our named executive officers are currently party to an employment agreement with us. We expect to enter into employment agreements with each of our named executive officers following the completion of this offering. The terms of these agreements will be based on benchmarking analysis conducted by Pearl Meyer relative to a peer group of companies.

Incentive Compensation

We award both short-term and long-term incentive compensation to our named executive officers.

Short-Term Incentive Compensation

We pay annual performance bonuses to reward the performance achievements of our named executive officers. We generally pay these bonuses in cash, and an executive must be employed by us on the pay date to receive a bonus. Each named executive officer is assigned a targeted maximum payout, expressed as a percentage of his or her base salary for the year, which varies by his or her compensation tier. Each named executive officer's annual performance bonus is generally determined based on our achievement of company objectives. Our company objectives generally relate to the achievement of pre-established performance goals based on company-wide business objectives.

The performance objectives are generally objectively determinable and measurable and their outcomes are uncertain at the time established. When we set the 2015 objectives, we considered them to be ambitious, but attainable and designed to cause annual performance bonus payments to reflect meaningful performance requirements. For 2015, our company objectives were achievement of designated levels of profitable growth, client satisfaction and retention, efficient and quality production and regulatory and departmental compliance. In 2015, the actual bonuses paid reflect that our objectives were achieved at 100% of target. For 2015, the target bonus and actual payout for our named executive officers are set forth in the table below:

Name	Target Bonus ($)	Actual Payout ($)
Dr. Calvin Knowlton	105,000	105,000
Dr. Orsula Knowlton	98,000	98,000
Brian Adams	49,000	49,000

Long-Term Incentive Compensation

We award long-term incentive awards to our named executive officers under the 2014 Equity Compensation Plan, discussed below in the "Equity Compensation Plan" section. In addition, our named executive officers participate in three long-term incentive programs that were adopted on June 28, 2013. Each of these programs is designed to drive our performance through a change in control transaction or initial public offering.

Special Equity Award Pool

The board of directors established an employee equity award pool of 1,353,705 shares of common stock under the 2014 Equity Compensation Plan for purposes of granting equity-based compensation awards, including stock options, to employees until June 28, 2018. We make annual stock option grants to certain employees, including our named executive officers, under the 2014 Equity Compensation Plan using shares from this pool. The exercise price of stock options is the fair market value of our common stock as determined by our board of directors on the date of grant. Our stock options typically vest over a four-year period, subject to continued employment or association with us, and generally expire five or ten years after the date of grant. Incentive stock options, or ISOs, also include terms necessary to assure compliance with the applicable provision of the Code. In connection with this offering, any remaining shares in the pool will be granted as restricted stock to certain of our executives, including our named executive officers, immediately prior to the effective date of the registration statement of which this prospectus forms a part, as determined by our board of directors based on the recommendation of our Chief Executive Officer, Dr. Calvin Knowlton. Pursuant to this special equity award pool, our board of directors approved grants of restricted common stock under the 2014 Equity Compensation Plan to our named executive officers, including 337,307, 267,268 and 70,038 shares of our common stock issuable to Drs. Calvin and Orsula Knowlton and Mr. Adams, respectively. All such shares of common stock will vest on May 31, 2017.

Leadership Exit Bonus Plan

In June 2014, we entered into a Letter Agreement with Radius, pursuant to which we established the Leadership Exit Bonus Plan, whereby certain of our executives, including our named executive officers, participate in the benefits of an initial public offering based on the value of the shares of Series B preferred stock (on an as converted basis) held by Radius immediately prior to this offering.

Payments under our Leadership Exit Bonus Plan, if any, are funded either by shares of our stock or cash contributed by Radius and will have a value of up to $4.0 million, which pursuant to the terms of the plan will be allocated at the discretion of Dr. Calvin Knowlton. All of our named executive officers,

Joseph Filippoli and two additional key employees are entitled to participate in the Leadership Exit Bonus Plan.

In the event of our initial public offering, then:

- In the event that the initial public offering value, defined as the aggregate value of the shares of Series B preferred stock (on an as converted basis) held by Radius immediately prior to this offering, calculated based on the initial public offering price per share in this offering, less any distributions previously made to Radius with respect to its shares, exceeds $16.0 million but is equal to or less than $20.0 million, then on the effective date of the initial public offering, Radius shall contribute to us shares of Series B preferred stock and/or common stock issued upon the conversion of such Series B preferred stock, with an aggregate fair market value calculated based upon the initial public offering price, equal to the lesser of (1) $1.0 million and (2) the amount by which the initial public offering value exceeds $16.0 million;
- In the event that the initial public offering value exceeds $20.0 million but is equal to or less than $24.0 million, then on the effective date of the initial public offering, Radius shall contribute to us shares of Series B preferred stock and/or common stock issued upon the conversion of such Series B preferred stock, with an aggregate fair market value calculated based upon the initial public offering price, equal to the sum of (1) $1.0 million plus (2) the lesser of (A) $1.0 million and (B) the amount by which the initial public offering value exceeds $20.0 million; and
- In the event that the initial public offering value exceeds $24.0 million, then on the effective date of the initial public offering, Radius shall contribute to us shares of Series B preferred stock and/or common stock issued upon the conversion of such Series B preferred stock, with an aggregate fair market value calculated based upon the initial public offering price, equal to the sum of (1) $2.0 million plus (2) the lesser of (A) $2.0 million and (B) the amount by which the initial public offering value exceeds $24.0 million.

Based on the assumed terms of this offering and an initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, 71,390 shares of our common stock will be transferred to us by Radius for awards under the Leadership Exit Bonus Plan. Pursuant to the Leadership Exit Bonus Plan, our board of directors have approved restricted stock grants under the 2016 Equity Compensation Plan to our named executive officers, including 23,031, 23,031 and 6,910 shares to Drs. Calvin and Orsula Knowlton and Mr. Adams, respectively. The restricted stock will be granted within five days of the completion of this offering, will be fully vested upon grant and be issued net of the number of shares of common stock with a value equal to the applicable withholding tax for each named executive officer. After reducing the restricted stock grants to our named executive officers for applicable withholding taxes, the net number of shares of common stock issuable to Drs. Calvin and Orsula Knowlton and Mr. Adams is 13,911, 13,911 and 5,183 shares of common stock, respectively.

Valuation Incentive Award Plan

The Valuation Incentive Award Plan establishes, in the event of an acquisition of our company resulting in proceeds of at least $250.0 million, an award pool of $9.0 million from the proceeds of such acquisition. Certain executives, including our named executive officers, would be eligible for awards from the pool, as allocated in the discretion of our Chief Executive Officer, Dr. Calvin Knowlton. The Valuation Incentive Award Plan will be terminated in connection with this offering.

Other Benefits

401(k) Plan

Prior to the second quarter of 2014, we provided an after-tax retirement payment to our employees, including our named executive officers, in the amount of 3% of base salary, paid on a quarterly basis. In the second quarter of 2014, we put in place a defined contribution employee retirement plan for our employees. Our 401(k) plan is intended to qualify as a tax-qualified plan under Section 401 of the Code so that contributions to our 401(k) plan, and income earned on such contributions, are not taxable to participants until withdrawn or distributed from the 401(k) plan. Our 401(k) plan provides that each participant may contribute up to $18,000 for 2015. Participants who are at least 50 years old can also make "catch-up" contributions, which in 2015 may be up to an additional $5,500 above the statutory limit. Under our 401(k) plan, we make a contribution equal to 3% of compensation on behalf of each eligible employee.

Executive Life Insurance Program

In 2014, we began providing an executive life insurance program in which our named executive officers participate. This program provides a death benefit to the named executive officer's beneficiary in an amount equal to $1.0 million, $1.0 million and $1.5 million for Drs. Calvin and Orsula Knowlton and Mr. Adams, respectively.

Additional Benefits

Our named executive officers are eligible to participate in all of our employee benefit plans, such as dental insurance, vision insurance, a medical and dental opt-out program, group life insurance and short and long-term disability insurance, in each case on the same basis as other employees, subject to applicable laws. We also provide vacation and other paid holidays to all employees, including our named executive officers. We pay the full cost of medical insurance for Drs. Calvin and Orsula Knowlton. Mr. Adams participates in our medical insurance benefits on the same basis as other employees.

Outstanding Equity Awards at 2015 Fiscal Year End

The following table presents information regarding all outstanding stock options held by each of our named executive officers on December 31, 2015. We have not historically made stock or other equity award grants to our named executive officers.

	Option Awards				
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable(1)**	**Number of Securities Underlying Unexercised Options (#) Unexercisable(1)**	**Option Exercise Price ($)**	**Option Expiration Date**
Dr. Calvin Knowlton	1/31/2011	3,102	—	1.45	1/31/2016(2)
	2/10/2011	31,958	—	1.45	2/10/2016(2)
	3/10/2011	515	—	1.45	3/10/2016(2)
	10/25/2011	309	—	1.70	10/25/2016
	11/25/2011	3,711	—	1.70	11/25/2016
	1/6/2012	33,325	665	1.70	1/6/2017
	3/1/2012	1,015	—	1.70	3/1/2017
	12/20/2012	6,280	—	2.34	12/20/2017
	1/2/2013	18,793	6,980	3.41	1/2/2018
	1/22/2013	3,810	—	3.41	1/22/2018
	6/28/2013	183,615	110,169	3.41	6/28/2018
	1/1/2014	21,545	18,792	6.40	1/1/2019
	1/1/2015	—	36,082	6.40	1/1/2020
	2/1/2015	1,860	—	6.40	2/1/2020
Dr. Orsula Knowlton	1/31/2011	3,102	—	1.45	1/31/2016(2)
	2/10/2011	31,958	—	1.45	2/10/2016(2)
	3/10/2011	515	—	1.45	3/10/2016(2)
	10/25/2011	309	—	1.70	10/25/2016
	11/25/2011	3,711	—	1.70	11/25/2016
	1/6/2012	33,173	665	1.70	1/6/2017
	3/1/2012	939	—	1.70	3/1/2017
	12/20/2012	5,809	—	2.34	12/20/2017
	1/2/2013	18,793	6,980	3.41	1/2/2018
	1/22/2013	3,524	—	3.41	1/22/2018
	6/28/2013	183,615	110,169	3.41	6/28/2018
	1/1/2014	20,552	18,792	6.40	1/1/2019
	1/1/2015	—	36,082	6.40	1/1/2020
	2/1/2015	1,662	—	6.40	2/1/2020
Brian Adams	10/20/2011	10,309	—	1.55	10/20/2021
	1/6/2012	9,139	139	1.55	1/6/2022
	3/1/2012	1,288	—	1.55	3/1/2022
	12/20/2012	8,442	—	2.13	12/20/2022
	1/2/2013	5,637	2,094	3.10	1/2/2023
	1/22/2013	675	—	3.10	1/22/2023
	6/28/2013	55,096	33,057	3.10	6/28/2023
	1/1/2014	5,203	5,370	5.82	1/1/2024
	1/1/2015	—	10,309	5.82	1/1/2025
	2/1/2015	625	—	5.82	2/1/2025

(1) Option awards vest 25% on the first anniversary of grant, and 1/36th each month thereafter. Option awards to Drs. Calvin and Orsula Knowlton have a term of five years because they are considered 10% owners and the tax rules for incentive stock option grants require a five-year term. Option awards to Mr. Adams have a term of ten years.

(2) Options expiring during the quarter ended March 31, 2016 were exercised on a cashless basis resulting in the cancellation of 35,575 shares of our common stock underlying such options held by Dr. Calvin Knowlton and the cancellation of 35,575 shares of our common stock underlying such options held by Dr. Orsula Knowlton and the issuance of 31,610 shares of our common stock to Dr. Calvin Knowlton and the issuance of 31,610 shares of our common stock to Dr. Orsula Knowlton during the quarter ended March 31, 2016.

Equity Compensation Plans

The board of directors of CareKinesis and its stockholders previously adopted the 2014 Equity Compensation Plan to provide for the grant of ISOs, nonqualified stock options, or NSOs, stock awards, stock units, stock appreciation rights, or SARs, and other equity-based awards to employees, consultants and advisors and non-employee directors. The 2009 Equity Compensation Plan was originally adopted on May 1, 2009, and was subsequently amended in 2010, 2011, 2012 and 2013. As part of the 2013 amendment and restatement, it was renamed the 2013 Equity Compensation Plan. The 2013 Equity Compensation Plan was amended and restated on June 30, 2014 and renamed as the 2014 Equity Compensation Plan. In connection with the Reorganization Transaction, we assumed the 2014 Equity Compensation Plan on such date. The 2014 Equity Compensation Plan was amended and restated in 2016. References to the 2014 Equity Compensation Plan include the 2009 Equity Compensation Plan and 2013 Equity Compensation Plan for awards made under those prior restatements of the 2014 Compensation Plan.

In connection with this offering, we expect to adopt a new equity compensation plan that will be effective immediately prior to the effective date of the registration statement of which this prospectus forms a part and will replace the existing 2014 Equity Compensation Plan. As of the effective date of the 2016 Equity Compensation Plan, the 2014 Equity Compensation Plan will be merged with and into the 2016 Equity Compensation Plan and no additional grants will be made thereafter under the 2014 Equity Compensation Plan. Outstanding grants under the 2014 Equity Compensation Plan will continue in effect according to their terms as in effect before the merger with the 2014 Equity Compensation Plan, and the shares with respect to outstanding grants under the 2014 Equity Compensation Plan will be issued or transferred under the 2016 Equity Compensation Plan.

Following this offering, we expect to grant equity awards under the 2016 Equity Compensation Plan from time to time, but, except as set forth under "—Non-Employee Director Compensation," we have not determined the schedule or amount of such grants.

2014 Equity Compensation Plan

Types of Stock Awards

The 2014 Equity Compensation Plan provides for the grant of stock options (ISOs and NSOs), stock awards, stock units, SARs and other stock-based awards, which are collectively referred to as stock awards. Other stock-based awards are awards of common stock and other awards (including cash) that are valued in whole or in part by reference to, or are payable in or otherwise based on, our common stock. Stock awards may be granted to employees, including officers, non-employee directors and consultants of the company or our affiliates, except that ISOs may be granted only to employees. Awards are evidenced by award agreements in such forms as the committee approves from time to time. Each award is subject to such terms and conditions, consistent with the 2014 Equity Compensation Plan, as are determined by the committee and as set forth in the award agreement.

Share Reserve

The aggregate number of shares of our common stock that may be issued pursuant to stock awards under the 2014 Equity Compensation Plan is 4,037,981 shares. This pool consists of 2,702,443 shares of our Class A common stock and 1,335,538 shares of our Class B common stock. If a stock option or SAR granted under the 2014 Equity Compensation Plan expires, terminates, is canceled or is forfeited, exchanged or surrendered without having been exercised, or if any stock award, stock unit or other stock-based award is forfeited, the number of shares subject to the grant will again be available for purposes of stock awards under the 2014 Equity Compensation Plan. As of August 31, 2016, 614,402 shares have been issued upon the exercise of options granted under the 2014 Equity Compensation Plan, options to purchase 2,723,193 shares of our common stock were outstanding at a weighted average exercise price of $3.33 per share. 700,386 shares remained available for grant under the 2014 Equity

Compensation Plan after taking into account known forfeitures through September 20, 2016. No shares have been granted outside of the 2014 Equity Compensation Plan. As a result of the anticipated issuance of 700,386 shares under the special equity award pool established by our board of directors, no additional shares of common stock will be available for issuance following this offering.

Administration

Our board of directors, or a duly authorized committee thereof, has the authority to administer the 2014 Equity Compensation Plan. Subject to the terms of the 2014 Equity Compensation Plan, our board of directors or the authorized committee, referred to herein as the committee, determines recipients, dates of grant, the numbers and types of stock awards to be granted and the terms and conditions of the stock awards, including the period of exercisability and vesting schedule applicable to a stock award. Subject to the limitations set forth below, the committee will also determine the exercise price, strike price or purchase price of awards granted and the types of consideration to be paid for the award. The committee has the authority to adopt and amend administrative rules, regulations, agreements and instruments for implementing the 2014 Equity Compensation Plan. Decisions and interpretations or other actions by the committee are in the discretion of the committee and are final binding and conclusive on the company and all participants in the 2014 Equity Compensation Plan.

Stock Units

Stock units may be granted to non-employee directors, employees and consultants and advisors selected by the committee. A stock unit is a notional account representing one share of common stock or an amount based on the value of one share of common stock. The committee determines the vesting criteria, if any, for stock units, which may be based on the passage of time, achievement of performance conditions or vesting conditions otherwise determined by the committee.

A stock unit granted by the committee will be paid in the form of shares of common stock, cash, or a combination of both, as set forth in the applicable award agreement.

Stock Awards

Stock awards may be granted to non-employee directors, employees and consultants and advisors selected by the committee. Each stock award is subject to terms and conditions determined by the committee and set forth in the applicable award agreement, which may include vesting conditions that lapse based on the passage of time, achievement of performance conditions or vesting conditions otherwise determined by the committee, restrictions on the sale or other disposition of the shares covered by the award and our right to reacquire such shares for no consideration upon termination of the participant's employment within specified periods.

The applicable award agreement will specify whether the participant will have all of the rights of a stockholder with respect to the shares of common stock subject to a stock award, including the right to receive dividends and to vote the shares, subject to any restrictions deemed appropriate by the committee, including, without limitation, the achievement of specific performance goals.

Stock Options

ISOs and NSOs are granted pursuant to stock option agreements adopted by the committee. The committee determines the exercise price for a stock option, within the terms and conditions of the 2014 Equity Compensation Plan, provided that the exercise price of a stock option cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2014 Equity Compensation Plan will become exercisable at the rate specified by the committee.

The committee determines the term of stock options granted under the 2014 Equity Compensation Plan, up to a maximum of ten years. Unless the terms of an option holder's stock option agreement

provide otherwise, if an option holder's service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the option holder may generally exercise any vested options for a period of 90 days following the cessation of service. If an option holder's service relationship with us or any of our affiliates ceases due to disability or death, or an option holder dies within a certain period following cessation of service, the option holder or a beneficiary may generally exercise any vested options for a period of one year following the option holder's disability or death. Unless otherwise provided by the committee at the time a stock option is granted, in the event of a termination for cause, before the stock option is exercised, then the stock option will terminate.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the committee and may include (i) cash, (ii) the tender of shares of our common stock owned by the option holder, (iii) if the company's common stock is publicly traded, a broker assisted cashless exercise, or (iv) such other methods as may be approved by the committee.

Unless the committee provides otherwise, options generally are not transferable except by will, the laws of descent and distribution, or, with respect to grants other than ISOs, if permitted by the committee, pursuant to a domestic relations order. The committee may provide that an NSO may be transferred to a family member, as such term is defined under the applicable securities laws.

The aggregate fair market value, determined at the time of grant, of our common stock with respect to ISOs that are exercisable for the first time by an option holder during any calendar year may not exceed $100,000. Options or portions thereof that exceed such limit will generally be treated as NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (i) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and (ii) the term of the ISO does not exceed five years from the date of grant.

Stock Appreciation Rights

Stock appreciation rights may be granted to non-employee directors, employees and consultants and advisors selected by the committee. A stock appreciation right is a right to receive a payment in cash, shares of common stock or a combination of cash and shares of common stock, in an amount equal to the fair market value of a specified number of shares on the date of exercise over the applicable base price per share, as determined by the committee. The base price per share may not be less than the fair market value of a share of common stock on the date the stock appreciation right is granted. The committee may grant in connection with any stock option one or more tandem SARs relating to a number of shares of common stock less than or equal to the number of shares of common stock subject to the related stock option.

If a SAR holder's service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the SAR holder may generally exercise any vested SARs for a period of 90 days following the cessation of service. If a SAR holder's service relationship with us or any of our affiliates ceases due to disability or death, or a SAR holder dies within a certain period following cessation of service, the SAR holder or a beneficiary may generally exercise any vested SARs for a period of one year following the SAR holder's disability or death. Unless otherwise provided by the committee at the time a SAR is granted, in the event of a termination for cause, before the SAR is exercised, then the SAR will terminate. Tandem SARs may only be exercisable during the period when the option to which it is related is exercisable.

Termination of Employment

Unless otherwise specified in an award agreement or any other written agreement between the participant and the company or any of its subsidiaries, and subject to the foregoing vesting restrictions, if a participant's employment is terminated, outstanding vested and unvested awards under the 2014 Equity Compensation Plan will be subject to the following treatment:

Reason for Termination	Effect on Awards under the 2014 Equity Compensation Plan, except as otherwise specified in an award agreement or other written agreement
Death or Disability	• Unvested awards will be forfeited. • Vested stock options and stock appreciation rights will be exercisable for a 1-year period unless the award has an earlier expiration date.
For-Cause Termination	• Unvested awards will be forfeited. • All stock options and stock appreciation rights, whether or not vested, will be forfeited.
Other Termination Events .	• Unvested awards will be forfeited. • Vested stock options and stock appreciation rights will be exercisable for a 90-day period unless the award has an earlier expiration date.

Effect of Change in Control

Upon a change in control, all outstanding stock options and SARs shall accelerate and become exercisable and the restrictions and conditions on all stock awards, stock unit awards and other stock-based awards will lapse.

Under the 2014 Equity Compensation Plan, "change in control" means:

- any person or entity, other than the company, its subsidiaries or an employee benefit plan sponsored by the company or its subsidiaries, becomes the beneficial owner of more than 50% of our voting stock;
- consummation of a sale of all or substantially all of the company's assets or property;
- consummation of a merger or consolidation of the company with another corporation following which our stockholders immediately before the transaction do not own more than 50% of the voting stock of the surviving entity;
- liquidation or dissolution of the company; or
- the committee may provide a different definition of change in control in an award agreement if it determines a different definition is necessary or appropriate, including to comply with Section 409A of the Code.

Adjustments to Awards Due to Changes in the Company's Capital Structure

If there is any change in the number or kind of shares of our common stock outstanding by reason of (i) a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares, (ii) a merger, reorganization or consolidation, (iii) a reclassification or change in par value or (iv) any other extraordinary or unusual event affecting the outstanding common stock as a class without the company's receipt of consideration, or if the value of outstanding shares of common stock is substantially reduced as a result of a spinoff or the company's payment of any extraordinary dividend or distribution, the maximum number of shares of common stock available for issuance under the 2014 Equity Compensation Plan, the maximum number of shares of common stock for which any individual may receive awards in any year, the number and kind of shares covered by outstanding awards and the price per share or applicable market value of such awards will be required to be equitably adjusted by the committee to reflect any increase or decrease in the number of, or change in the kind or value of,

issued shares of common stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the 2014 Equity Compensation Plan and such outstanding awards. Any fractional shares resulting from such adjustment will be eliminated. Any adjustments to outstanding awards will be consistent with Sections 409A, to the extent applicable. Any adjustment of awards will include adjustment of shares, stock option exercise price, stock appreciation right base price, performance goals or other terms and conditions, as the committee deems appropriate.

Transferability

Unless the committee provides otherwise, awards generally are not transferable except by will, the laws of descent and distribution, or, with respect to grants other than ISOs, if permitted by the committee, pursuant to a domestic relations order. The committee may provide that an NSO may be transferred to a family member, as such term is defined under the applicable securities laws. The committee may require an award holder to enter into a stockholder's agreement with respect to stock issued or distributed pursuant to the 2014 Equity Compensation Plan and shares may be subject to a lock-up period if requested by us. Prior to a public offering, company stock distributed under the 2014 Equity Compensation Plan is subject to our right of first refusal and repurchase rights.

Amendment of the 2014 Equity Compensation Plan and Awards

Our board of directors may amend, suspend, or terminate the 2014 Equity Compensation Plan at any time. The committee may amend any award at any time. However, no amendment may materially impair a participant's award without the participant's consent, unless otherwise permitted by the terms of the 2014 Equity Compensation Plan or the applicable award agreement, or if necessary to comply with applicable law.

2016 Equity Compensation Plan

Purpose and Types of Grants

The purpose of the 2016 Equity Compensation Plan is to attract and retain employees, non-employee directors and consultants, and advisors. The 2016 Equity Compensation Plan provides for the issuance of incentive stock options, non-qualified stock options, stock awards, stock units, stock appreciation rights, other stock-based awards and cash awards. The 2016 Equity Compensation Plan also provides for the issuance of equity and cash awards that are intended to qualify as qualified performance-based compensation for purposes of Section 162(m) of the Code to selected executive employees, or qualified performance grants. The 2016 Equity Compensation Plan is intended to provide an incentive to participants to contribute to our economic success by aligning the economic interests of participants with those of our stockholders.

Administration

The compensation committee of our board of directors, referred to herein as the committee, has the authority to administer the 2016 Equity Compensation Plan. The 2016 Equity Compensation Plan will be administered by the committee, and the committee will determine all of the terms and conditions applicable to grants under the 2016 Equity Compensation Plan. The committee will also determine who will receive grants under the 2016 Equity Compensation Plan and the number of shares of common stock that will be subject to grants, except that grants to members of our board of directors must be authorized by a majority of our board of directors. The committee may delegate authority under the 2016 Equity Compensation Plan to one or more subcommittees as it deems appropriate. Subject to compliance with applicable law and NASDAQ requirements, the committee, or our board of directors or a subcommittee, as applicable, may delegate all or part of its authority to our Chief Executive Officer, as it deems appropriate, with respect to grants to employees or key advisors who are not executive officers under Section 16 of the Exchange Act and provided that such grants are not intended to meet the

requirements for qualified performance-based compensation under Section 162(m) of the Code. The committee, our board of directors, any subcommittee or the Chief Executive Officer, as applicable, that has authority with respect to a specific grant is referred to as the committee in this description of the 2016 Equity Compensation Plan.

Grants

Subject to adjustment, the 2016 Equity Compensation Plan authorizes the issuance or transfer of up to the sum of the following: (1) 800,000 new shares, plus (2) the number of shares of our common stock subject to outstanding grants under the 2014 Equity Compensation Plan as of the effective date of the 2016 Equity Compensation Plan; provided, however, that the aggregate number of shares of our common stock that may be issued or transferred under the 2016 Equity Compensation Plan pursuant to incentive stock options may not exceed 800,000. During the term of the 2016 Equity Compensation Plan, the share reserve will automatically increase on the first trading day in January of each calendar year, beginning in calendar year 2017, by an amount equal to the lesser of 5% of the total number of outstanding shares of common stock on the last trading day in December of the prior calendar year or such other number set by our board of directors.

If any options or stock appreciation rights, including outstanding options and stock appreciation rights granted under the 2014 Equity Compensation Plan, terminate, expire, or are canceled, forfeited, exchanged, or surrendered without having been exercised, or if any stock awards, stock units or other stock-based awards, including outstanding awards granted under the 2014 Equity Compensation Plan, are forfeited, terminated or otherwise not paid in full, the shares subject to such grants will again be available for purposes of the 2016 Equity Compensation Plan. In addition, if any shares of our common stock are surrendered in payment of the exercise price of an option or stock appreciation right, the number of shares available for issuance under the 2016 Equity Compensation Plan will be reduced only by the net number of shares actually issued upon exercise and not by the total number of shares under which such option or stock appreciation right is exercised. If shares of our common stock are withheld in satisfaction of the withholding taxes incurred in connection with the issuance, vesting or exercise of any grant, or the issuance of our common stock, then the number of shares of our common stock available for issuance under the 2016 Equity Compensation Plan shall be reduced by the net number of shares issued, vested or exercised under such grant. If any grants are paid in cash, and not in shares of our common stock, any shares of our common stock subject to such grants will also be available for future grants. In addition, shares of our common stock issued under grants made pursuant to assumption, substitution or exchange of previously granted awards of a company that we acquire will not reduce the number of shares of our common stock available under the 2016 Equity Compensation Plan. Available shares under a stockholder approved plan of an acquired company may be used for grants under the 2016 Equity Compensation Plan and will not reduce the share reserve, subject to compliance with the applicable stock exchange and the Code.

With respect to grants that are intended to meet the requirements for qualified performance-based compensation under Section 162(m) of the Code, the 2016 Equity Compensation Plan contains the following annual limits, subject to adjustment as described in the 2016 Equity Compensation Plan:

- the maximum number of shares of our common stock for which grants measured in shares may be awarded to any employee in any calendar year shall not exceed 375,000 shares;
- the maximum dollar amount for which grants measured in cash dollars (including cash awards) that may be awarded to any employee in any 12-month period within a performance period shall not exceed $3 million; and
- the maximum aggregate amount of dividends and dividend equivalents that an employee may accrue in any calendar year shall not exceed $1 million.

The individual limits described above are increased to two times the otherwise applicable limits set forth above with respect to grants that are intended to meet the requirements for qualified performance-based compensation under Section 162(m) of the Code that are made on or around the date of hire to a newly hired employee.

The 2016 Equity Compensation Plan also includes limits for compensation paid to non-employee directors during any calendar year. The maximum grant date value of shares of common stock subject to grants made to any non-employee directors, taken together with any cash fees earned by such non-employee director for services rendered during the calendar year, shall not exceed $500,000 in total value, with the value of such grants calculated based on the grant date fair value of such grants for financial reporting purposes.

Adjustments

In connection with stock splits, stock dividends, recapitalizations and certain other events affecting our common stock, the committee will make adjustments as it deems appropriate in the maximum number of shares of common stock reserved for issuance as grants, the maximum number of shares of common stock that any individual participating in the 2016 Equity Compensation Plan may be granted in any year, the number and kind of shares covered by outstanding grants, the kind of shares that may be issued or transferred under the 2016 Equity Compensation Plan, the price per share or market value of any outstanding grants, the exercise price of options, the base amount of stock appreciation rights, the performance goals or other terms and conditions as the committee deems appropriate.

Eligibility

All of our employees are eligible to receive grants under the 2016 Equity Compensation Plan. In addition, our non-employee directors and key advisors who perform services for us may receive grants under the 2016 Equity Compensation Plan.

Vesting

The committee determines the vesting and exercisability terms of awards granted under the 2016 Equity Compensation Plan.

Options

Under the 2016 Equity Compensation Plan, the committee will determine the exercise price of the options granted and may grant options to purchase shares of common stock in such amounts as it determines. The committee may grant options that are intended to qualify as incentive stock options under Section 422 of the Code or non-qualified stock options, which are not intended to so qualify. Incentive stock options may only be granted to our employees. Anyone eligible to participate in the 2016 Equity Compensation Plan may receive a grant of non-qualified stock options. The exercise price of a stock option granted under the 2016 Equity Compensation Plan cannot be less than the fair market value of a share of our common stock on the date the option is granted. If an incentive stock option is granted to a 10% stockholder, the exercise price cannot be less than 110% of the fair market value of a share of our common stock on the date the option is granted.

The exercise price for any option is generally payable in cash. In certain circumstances as permitted by the committee, the exercise price may be paid by the surrender of shares of our common stock with an aggregate fair market value on the date the option is exercised equal to the exercise price, by payment through a broker in accordance with procedures established by the Federal Reserve Board, by withholding shares of common stock subject to the exercisable option which have a fair market value on the date of exercise equal to the aggregate exercise price or by such other method as the committee approves.

The term of an option cannot exceed ten years from the date of grant, except that if an incentive stock option is granted to a 10% stockholder, the term cannot exceed five years from the date of grant. In the event that on the last day of the term of a non-qualified stock option, the exercise is prohibited by applicable law, including a prohibition on purchases or sales of our common stock under our insider trading policy, the term of the non-qualified option will be extended for a period of 30 days following the end of the legal prohibition, unless the committee determines otherwise.

Except as provided in the grant instrument, an option may only be exercised while a participant is employed by or providing service to us. The committee will determine in the grant instrument under what circumstances and during what time periods a participant may exercise an option after termination of employment.

Stock Appreciation Rights

Under the 2016 Equity Compensation Plan, the committee may grant stock appreciation rights, which may be granted separately or in tandem with any option. Stock appreciation rights granted with a non-qualified stock option may be granted either at the time the non-qualified stock option is granted or any time thereafter while the option remains outstanding. Stock appreciation rights granted with an incentive stock option may be granted only at the time the grant of the incentive stock option is made. The committee will establish the base amount of the stock appreciation right at the time the stock appreciation right is granted, which will be equal to or greater than the fair market value of a share of our common stock as of the date of grant.

If a stock appreciation right is granted in tandem with an option, the number of stock appreciation rights that are exercisable during a specified period will not exceed the number of shares of our common stock that the participant may purchase upon exercising the related option during such period. Upon exercising the related option, the related stock appreciation rights will terminate, and upon the exercise of a stock appreciation right, the related option will terminate to the extent of an equal number of shares of our common stock. Generally, stock appreciation rights may only be exercised while the participant is employed by, or providing services to, us. When a participant exercises a stock appreciation right, the participant will receive the excess of the fair market value of the underlying common stock over the base amount of the stock appreciation right. The appreciation of a stock appreciation right will be paid in shares of our common stock, cash, or both.

The term of a stock appreciation right cannot exceed ten years from the date of grant. In the event that on the last day of the term of a stock appreciation right, the exercise is prohibited by applicable law, including a prohibition on purchases or sales of our common stock under our insider trading policy, the term of the stock appreciation right will be extended for a period of 30 days following the end of the legal prohibition, unless the committee determines otherwise.

Stock Awards

Under the 2016 Equity Compensation Plan, the committee may grant stock awards. A stock award is an award of our common stock that may be subject to restrictions as the committee determines. The restrictions, if any, may lapse over a specified period of employment or based on the satisfaction of pre-established criteria, in installments or otherwise, as the committee may determine. Except to the extent restricted under the grant instrument relating to the stock award, a participant will have all of the rights of a stockholder as to those shares, including the right to vote and the right to receive dividends or distributions on the shares. Dividends with respect to stock awards that vest based on performance shall vest if and to the extent that the underlying stock award vests, as determined by the committee. All unvested stock awards are forfeited if the participant's employment or service is terminated for any reason, unless the committee determines otherwise.

Stock Units

Under the 2016 Equity Compensation Plan, the committee may grant stock units to anyone eligible to participate in the 2016 Equity Compensation Plan. Stock units are phantom units that represent shares of our common stock. Stock units become payable on terms and conditions determined by the committee and will be payable in cash or shares of our stock as determined by the committee. All unvested stock units are forfeited if the participant's employment or service is terminated for any reason, unless the committee determines otherwise.

Cash Awards

Under the 2016 Equity Compensation Plan, the committee may grant cash awards to our employees who are executives or other key employees. The committee will determine which employees will receive cash awards and the terms and conditions applicable to each cash award, including the criteria for vesting.

Other Stock-Based Awards

Under the 2016 Equity Compensation Plan, the committee may grant other types of awards that are based on, measured by or payable to anyone eligible to participate in the 2016 Equity Compensation Plan in shares of our common stock. The committee will determine the terms and conditions of such awards. Other stock-based awards may be payable in cash, shares of our common stock, or a combination of the two.

Dividend Equivalents

Under the 2016 Equity Compensation Plan, the committee may grant dividend equivalents in connection with grants of stock units or other stock-based awards made under the 2016 Equity Compensation Plan. Dividend equivalents entitle the participant to receive amounts equal to ordinary dividends that are paid on the shares underlying a grant while the grant is outstanding. The committee will determine whether dividend equivalents will be paid currently or accrued as contingent cash obligations. Dividend equivalents may be paid in cash, in shares of our common stock or in a combination of the two. The committee will determine the terms and conditions of the dividend equivalent grants, including whether the grants are payable upon the achievement of specific performance goals. Dividend equivalents with respect to stock units or other stock-based awards that vest based on performance shall vest and be paid only if and to the extent that the underlying stock units or other stock-based awards vest and are paid as determined by the committee.

Qualified Performance-Based Compensation

The 2016 Equity Compensation Plan permits the committee to impose performance goals that must be met with respect to grants of stock awards, stock units, other stock-based awards, cash awards and dividend equivalents that are intended to meet the exception for qualified performance-based compensation under Section 162(m) of the Code, referred to herein as qualified performance grants. Prior to or soon after the beginning of a performance period, the committee will establish the performance goals that must be met, the applicable performance periods, the amounts to be paid if the performance goals are met and any other conditions. The 2016 Equity Compensation Plan is intended to comply with the transition relief for purposes of Section 162(m) of the Code, as more fully described below.

The performance goals, to the extent designed to meet the requirements of qualified performance-based compensation under Section 162(m) of the Code, will be based on one or more of the following criteria: cash flow; earnings, including gross margin, earnings before interest and taxes, earnings before taxes, earnings before interest, taxes, depreciation, amortization and charges for stock-based compensation, earnings before interest, taxes, depreciation and amortization and net earnings; earnings

per share; growth in earnings or earnings per share; stock price; return on equity or average stockholder equity; total stockholder return or growth in total stockholder return either directly or in relation to a comparative group; return on capital; return on assets or net assets; revenue, growth in revenue or return on sales; income or net income; operating income, net operating income, or net operating income after tax; operating profit or net operating profit; operating margin; return on operating revenue, or return on operating profit; regulatory filings; regulatory approvals, litigation and regulatory resolution goals; other operational, regulatory or departmental objectives; budget comparisons; growth in stockholder value relative to established indexes, or another peer group or peer group index; development and implementation of strategic plans or organizational restructuring goals; development and implementation of risk and crisis management programs; improvement in workforce diversity; compliance requirements and compliance relief; safety goals; productivity goals; workforce management and succession planning goals; economic value added, including typical adjustments consistently applied from generally accepted accounting principles required to determine economic value added performance measures; measures of customer satisfaction, employee satisfaction or staff development; development or marketing collaborations, formations of joint ventures or partnerships or the completion of other similar transactions intended to enhance the company's revenue or profitability or enhance its customer base; mergers and acquisitions; and any other goal that is established at the discretion of the committee other than with respect to grants intended to meet the requirements of Section 162(m) of the Code. The committee shall have sole discretion to determine specific targets within each category of performance goals.

In establishing performance goals, the committee may, no later than the date on which such performance goals are to be established in accordance with Section 162(m) of the Code, provide for the exclusion of the effects of items to the extent identified in our audited consolidated financial statements, including footnotes, Management's Discussion and Analysis of Financial Condition and Results of Operations accompanying such consolidated financial statements or as otherwise specified by the committee, such as the following: (1) restructurings, discontinued operations and other unusual, infrequent, or non-recurring charges or events, (2) asset write-downs, (3) significant litigation or claim judgments or settlements, (4) acquisitions or divestitures, (5) any reorganization or change in our corporate structure or capital structure, (6) an event either not directly related to our operations, or operations of a subsidiary, division, business segment, or business unit or not within the reasonable control of management, (7) foreign exchange gains and losses, (8) a change in our fiscal year, (9) the cumulative effects of tax or accounting changes in accordance with GAAP or (10) the effect of changes in other laws or regulatory rules affecting reported results.

Change of Control

If we experience a change of control where we are not the surviving corporation, or survive only as a subsidiary of another corporation, unless the committee determines otherwise, all outstanding grants that are not exercised or paid at the time of the change of control will be assumed by, or replaced with grants that have comparable terms by, the surviving corporation, or a parent or subsidiary of the surviving corporation. Unless a grant instrument provides otherwise, if a participant's employment is terminated by the surviving corporation without cause upon or within 12 months following a change of control, the participant's outstanding grants will fully vest as of the date of termination; provided, that if the vesting of any grants is based, in whole or in part, on performance, the applicable grant instrument will specify how the portion of the grant that becomes vested upon a termination following a change of control will be calculated.

If there is a change of control and all outstanding grants are not assumed by, or replaced with grants that have comparable terms by, the surviving corporation, the committee may take any of the following action without the consent of any participant:

- determine that outstanding options and stock appreciation rights will accelerate and become fully exercisable and the restrictions and conditions on outstanding stock awards, stock units, cash awards and dividend equivalents immediately lapse;
- pay participants, in an amount and form determined by the committee, in settlement of outstanding stock units, cash awards or dividend equivalents;
- require that participants surrender their outstanding stock options, stock appreciation rights or any other exercisable grant, in exchange for a payment by the company, in cash or shares of our common stock, equal to the difference between the exercise price and the fair market value of the underlying shares of common stock; provided, however, if the per share fair market value of the common stock does not exceed the per share stock option exercise price or stock appreciation right base amount, as applicable, we will not be required to make any payment to the participant upon surrender of the stock option or stock appreciation right; or
- after giving participants an opportunity to exercise all of their outstanding stock options and stock appreciation rights, terminate any unexercised stock options and stock appreciation rights on the date determined by the committee.

In general terms, a change of control under the 2016 Equity Compensation Plan occurs if:

- a person, entity or affiliated group, with certain exceptions, acquires more than 50% of our then outstanding voting securities;
- we merge into another entity unless the holders of our voting shares immediately prior to the merger have at least 50% of the combined voting power of the securities in the merged entity or its parent;
- we merge into another entity and the members of the board of directors prior to the merger would not constitute a majority of the board of the merged entity or its parent;
- we sell or dispose of all or substantially all of our assets;
- our stockholders approve a plan of complete liquidation or dissolution; or
- a majority of the members of our board of directors is replaced during any 12-month period or less by directors whose appointment or election is not endorsed by a majority of the incumbent directors.

Deferrals

The committee may permit or require participants to defer receipt of the payment of cash or the delivery of shares of common stock that would otherwise be due to the participant in connection with a grant under the 2016 Equity Compensation Plan. The committee will establish the rules and procedures applicable to any such deferrals, consistent with the requirements of Section 409A of the Code.

Withholding

All grants under the Plan are subject to applicable U.S. federal (including FICA), state, and local, foreign country or other tax withholding requirements. We may require participants or other persons receiving grants or exercising grants to pay an amount sufficient to satisfy such tax withholding requirements with respect to such grants, or we may deduct from other wages and compensation paid by us to such participants or other persons the amount of any withholding taxes due with respect to such grant.

The committee may permit or require that our tax withholding obligation with respect to grants paid in our common stock be paid by having shares withheld up to an amount that does not exceed the participant's minimum applicable withholding tax rate for United States federal (including FICA), state and local tax liabilities, or as otherwise determined by the committee. In addition, the committee may, in its discretion, and subject to such rules as the committee may adopt, allow participants to elect to have such share withholding applied to all or a portion of the tax withholding obligation arising in connection with any particular grant.

No Repricing

Except in connection with a corporate transaction involving the company (including, without limitation, any stock dividend, distribution, whether in the form of cash, our common stock, other securities or property, stock split, extraordinary cash dividend, recapitalization, change of control, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares of our common stock or other securities or similar transactions), we may not, without obtaining stockholder approval, (1) amend the terms of outstanding options or stock appreciation rights to reduce the exercise price of such outstanding options or base price of such stock appreciation rights, (2) cancel outstanding options or stock appreciation rights in exchange for options or stock appreciation rights with an exercise price or base price, as applicable, that is less than the exercise price or base price of the original options or stock appreciation rights or (3) cancel outstanding options or stock appreciation rights with an exercise price or base price, as applicable, above the current stock price in exchange for cash or other securities.

Transferability

Except as permitted by the committee with respect to non-qualified stock options, only a participant may exercise rights under a grant during the participant's lifetime. Upon death, the personal representative or other person entitled to succeed to the rights of the participant may exercise such rights. A participant cannot transfer those rights except by will or by the laws of descent and distribution or, with respect to grants other than incentive stock options, pursuant to a domestic relations order. The committee may provide in a grant instrument that a participant may transfer non-qualified stock options to family members, or one or more trusts or other entities for the benefit or owned by family members, consistent with applicable securities laws.

Amendment; Termination

Our board of directors may amend or terminate the 2016 Equity Compensation Plan at any time, except that our stockholders must approve an amendment if such approval is required in order to comply with the Code, applicable laws, or applicable stock exchange requirements. Unless terminated sooner by our board or extended with stockholder approval, the 2016 Equity Compensation Plan will terminate on the day immediately preceding the tenth anniversary of the effective date.

Stockholder Approval

The 2016 Equity Compensation Plan is intended to comply with the transition relief set forth in Treasury Regulation §1.162-27(f)(1) for companies that become publicly held in connection with an initial public offering. Following the transition period set forth therein, if grants are made as qualified performance-based compensation, the 2016 Equity Compensation Plan must be approved by our stockholders in accordance with the requirements of Section 162(m) of the Code, and reapproved by our stockholders no later than the first stockholders meeting that occurs in the fifth year following such stockholder approval, if required by Section 162(m) of the Code or the regulations thereunder.

Establishment of Sub-Plans

Our board of directors may, from time to time, establish one or more sub-plans under the 2016 Equity Compensation Plan to satisfy applicable Blue Sky, securities or tax laws of various jurisdictions. Our board of directors may establish such sub-plans by adopting supplements to the 2016 Equity Compensation Plan setting forth limitations on the committee's discretion and such additional terms and conditions not otherwise inconsistent with the 2016 Equity Compensation Plan, as our board of directors will deem necessary or desirable. All such supplements will be deemed part of the 2016 Equity Compensation Plan, but each supplement will only apply to participants within the affected jurisdiction.

Clawback

Subject to applicable law, the committee may provide in any grant instrument that if a participant breaches any restrictive covenant agreement between the participant and us, or otherwise engages in activities that constitute cause as defined in the 2016 Equity Compensation Plan, either while employed by, or providing services to, us or within a specified period of time thereafter, all grants held by the participant will terminate, and we may rescind any exercise of an option or stock appreciation right and the vesting of any other grant and delivery of shares upon such exercise or vesting, as applicable on such terms as the committee will determine, including the right to require that in the event of any rescission:

- the participant must return the shares received upon the exercise of any option or stock appreciation right and/or the vesting and payment of any other grants; or
- if the participant no longer owns the shares, the participant must pay to us the amount of any gain realized or payment received as a result of any sale or other disposition of the shares, if the participant transferred the shares by gift or without consideration, then the fair market value of the share on the date of the breach of the restrictive covenant agreement or activity constituting cause, net of the price originally paid by the participant for the shares.

The committee may also provide for clawbacks pursuant to the applicable clawback policy, which may be amended from time to time, adopted by our board of directors. Payment by the participant will be made in such manner and on such terms and conditions as may be required by the committee. We will be entitled to set off against the amount of any such payment any amounts that we otherwise owe to the participant.

Limitation of Liability and Indemnification

Our amended and restated certificate of incorporation, which will become effective upon the completion of this offering, limits the personal liability of directors for breach of fiduciary duty to the maximum extent permitted by the Delaware General Corporation Law and provides that no director will have personal liability to us or to our stockholders for monetary damages for breach of fiduciary duty or other duty as a director. However, these provisions do not eliminate or limit the liability of any of our directors:

- for any breach of the director's duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- for voting or assenting to unlawful payments of dividends, stock repurchases or other distributions; or
- for any transaction from which the director derived an improper personal benefit.

Any amendment to or repeal of these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to such amendment or

repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, our amended and restated certificate of incorporation, which will become effective upon the completion of this offering, provides that we must indemnify our directors and officers and we must advance expenses, including attorneys' fees, to our directors and officers in connection with legal proceedings, subject to very limited exceptions.

In addition to the indemnification required in our amended and restated certificate of incorporation and amended and restated bylaws, we expect to enter into indemnification agreements with each of our current directors, officers and some employees before the completion of this offering. These agreements provide for the indemnification of our directors, officers and some employees for all reasonable expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were our agents. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors, officers and employees.

We maintain a general liability insurance policy that covers specified liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers. In addition, we have entered into indemnification agreements with all of our directors, and we intend to enter into indemnification agreements with all of our executive officers prior to the completion of this offering. These indemnification agreements may require us, among other things, to indemnify each such director and executive officer for some expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by him in any action or proceeding arising out of his or her service as one of our directors or executive officers.

Some of our non-employee directors may, through their relationships with their employers, be insured or indemnified against specified liabilities incurred in their capacities as members of our board of directors.

Non-Employee Director Compensation

For 2015, members of our board of directors received no cash compensation for services rendered as such members. Certain members of our board of directors who are not our employees received options to purchase our common stock under the 2014 Equity Compensation Plan. The table below shows the aggregate number of option awards outstanding for each non-employee director as of December 31, 2015.

Name	Aggregate option awards outstanding as of December 31, 2015(1) (#)
A Gordon Tunstall	136,596

(1) Option awards vest 25% on the first anniversary of grant, and 1/36th each month thereafter. All Option awards have a term of ten years.

After consultation with Pearl Meyer, our compensation committee has approved a compensation policy for our non-employee directors that becomes effective upon the effective date of the registration statement of which this prospectus forms a part. This policy provides for the following compensation to our non-employee directors following this offering:

- Each non-employee director serving on our board of directors will receive an annual fee from us of $20,000;
- The chair of our audit committee will receive an annual fee from us of $10,000 and each other member will receive $5,000;

- The chair of our compensation committee will receive an annual fee from us of $5,000 and each other member will receive $2,500;
- The chair of our nominating and corporate governance committee will receive an annual fee from us of $4,000 and each other member will receive $2,000; and
- Each non-employee director, upon appointment to the board of directors, will be entitled to an initial grant of options equal to 0.050% of fully diluted common stock outstanding to purchase shares of our common stock and an annual grant of options equal to 0.025% of fully diluted common stock outstanding to purchase shares of our common stock under our 2016 Equity Compensation Plan. Each non-employee director may elect to receive restricted stock in lieu of options which will be granted based on a 1:2 exchange ratio, with one share of restricted stock granted for each two shares subject to an option grant. The initial grant will vest in three substantially equal annual installments over three years and the annual grant will vest in full on the earlier of the next annual shareholder meeting or the one year anniversary of the grant date, in each case, subject to continued service from the date of grant until the applicable vesting dates. The initial equity grant and the annual equity grant for 2016 to each non-employee director, in an aggregate amount of 22,260 shares of common stock, will be made immediately prior to the effective date of the registration statement of which this prospectus forms a part under our 2016 Equity Compensation Plan and each non-employee director has informed us that he has elected to receive restricted stock in lieu of options.

All fees under the director compensation policy will be on a rolling annual basis and no per meeting fees will be paid. All fees payable to our committee members will be in addition to the fees payable to them for serving as a director. We will also reimburse non-employee directors for reasonable expenses incurred in connection with attending board of director and committee meetings.

TRANSACTIONS WITH RELATED PERSONS

The following is a description of transactions since January 1, 2012 to which we have been a party, and in which any of our directors, executive officers or beneficial owners of more than 5% of our voting securities, or affiliates or immediate family members of any of our directors, executive officers or beneficial owners of more than 5% of our voting securities, had or will have a direct or indirect material interest. We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, from unrelated third parties.

Preferred Stock Financings

Series A-1 Preferred Stock Financing

On February 22, 2012, we entered into an amendment to our Series A-1 Preferred Stock Purchase Agreement pursuant to which we issued and sold to the original parties to the purchase agreement an additional 625,000 shares of Series A-1 preferred stock at a purchase price of $0.80 per share for aggregate consideration of $500,000. The following table sets forth the shares of Series A-1 preferred stock issued to holders of more than 5% of our capital stock and their affiliates, and the breakdown of the purchase price paid by such persons:

5% Holder	Shares of Series A-1 Preferred Stock Purchased	Purchase Price for Series A-1 Preferred Stock
Emerald Stage2 Ventures, L.P.(1)	208,750	$ 167,000
Originate Growth Fund #1 Q, L.P. and its affiliates(2)	416,250	333,000

(1) Our director, Bruce Luehrs, is affiliated with, manages and has a pecuniary interest in Emerald Stage2 Ventures, L.P.

(2) Originate Growth Fund #1 Q, L.P. and its affiliates, or Originate, includes Originate Growth Fund #1 A, L.P. Our director, Glen Bressner, is affiliated with, manages and has a pecuniary interest in, Originate.

Series B Preferred Stock Financing

On June 28, 2013, we entered into a Series B Preferred Stock Purchase Agreement pursuant to which we issued and sold to investors 2,961,745 shares of our Series B preferred stock at a purchase price of $1.52312 per share for aggregate consideration of $4,511,096. The following table sets forth the shares of our Series B preferred stock issued to holders of more than 5% of our capital stock and their affiliates, and the breakdown of the purchase price paid by such persons:

5% Holder	Shares of Series B Preferred Stock	Purchase Price
Originate Growth Fund #1 Q, L.P. and its affiliates(1)	335,557	$ 511,096
Radius Venture Partners III QP, L.P. and its affiliates(2)	2,626,188	4,000,000

(1) Our director, Glen Bressner, is affiliated with, manages and has a pecuniary interest in, Originate.

(2) Radius Venture Partners III QP, L.P. and its affiliates, or Radius, includes Radius Venture Partners III (Ohio), L.P. and Radius Venture Partners III, L.P. Our director, Daniel Lubin, is affiliated with, manages and has a pecuniary interest in Radius.

Employment Agreements and Compensation Arrangements

We currently do not have employment agreements with our named executive officers, but we expect to enter into employment agreements with such officers following the completion of this offering. For more information, refer to the section titled "Executive Compensation — Employment Agreements."

Dr. Calvin Knowlton, husband of Dr. Orsula Knowlton, our President, has been employed by us since 2010. Dr. Calvin Knowlton serves as our Chief Executive Officer and Chairman. See the section titled "Executive Compensation" for compensation information for Dr. Calvin Knowlton.

Dr. Orsula Knowlton, wife of Dr. Calvin Knowlton, has been employed by us since 2010. See the section titled "Executive Compensation" for compensation information for Dr. Orsula Knowlton.

Jeffrey Knowlton, a son of Dr. Calvin Knowlton, has been employed by us since 2013. Jeffrey Knowlton serves as our Director of Business Intelligence. During the fiscal years ended December 31, 2013, 2014 and 2015, Jeffrey Knowlton had total compensation, including base salary, bonus, option awards and other compensation, of $116,553, $170,607 and $189,389, respectively.

Dana Filippoli, a daughter of Dr. Calvin Knowlton, has been employed by us since 2011. Dana Filippoli serves as our Director of Marketing and Communications. During the fiscal years ended December 31, 2012, 2013, 2014 and 2015, Dana Filippoli had total compensation, including base salary, bonus, option awards and other compensation, of $82,049, $86,902, $102,306 and $121,926, respectively.

Michael Ristagno, a brother-in-law of Drs. Calvin and Orsula Knowlton, has been employed by us since 2011. Michael Ristagno serves as our Senior Vice President of Client Services. During the fiscal years ended December 31, 2012, 2013, 2014 and 2015, Michael Ristagno had total compensation, including base salary, bonus, option awards and other compensation, of $180,516, $206,877, $214,000 and $247,361, respectively.

Joseph Filippoli, a son-in-law of Dr. Calvin Knowlton, has been employed by us since 2013. Joseph Filippoli serves as our Chief Information Officer. During the fiscal years ended December 31, 2013, 2014 and 2015, Joseph Filippoli had total compensation, including base salary, bonus, option awards and other compensation, of $273,506, $298,829 and $330,410, respectively.

Robert Omlor, a son-in-law of Dr. Calvin Knowlton, has been employed by us since 2010. Robert Omlor serves as our Senior Director of Client Services. During the fiscal years ended December 31, 2012, 2013, 2014 and 2015, Robert Omlor had total compensation, including base salary, bonus, option awards and other compensation, of $138,498, $147,202, $158,415 and $179,271, respectively.

Each of Jeffrey Knowlton, Dana Filippoli, Michael Ristagno, Joseph Filippoli and Robert Omlor's respective compensation levels were determined, in part, by reference to our similarly situated employees who were not related to an executive officer or director. Each of the above named individuals was also eligible for equity awards on the same general terms and conditions as applicable to other similarly situated employees who were not related to an executive officer or director.

In June 2014, we entered into a Letter Agreement with Radius, which was amended in September 2016, pursuant to which we established the Leadership Exit Bonus Plan whereby certain of our executives, including our named executive officers and Joseph Filippoli, will receive certain proceeds in connection with an initial public offering based on the value of the shares of Series B preferred stock (on an as converted basis) held by Radius immediately prior to this offering based on the initial public offering price. At the completion of this offering, 71,390 shares of our common stock, assuming an initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, will be transferred to us by Radius and our board of directors have approved the issuance of these shares less 24,570 shares of our common stock withheld for tax purposes, at the completion of this offering, in accordance with the terms of the Leadership Exit Bonus Plan, including 13,911, 13,911, 5,183 and 4,316 shares of common stock issuable to Drs. Calvin and Orsula Knowlton, Mr. Adams and Joseph Filippoli, respectively. All shares of common stock will be fully vested upon grant. For more information, refer to the section titled "Executive Compensation — Long-Term Incentive Compensation — Leadership Exit Bonus Plan."

Equity Plan Awards

We have granted stock options under our 2014 Equity Compensation Plan to certain of our executive officers and directors, as well as certain of their respective immediate family members. The table below summarizes the stock option grants made to such persons since January 1, 2012:

	Option Awards			
Name	**Grant Date**	**Number of Securities Underlying Option Award (#)**	**Option Exercise Price ($)**	**Option Expiration Date**
Dr. Calvin Knowlton	1/6/2012	33,990	1.70	1/6/2017
	3/1/2012	1,015	1.70	3/1/2017
	12/20/2012	6,280	2.34	12/20/2017
	1/2/2013	25,773	3.41	1/2/2018
	1/22/2013	3,810	3.41	1/22/2018
	6/28/2013	293,784	3.41	6/28/2018
	1/1/2014	40,337	6.40	1/1/2019
	1/1/2015	36,082	6.40	1/1/2020
	2/1/2015	1,860	6.40	2/1/2020
Dr. Orsula Knowlton	1/6/2012	33,838	1.70	1/6/2017
	3/1/2012	939	1.70	3/1/2017
	12/20/2012	5,809	2.34	12/20/2017
	1/2/2013	25,773	3.41	1/2/2018
	1/22/2013	3,524	3.41	1/22/2018
	6/28/2013	293,784	3.41	6/28/2018
	1/1/2014	39,344	6.40	1/1/2019
	1/1/2015	36,082	6.40	1/1/2020
	2/1/2015	1,662	6.40	2/1/2020
Brian Adams	1/6/2012	9,278	1.55	1/6/2022
	3/1/2012	1,288	1.55	3/1/2022
	12/20/2012	8,442	2.13	12/20/2022
	1/2/2013	7,731	3.10	1/2/2023
	1/22/2013	675	3.10	1/22/2023
	6/28/2013	88,153	3.10	6/28/2023
	1/1/2014	10,573	5.82	1/1/2024
	1/1/2015	10,309	5.82	1/1/2025
	2/1/2015	625	5.82	2/1/2025
A. Gordon Tunstall	3/21/2012	25,773	1.55	3/21/2022
	3/21/2012	51,546	1.55	3/21/2022
	11/19/2013	25,773	3.58	11/19/2023
	1/1/2015	7,731	5.82	1/1/2025
	1/1/2015	25,773	5.82	1/1/2025
Jeffrey Knowlton (Son of Dr. Calvin Knowlton)	1/1/2013	180	3.10	1/1/2023
	3/4/2013	8,376	3.41	3/4/2023
	1/1/2014	773	6.40	1/1/2024
	1/1/2015	773	5.82	1/1/2025
	2/1/2015	738	5.82	2/1/2025

	Option Awards			
Name	**Grant Date**	**Number of Securities Underlying Option Award (#)**	**Option Exercise Price ($)**	**Option Expiration Date**
Dana Filippoli	1/6/2012	1,546	1.70	1/6/2022
(Daughter of Dr. Calvin Knowlton)	1/2/2013	773	3.41	1/2/2023
	1/1/2014	2,577	6.40	1/1/2024
	1/1/2015	2,577	5.82	1/1/2025
Michael Ristagno	1/6/2012	9,491	1.55	1/6/2022
(Brother-in-Law of Dr. Orsula Knowlton)	3/1/2012	2,168	1.55	3/1/2022
	12/20/2012	11,512	2.13	12/20/2022
	1/2/2013	3,865	3.10	1/2/2023
	1/22/2013	1,434	3.10	1/22/2023
	1/1/2014	3,865	5.82	1/1/2024
	4/4/2014	12	5.82	4/4/2024
	1/1/2015	2,577	5.82	1/1/2025
Joseph Filippoli	7/20/2012	257	2.32	7/20/2022
(Son-in-Law of Dr. Calvin Knowlton)	9/6/2012	257	2.32	9/6/2022
	12/14/2012	1,030	2.32	12/14/2022
	1/2/2013	15,463	2.32	1/2/2023
	1/2/2013	7,731	3.10	1/2/2023
	6/28/2013	58,647	3.10	6/28/2023
	1/1/2014	10,363	5.82	1/1/2024
	1/1/2015	10,309	5.82	1/1/2025
Robert K. Omlor	1/6/2012	3,040	1.55	1/6/2022
(Son-in-Law of Dr. Calvin Knowlton)	3/1/2012	514	1.55	3/1/2022
	12/20/2012	4,897	2.13	12/20/2022
	1/2/2013	773	3.10	1/2/2023
	1/22/2013	1,544	3.10	1/22/2023
	1/1/2014	1,045	5.82	1/1/2024
	1/1/2015	773	5.82	1/1/2025
	2/1/2015	239	5.82	2/1/2025
Antonia Ristagno	1/2/2013	128	3.10	1/2/2023
(Sister of Dr. Orsula Knowlton)				

For further information regarding stock option grants to our named executive officers and directors, see the section titled "Executive Compensation."

On June 28, 2013, our board of directors approved distributing any remaining shares of our common stock available for issuance under the 2014 Equity Compensation Plan to certain members of management, including each of our named executive officers, as restricted stock, upon the consummation of an initial public offering or a change of control. The allocation of such shares was determined by our board of directors based on the recommendation of our Chief Executive Officer, Dr. Calvin Knowlton. Such shares of restricted common stock will be issued immediately prior to the effective date of the registration statement of which this prospectus forms a part and include 337,307, 267,268 and 70,038 shares of restricted common stock issuable to Drs. Calvin and Orsula Knowlton and Mr. Adams, respectively. All shares of restricted common stock will vest in full on May 31, 2017.

In September 2016, our board of directors approved the following restricted common stock grants to each non-employee director which shall be made immediately prior to the effective date of the registration statement of which this prospectus forms a part under our 2016 Equity Compensation Plan:

Name	Initial Grant	Annual Board Grant for 2016
Gordon Tunstall	3,710	1,855
Glen Bressner	3,710	1,855
Bruce Luehrs	3,710	1,855
Daniel Lubin	3,710	1,855

The initial grant will vest in three substantially equal annual installments over three years following the grant date and the annual grant will vest in full on the earlier of the next annual shareholder meeting or the one year anniversary of the grant date. For more information, refer to the section titled "Executive Compensation — Non-Employee Director Compensation."

We adopted a Valuation Incentive Award Plan in June of 2014. Pursuant to the terms of such plan, each named executive officer, Joseph Filippoli and two additional key employees are eligible to participate in an incentive award pool of $9.0 million as determined by Dr. Calvin Knowlton upon an acquisition of the company in excess of $250.0 million. We are terminating the Valuation Incentive Award Plan in connection with this offering.

Loan Transactions

On August 14, 2015, we made a loan to Drs. Calvin Knowlton and Orsula Knowlton, pursuant to a promissory note, for an aggregate principal amount of $409,541, which they repaid in full on December 8, 2015 by offsetting amounts due to them pursuant to demand promissory notes we previously issued. The note carried interest at a rate of 6% per annum.

On January 16, 2014, we borrowed $100,000 from Drs. Calvin and Orsula Knowlton, pursuant to a demand promissory note, all of which was repaid on December 8, 2015 in connection with the satisfaction of the loan we previously made to Drs. Calvin and Orsula Knowlton. The note carried interest at a rate of 6% per annum.

On May 20, 2013, we borrowed $250,000 from Dr. John Durham and Mrs. Joann Durham, pursuant to a demand promissory note, $250,000 of which remained outstanding as of June 30, 2016. The note carries interest at a rate of 6% per annum. Under the terms of the note, we agreed to grant warrants to purchase shares of our common stock to Dr. and Mrs. Durham. For more information, refer to the section titled "Transactions with Related Persons — Warrants."

On December 28, 2012, we executed a demand promissory note with Drs. Calvin and Orsula Knowlton, which was increased by amendment several times to an aggregate principal amount of $1,099,109 as of September 26, 2013. On December 8, 2015, we repaid $308,407 under the demand promissory note in connection with the satisfaction of the loan we previously made to Drs. Calvin and Orsula Knowlton and we repaid the remaining balance of $1,352 on January 4, 2016. The note carries interest at a rate of 6% per annum. Under the terms of the note, we agreed to grant warrants to purchase shares of our common stock to Drs. Knowlton. For more information, refer to the section titled "Transactions with Related Persons — Warrants."

On July 14, 2011, we entered into a promissory note with Liberty Bell Bank, pursuant to which we financed the acquisition of certain equipment. This note has a balance as of June 30, 2016 of $4,152. In connection therewith, Dr. Calvin Knowlton entered into a commercial guaranty under which he personally guaranteed the payment and satisfaction of this indebtedness.

On January 28, 2011, we entered into a promissory note with Liberty Bell Bank, pursuant to which we financed the acquisition of certain equipment. On February 2, 2016 we repaid the remaining balance

of $26,021. In connection therewith, Dr. Calvin Knowlton entered into a commercial guaranty under which he personally guaranteed the payment and satisfaction of this indebtedness.

Warrants

Under the terms of the Knowlton promissory note originally issued on December 28, 2012, we agreed to grant to Drs. Calvin and Orsula Knowlton warrants with a ten year term to purchase shares of our common stock during the period while the principal amount of the note was outstanding until June 30, 2015. Under this agreement, warrants to purchase an aggregate of 39,496 shares of common stock were issued on a monthly basis from January 2013 through June 2015, at exercise prices ranging from $2.56 to $6.40 per share.

Under the terms of the Durham promissory note originally issued on May 20, 2013, we agreed to grant to Dr. John Durham and Mrs. Joann Durham warrants with a ten year term to purchase shares of our common stock during the period while the principal amount of the note was outstanding until December 31, 2014. Under this agreement, warrants to purchase an aggregate of 8,997 shares of common stock were issued on a monthly basis from May 2013 through December 2014, at exercise prices ranging from $3.10 to $5.82 per share.

Registration Rights

We are a party to an Investor Rights Agreement with Emerald Stage2 Ventures, L.P., Originate and Radius. This agreement provides these holders the right, subject to the terms of the lock-up agreements entered into in connection with this offering, following the completion of this offering, to demand that we file a registration statement or to request that their shares be covered by a registration statement that we are otherwise filing. See "Description of Capital Stock — Registration Rights" for additional information regarding these registration rights.

Indemnification Agreements

We intend to enter into indemnification agreements with each of our directors and certain of our executive officers. These agreements will require us to indemnify these individuals and, in certain cases, affiliates of such individuals, to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

Stockholders Agreements

We are a party to a Stockholders Agreement with substantially all holders of our common and preferred stock, including each beneficial owner of more than 5% of our voting securities and each of our other officers and directors to the extent they own any of our capital stock. This agreement terminates upon the completion of this offering, except for the obligation of certain holders of our common stock who are signatories to the Stockholders Agreement, who are prohibited from selling shares for a period of 180 days following the effective date of the filing of this registration statement.

Policies and Procedures for Related Person Transactions

In connection with this offering, our board of directors plans to adopt a written related person transaction policy to set forth policies and procedures for the review and approval or ratification of related person transactions. Effective upon the closing of this offering, this policy is expected to cover any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we were or are to be a participant, the amount involved exceeds $120,000 and one of our executive officers, directors, director nominees or 5% stockholders, or their immediate family members, each of whom we refer to as a "related person," had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or

entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a "related person transaction," the related person must report the proposed related person transaction to our audit committee. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by our audit committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chairman of the audit committee to review and, if deemed appropriate, approve proposed related person transactions that arise between committee meetings, subject to ratification by the committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed annually.

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

- the related person's interest in the related person transaction;
- the approximate dollar value of the amount involved in the related person transaction;
- the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of our business;
- whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to us of, the transaction; and
- any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

Our audit committee may approve or ratify the transaction only if it determines that, under all of the circumstances, the transaction is in our best interests. Our audit committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, our board of directors has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

- interests arising solely from the related person's position as an executive officer of another entity whether or not the person is also a director of the entity that is a participant in the transaction, where the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction and the amount involved in the transaction is less than the greater of $200,000 or 5% of the annual gross revenue of the company receiving payment under the transaction; and
- a transaction that is specifically contemplated by provisions of our certificate of incorporation or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by our compensation committee in the manner specified in the compensation committee's charter.

We did not have a written policy regarding the review and approval of related person transactions prior to this offering. Nevertheless, with respect to such transactions, it has been the practice of our board of directors to consider the nature of and business reason for such transactions, how the terms of such transactions compared to those which might be obtained from unaffiliated third parties and whether such transactions were otherwise fair to and in the best interests of, or not contrary to, our best interests. In addition, all related person transactions required prior approval, or later ratification, by our board of directors.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock, assuming no exercise of the underwriters' option to purchase additional shares, as of August 31, 2016 by:

- each of our directors;
- each of our executive officers;
- all of our directors and executive officers as a group; and
- each person or group of affiliated persons who is known by us to beneficially own more than 5% of our outstanding common stock.

The column entitled "Percentage of Shares Beneficially Owned — Before Offering" is based on a total of 11,209,158 shares of our common stock outstanding as of August 31, 2016, assuming (1) the conversion of all outstanding shares of our preferred stock into common stock, which will occur immediately prior to the completion of this offering, less the Radius Shares, (2) the issuance of shares of our common stock upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering, (3) the issuance of shares of restricted common stock under our 2014 Equity Compensation Plan and our 2016 Equity Compensation Plan to members of management and our board of directors, respectively, immediately prior to the effective date of the registration statement of which this prospectus forms a part, (4) the issuance of shares of our common stock to certain of our executive officers pursuant to our Leadership Exit Bonus Plan and under our 2016 Equity Compensation Plan upon the completion of this offering, and (5) shares of common stock issuable in connection with the acquisition of primarily intellectual property and software assets from a third party following the completion of this offering. The column entitled "Percentage of Shares Beneficially Owned — After Offering" is based on 15,509,158 shares of our common stock to be outstanding after this offering, including the shares of our common stock that we are selling in this offering.

At our request, the underwriters have reserved up to 5% of the common stock being offered by this prospectus for sale at the initial public offering price to our directors, officers, key employees and their respective friends and families through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. The following table also does not reflect any potential purchases pursuant to the directed share program.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to our common stock. Shares of our common stock subject to options and warrants that are currently exercisable or exercisable within 60 days after August 31, 2016 are considered outstanding and beneficially owned by the person holding the options or warrants for the purpose of calculating the percentage ownership of that person but not for the purpose of calculating the percentage ownership of any other person. Except as otherwise noted, to our knowledge, the persons and entities in this table have sole voting and investing power with respect to all of the shares of our common stock beneficially owned by them, subject to community property laws, where applicable. Except as otherwise set forth below, the address of each beneficial owner is: c/o 228 Strawbridge Drive, Suite 100, Moorestown, New Jersey 08057.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned	
		Before Offering	After Offering
5% Stockholders (other than directors and executive officers)			
Originate Growth Fund #1 Q, L.P. and its affiliates(1) ..... c/o Originate Ventures 205 South Webster Street Bethlehem, PA 18105	2,786,432	24.9%	18.0%
Radius Venture Partners III QP, L.P. and its affiliates(2) ... c/o Radius Venture Partners III, LLC 400 Madison Avenue, 8th Floor New York, NY 10017	1,791,283	16.0	11.5
Emerald Stage2 Ventures L.P.(3) ..... 4801 South Broad Street, Suite 200 Philadelphia, PA 19112	960,407	8.6	6.2
Dr. John Durham and Mrs. Joann Durham(4)	829,790	7.4	5.4
Directors and Executive Officers:			
Dr. Calvin H. Knowlton(5)	2,387,024	20.0	14.7
Dr. Orsula Knowlton(5)	2,387,024	20.0	14.7
Brian W. Adams(6)	198,412	1.8	1.3
Glen Bressner(7)	2,786,432	24.9	18.0
Daniel Lubin(8)	1,791,283	16.0	11.5
Bruce Luehrs(9)	960,407	8.6	6.2
A Gordon Tunstall(10)	116,336	1.0	*
All executive officers and directors as a group (7 persons)	9,069,684	74.5%	55.1%

* Represents beneficial ownership of less than one percent of our outstanding common stock.

(1) Consists of (a) 472,560 shares of common stock issuable upon the conversion of 916,766 shares of Series A preferred stock held by Originate Growth Fund #1A, L.P., or Originate Growth Fund #1A, (b) 1,043,510 shares of common stock issuable upon the conversion of 2,024,410 shares of Series A preferred stock held by Originate Growth Fund #1Q, L.P., or Originate Growth Fund #1Q, (c) 302,659 shares of common stock issuable upon the conversion of 587,158 shares of Series A-1 preferred stock held by Originate Growth Fund #1A, (d) 668,353 shares of common stock issuable upon the conversion of 1,296,605 shares of Series A-1 preferred stock held by Originate Growth Fund #1Q, (e) 53,912 shares of common stock issuable upon the conversion of 104,589 shares of Series B preferred stock held by Originate Growth Fund #1A, (f) 119,055 shares of common stock issuable upon the conversion of 230,968 shares of Series B preferred stock held by Originate Growth Fund #1Q, (g) 37,658 shares of common stock held by Originate Growth Fund #1A, (h) 83,160 shares of common stock held by Originate Growth Fund #1Q. Originate Growth GP, LLC is the general partner of both Originate Growth Fund #1A and Originate Growth Fund #1Q and Originate Ventures LLC is the management company of both Originate Growth Fund #1A and Originate Growth Fund #1Q and (i) 5,565 shares of unvested restricted stock to be issued to Glen Bressner immediately prior to the effective date of the registration statement of which this prospectus forms a part. The members of Originate Growth GP, LLC and Originate Ventures LLC are Glen Bressner, Eric Arnson and Michael Gausling. Each member shares voting and dispositive

power with respect to the shares held by each of Originate Growth Fund #1A and Originate Growth Fund #1Q.

(2) Consists of (a) 15,127 shares of common stock issuable upon the conversion of 29,346 shares of Series A-1 preferred stock held by Radius Venture Partners III (Ohio), L.P., or Radius Venture Partners III (Ohio), (b) 120,443 shares of common stock issuable upon the conversion of 233,659 shares of Series A-1 preferred stock held by Radius Venture Partners III QP, L.P., or Radius Venture Partners III QP, (c) 11,045 shares of common stock issuable upon the conversion of 21,428 shares of Series A-1 preferred stock held by Radius Venture Partners III, L.P., or Radius Venture Partners III, (d) 139,665 shares of common stock issuable upon the conversion of 270,952 shares of Series B preferred stock held by Radius Venture Partners III (Ohio), (e) 1,112,056 shares of common stock issuable upon the conversion of 2,157,390 shares of Series B preferred stock held by Radius Venture Partners III QP, (f) 101,982 shares of common stock issuable upon the conversion of 197,846 shares of Series B preferred stock held by Radius Venture Partners III, (g) 36,811 shares of common stock held by Radius Venture Partners III (Ohio), (h) 293,100 shares of common stock held by Radius Venture Partners III QP, (i) 26,879 shares of common stock held by Radius Venture Partners III, (j) 5,565 shares of unvested restricted stock to be issued to Daniel Lubin immediately prior to the effective date of the registration statement of which this prospectus forms a part, and (k) less 71,390 shares of common stock which will subsequently be surrendered to us by Radius Venture Partners III QP, L.P. and its affiliates at the completion of this offering based upon an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus. Radius Venture Partners III, LLC is the general partner of each of Radius Venture Partners III (Ohio), Radius Venture Partners III QP and Radius Venture Partners III and Radius Ventures, LLC is the investment advisor to each of Radius Venture Partners III (Ohio), Radius Venture Partners III QP and Radius Venture Partners III. Daniel Lubin and Jordan Davis are the managing members of both Radius Venture Partners III, LLC and Radius Ventures, LLC and share voting and dispositive power with respect to the shares held by each of Radius Venture Partners III (Ohio), Radius Venture Partners III QP and Radius Venture Partners III.

(3) Consists of (a) 758,036 shares of common stock issuable upon the conversion of 1,470,590 shares of Series A preferred stock held by Emerald Stage2 Ventures, L.P., or Emerald Stage2 Ventures, (b) 171,033 shares of common stock issuable upon the conversion of 331,804 shares of Series A-1 preferred stock held by Emerald Stage2 Ventures, (c) 25,773 shares of common stock held by Emerald Stage2 Ventures and (d) 5,565 shares of unvested restricted stock to be issued to Bruce Luehrs immediately prior to the effective date of the registration statement of which this prospectus forms a part. Stage2 Capital Ventures Associates, L.P. is the general partner of Emerald Stage2 Ventures and Stage2 Capital Associates G.P., LLC is the general partner of Stage2 Capital Ventures Associates, L.P. Bruce Luehrs and Saul Richter are officers of Stage2 Capital Associates G.P., LLC and share voting and dispositive power with respect to the shares held by Emerald Stage2 Ventures.

(4) Consists of (a) 803,425 shares of common stock and (b) 26,365 shares of common stock issuable upon the exercise of warrants within 60 days of August 31, 2016.

(5) Drs. Calvin and Orsula Knowlton are spouses and the number and percentage of beneficial ownership of each represents their aggregate combined ownership, including their combined ownership of The Calvin and Orsula Knowlton Foundation, Inc., over which Drs. Calvin and Orsula Knowlton have shared voting and investment power and Dr. Calvin Knowlton's ownership of The Knowlton Foundation, Inc., over which Dr. Calvin Knowlton has sole voting and investment power. Consists of (a) 353,037 shares of common stock held by Dr. Calvin Knowlton, (b) 433,601 shares of common stock held by Dr. Orsula Knowlton, (c) 51,546 shares of common stock held by The Calvin and Orsula Knowlton Foundation, Inc., for which Drs. Calvin and Orsula Knowlton serve as Secretary and President, respectively, (d) 51,546 shares of common stock held by The Knowlton

Foundation, Inc., for which Dr. Calvin Knowlton serves as President, (e) 364,809 shares of common stock issuable upon the exercise of options within 60 days of August 31, 2016 by Dr. Calvin Knowlton, (f) 362,632 shares of common stock issuable upon the exercise of options within 60 days of August 31, 2016 by Dr. Orsula Knowlton, (g) 13,911 shares of common stock to be issued to Dr. Calvin Knowlton upon the completion of this offering in accordance with the terms of the Leadership Exit Bonus Plan, assuming an initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, (h) 13,911 shares of common stock to be issued to Dr. Orsula Knowlton upon the completion of this offering in accordance with the terms of the Leadership Exit Bonus Plan, assuming an initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, (i) 337,307 shares of unvested restricted stock to be issued to Dr. Calvin Knowlton immediately prior to the effective date of the registration statement of which this prospectus forms a part, (j) 267,268 shares of unvested restricted stock to be issued to Dr. Orsula Knowlton immediately prior to the effective date of the registration statement of which this prospectus forms a part, (k) 68,729 shares of common stock available for purchase by Dr. Calvin Knowlton under a Repurchase Option Agreement with certain third party investors, and (l) 68,727 shares of common stock available for purchase by Dr. Orsula Knowlton under a Repurchase Option Agreement with certain third party investors.

(6) Consists of (a) 123,191 shares of common stock issuable upon the exercise of options within 60 days of August 31, 2016, (b) 70,038 shares of unvested restricted stock to be issued to Mr. Adams immediately prior to the effective date of the registration statement of which this prospectus forms a part and (c) 5,183 shares of common stock to be issued to Mr. Adams upon the completion of this offering in accordance with the terms of the Leadership Exit Bonus Plan, assuming an initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus.

(7) Consists of 2,786,432 shares of common stock issuable as described in note (1) above. Mr. Bressner, a member of our board, is a member of Originate Growth GP, LLC and Originate Ventures LLC and, as such, may be deemed to have voting and investment power with respect to these shares.

(8) Consists of 1,791,283 shares of common stock issuable as described in note (2) above. Mr. Lubin, a member of our board, is a managing member of Radius Venture Partners III, LLC and Radius Ventures, LLC and, as such, may be deemed to have voting and investment power with respect to these shares.

(9) Consists of 960,407 shares of common stock issuable as described in note (3) above. Mr. Luehrs, a member of our board, is an officer of Stage2 Capital Associates G.P., LLC and, as such, may be deemed to have voting and investment power with respect to these shares.

(10) Consists of (a) 110,771 shares of common stock issuable upon the exercise of options within 60 days of August 31, 2016 and (b) 5,565 shares of unvested restricted stock to be issued to Mr. Tunstall immediately prior to the effective date of the registration statement of which this prospectus forms a part.

DESCRIPTION OF CAPITAL STOCK

Upon the completion of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of 100,000,000 shares of common stock, par value $.0001 per share, and 10,000,000 shares of undesignated preferred stock, par value $.0001 per share. The following is a summary of the rights of our common and preferred stock and some of the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective upon the completion of this offering, and of the Delaware General Corporation Law. This summary is not complete. For more detailed information, please see our amended and restated certificate of incorporation and amended and restated bylaws, which are filed as exhibits to the registration statement of which this prospectus is a part, as well as the relevant provisions of the Delaware General Corporation Law.

Common Stock

Assuming as of June 30, 2016 (1) the automatic conversion of all outstanding shares of our preferred stock into 5,018,046 shares of our common stock net of the 71,390 Radius Shares surrendered at the completion of this offering, (2) the redesignation of all of our Class A Non-Voting common stock and Class B Voting common stock, totaling 4,860,759 shares, into shares of our common stock, (3) the issuance of 203,745 shares of our common stock upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering, assuming an initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, (4) the issuance of 46,820 shares of our common stock to certain of our executive officers pursuant to our Leadership Exit Bonus Plan and under our 2016 Equity Compensation Plan which represents an amount equal to the Radius Shares surrendered at the completion of this offering less 24,570 shares of our common stock withheld for tax withholding purposes, based upon an assumed initial public offering price of $14.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus each of (1) through (4) will occur upon the completion of this offering, (5) 357,142 shares of common stock issuable in connection with the acquisition of primarily intellectual property and software assets from a third party, assuming the value of our common stock on The Nasdaq Global Market calculated on each of the 31st and 61st business day following the completion of this offering, based on a specified trailing average trading price, of $14.00 per share, which is the midpoint of the price range set forth on the cover of this prospectus, and (6) the issuance of 722,646 shares of restricted common stock under our 2014 Equity Compensation Plan and our 2016 Equity Compensation Plan to members of management and our board of directors, respectively, immediately prior to the effective date of the registration statement of which this prospectus forms a part, there would have been 11,209,158 shares of our common stock outstanding, held of record by 105 stockholders. Based on (i) the above and (ii) the issuance of 4,300,000 shares of common stock in this offering, there will be 15,509,158 shares of our common stock outstanding upon the completion of this offering.

Voting

Our common stock is entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors, and does not have cumulative voting rights. Accordingly, the holders of a majority of the shares of our common stock entitled to vote in any election of directors can elect all of the directors standing for election.

Dividends

Subject to preferences that may be applicable to any then outstanding preferred stock, the holders of common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds.

Liquidation

In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

Rights and Preferences

Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

Fully Paid and Nonassessable

All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering will be, fully paid and nonassessable.

Preferred Stock

As of June 30, 2016, there were 9,873,511 shares of preferred stock outstanding, held of record by six stockholders. Immediately prior to the completion of this offering, we will convert our Series A preferred stock, Series A-1 preferred stock and Series B preferred stock, into 5,089,436 shares of our common stock. We expect that prior to the completion of the offering, we and our preferred shareholders will enter into an agreement, or otherwise amend the certificate of incorporation, to provide that the preferred stock will convert into shares of our common stock in connection with this offering.

Following this offering, under our amended and restated certificate of incorporation, our board of directors will have the authority, without further action by the stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding.

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or impair the liquidation rights of our common stock or otherwise adversely affect the rights of holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control and may adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plans to issue any shares of preferred stock.

Options

As of June 30, 2016, options to purchase an aggregate of 2,724,783 shares of our common stock at a weighted-average exercise price of $3.33 per share were outstanding.

Warrants

The following table summarizes our outstanding warrants to purchase shares of our stock as of June 30, 2016:

Series of Warrant	Number of Warrants	Number of Holders	Per Share Exercise Price	Expiration Date
Series A-1 preferred stock	250,000	1	$0.800	March 2022
	62,500	1	0.800	October 2022
Series B preferred stock	105,005	1	$2.860	April 2024
	481,863	1	2.990	December 2024
Class A Non-Voting common stock	106,361	49	$0.480	May—October 2019
	7,731	3	0.530	May 2019
	5,154	1	0.970	December 2019
	515	1	0.970	March 2020
Class B Voting common stock	82,471	3	$0.480	May—October 2019
	2,577	1	0.480	June 2021
	4,982	1	3.100	May—December 2023
	4,015	1	5.820	January—December 2024

In accordance with their terms, the warrants for the Class A Non-Voting common stock and the Class B Voting common stock expire upon the completion of this offering, unless exercised prior thereto. Upon the completion of this offering the outstanding warrants to purchase Series A-1 preferred stock, or the A-1 Warrants, and warrants to purchase Series B preferred stock, or the B Warrants, will each convert into warrants to purchase common stock. Assuming no warrants have been exercised as of June 30, 2016, upon the completion of this offering there will be outstanding (i) two A-1 Warrants to purchase an aggregate of 161,081 shares of common stock, each at an exercise price of $1.55 per share, and which expire on October 26, 2022 and the earlier of March 23, 2022 and three years from the date of completion of an initial public offering of the company's common stock, respectively, and (ii) two B Warrants to purchase an aggregate of 302,508 shares of common stock at an exercise price of $5.54 and $5.80 per share, respectively, with expiration dates of the earlier of April 22, 2024 and three years from the date of completion of an initial public offering of the company's common stock and December 31, 2024 and three years from the date of completion of an initial public offering of the company's common stock, respectively.

Each of the A-1 Warrants has a net exercise provision under which its holder may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares based on the fair market value of our common stock at the time of exercise of the warrant after deduction of the aggregate exercise price. The A-1 Warrants and the B Warrants also contain provisions for the adjustment of the exercise price and the aggregate number of shares issuable upon the exercise of the warrant in the event of stock dividends, split-ups, subdivisions, recapitalization, reclassifications, reorganization, consolidation, merger or sale.

The holders of the A-1 Warrants and the B Warrants are entitled to registration rights under our Investor Rights Agreement, as described in more detail under "— Registration Rights."

Registration Rights

Under our Investor Rights Agreement, upon the completion of this offering, holders of a total of 5,481,635 shares of our common stock that will be outstanding after this offering, which includes shares of common stock issuable upon exercise of outstanding warrants, will have certain registration rights. The registration rights are described below.

Demand Registration Rights

At any time after 180 days after the completion of this offering, the holders of at least 25% of the shares of common stock issued upon conversion of the Series A preferred stock and the Series A-1 preferred stock, or the Series A Registrable Securities, then outstanding may request that we register all or a portion of their shares of common stock for sale under the Securities Act; provided that such Series A Registrable Securities have an aggregate price to the public in excess of $5.0 million. We will effect the registration as requested, unless, in the good faith judgment of our board of directors, such registration would be materially detrimental to us and our stockholders and should be delayed. We are not obligated to file a registration statement in certain circumstances, including after we have effected two registrations whereby we have, in each case, registered at least 75% of the Series A Registrable Securities requested by the holders thereof to be registered and during the 90-day period commencing with the date of the completion of this offering.

At any time after 180 days after the completion of this offering, the holders of at least 25% of the shares of common stock issued upon conversion of the Series B preferred stock, or the Series B Registrable Securities, then outstanding may request that we register all or a portion of their shares of common stock for sale under the Securities Act; provided that such Series B Registrable Securities have an aggregate price to the public in excess of $5.0 million. We will effect the registration as requested, unless, in the good faith judgment of our board of directors, such registration would be materially detrimental to the company and its stockholders and should be delayed. We are not obligated to file a registration statement in certain circumstances, including after we have effected two registrations whereby the company has in each case registered at least 75% of the Series B Registrable Securities requested by the holders thereof to be registered.

In addition, when we are eligible for the use of Form S-3, or any successor form, holders of the shares of at least 15% of the Series A Registrable Securities and Series B Registrable Securities then outstanding may make requests that we register all or a portion of their common stock for sale under the Securities Act on Form S-3, or any successor form, so long as the aggregate price to the public in connection with any such offering is at least $1.0 million. We are not obligated to file a Form S-3 pursuant to this provision on more than two occasions in any twelve-month period.

Incidental Registration Rights

In addition, if at any time after this offering we register any shares of our common stock, the holders of all shares having piggyback registration rights are entitled to notice of the registration and to include all or a portion of their shares of common stock in the registration.

Other Provisions

In the event that any registration in which the holders of registrable shares participate pursuant to the registration rights agreement is an underwritten public offering, the number of registrable shares to be included may, in specified circumstances, be limited due to market conditions.

We will pay all registration expenses, other than underwriting discounts and selling commissions, and the reasonable fees and expenses of a single special counsel for selling stockholders, related to any demand, piggyback and Form S-3 registration. The Investor Rights Agreement contains customary cross-indemnification provisions, pursuant to which we must indemnify selling stockholders in the event of material misstatements or omissions in the registration statement attributable to us, and they must indemnify us for material misstatements or omissions in the registration statement attributable to them.

The demand, piggyback and Form S-3 registration rights described above terminate upon a Qualified A Public Offering for the Series A Registrable Securities and a Qualified B Public Offering for the Series B Registrable Securities, as such terms are defined in our certificate of incorporation, as amended, as in effect prior to the completion of this offering.

Anti-Takeover Effects of Delaware Law and Our Charter and Bylaws

Provisions of Delaware law and our certificate of incorporation and bylaws could make it more difficult to acquire us by means of a tender offer, a proxy contest, open market purchases, removal of incumbent directors and otherwise. These provisions, summarized below, are expected to discourage types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging takeover or acquisition proposals because negotiation of these proposals could result in an improvement of their terms.

Delaware Anti-Takeover Law

We are subject to Section 203 of the Delaware General Corporation Law, or Section 203. Section 203 generally prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (i) shares owned by persons who are directors and also officers and (ii) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66²/₃% of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

The existence of this provision generally will have an anti-takeover effect for transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective immediately prior to the completion of this offering, may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws:

- permit our board of directors to issue up to 10,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate (including the right to approve an acquisition or other change in our control);
- provide that the authorized number of directors may be changed only by resolution of our board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- divide our board of directors into three classes;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice;
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose); and
- provide that special meetings of our stockholders may be called only by the chairman of the board, our Chief Executive Officer or by our board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors.

The amendment of any of these provisions, with the exception of the ability of our board of directors to issue shares of preferred stock and designate any rights, preferences and privileges thereto, would require approval by the holders of at least 66⅔% of our then outstanding capital stock, voting together as a single class.

Choice of Forum

Our amended and restated certificate of incorporation will provide that, subject to limited exceptions, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (c) any action asserting a claim against us arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws, (d) any action to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or amended and restated bylaws or (e) any other action asserting a claim against us that is governed by the internal affairs doctrine. We refer to each of these proceedings as a covered proceeding. In addition, our amended and restated certificate of incorporation will provide that if any action the subject matter of which is a covered proceeding is filed in a court other than the specified Delaware courts without the

approval of our board of directors, which we refer to as a foreign action, the claiming party will be deemed to have consented to (1) the personal jurisdiction of the specified Delaware courts in connection with any action brought in any such courts to enforce the exclusive forum provision described above and (2) having service of process made upon such claiming party in any such enforcement action by service upon such claiming party's counsel in the foreign action as agent for such claiming party. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to these provisions. However, the enforceability of similar forum provisions in other companies' certificates of incorporation or bylaws has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable.

NASDAQ Market Listing

We have applied to have our common stock listed on the NASDAQ Global Market under the symbol "TRHC."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC. The transfer agent and registrar's address is 6201 15th Avenue, Brooklyn, NY 11219.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, no public market for our common stock existed, and a liquid trading market for our common stock may not develop or be sustained after this offering. Future sales of substantial amounts of our common stock in the public market, from time to time including shares issued upon exercise of outstanding options and warrants, or the anticipation of such sales, could adversely affect prevailing market prices of our common stock and could impair our ability to raise equity capital in the future. Furthermore, because only a limited number of shares of our common stock will be available for sale shortly after this offering due to certain contractual and legal restrictions on resale described below, sales of substantial amounts of our common stock in the public market after such restrictions lapse, or the anticipation of such sales, could adversely affect the prevailing market price of our common stock and our ability to raise equity capital in the future. We have applied to have our common stock listed on the NASDAQ Global Market under the symbol "TRHC."

Upon the completion of this offering, we will have outstanding 15,509,158 shares of our common stock, after giving effect to the issuance of 4,300,000 shares of our common stock in this offering, the automatic conversion of all outstanding shares of our preferred stock and the redesignation of all of our Class A Non-Voting common stock and Class B Voting common stock into shares of our commen stock. The number of shares outstanding upon the completion of this offering assumes no exercise of outstanding options or warrants.

All of the shares sold in this offering will be freely tradable unless purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. The remaining shares of common stock outstanding after this offering will be restricted as a result of securities laws or lock-up agreements as described below. Additionally, any shares purchased in this offering by participants in our directed share program who purchase more than $1,000,000 worth of shares of our common stock will be subject to a 25-day lock-up period, and any shares purchased in this offering by our directors, officers or existing stockholders and affiliates that are required to file reports pursuant to Section 16 of the Exchange Act will be subject to a 180-day lock-up period, in each case, unless the lock-up period is waived by Wells Fargo Securities, LLC and UBS Securities LLC on behalf of the underwriters. Following the expiration of the lock-up period, all shares will be eligible for resale, subject to compliance with Rule 144 or Rule 701 of the Securities Act, to the extent these shares have been released from any repurchase option that we may hold.

Subject to the lock-up agreements described in the section titled "Underwriting — Lock-Up Agreements," we may issue shares of common stock from time to time as consideration for future acquisitions, investments or other corporate purposes. In the event that any such acquisition, investment or other transaction is significant, the number of shares of common stock that we may issue may in turn be significant. We may also grant registration rights covering those shares of common stock issued in connection with any such acquisition and investment.

In addition, shares of common stock that are either subject to outstanding options or warrants or reserved for future issuance under our equity compensation plans will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements or other similar contractual commitments restricting the sale of such shares and Rule 144 and Rule 701 of the Securities Act.

Rule 144

In general, under Rule 144 of the Securities Act, as in effect on the date of this prospectus, beginning 90 days after the date of this prospectus, any person who is not our affiliate at any time during the preceding three months, and who has beneficially owned their shares for at least six months, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell an unlimited number of shares of our common stock provided current public information about us is available and, after owning such shares for at least one year, including the holding period of any prior

owner other than one of our affiliates, would be entitled to sell an unlimited number of shares of our common stock without restriction.

Beginning 90 days after the date of this prospectus, a person who is our affiliate or who was our affiliate at any time during the preceding three months, and who has beneficially owned restricted securities for at least six months, including the holding period of any prior owner other than one of our affiliates, is entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately 155,000 shares, or 162,000 shares if the underwriters exercise their over-allotment option in full, immediately following this offering, based on the number of shares of our common stock outstanding upon completion of this offering; or
- the average weekly trading volume of our common stock on the NASDAQ Global Market during the four calendar weeks preceding the filing of a Notice of Proposed Sale of Securities pursuant to Rule 144 with respect to the sale.

Sales under Rule 144 by our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Upon expiration of the 180-day lock-up period described below or other similar contractual commitments restricting the sale of shares of our common stock, 11,209,158 shares of our common stock will be eligible for sale under Rule 144. We cannot estimate the number of shares of our common stock that our existing stockholders will elect to sell under Rule 144.

Rule 701

In general, under Rule 701 of the Securities Act, any of an issuer's employees, directors, officers, consultants or advisors who purchases shares from the issuer in connection with a compensatory stock or option plan or other written agreement before the effective date of a registration statement under the Securities Act, is entitled to sell such shares 90 days after such effective date in reliance on Rule 144. An affiliate of the issuer can resell shares in reliance on Rule 144 without having to comply with the holding period requirement, and non-affiliates of the issuer can resell shares in reliance on Rule 144 without having to comply with the current public information and holding period requirements.

Lock-up Agreements

As described under the section entitled "Underwriting — Lock-Up Agreements," we, along with our directors and executive officers and substantially all of our other stockholders, have agreed with the underwriters that, for a period of 180-days following the date of this prospectus, we or they will not issue (in the case of us), offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any shares of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock, whether owned directly or with respect to which we or they have beneficial ownership within the rules and regulations of the SEC, subject to specified exceptions. The underwriters may, in their sole discretion, at any time without prior notice, release all or any portion of the shares from the restrictions in any such agreement.

Holders of our Series A preferred stock, Series A-1 preferred stock and Series B preferred stock are parties to our Investor Rights Agreement, dated as of June 30, 2014. Pursuant to the terms of this agreement, each holder agreed not to engage in the type of transactions set forth above, for a period specified by us or a representative of our underwriters of our common stock, or other securities, not to exceed 180 days following the effective date of our registration statement filed under the Securities Act with respect to an initial public offering.

Substantially all holders of our common and preferred stock, including each beneficial owner of more than 5% of our voting securities and each of our other officers and directors to the extent they own any of our capital stock, are parties to our Stockholders Agreement, dated as of June 30, 2014. Pursuant to the terms of this agreement, each signatory who is a holder of common stock agreed not to engage in the type of transactions set forth above, for a period specified by us or a representative of our underwriters of our common stock, or other securities, not to exceed 180 days following the effective date of our registration statement filed under the Securities Act with respect to an initial public offering.

Participants in the directed share program who purchase more than $1,000,000 worth of shares of our common stock will be subject to a 25-day lock-up with respect to any shares sold to them pursuant to that program. This lock-up will have similar restrictions to the lock-up agreements described in "Underwriting — Lock-Up Agreements." Any shares sold in the directed share program to our directors or executive officers will be subject to the 180-day period lock-up pursuant to the lock-up agreements described in "Underwriting — Lock-Up Agreements." See "Underwriting — Directed Share Program" for additional information.

Equity Compensation Plans

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of common stock subject to outstanding stock options and common stock issuable under our equity compensation plans. We expect to file the registration statement covering such shares shortly after the date of this prospectus, permitting the resale of such shares by non-affiliates in the public market without restriction under the Securities Act and the sale by affiliates in the public market, subject to compliance with the resale provisions of Rule 144. For more information on our equity compensation plans, see section titled "Executive Compensation — Equity Compensation Plans."

Registration Rights

Upon the completion of this offering, holders of a total of 5,481,635 shares of our common stock that will be outstanding after this offering, which includes shares of common stock issuable upon exercise of outstanding warrants, are entitled to demand that we file a registration statement or request that we cover their shares by a registration statement that we otherwise file. For more information, see section titled "Description of Capital Stock — Registration Rights." Except for shares purchased by affiliates, registration of their shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration statement, subject to the expiration of the lock-up period and to the extent these shares have been released from any repurchase option that we may hold.

MATERIAL U.S. TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK

The following is a general discussion of material U.S. federal income and estate tax considerations relating to the ownership and disposition of our common stock issued pursuant to this offering by a non-U.S. holder. For purposes of this discussion, the term "non-U.S. holder" means a beneficial owner of our common stock that is not, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision of the United States;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust or if the trust has a valid election to be treated as a U.S. person under applicable U.S. Treasury regulations.

An individual may be treated as a resident instead of a nonresident of the United States in any calendar year for U.S. federal income tax purposes if the individual was present in the United States for at least 31 days in that calendar year and for an aggregate of at least 183 days during the three-year period ending with the current calendar year. For purposes of this calculation, all of the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year are counted. Residents are taxed for U.S. federal income tax purposes as if they were U.S. citizens.

This discussion is based on current provisions of the U.S. Internal Revenue Code of 1986, as amended, which we refer to as the Code, existing and proposed U.S. Treasury Regulations promulgated thereunder, current administrative rulings and judicial decisions, all as in effect as of the date of this prospectus and all of which are subject to change or to differing interpretation, possibly with retroactive effect. Any change could alter the tax consequences to non-U.S. holders described in this prospectus. In addition, the Internal Revenue Service, or the IRS, could challenge one or more of the tax consequences described in this prospectus.

We assume in this discussion that each non-U.S. holder holds shares of our common stock as a capital asset (generally, property held for investment). This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to a particular non-U.S. holder in light of that non-U.S. holder's individual circumstances nor does it address any aspects of U.S. state, local or non-U.S. taxes. This discussion also does not consider any specific facts or circumstances that may apply to a non-U.S. holder and does not address the special tax rules applicable to particular non-U.S. holders, such as:

- insurance companies;
- tax-exempt organizations;
- financial institutions;
- brokers or dealers in securities;
- pension plans;
- controlled foreign corporations;
- passive foreign investment companies;
- owners that have a functional currency other than the U.S. dollar;

- owners that hold our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment;
- owners that hold or receive shares of our common stock pursuant to the exercise of an employee stock option or otherwise as compensation; and
- certain U.S. expatriates.

In addition, this discussion does not address the tax treatment of partnerships or persons who hold their common stock through partnerships or other entities that are pass-through entities for U.S. federal income tax purposes. A partner in a partnership or other pass-through entity that will hold our common stock should consult his, her or its own tax advisor regarding the tax consequences of the ownership and disposition of our common stock through a partnership or other pass-through entity, as applicable.

This discussion is for general information only and it is not tax advice. Prospective investors should consult their own tax advisors regarding the U.S. federal, state, local and non-U.S. income and other tax considerations of acquiring, holding and disposing of our common stock.

Dividends

As discussed under "Dividend Policy" above, we do not currently expect to make distributions in respect of our common stock. If we pay distributions on our common stock, those distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the non-U.S. holder's investment in our common stock, up to such holder's tax basis in the common stock. Any remaining excess will be treated as capital gain, subject to the tax treatment described below under the heading "Gain on Disposition of common stock." Any distribution would also be subject to the discussion below under the headings "Information Reporting and Backup Withholding Tax" and "FATCA."

Dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence.

Dividends that are treated as effectively connected with a trade or business conducted by a non-U.S. holder within the United States, and, if an applicable income tax treaty so provides that are attributable to a permanent establishment or a fixed base maintained by the non-U.S. holder within the United States, are generally exempt from the 30% withholding tax if the non-U.S. holder satisfies applicable certification and disclosure requirements (generally including provision of a valid IRS Form W-8ECI (or applicable successor form) certifying that the dividends are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States). However, such U.S. effectively connected income, net of specified deductions and credits, is taxed at the same graduated U.S. federal income tax rates applicable to U.S. persons (as defined in the Code). Any U.S. effectively connected income received by a non-U.S. holder that is a corporation may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence.

A non-U.S. holder of our common stock who claims the benefit of an applicable income tax treaty between the United States and such holder's country of residence generally will be required to provide a properly executed IRS Form W-8BEN or W-BEN-E (or successor form) and satisfy applicable certification and other requirements. Non-U.S. holders are urged to consult their own tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

A non-U.S. holder that is eligible for a reduced rate of U.S. withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim with the IRS.

Gain on Disposition of Common Stock

Subject to the discussion below under the headings "Information Reporting and Backup Withholding Tax" and "FATCA", a non-U.S. holder generally will not be subject to U.S. federal income tax on gain recognized on a disposition of our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, and, if an applicable income tax treaty so provides, the gain is attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the United States; in these cases, the non-U.S. holder will be taxed on a net income basis at the regular graduated rates and in the manner applicable to U.S. persons, and, if the non-U.S. holder is a foreign corporation, an additional branch profits tax at a rate of 30%, or a lower rate as may be specified by an applicable income tax treaty, may also apply;
- the non-U.S. holder is a non-resident alien present in the United States for 183 days or more in the taxable year of the disposition and certain other requirements are met, in which case the non-U.S. holder will be subject to a 30% tax (or such lower rate as may be specified by an applicable income tax treaty) on the net gain derived from the disposition, which may be offset by U.S.-source capital losses of the non-U.S. holder, if any; or
- we are or have been, at any time during the five-year period preceding such disposition (or the non-U.S. holder's holding period, if shorter) a "U.S. real property holding corporation" unless our common stock is regularly traded on an established securities market and the non-U.S. holder held no more than 5% of our outstanding common stock, directly or indirectly, at any time during the shorter of the five-year period ending on the date of the disposition or the period that the non-U.S. holder held our common stock. Generally, a corporation is a "U.S. real property holding corporation" if the fair market value of its "U.S. real property interests" equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Although there can be no assurance, we believe that we are not currently, and we do not anticipate becoming, a "U.S. real property holding corporation" for U.S. federal income tax purposes. No assurance can be provided that our common stock will be regularly traded on an established securities market for purposes of the rule described above. If we are a U.S. real property holding corporation and either our common stock is not regularly traded on an established securities market or a non-U.S. holder holds more than 5% of our outstanding common stock, directly or indirectly, during the applicable testing period, such non-U.S. holder's gain on the disposition of shares of our common stock generally will be taxed in the same manner as gain that is effectively connected with the conduct of a U.S. trade or business, except that the branch profits tax generally will not apply.

Information Reporting and Backup Withholding Tax

We must report annually to the IRS and to each non-U.S. holder the gross amount of the distributions on our common stock paid to such holder and the tax withheld, if any, with respect to such distributions. Non-U.S. holders may have to comply with specific certification procedures to establish that the holder is not a U.S. person (as defined in the Code) in order to avoid backup withholding at the applicable rate, currently 28%, with respect to dividends on our common stock. Generally, a holder will comply with such procedures if it provides a properly executed IRS Form W-8BEN or W-8-BEN-E (or other applicable Form W-8) or otherwise meets documentary evidence requirements for establishing that it is a non-U.S. holder, or otherwise establishes an exemption. Dividends paid to non-U.S. holders subject

to withholding of U.S. federal income tax, as described above under "Dividends," will generally be exempt from U.S. backup withholding.

Information reporting and backup withholding generally will apply to the proceeds of a disposition of our common stock by a non-U.S. holder effected by or through the U.S. office of any broker, U.S. or foreign, unless the holder certifies its status as a non-U.S. holder and satisfies certain other requirements, or otherwise establishes an exemption. Generally, information reporting and backup withholding will not apply to a payment of disposition proceeds to a non-U.S. holder where the transaction is effected outside the United States through a non-U.S. office of a broker. However, for information reporting purposes, dispositions effected through a non-U.S. office of a broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker. Non-U.S. holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Copies of information returns may be made available to the tax authorities of the country in which the non-U.S. holder resides or is incorporated under the provisions of a specific treaty or agreement.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder can be refunded or credited against the non-U.S. holder's U.S. federal income tax liability, if any, provided that an appropriate claim is timely filed with the IRS.

FATCA

Pursuant to the Foreign Account Tax Compliance Act, or FATCA, and the Treasury regulations promulgated thereunder, a 30% U.S. federal withholding tax may apply to payments of dividends on, and, after December 31, 2016, gross proceeds from the sale or disposition of, our common stock if paid to a foreign entity unless (i) if the foreign entity is a "foreign financial institution," the foreign entity undertakes certain due diligence, reporting, withholding and certification obligations, (ii) if the foreign entity is not a "foreign financial institution," the foreign entity identifies certain of its U.S. equity and debt holders, or (iii) the foreign entity is otherwise exempt under FATCA.

Under certain circumstances, a non-U.S. holder may be eligible for refunds or credits of the tax. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this paragraph. Non-U.S. holders should consult their own tax advisors regarding the possible implications of FATCA on their investment in our common stock and the entities through which they hold our common stock.

Federal Estate Tax

Common stock owned or treated as owned by an individual who is a non-U.S. holder (as specially defined for U.S. federal estate tax purposes) at the time of death will be included in the individual's gross estate for U.S. federal estate tax purposes and, therefore, may be subject to U.S. federal estate tax, unless an applicable estate tax or other treaty provides otherwise.

The preceding discussion of material U.S. federal tax considerations is for general information only. It is not tax advice. Prospective investors should consult their own tax advisors regarding the particular U.S. federal, state, local and non-U.S. tax consequences of purchasing, holding and disposing of our common stock, including the consequences of any proposed changes in applicable laws.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement, we have agreed to sell to the underwriters named below, and the underwriters, for whom Wells Fargo Securities, LLC and UBS Securities LLC are acting as joint-book running managers and representatives, have severally agreed to purchase, the respective numbers of shares of common stock appearing opposite their names below:

Underwriter	Number of Shares
Wells Fargo Securities, LLC	
UBS Securities LLC	
Piper Jaffray & Co.	
Robert W. Baird & Co. Incorporated	
Stifel, Nicolaus & Company, Incorporated	
Total	4,300,000

All of the shares to be purchased by the underwriters will be purchased from us.

The underwriting agreement provides that the obligations of the several underwriters are subject to various conditions, including approval of legal matters by counsel. The shares of common stock are offered by the underwriters, subject to prior sale, when, as and if issued to and accepted by them. The underwriters reserve the right to withdraw, cancel or modify the offer and to reject orders in whole or in part.

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock offered by this prospectus if any are purchased, other than those shares covered by the option to purchase additional shares described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

Option to Purchase Additional Shares

We have granted a 30-day option to the underwriters to purchase up to a total of 645,000 additional shares of our common stock at the initial public offering price per share less the underwriting discounts and commissions per share, as set forth on the cover page of this prospectus, and less any dividends or distributions declared, paid or payable on the shares that the underwriters have agreed to purchase from us but that are not payable on such additional shares. If the underwriters exercise this option in whole or in part, then the underwriters will be severally committed, subject to the conditions described in the underwriting agreement, to purchase the additional shares of our common stock in proportion to their respective commitments set forth in the prior table.

Discounts and Commissions

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus and to certain dealers at that price less a concession of not more than $ per share, of which up to $ per share may be reallowed to other dealers. After the initial offering, the public offering price, concession and reallowance to dealers may be changed.

The following table summarizes the underwriting discounts and commissions and the proceeds, before expenses, payable to us, both on a per share basis and in total, assuming either no exercise or full exercise by the underwriters of their option to purchase additional shares:

		Total	
	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discounts and commissions	$	$	$
Proceeds, before expenses, to us	$	$	$

We estimate that the expenses of this offering payable by us, not including underwriting discounts and commissions, will be approximately $3.6 million. We have agreed to reimburse the underwriters for legal fees of up to $35,000 incurred in qualification of the offering with the Financial Industry Regulatory Authority, or FINRA, which amount is deemed by FINRA to be underwriting compensation.

Indemnification of Underwriters

The underwriting agreement provides that we will indemnify the underwriters against specified liabilities, including liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in respect of those liabilities.

Lock-Up Agreements

We, each of our directors and officers, the holders of substantially all of the other shares of our common stock outstanding prior to this offering, and the holders of substantially all of our options outstanding prior to this offering, have agreed, subject to specified exceptions, that, without the prior written consent of Wells Fargo Securities, LLC and UBS Securities LLC, we and they will not, during the period beginning on and including the date of this prospectus through and including the date that is the 180th day after the date of this prospectus, directly or indirectly:

- issue (in the case of us), offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any shares of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock;
- in the case of us, file or cause the filing of any registration statement under the Securities Act with respect to any shares of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock, other than registration statements on Form S-8 filed with the SEC after the completion date of this offering; or
- enter into any swap or other agreement, arrangement, hedge or transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock,

whether any transaction described in any of the foregoing bullet points is to be settled by delivery of our common stock or other capital stock, other securities, in cash or otherwise, or publicly announce an intention to do any of the foregoing.

Wells Fargo Securities, LLC and UBS Securities LLC may, in their sole discretion and at any time or from time to time, without notice, release all or any portion of the shares or other securities subject to the lock-up agreements. Any determination to release any shares or other securities subject to the lock-up agreements would be based on a number of factors at the time of determination, which may

include the market price of the common stock, the liquidity of the trading market for the common stock, general market conditions, the number of shares or other securities proposed to be sold or otherwise transferred and the timing, purpose and terms of the proposed sale or other transfer.

NASDAQ Global Market Listing

We expect to have our common stock listed on the NASDAQ Global Market under the symbol "TRHC."

Stabilization

In order to facilitate this offering of our common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of our common stock. Specifically, the underwriters may sell more shares of common stock than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares of common stock available for purchase by the underwriters under the option to purchase additional shares. The underwriters may close out a covered short sale by exercising their option to purchase additional shares or purchasing common stock in the open market. In determining the source of common stock to close out a covered short sale, the underwriters may consider, among other things, the market price of common stock compared to the price payable under the option to purchase additional shares. The underwriters may also sell shares of common stock in excess of the option to purchase additional shares, creating a naked short position. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after the date of pricing of this offering that could adversely affect investors who purchase in this offering.

As an additional means of facilitating this offering, the underwriters may bid for, and purchase, common stock in the open market to stabilize the price of our common stock, so long as stabilizing bids do not exceed a specified maximum. The underwriting syndicate may also reclaim selling concessions allowed to an underwriter or a dealer for distributing common stock in this offering if the underwriting syndicate repurchases previously distributed common stock to cover syndicate short positions or to stabilize the price of the common stock.

The foregoing transactions, if commenced, may raise or maintain the market price of our common stock above independent market levels or prevent or retard a decline in the market price of the common stock.

The foregoing transactions, if commenced, may be effected on the NASDAQ Global Market or otherwise. Neither we nor any of the underwriters makes any representation that the underwriters will engage in any of these transactions and these transactions, if commenced, may be discontinued at any time without notice. Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of the effect that the transactions described above, if commenced, may have on the market price of our common stock.

Discretionary Accounts

The underwriters have informed us that they do not intend to confirm sales to accounts over which they exercise discretionary authority in excess of 5% of the total number of shares of common stock offered by them.

Pricing of this Offering

Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for our common stock will be determined between us and the representative of the underwriters. The factors to be considered in determining the initial public offering price include:

- prevailing market conditions;
- our results of operations and financial condition;
- financial and operating information and market valuations with respect to other companies that we and the representative of the underwriters believe to be comparable or similar to us;
- the present state of our development; and
- our future prospects.

An active trading market for our common stock may not develop. It is possible that the market price of our common stock after this offering will be less than the initial public offering price. In addition, the estimated initial public offering price range appearing on the cover of this preliminary prospectus is subject to change as a result of market conditions or other factors.

Directed Share Program

At our request, the underwriters have reserved up to 5% of the common stock being offered by this prospectus for sale at the initial public offering price to our directors, officers, key employees and their respective friends and families. The sales will be made by UBS Financial Services Inc., a selected dealer affiliated with UBS Securities LLC, an underwriter of this offering, through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of common stock. Participants in the directed share program who purchase more than $1,000,000 worth of shares of our common stock shall be subject to a 25-day lock-up with respect to any shares sold to them pursuant to that program. This lock-up will have similar restrictions to the lock-up agreements described in "—Lock-Up Agreements." Any shares sold in the directed share program to our directors or executive officers shall be subject to the 180-day period lock-up pursuant to the lock-up agreements described in "—Lock-Up Agreements" above.

Relationships

The underwriters and/or their respective affiliates may in the future provide various financial advisory, investment banking, commercial banking and other financial services to us, for which they may receive compensation.

Sales Outside the United States

No action has been or will be taken in any jurisdiction (except in the United States) that would permit an initial public offering of the common stock, or the possession, circulation or distribution of this prospectus or any other material relating to us or the common stock in any jurisdiction where action for that purpose is required. Accordingly, the common stock may not be offered or sold, directly or indirectly, and neither of this prospectus nor any other offering material or advertisements in connection with the common stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each of the underwriters may arrange to sell common stock offered by this prospectus in certain jurisdictions outside the United States, either directly or through affiliates, where they are permitted to

do so. In that regard, Wells Fargo Securities, LLC may arrange to sell shares in certain jurisdictions through an affiliate, Wells Fargo Securities International Limited, or WFSIL. WFSIL is a wholly-owned indirect subsidiary of Wells Fargo & Company and an affiliate of Wells Fargo Securities, LLC. WFSIL is a U.K.-incorporated investment firm regulated by the Financial Conduct Authority. Wells Fargo Securities is the trade name for certain corporate and investment banking services of Wells Fargo & Company and its affiliates, including Wells Fargo Securities, LLC and WFSIL.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each, a Relevant Member State, an offer to the public of any shares of common stock which are the subject of the offering contemplated by this prospectus, the Shares, may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives of the underwriters; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71 EC (including the 2010 PD Amending Directive, in the case of Early Implementing Member States) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

This prospectus and any other material in relation to the shares described herein is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospective Directive, or qualified investors, that also (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, (ii) who fall within Article 49(2)(a) to (d) of the Order or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). The shares are only available to, and any invitation, offer or agreement to purchase or otherwise acquire such shares will be engaged in only with, relevant persons. This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus or any of its contents.

The distribution of this prospectus in the United Kingdom to anyone not falling within the above categories is not permitted and may contravene the Financial Services and Markets Act of 2000. No person falling outside those categories should treat this prospectus as constituting a promotion to him, or act on it for any purposes whatever. Recipients of this prospectus are advised that we, the underwriters and any other person that communicates this prospectus are not, as a result solely of communicating this prospectus, acting for or advising them and are not responsible for providing recipients of this prospectus with the protections which would be given to those who are clients of any aforementioned entities that is subject to the Financial Services Authority Rules.

France

This prospectus (including any amendment, supplement or replacement thereto) have not been approved either by the *Autorité des marchés financiers* or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*; no security has been offered or sold and will be offered or sold, directly or indirectly, to the public in France within the meaning of Article L. 411-1 of the French *Code Monétaire et Financier* except to permitted investors, or Permitted Investors, consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or a limited circle of investors (*cercle restreint d'investisseurs*) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Articles L. 411-2, D. 411-1, D. 411-2, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French *Code Monétaire et Financier*; none of this prospectus or any other materials related to the offer or information contained therein relating to our securities has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any securities acquired by any Permitted Investors may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code Monétaire et Financier* and applicable regulations thereunder.

Notice to the Residents of Germany

This document has not been prepared in accordance with the requirements for a securities or sales prospectus under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), the German Sales Prospectus Act (*Verkaufsprospektgesetz*), or the German Investment Act (*Investmentgesetz*). Neither the German Federal Financial Services Supervisory Authority (*Bundesanstalt fur Finanzdienstleistungsaufsicht—BaFin*) nor any other German authority has been notified of the intention to distribute the securities in Germany. Consequently, the securities may not be distributed in Germany by way of public offering, public advertisement or in any similar manner AND THIS DOCUMENT AND ANY OTHER DOCUMENT RELATING TO THE OFFERING, AS WELL AS INFORMATION OR STATEMENTS CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN GERMANY OR USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OF THE SECURITIES TO THE PUBLIC IN GERMANY OR ANY OTHER MEANS OF PUBLIC MARKETING. The securities are being offered and sold in Germany only to qualified investors which are referred to in Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act. This document is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

Switzerland

This document does not constitute a prospectus within the meaning of Art. 652a of the Swiss Code of Obligations. The shares of common stock may not be sold directly or indirectly in or into Switzerland except in a manner which will not result in a public offering within the meaning of the Swiss Code of Obligations. Neither this document nor any other offering materials relating to the shares of common

stock may be distributed, published or otherwise made available in Switzerland except in a manner which will not constitute a public offer of the shares of common stock in Switzerland.

Australia

This prospectus is not a formal disclosure document and has not been, nor will be, lodged with the Australian Securities and Investments Commission. It does not purport to contain all information that an investor or their professional advisers would expect to find in a prospectus or other disclosure document (as defined in the Corporations Act 2001 (Australia)) for the purposes of Part 6D.2 of the Corporations Act 2001 (Australia) or in a product disclosure statement for the purposes of Part 7.9 of the Corporations Act 2001 (Australia), in either case, in relation to the securities.

The securities are not being offered in Australia to "retail clients" as defined in sections 761G and 761GA of the Corporations Act 2001 (Australia). This offering is being made in Australia solely to "wholesale clients" for the purposes of section 761G of the Corporations Act 2001 (Australia) and, as such, no prospectus, product disclosure statement or other disclosure document in relation to the securities has been, or will be, prepared.

This prospectus does not constitute an offer in Australia other than to persons who do not require disclosure under Part 6D.2 of the Corporations Act 2001 (Australia) and who are wholesale clients for the purposes of section 761G of the Corporations Act 2001 (Australia). By submitting an application for our securities, you represent and warrant to us that you are a person who does not require disclosure under Part 6D.2 and who is a wholesale client for the purposes of section 761G of the Corporations Act 2001 (Australia). If any recipient of this prospectus is not a wholesale client, no offer of, or invitation to apply for, our securities shall be deemed to be made to such recipient and no applications for our securities will be accepted from such recipient. Any offer to a recipient in Australia, and any agreement arising from acceptance of such offer, is personal and may only be accepted by the recipient. In addition, by applying for our securities you undertake to us that, for a period of 12 months from the date of issue of the securities, you will not transfer any interest in the securities to any person in Australia other than to a person who does not require disclosure under Part 6D.2 and who is a wholesale client.

Hong Kong

The contents of this prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice. Please note that (i) our securities may not be offered or sold in Hong Kong, by means of this prospectus or any document other than to "professional investors" within the meaning of Part I of Schedule 1 of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) (SFO) and any rules made thereunder, or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong) (CO) or which do not constitute an offer or invitation to the public for the purpose of the CO or the SFO, and (ii) no advertisement, invitation or document relating to our securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere) which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made thereunder.

Japan

Our securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and our securities will not be

offered or sold, directly or indirectly, in Japan, or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan, or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our securities may not be circulated or distributed, nor may our securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where our securities are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired our securities pursuant to an offer made under Section 275 except:

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

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

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

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

Switzerland

This Prospectus does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations (CO) and the shares will not be listed on the SIX Swiss Exchange. Therefore, the Prospectus may not comply with the disclosure standards of the CO and/or the listing rules (including any prospectus schemes) of the SIX Swiss Exchange. Accordingly, the shares may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the shares with a view to distribution.

Greece

The securities have not been approved by the Hellenic Capital Markets Commission for distribution and marketing in Greece. This document and the information contained therein do not and shall not be deemed to constitute an invitation to the public in Greece to purchase the securities. The

securities may not be advertised, distributed, offered or in any way sold in Greece except as permitted by Greek law.

Dubai International Finance Centre

This prospectus relates to an Exempt Offer in accordance with the Markets Rules of the Dubai Financial Services Authority. This prospectus is intended for distribution only to Professional Clients who are not natural persons. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The securities to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorized financial adviser.

LEGAL MATTERS

The validity of the shares of common stock offered hereby is being passed upon for us by Morgan, Lewis & Bockius LLP, Philadelphia, Pennsylvania. Cooley LLP, New York, New York is acting as counsel for the underwriters in this offering.

EXPERTS

The consolidated financial statements of Tabula Rasa HealthCare, Inc. and subsidiaries as of December 31, 2014 and 2015, and for the years then ended, have been included herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The audited financial statements of the Medliance Business, a business of Medliance LLC, as of December 31, 2013, and for the years ended December 31, 2013 and 2014, have been included herein in reliance upon the report of KPMG LLP, independent auditors, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

Information referenced in this prospectus regarding the total eligible individuals within current PACE service areas is based upon estimates of the eligible individuals as of July 2015, prepared by AEC Consulting, LLC, an Altitude Edge company, an independent healthcare consulting firm. We have included these estimates in reliance on the authority of such firm as an expert in such matters.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, with respect to the shares of common stock being offered by this prospectus. This prospectus does not contain all of the information in the registration statement and its exhibits. For further information with respect to us and the common stock offered by this prospectus, we refer you to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement.

You can read our SEC filings, including the registration statement, over the Internet at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street NE, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. You may also request a copy of these filings, at no cost, by writing us at 2400 Boston Street, Baltimore, Maryland 21224 or telephoning us at (410) 522 - 8707.

Upon the completion of this offering, we will be subject to the information reporting requirements of the Exchange Act, and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for inspection and copying at the public reference room and web site of the SEC referred to above. We also maintain a website at www.tabularasahealthcare.com, at which, following the completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information contained in, or that can be accessed through, our website is not incorporated by reference in, and is not part of, this prospectus.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Tabula Rasa HealthCare, Inc.:

We have audited the accompanying consolidated balance sheets of Tabula Rasa HealthCare, Inc. and subsidiaries (formerly CareKinesis, Inc.) as of December 31, 2014 and 2015, and the related consolidated statements of operations, redeemable convertible preferred stock and stockholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tabula Rasa HealthCare, Inc. as of December 31, 2014 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP
Philadelphia, Pennsylvania
April 25, 2016, except for notes 2(b), 9 and 10, as to which the date is July 21, 2016 and note 2(c), as to which the date is September 16, 2016.

TABULA RASA HEALTHCARE, INC.
CONSOLIDATED BALANCE SHEETS
($ amounts in thousands, except share amounts)

	December 31	
	2014	2015
Assets		
Current assets:		
Cash	$ 4,122	$ 2,026
Restricted cash	500	200
Accounts receivable, net	4,302	6,013
Inventories	2,040	2,304
Rebates receivable	968	1,064
Prepaid expenses and other current assets	316	522
Total current assets	12,248	12,129
Property and equipment, net	2,221	1,962
Software development costs, net	2,254	2,505
Goodwill	21,606	21,606
Intangible assets, net	19,993	17,687
Other assets	501	2,818
Total assets	$ 58,823	$ 58,707
Liabilities, redeemable convertible preferred stock and stockholders' deficit		
Current liabilities:		
Line of credit	$ 6,860	$ 10,000
Current portion of long-term debt	2,121	13,631
Notes payable to related parties	1,014	250
Notes payable related to acquisition	—	15,620
Acquisition-related consideration payable	4,370	235
Acquisition-related contingent consideration	1,079	1,886
Accounts payable	4,558	6,808
Accrued expenses and other liabilities	2,068	3,244
Total current liabilities	22,070	51,674
Long-term debt	12,989	430
Long-term notes payable related to acquisition	14,350	—
Long-term acquisition-related consideration payable	224	—
Long-term acquisition-related contingent consideration	7,300	3,355
Warrant liability	2,783	5,569
Deferred income taxes	98	334
Other long-term liabilities	4	—
Total liabilities	59,818	61,362
Commitments and contingencies (Note 16)		
Redeemable convertible preferred stock:		
Series A and A-1 redeemable convertible preferred stock, $0.0001 par value, 7,224,266 shares authorized, 6,911,766 shares issued and outstanding at December 31, 2014 and 2015 (liquidation preference of $6,589 at December 31, 2015)	6,165	6,553
Series B redeemable convertible preferred stock, $0.0001 par value, 3,548,614 shares authorized, 2,961,745 shares issued and outstanding at December 31, 2014 and 2015 (liquidation preference of $5,223 at December 31, 2015)	12,842	22,420
Total redeemable convertible preferred stock	19,007	28,973
Stockholders' deficit:		
Common stock, $0.0001 par value; 27,836,869 shares authorized; 4,134,540 and 4,575,897 shares issued and outstanding at December 31, 2014 and 2015, respectively	0	0
Additional paid-in capital	—	—
Accumulated deficit	(20,002)	(31,628)
Total stockholders' deficit	(20,002)	(31,628)
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	$ 58,823	$ 58,707

See accompanying notes to consolidated financial statements.

TABULA RASA HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
($ amounts in thousands, except share and per share amounts)

	Year Ended December 31,	
	2014	**2015**
Revenue:		
Product revenue	$ 46,878	$ 60,060
Service revenue	1,550	9,979
Total revenue	48,428	70,039
Cost of revenue, exclusive of depreciation and amortization shown below:		
Product cost	37,073	45,829
Service cost	739	3,299
Total cost of revenue	37,812	49,128
Gross profit	10,616	20,911
Operating (income) expenses:		
Research and development	1,660	2,877
Sales and marketing	2,272	2,880
General and administrative	3,970	7,115
Change in fair value of acquisition-related contingent consideration expense (income)	790	(2,059)
Depreciation and amortization	1,817	3,933
Total operating expenses	10,509	14,746
Income from operations	107	6,165
Other expense:		
Change in fair value of warrant liability	269	2,786
Interest expense	1,354	5,915
Total other expense	1,623	8,701
Loss before income taxes	(1,516)	(2,536)
Income tax (benefit) expense	(409)	328
Net loss	(1,107)	(2,864)
Accretion of redeemable convertible preferred stock	(3,884)	(9,966)
Net loss attributable to common stockholders	$ (4,991)	$ (12,830)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.23)	$ (2.97)
Weighted average common shares outstanding, basic and diluted	4,052,590	4,318,779
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)		$ (0.30)
Pro forma weighted average common shares outstanding, basic and diluted (unaudited)		9,408,215

See accompanying notes to consolidated financial statements.

TABULA RASA HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
($ amounts in thousands, except share amounts)

	Redeemable Convertible Preferred Stock							Stockholders' Deficit						
								Common Stock						
	Series A		Series A-1		Series B			Class A		Class B		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Total	Shares	Amount	Shares	Amount			
Balance, January 1, 2014	4,411,766	$3,556	2,500,000	$2,242	2,961,745	$ 9,325	$ 15,123	1,799,264	$—	2,108,117	$ 0	$ —	$(16,020)	$(16,020)
Issuance of common stock in connection with acquisition of St. Mary Prescription Pharmacy	—	—	—	—	—	—	—	81,186	—	—	—	291	—	291
Issuance of common stock in connection with acquisition of Capstone Performance Systems, LLC	—	—	—	—	—	—	—	104,822	—	—	—	374	—	374
Accretion of redeemable convertible preferred stock	—	225	—	142	—	3,517	3,884	—	—	—	—	(1,009)	(2,875)	(3,884)
Transfer of common stock	—	—	—	—	—	—	—	32,646	—	(32,646)	—	—	—	—
Exercise of stock options	—	—	—	—	—	—	—	41,151	—	—	—	59	—	59
Issuance of common stock warrants	—	—	—	—	—	—	—	—		—	—	31	—	31
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	—	254	—	254
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(1,107)	(1,107)
Balance, December 31, 2014	4,411,766	3,781	2,500,000	2,384	2,961,745	12,842	19,007	2,059,069	—	2,075,471	0	—	(20,002)	(20,002)
Issuance of common stock in connection with satisfaction of contingent consideration related to acquisition of St. Mary Prescription Pharmacy	—	—	—	—	—	—	—	16,237	—	—	—	94	—	94
Issuance of common stock in connection with satisfaction of contingent consideration related to acquisition of Capstone Performance Systems, LLC	—	—	—	—	—	—	—	18,418	—	—	—	107	—	107
Accretion of redeemable convertible preferred stock	—	238	—	150	—	9,578	9,966	—	—	—	—	(1,204)	(8,762)	(9,966)
Transfer of common stock	—	—	—	—	—	—	—	4,124	—	(4,124)	—	—	—	—
Exercise of stock options	—	—	—	—	—	—	—	3,132	—	403,570	—	422	—	422
Issuance of common stock warrants	—	—	—	—	—	—	—	—	—	—	—	16	—	16
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	—	565	—	565
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(2,864)	(2,864)
Balance, December 31, 2015	4,411,766	$4,019	2,500,000	$2,534	2,961,745	$22,420	$28,973	2,100,980	$—	2,474,917	$ 0	$ —	$(31,628)	$(31,628)

See accompanying notes to consolidated financial statements.

TABULA RASA HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,	
	2014	2015
Cash flows from operating activities:		
Net loss	$ (1,107)	$ (2,864)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,817	3,933
Amortization of deferred financing costs and debt discount	259	2,148
Payment of imputed interest on debt	(13)	(105)
Deferred income tax (benefit) expense	(422)	290
Issuance of common stock warrants	31	16
Write-off in-process software development costs	63	—
Other non-cash items	—	(10)
Stock-based compensation	254	565
Change in fair value of warrant liability	269	2,786
Change in fair value of acquisition-related contingent consideration	790	(2,059)
Changes in operating assets and liabilities, net of effect from acquisitions:		
Accounts receivable, net	(1,388)	(1,711)
Inventories	(792)	(264)
Rebates receivable	(715)	(96)
Prepaid expenses and other current assets	(77)	(259)
Other assets	(30)	(4)
Acquisition-related contingent consideration paid	(60)	(610)
Accounts payable	1,383	440
Accrued expenses and other liabilities	604	1,060
Other long-term liabilities	4	—
Net cash provided by operating activities	870	3,256
Cash flows from investing activities:		
Purchases of property and equipment	(230)	(234)
Software development costs	(738)	(940)
Change in restricted cash	(500)	300
Purchase of businesses, net of cash acquired	(13,448)	(2,403)
Net cash used in investing activities	(14,916)	(3,277)
Cash flows from financing activities:		
Proceeds from sale of common stock	59	12
Payments for debt financing costs	(212)	(69)
Proceeds from notes payable to related parties	100	—
Repayments of notes payable to related parties	(175)	(354)
Borrowings on line of credit	—	10,000
Repayments of line of credit	—	(6,860)
Payments of acquisition-related consideration	(487)	(1,895)
Payments of initial public offering costs	—	(481)
Payments of contingent consideration	(440)	(267)
Proceeds from long-term debt	15,000	—
Repayments of long-term debt	(1,704)	(2,161)
Net cash provided by (used in) financing activities	12,141	(2,075)
Net decrease in cash	(1,905)	(2,096)
Cash, beginning of period	6,027	4,122
Cash, end of period	$ 4,122	$ 2,026
Supplemental disclosure of cash flow information:		
Acquisition of equipment under capital leases	$ 326	$ 373
Additions to property, equipment, and software development purchases included in accounts payable	$ 53	$ 46
Deferred offering costs included in accounts payable and accrued expenses	$ —	$ 1,817
Cash paid for interest	$ 1,080	$ 2,409
Accretion of redeemable convertible preferred stock to redemption value	$ 3,884	$ 9,966
Fair value of promissory notes entered into in connection with Medliance acquisition	$ 14,347	$ —
Fair value of preferred stock warrants issued to lender	$ 1,835	$ —

See accompanying notes to consolidated financial statements.

1. Corporate Formation and Reorganization

Effective June 30, 2014, CareKinesis, Inc. ("CareKinesis") and its wholly-owned subsidiaries St. Mary Prescription Pharmacy ("SMPP"), Capstone Performance Systems, LLC ("Capstone") and CareVentions, Inc. ("CareVentions"), were restructured to create a parent holding company, Tabula Rasa HealthCare, Inc. (the "Company"). To accomplish the restructuring, the Company and a new, wholly-owned, merger subsidiary of the Company were incorporated under the laws of the state of Delaware, and the new merger subsidiary was merged with and into CareKinesis, with CareKinesis as the surviving corporation and a wholly owned subsidiary of the Company. As a result of the merger, the former stockholders of CareKinesis became stockholders of the Company, with each share of CareKinesis issued and outstanding immediately prior to the merger automatically converting into the same share, with the same rights and preferences and obligations with the Company as they had prior to the merger with CareKinesis. In addition, in connection with the reorganization, CareKinesis distributed all of the equity interests in each of Capstone and CareVentions to the Company such that Capstone and CareVentions became wholly owned subsidiaries of the Company. As CareKinesis and the Company are entities under common control, the consolidated financial statements reflect the historical carrying values of CareKinesis' assets and liabilities and its results of operations as if they were consolidated for all periods presented.

2. Nature of Business, Liquidity, Initial Public Offering and Reverse Stock Split, and Basis of Presentation

(a) Nature of Business

The Company provides patient-specific, data-driven technology and solutions that enable healthcare organizations to optimize medication regimens to improve patient outcomes, reduce hospitalizations, lower healthcare costs and manage risk. The Company delivers its solutions through a comprehensive suite of technology-enabled products and services for medication risk management and risk adjustment. The Company serves healthcare organizations that focus on populations with complex healthcare needs and extensive medication requirements. The Company's suite of cloud-based software solutions provides prescribers, pharmacists and healthcare organizations with sophisticated and innovative tools to better manage the medication-related needs of patients.

(b) Liquidity

The Company's consolidated financial statements have been prepared on the basis of continuity of operations, realization of assets and the satisfaction of liabilities in the ordinary course of business. Management believes that the Company's cash on hand of $2,026 as of December 31, 2015, cash flows from operations and borrowing availability under the Amended 2015 Revolving Line (note 10) are sufficient to fund the Company's planned operations through at least March 31, 2018.

(c) Initial Public Offering and Reverse Stock Split

The Company is seeking to complete an initial public offering of its common stock, which would provide additional capital to fund acquisitions of businesses and technologies, support the development of new product offerings and entrance into new market segments, expand the Company's sales and marketing infrastructure as well as provide for working capital and general corporate needs. Upon the closing of a qualified public offering on specified terms, all of the Company's outstanding redeemable convertible preferred stock will convert into shares of common stock.

The Company effected a 1-for-1.94 reverse split of its common stock on September 16, 2016. The reverse split combined each 1.94 shares of the Company's issued and outstanding common stock into one share of common stock and correspondingly adjusted the conversion prices of its convertible preferred stock. No fractional shares were issued in connection with the reverse split. Any fractional shares resulting from the reverse split were rounded down to the nearest whole share and in lieu of any fractional shares the Company will pay a cash amount to the holder of such fractional share equal to the fair market value of such fractional share as determined by the Board. All share, per share and related information presented in the consolidated financial statements and accompanying notes have been retroactively adjusted, where applicable, to reflect the reverse stock split. In addition to the reverse split, the Company amended the conversion feature of the Series A, Series A-1, and Series B redeemable convertible preferred stock to provide that such shares of preferred stock will also automatically convert in connection with the closing of an initial public offering on or before December 31, 2016 pursuant to the Registration Statement on Form S-1 (File No. 333-208857).

(d) Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

3. Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates or assumptions.

On an ongoing basis, management evaluates its estimates and assumptions, including, but not limited to, those related to: (i) the fair value of assets acquired and liabilities assumed for business combinations, (ii) the valuation of the Company's common and preferred stock, (iii) the recognition and disclosure of contingent liabilities, (iv) the useful lives of long-lived assets (including definite-lived intangible assets), (v) the evaluation of revenue recognition criteria, (vi) assumptions used in the Black-Scholes option-pricing model to determine the fair value of equity and liability classified warrants and stock-based compensation instruments and (vii) the realizability of long-lived assets, including goodwill and intangible assets. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The Company has engaged and may, in the future, engage third-party valuation specialists to assist with estimates related to the valuation of its preferred and common stock, in addition to the valuation of assets and liabilities acquired. Such estimates often

require the selection of appropriate valuation methodologies and models, and significant judgment in evaluating ranges of assumptions and financial inputs. Actual results may differ from those estimates under different assumptions or circumstances.

(b) Revenue Recognition

The Company recognizes revenue from product sales or services rendered when (i) persuasive evidence of an arrangement exists, (ii) services have been rendered, (iii) the price to its client is fixed or determinable and (iv) collectability is reasonably assured.

When the Company enters into arrangements with multiple deliverables, it applies the accounting guidance for revenue arrangements with multiple deliverables and evaluates each deliverable to determine whether it represents a separate unit of accounting based on the following criteria: (i) whether the delivered item has value to the customer on a standalone basis, and (ii) if the contract includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company. Revenue is allocated to each element in an arrangement based on a selling price hierarchy. The selling price for a deliverable is based on estimated selling prices ("ESP") as vendor specific objective evidence or third party evidence is not available. The Company establishes ESP for the elements of its arrangements based upon its pricing practices and class of customers. The stated prices for the various deliverables of the Company's contracts are consistent across classes of customers.

Product Revenue

The Company enters into multiple-element arrangements with healthcare organizations to provide software enabled medication risk management solutions. Under these contracts, revenue is generated through the components listed below.

Prescription drug revenue

The Company sells prescription medications directly to healthcare organizations through its prescription fulfillment pharmacies. Prescription medication fees are based upon the prices stated in customer contracts for the prescription and include a dispensing fee. Prescription medication revenue, including dispensing fees, is recognized when the product is shipped to the customer. Prescription medications are considered a separate unit of accounting.

Per member per month fees — medication risk management services

The Company receives a fixed monthly administrative fee for each member in the program contracted for medication risk management services. This fee, which is included in Product Revenue in the consolidated statement of operations, is recognized on a monthly basis as medication risk management services are provided. The services associated with the per member per month fees are considered a separate unit of accounting.

Service Revenue

The Company enters into contracts with healthcare organizations to provide (i) risk adjustment and (ii) pharmacy cost management services, which include training client staff and providers about documentation and diagnosis coding, analyzing clients' data collection and submission processes, and delivering meaningful analytics for understanding reimbursement complexities.

Under the risk adjustment contracts, there are three revenue generating components:

Set up fees:

The Company's contracts with its risk adjustment service customers often require customers to pay non-refundable set up fees, which are deferred and recognized over the estimated term of the contract. These fees are charged at the beginning of the customer relationship as compensation for the Company's efforts to prepare the customer and configure its system for the data collection process. The set up activities do not represent a separate unit of accounting as they do not have value apart from the broader risk adjustment services contracts.

Per member per month fees — risk adjustment services

The Company receives a fixed monthly fee for each member in the program contracted for risk adjustment services. These services represent a separate unit of accounting and are offered independently from any other services. Revenue for these services is recognized each month as the related risk adjustment services are performed.

Hourly consulting fees

The Company contracts with customers to perform various risk adjustment services. Such services are billed on a time and materials basis, at agreed hourly rates. Consulting services represent a separate unit of accounting and are offered independently from any other services. Revenue for these services is recognized as time is incurred on the project.

The Company's pharmacy cost management services include subscription revenue from customers and revenues from drug manufacturers for the sale of drug utilization data. Subscription revenue is recognized monthly as either a flat fee or as a percentage of monthly transactions incurred. Data and statistics fees from drug manufacturers are recognized as revenue when received due to the unpredictable nature of the payments and because fees are not fixed and determinable until received.

(c) Cost of Product Revenue

Cost of product revenue includes all costs directly related to the medication risk management offering, including costs relating to the Company's pharmacists' collaboration on a patient's medication management, clinical analysis of the results and, when necessary, offering guidance to the prescriber based upon the review of the medication risk mitigation matrix and the individual patient's medical history, as well as the fulfillment and distribution of prescription drugs. Costs consist primarily of the purchase price of the prescription drugs the Company dispenses, expenses to package, dispense and distribute prescription drugs, expenses associated with the Company's medication care plan support centers and prescription fulfillment centers, including employment costs and stock-based compensation, and expenses related to the hosting of the Company's technology platform. Such costs also include direct overhead expenses, as well as allocated miscellaneous overhead costs. The Company allocates miscellaneous overhead costs among functions based on employee headcount.

(d) Cost of Service Revenue

Cost of service revenue includes all labor costs, including stock-based compensation expense, directly related to the risk adjustment and pharmacy cost management services and expenses for claims processing, technology services and overhead costs.

(e) Research and Development

Research and development expenses consist primarily of salaries and related costs, including stock-based compensation expense, for personnel in the Company's research and development functions, costs relating to the design and development of new software and technology and enhancement of existing software and technology, including fees paid to third-party consultants, costs relating to quality assurance and testing, and other allocated facility-related overhead and expenses. Costs incurred in research and development are charged to expense as incurred.

(f) Stock-Based Compensation

The Company accounts for stock-based awards granted to employees and directors in accordance with ASC Topic 718, *Compensation — Stock Compensation*, which requires that compensation cost be recognized for awards based on the grant-date fair value of the award. That cost is recognized on a straight-line basis over the period during which an employee or director is required to provide service in exchange for the award — the requisite service period ("vesting period"). The grant-date fair value of employee and director stock-based awards is determined using the Black-Scholes option-pricing model.

Compensation expense for options granted to non-employees is determined based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured. Compensation expense is recognized over the period during which services are rendered by such non-employees until completed on a straight-line basis over the vesting period on each separate vesting tranche of the award, or the accelerated attribution method. At the end of each financial reporting period prior to completion of the service, the fair value of these awards is remeasured using the then-current fair value of the Company's common stock and updated assumption inputs in the Black-Scholes option-pricing model.

The Company classifies stock-based compensation expense in its statement of operations in the same manner in which the award recipient's payroll costs or recipients' service payments are classified.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model. The Company historically has been a private company and lacks company-specific historical and implied volatility information. Therefore, the Company estimates its expected stock volatility based on the historical volatility of a publicly traded set of peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded stock price. The expected term of the Company's stock options has been determined utilizing the "simplified" method. The expected term of the stock options granted to non-employees is equal to the contractual term of the option award. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

(g) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in

tax rates is recognized in the period that includes the enactment date. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

(h) Accretion of Redeemable Convertible Preferred Stock

Accretion of redeemable convertible preferred stock includes the accretion of accruing dividends on and issuance costs of the Company's Series A, Series A-1 and Series B redeemable convertible preferred stock. The carrying values of Series A and Series A-1 redeemable convertible preferred stock are being accreted to their respective redemption values at each reporting period using the effective interest method, from the date of issuance to the earliest date the holders can demand redemption. The carrying value of Series B redeemable convertible preferred stock is being accreted to redemption value at each reporting period at the greater of (i) the original issuance price plus unpaid accrued dividends or (ii) the fair value of the redeemable convertible preferred stock.

(i) Net Loss per Share Attributable to Common Stockholders

The Company uses the two-class method to compute net loss attributable to common stockholders because the Company has issued securities, other than common stock, that contractually entitle the holders to participate in dividends and earnings of the Company. The two-class method requires net loss applicable to common stockholders for the period, after an allocation of earnings to participating securities, to be allocated between common and participating securities based upon their respective rights to receive distributed and undistributed earnings. The Company's preferred stockholders are entitled to receive annual cumulative dividends payable prior and in preference to dividends paid to holders of common stock when, as and if declared by the Company's Board of Directors (the "Board"). In the event a dividend is paid on common stock, holders of preferred stock are entitled to a proportionate share of any such dividend as if they were holders of common shares (on an as-if converted basis).

(j) Cash

Cash at December 31, 2014 and 2015 consists of cash on deposit with banks. The balances, at times, may exceed federally insured limits. The Company mitigates this risk by depositing funds with major financial institutions. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2014 or 2015.

(k) Restricted cash

Restricted cash at December 31, 2014 and 2015 consists of cash required to be held for deferred payments associated with the SMPP acquisition (note 4) and was $500 and $200 at December 31, 2014 and 2015, respectively.

(l) Accounts Receivable, net

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and its clients' financial condition, the amount of receivables in dispute and the current receivables aging and current payment patterns. The Company reviews its

allowance for doubtful accounts monthly. As of December 31, 2014 and 2015 the Company deemed this amount to be de minimis.

(m) Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

(n) Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation. Additions or improvements that increase the useful life of existing assets are capitalized, while expenditures for repairs and maintenance that do not improve or extend the lives of the respective assets are charged to expense as incurred. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets. The Company depreciates computer hardware and purchased software over a life of three years and office furniture and equipment over a life of five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the lease term. Property and equipment under capital leases are amortized over the shorter of the lease term or the estimated useful life of the asset. Upon retirement or sale, the cost and related accumulated depreciation of assets disposed of are removed from the accounts and any resulting gain or loss is included in the consolidated statements of operations.

(o) Software Development Costs, net

Certain development costs of the Company's internal-use software are capitalized in accordance with ASC Topic 350, *Intangibles — Goodwill and Other* ("ASC 350"), which outlines the stages of computer software development and specifies when capitalization of costs is required. The Company capitalizes certain costs incurred in connection with obtaining or developing internal-use software, including external direct costs of material and services and payroll costs for employees directly involved with the software development. Projects that are determined to be in the development stage are capitalized. Subsequent additions, modifications, or upgrades to internal-use software are capitalized to the extent that they allow the software to perform tasks it previously did not perform. Capitalized software costs are amortized beginning when the software project is substantially complete and the asset is ready for its intended use. Capitalized internal-use software costs are amortized using the straight-line method over the remaining estimated useful life of the Company's core software platform, which was three years during the year ended December 31, 2015. Costs incurred in the preliminary project stage and post-implementation stage, as well as maintenance and training costs, are expensed as incurred as part of research and development expense. As of December 31, 2014 and 2015, gross capitalized software costs were $3,644 and $4,550 and accumulated amortization was $1,390 and $2,045, respectively. Amortization expense for the years ended December 31, 2014 and 2015 was $518 and $655, respectively. As of December 31, 2014 and 2015, there was $328 and $888, respectively, of capitalized software costs that were not yet subject to amortization.

(p) Deferred Offering Costs

The Company capitalizes certain legal, accounting and other third-party fees that are directly associated with in-process equity financings as deferred offering costs (non-current) until such financings are consummated. After consummation of the equity financing, these costs are recorded in stockholders' equity (deficit) as a reduction of additional paid-in capital generated as a result of the

offering. As of December 31, 2015, the Company had recorded $2,298 of deferred offering costs in contemplation of a probable 2016 equity financing in other assets in its consolidated balance sheet. Should the equity financing no longer be considered probable of being consummated, all deferred offering costs will be charged to operating expenses in the consolidated statement of operations. The Company did not record any deferred offering costs as of December 31, 2014.

(q) Impairment of Long-Lived Assets Including Other Intangible Assets

Long-lived assets consist of property and equipment, software development costs and definite-lived intangible assets. Long-lived assets to be held and used are tested for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that the Company considers in deciding when to perform an impairment review include significant underperformance of the business in relation to expectations, significant negative industry or economic trends and significant changes or planned changes in the use of the assets. If an impairment review is performed to evaluate a long-lived asset for recoverability, the Company compares forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset are less than its carrying amount. The impairment loss would be based on the excess of the carrying value of the impaired asset over its fair value, determined based on discounted cash flows. To date, the Company has not recorded any impairment losses on long-lived assets.

(r) Deferred Financing Costs

Costs related to obtaining debt financing are capitalized and amortized to interest expense over the term of the related debt using the effective-interest method. If debt is prepaid or retired early, the related unamortized deferred financing costs are written off in the period the debt is retired. Deferred financing costs of $240 and $175, net of accumulated amortization, are included in other assets on the accompanying consolidated balance sheets as of December 31, 2014 and 2015, respectively.

(s) Deferred Rent

Rent expense is recorded on a straight-line basis over the term of the lease. Lease incentives, including tenant improvement allowances, are recorded to deferred rent and amortized on a straight-line basis over the lease term. Approximately $33 and $94 are included in accrued expenses and other liabilities in the accompanying consolidated balance sheets as of December 31, 2014 and 2015, respectively.

(t) Warrant Liability

The Company's warrants to purchase shares of its preferred stock are classified as warrant liability and recorded at fair value. This warrant liability is subject to remeasurement at each balance sheet date and the Company recognizes any change in fair value in its statements of operations as a change in fair value of the warrant liability. The Company will continue to adjust the carrying value of the warrants for changes in the estimated fair value until such time as these instruments are exercised, expire or, upon the closing of this offering, convert into warrants to purchase shares of our common stock. At that time, the liabilities will be reclassified to additional paid-in capital, a component of stockholders' deficit.

(u) Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal fees and other expenses related to litigation are expensed as incurred and included in general and administrative expenses in the consolidated statements of operations.

(v) Shipping and Handling Costs

Shipping and handling costs are charged to cost of product revenue when incurred. Shipping and handling costs totaled $1,394 and $1,876 for the years ended December 31, 2014 and 2015, respectively.

(w) Advertising Costs

Advertising costs are charged to operations when the advertising first takes place. The Company incurred advertising expense of $39 and $43 for the years ended December 31, 2014 and 2015, respectively.

(x) Business Combinations

The costs of business combinations are allocated to the assets acquired and liabilities assumed, in each case based on estimates of their respective fair values at the acquisition dates, using the purchase method of accounting. Fair values of intangible assets are estimated by valuation models prepared by management and third-party specialists. The assets purchased and liabilities assumed have been reflected in the Company's consolidated balance sheets, and the results are included in the consolidated statements of operations and consolidated statements of cash flows from the date of acquisition. Acquisition-related contingent consideration is classified as a liability. Additionally, any change in the fair value of the acquisition-related contingent consideration subsequent to the acquisition date, including changes from events after the acquisition date, will be recognized within general and administrative expense in the period of the estimated fair value change. Acquisition-related transaction costs, including legal and accounting fees and other external costs directly related to the acquisition, are recognized separately from the acquisition and expensed as incurred in general and administrative expenses in the consolidated statements of operations. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates, or actual results.

(y) Goodwill

Goodwill consists of the excess purchase price over fair value of net tangible and intangible assets acquired.

Goodwill is not amortized, but instead tested for impairment annually. Goodwill is assessed for impairment on October 1st of each year or more frequently if events or changes in circumstances indicate that the asset might be impaired. ASU 2011-08, *Testing Goodwill for Impairment*, provides an entity the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount prior to performing the two-step goodwill impairment test. If this is the case, the two-step goodwill impairment test is required. If it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required.

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

If the two-step goodwill impairment test is required, first, the fair value of the reporting unit is compared with its carrying amount (including goodwill). If the fair value of the reporting unit is less than its carrying amount, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting units' goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying amount, step two does not need to be performed.

For the years ended December 31, 2014 and 2015, the Company performed a qualitative assessment of goodwill and determined that it is not more-likely-than-not that the fair values of its reporting unit is less than the carrying amount. Accordingly, no impairment loss was recorded for the years ended December 31, 2014 or 2015.

(z) Concentration of Credit Risk

The Company's clients consist primarily of healthcare organizations, which are sponsors of the federal Medicare Part D plan (prescription drug coverage plan) and dual funded by Medicaid and Medicare and, therefore, subject to the reporting requirements established by the Centers for Medicaid and Medicare Services ("CMS"). Under CMS guidelines, Medicare Part D sponsors are required to remit payment for claims within 14 calendar days of the date on which an electronic claim is received and within 30 calendar days of the date on which nonelectronically submitted claims are received. The Company extends credit to clients based upon such terms, as well as management's evaluation of creditworthiness, and generally collateral is not required.

Accounts receivable as a percentage of net accounts receivable at December 31, 2014 and 2015 and sales as a percentage of total revenues for the respective years with significant clients were as follows:

	Accounts Receivable		Revenue	
	December 31,		December 31,	
	2014	2015	2014	2015
Customer A	13%	12%	11%	10%
Customer B	less than 10%	less than 10%	10%	less than 10%
Customer C	13%	less than 10%	less than 10%	less than 10%

(aa) Segment Data

The Company manages its operations as a single segment for the purposes of assessing performance and making operating decisions. The Company's chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level. The Company's chief operating decision maker is the Chief Executive Officer. Since the Company operates in one operating segment, all required financial segment information can be found in the consolidated financial statements. All revenues are generated and all tangible assets are held in the United States.

(bb) Fair Value of Financial Instruments

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities or other inputs that are observable or can be corroborated by observable market.

Level 3 — Unobservable inputs which are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

(cc) Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 represents a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of promised goods or services to clients in an amount that reflects the consideration to which the Company expects to be entitled to receive in exchange for those goods or services. ASU 2014-09 sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed. For public companies, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017 and interim reporting periods within that reporting period. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Company is currently evaluating the impact of ASU 2014-09 on the Company's consolidated financial statements and has not yet selected a transition method.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 will explicitly require management to assess a company's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The new standard will be effective in the first annual period ending after December 15, 2016. Early application is permitted. The Company is currently evaluating the disclosure impact of the adoption of ASU 2014-15 on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03").* ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the

presentation of a debt discount. In August 2015, the FASB issued a clarification that debt issuance costs related to line-of-credit arrangements can continue to be reflected as deferred assets in the balance sheet consistent with existing GAAP, or can be presented net of the associated debt obligations. For public companies, ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. ASU 2015-03 must be applied on a retrospective basis. The Company is currently evaluating the impact of ASU 2015-03 on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory ("ASU 2015-11")*, which simplifies the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower of cost and net realizable value test. ASU 2015-11 is effective for public business entities for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2015-11 on the Company's consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"). The standard requires that adjustments made to provisional amounts recognized in a business combination be recorded in the period such adjustments are determined, rather than retrospectively adjusting previously reported amounts. ASU 2015-16 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, and early adoption is permitted. The Company is currently evaluating the impact of ASU 2015-16 on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015- 17, *Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"). The amendments in this update simplify the presentation of deferred income taxes to require that deferred tax liabilities and assets are classified as noncurrent in a statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the new guidance. The amendments are effective for annual reporting periods beginning after December 15, 2016 and interim reporting periods within those annual periods. Early application is permitted. The new guidance may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company has adopted ASU 2015-17 on a prospective basis for the year ended December 31, 2015. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the potential impact of the adoption of this standard on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). The amendments in this

update will simplify certain aspects related to how share-based payments are accounted for and presented in the financial statements. The new guidance will require excess tax benefits and tax deficiencies be recorded as an income tax benefit or expense in the statement of operations when the awards vest or are settled. It also will allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted in any annual or interim period for which financial statements haven't been issued or made available for issuance, but all guidance must be adopted in the same period. The Company is currently evaluating the impact of ASU 2016-09 on the Company's consolidated financial statements.

4. Acquisitions

SMPP

On January 7, 2014, the Company acquired all of the authorized, issued and outstanding shares of capital stock of J.A. Robertson, Inc., doing business as St. Mary Prescription Pharmacy. SMPP is a pharmacy based in San Francisco, California that has been servicing the needs of Program of All-inclusive Care for the Elderly participants for over 30 years. The acquisition consideration was comprised of cash consideration of up to $2,000, consisting of $1,000 payable upon the closing of the acquisition, up to $500 payable following the six-month anniversary of the closing date, up to $300 payable following the 12-month anniversary of the closing date and a fixed $200 payable following the 24-month anniversary of the closing date. The first two cash payments made subsequent to the closing date were contingent upon the achievement of specified revenue targets, as defined below. The final payment on the 24-month anniversary of the closing date will be paid if the Company has not made any claims for indemnification pursuant to the purchase agreement. In addition to the cash consideration, the Company will issue up to 108,247 shares of Class A Non-Voting common stock consisting of 54,124 shares issued upon the closing of the acquisition, up to 27,062 shares due following the six-month anniversary of the closing date, up to 16,237 shares due following the 12-month anniversary of the closing date and a fixed amount 10,824 shares due following the 24-month anniversary of the closing date. The first two contingent stock payments made subsequent to the closing date were contingent upon the achievement of specified revenue targets, as defined below. The final contingent stock payment following the 24-month anniversary of the closing date shall be issued if the Company has not made any claims for indemnification pursuant to the purchase agreement.

SMPP acquisition-related contingent consideration was determined at two dates: following the six-month anniversary of the closing date up to $500 in cash and up to 27,062 shares of the Company's common stock ("First Contingent Payment Date") was payable and following the twelve-month anniversary of the closing date up to $300 in cash and up to 16,237 shares of the Company's common stock ("Second Contingent Payment Date") was payable. The actual consideration for the First Contingent Payment Date and the Second Contingent Payment Date was determined based on the average monthly revenue during the six-month period preceding the First Contingent Payment Date and the 12-month period preceding the Second Contingent Payment Date ("Measurement Periods"), respectively. If the average monthly revenue is equal to or exceeded the monthly revenue target, as defined in the agreement, during the applicable Measurement Period, the contingent payment for such Measurement Period was payable in full. If the average monthly revenue was less than the monthly revenue target for a Measurement Period, then an amount was payable equal to the maximum contingent payment multiplied by a fraction, the numerator of which was the average monthly revenue

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

for the Measurement Period, the denominator of which was the monthly revenue target, with the cash amount and number of shares each reduced proportionately.

The Company, with the assistance of a third-party appraiser, utilized a Monte Carlo simulation to determine the estimated acquisition-date fair value of the acquisition-related contingent consideration of $810. The fair value measurement was based on significant inputs not observable in the market and thus represents a Level 3 measurement within the fair value hierarchy.

The Company paid $500 in cash and issued 27,062 shares of the Company's common stock, with a fair value of $96, in the third quarter of 2014 in satisfaction of the contingent consideration on the First Contingent Payment Date and $300 in cash and 16,237 shares of the Company's common stock, with a fair value of $94, in the first quarter of 2015 in satisfaction of the contingent consideration on the Second Contingent Payment Date.

The deferred, fixed acquisition-related cash consideration of $200 payable in January 2016 was recorded at its acquisition-date fair value of $180, using an assumed cost of debt of 5.5%. Additionally, the deferred, fixed stock payment of 10,824 shares of Class A Non-Voting common stock payable in January 2016 was recorded at its acquisition-date fair value of $35. These amounts are included in acquisition-related consideration payable in the consolidated balance sheet as of December 31, 2015. The $20 discount is being amortized to interest expense using the effective interest method through the consideration payment date. The Company amortized $10 and $10 of the discount to interest expense for the years ended December 31, 2014 and 2015, respectively.

During the first quarter of 2016, the Company made a final cash payment of $185, which included a $15 reduction for an indemnification claim made by the Company pursuant to the purchase agreement, and issued 10,824 shares of common stock in satisfaction of the remaining obligations under the purchase agreement.

The results of operations and financial position of SMPP are included in the Company's consolidated financial statements from the date of acquisition. Revenue and net income attributed to SMPP from the date of acquisition (January 7, 2014) through December 31, 2014 were approximately $6,209 and $577, respectively.

The following table summarizes the final allocation of the purchase price based on the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Cash	$ 9
Accounts receivable	321
Inventories	227
Other current assets	58
Trade name	370
Client relationships intangible asset	930
Non-competition agreement intangible asset	20
Goodwill	1,012
Total assets acquired	2,947
Accrued liabilities	(18)
Trade accounts payable	(143)
Deferred tax liability	(467)
Deferred revenue	(101)
Total purchase price, including contingent consideration of $810	$2,218

The purchase price was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their acquisition-date estimated fair values. The identifiable intangible assets principally included a trade name, client relationships and a non-competition agreement, each of which are subject to amortization on a straight-line basis over 5, 7 and 3 years, respectively. The weighted average amortization period for acquired intangible assets as of the date of acquisition is 6.38 years.

The Company, with the assistance of a third-party appraiser, assessed the fair value of the assets. The fair value of the trade name was estimated using an income approach, specifically known as the relief from royalty method. The relief from royalty method is based on a hypothetical royalty stream that would be received if the Company were to license the SMPP trade name, which the Company derived from the projected revenues of SMPP. The fair value of the client relationships was estimated using a discounted present value income approach. Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. To calculate fair value, the Company used cash flows discounted at a rate considered appropriate given the inherent risks associated with client relationships. The Company believes that the level and timing of cash flows appropriately reflect market participant assumptions. The fair value of the non-competition agreement was valued using the discounted earnings method. Under this method, lost earnings before interest and taxes were estimated for four discrete scenarios assuming the individual competes at different time periods during the life of the agreement. To calculate fair value, the Company used lost earnings before interest and taxes discounted at a rate considered appropriate given the inherent risks associated with the non-competition agreement. The Company believes that the level and timing of the lost earnings appropriately reflect market participant assumptions.

The amortization of intangible assets is not deductible for income tax purposes.

The Company believes the goodwill related to the acquisition was a result of expected synergies to be realized from combining operations as well as access to new geographic, demographic and clinical markets, and is not deductible for income tax purposes.

Capstone

On April 22, 2014, the Company used the funds provided by the April 2014 Eastward Loan (see note 10) to acquire substantially all of the assets, and assumed certain liabilities, of Capstone, a consulting business providing expert Medicare risk adjustment services for healthcare organizations. The acquisition consideration was comprised of cash consideration consisting of $3,000 payable upon the closing of the acquisition, $500 payable following the six-month anniversary of the closing date, and the greater of (i) $2,000 or (ii) an amount equal to five times earnings before interest, tax, depreciation and amortization ("EBITDA") of the business for the twelve month period ending on December 31, 2014 less the sum of the closing cash amount and interim cash amount of $500, which is payable following the 12-month anniversary of the closing date. In addition to the cash consideration, the Company agreed to issue up to 349,413 shares of Class A Non-Voting common stock consisting of 104,822 shares due upon the closing of the acquisition and a number of shares equal to the difference of (i) the product of 349,413 multiplied by a fraction, the numerator of which is the lesser of $2,000 or the net income of the business for the twelve month period ending on December 31, 2014, and the denominator of which is $2,000, less (ii) the closing share amount (104,822 shares), due following the 12-month anniversary of the closing date.

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

The Company, with the assistance of a third-party appraiser, utilized a Monte Carlo simulation to estimate the acquisition-date fair value of the acquisition-based contingent consideration of $75. The fair value measurement was based on significant inputs not observable in the market and thus represents a Level 3 measurement within the fair value hierarchy.

The Company paid $577 in cash and issued 18,418 shares of the Company's common stock, with a fair value of $107, in the second quarter of 2015 in full satisfaction of the contingent consideration at the 12-month anniversary of the closing date.

The deferred, fixed acquisition-related cash consideration of $500 payable at the six month anniversary of the closing was recorded at its acquisition-date fair value of $487, using an assumed cost of debt of 5.5%. The $13 discount was amortized to interest expense using the effective interest method through its payment date in the fourth quarter of 2014. The deferred, fixed portion of the acquisition-related consideration payable following the 12-month anniversary of the closing date of $2,000 was recorded at its acquisition-date fair value of $1,895 using an assumed cost of debt of 5.5%. This amount is included in acquisition-related consideration in the consolidated balance sheet at December 31, 2014 and was paid in the second quarter of 2015. The $105 discount was amortized to interest expense using the effective interest method through its consideration payment date. The Company amortized $72 and $33 of the discount to interest expense for the years ended December 31, 2014 and 2015, respectively.

The results of operations and financial position of Capstone are included in the Company's consolidated financial statements from the date of acquisition. Revenue and net income attributed to Capstone from the date of acquisition (April 22, 2014) through December 31, 2014 were approximately $1,525 and $284, respectively.

The following table summarizes the final allocation of the purchase price based on the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Accounts receivable	$ 149
Prepaid and other current assets	5
Trade name	150
Client relationships intangible asset	3,154
Non-competition agreement intangible asset	192
Goodwill	2,325
Total assets acquired	5,975
Accrued liabilities	(44)
Trade accounts payable	(36)
Deferred revenue	(64)
Total purchase price, including contingent consideration of $75	$5,831

The purchase price was allocated to the tangible assets and identifiable intangible assets acquired and liabilities assumed based on their acquisition-date estimated fair values. The identifiable intangible assets principally included a trade name, client relationships and a non-competition agreement, each of which are subject to amortization on a straight-line basis over 5, 11 and 4 years, respectively. The weighted average amortization period for acquired intangible assets as of the date of acquisition is 10.36 years.

The Company, with the assistance of a third-party appraiser, assessed the fair value of the assets. The fair value of the trade name was estimated using the relief from royalty method. The Company derived the hypothetical royalty income from the projected revenues of Capstone. The fair value of the client relationships was estimated using the discounted present value income approach. To calculate fair value, the Company used cash flows discounted at a rate considered appropriate given the inherent risks associated with client relationships. The Company believes that the level and timing of cash flows appropriately reflect market participant assumptions. The fair value of the non-competition agreement was valued using the discounted earnings method. To calculate fair value, the Company used lost earnings before interest and taxes discounted at a rate considered appropriate given the inherent risks associated with the non-competition agreement. The Company believes that the level and timing of the lost earnings appropriately reflect market participant assumptions.

The amortization of intangible assets is deductible for income tax purposes.

The Company believes the goodwill related to the acquisition was a result of expected synergies to be realized from combining operations and is deductible for income tax purposes.

Medliance LLC

On December 31, 2014, the Company acquired all of the authorized, issued and outstanding equity interests of Medliance LLC ("Medliance"), which provides pharmacy cost management services through data analytics. The acquisition consideration was comprised of $16,385 in non-cash consideration in the form of promissory notes to the sellers with a fair value of $14,347 (note 9) and cash consideration consisting of $12,000 payable upon closing and contingent purchase price consideration with an estimated fair value of $7,300 ("Medliance Earnout") due upon achieving specified revenue targets as of the 12, 24 and 36 month anniversaries of the acquisition. The Company paid $9,597 in cash upon closing in the fourth quarter of 2014, with the remaining $2,403 paid in the first quarter of 2015.

The aggregate Medliance acquisition-related contingent consideration is equal to the difference of (i) the product of yearly revenue for the 2015 calendar year multiplied by 4.5 minus (ii) $26,000 (the "Aggregate Earn-Out Amount"); provided, however, if the Aggregate Earn-Out Amount is a negative amount, the Aggregate Earn-Out Amount shall equal zero. The Aggregate Earn-Out Amount is payable in cash, subject to achieving specified revenue targets, at three intervals: one-third following the 12-month anniversary of the closing date (the "Twelve Month Contingent Payment Date"), one-third following the 24-month anniversary of the closing date (the "Twenty-four Month Contingent Payment Date") and the Aggregate Earn-Out Amount less any portion actually paid at the Twelve Month Contingent Payment Date and Twenty-four Month Contingent Payment Date, following the 36-month anniversary of the closing date.

The Aggregate Earn-Out Amount is payable based on the yearly revenue of the acquired business during the twelve month period preceding each Contingent Payment Date ("Measurement Period"). If the yearly revenue is equal to or exceeds the 2015 Medliance calendar year revenue target ("Yearly Revenue Target") during a Measurement Period, the portion of the Aggregate Earn-Out Amount due, as defined above, is payable in full. If the yearly revenue is less than the Yearly Revenue Target for a Measurement Period, then an amount shall be payable equal to the portion of the Aggregate Earn-Out Amount due multiplied by a fraction, the numerator of which is the yearly revenue for the Measurement Period and the denominator of which is the Yearly Revenue Target.

The Company, with the assistance of a third-party appraiser, utilized a Monte Carlo simulation to estimate the acquisition-date fair value of the acquisition-related contingent consideration of $7,300. This

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

fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement within the fair value hierarchy.

The following table summarizes the final allocation of the purchase price based on the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Cash	$ 139
Accounts receivable	329
Prepaid and other current assets	24
Property and equipment	27
Other assets	16
Trade name	1,200
Developed technology — Pharmview	2,200
Developed technology — Postview	1,200
Client relationships intangible asset	10,600
Non-competition agreement intangible asset	440
Goodwill	18,080
Total assets acquired	34,255
Accrued liabilities	(48)
Accrued distributions payable	(310)
Trade accounts payable	(231)
Total purchase price, including contingent consideration of $7,300	$33,666

The purchase price was allocated to the tangible assets and identifiable intangible assets acquired and liabilities assumed based on their acquisition-date estimated fair values. The identifiable intangible assets principally included a trade name, developed technology, client relationships, and a non-competition agreement, each of which are subject to amortization on a straight-line basis being amortized over 5, 10, 10 and 5 years, respectively. The weighted average amortization period for acquired intangible assets as of the date of acquisition is 9.48 years.

The Company, with the assistance of a third-party appraiser, assessed the fair value of the assets. The fair value of the trade name was estimated using the relief from royalty method. The Company derived the hypothetical royalty income from the projected revenues of Medliance. The fair values of the developed technology and client relationships were estimated using a discounted present value income approach. To calculate fair value, the Company used cash flows discounted at a rate considered appropriate given the inherent risks associated with each intangible asset. The Company believes that the level and timing of cash flows appropriately reflect market participant assumptions. The fair value of the non-competition agreement was valued using the discounted earnings method. To calculate fair value, the Company used lost earnings before interest and taxes discounted at a rate considered appropriate given the inherent risks associated with the non-competition agreement. The Company believes that the level and timing of the lost earnings appropriately reflect market participant assumptions.

The amortization of intangible assets is deductible for income tax purposes.

The Company believes the goodwill related to the acquisition was a result of the addition of a complimentary line of business to the Company's current product offering and is deductible for income tax purposes.

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

Pro Forma Information

The unaudited pro forma results presented below include the results of the SMPP, Capstone and Medliance acquisitions as if they had been consummated as of January 1, 2014. The unaudited pro forma results include the amortization associated with acquired intangible assets and interest expense on debt to fund these acquisitions. Material nonrecurring charges directly attributable to the transactions are excluded. In addition, the unaudited pro forma results do not include any expected benefits of the acquisitions. Accordingly, the unaudited pro forma results are not necessarily indicative of either future results of operations or results that might have been achieved had the acquisitions been consummated as of January 1, 2014.

	Year Ended December 31, 2014
Revenue	$55,412
Net loss	(3,051)
Net loss per share attributable to common stockholders — basic and diluted	(1.71)

5. Property and Equipment

As of December 31, 2014 and 2015, property and equipment consisted of the following:

	Estimated useful life	December 31, 2014	December 31, 2015
Computer hardware and purchased software	3 years	$ 775	$ 961
Office furniture and equipment	5 years	3,639	4,088
Leasehold improvements	5 years	366	441
		4,780	5,490
Less accumulated depreciation		(2,559)	(3,528)
		$ 2,221	$ 1,962

Depreciation and amortization expense for the years ended December 31, 2014 and 2015 was $833 and $969, respectively.

6. Goodwill and Intangible Assets

The Company's goodwill and related changes are as follows:

Balance at January 1, 2014	$ 189
Goodwill from 2014 acquisitions	21,417
Balance at December 31, 2014 and 2015	$21,606

There were no indicators of impairment during the years ended December 31, 2014 and 2015 and there are no accumulated impairment charges as of December 31, 2015.

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

Intangible assets consisted of the following as of December 31, 2014 and 2015:

	Weighted Average Amortization Period (in years)	Gross Value	Accumulated Amortization	Intangible Assets, net
		As of December 31, 2014		
Trade names	5.00	$ 1,720	$ (92)	$ 1,628
Client relationships	10.02	14,684	(331)	14,353
Non-competition agreements	4.64	652	(40)	612
Developed technology	10.00	3,400	—	3,400
Total intangible assets		$20,456	$(463)	$19,993

	Weighted Average Amortization Period (in years)	Gross Value	Accumulated Amortization	Intangible Assets, net
		As of December 31, 2015		
Trade names	5.00	$ 1,720	$ (436)	$ 1,284
Client relationships	10.02	14,684	(1,810)	12,874
Non-competition agreements	4.64	652	(183)	469
Developed technology	10.00	3,400	(340)	3,060
Total intangible assets		$20,456	$(2,769)	$17,687

Amortization expense for the years ended December 31, 2014 and 2015 was $463 and $2,306, respectively. The estimated amortization expense for each of the next five years and thereafter is as follows:

2016	$ 2,306
2017	2,300
2018	2,266
2019	2,159
2020	2,148
Thereafter	6,508
	$17,687

7. Accrued Expenses and Other Liabilities

At December 31, 2014 and 2015, accrued expenses and other liabilities consisted of the following:

	December 31,	
	2014	2015
Employee related expenses	$ 1,361	$ 1,232
Deferred revenue	325	520
Interest	25	1,371
Distributions payable	310	—
Other expenses	47	121
Total accrued expenses and other liabilities	$2,068	$3,244

8. Notes Payable with Related Parties

In December 2012, the Company entered into a $1,100 demand promissory note with certain executive officers. The Company was able to borrow against this note as funds were needed by the Company at the discretion of the Board. As of December 31, 2014 and 2015, total borrowings outstanding under the promissory note were $664 and $0, respectively. Interest on the note was 6% annually and there were no stated repayment terms. The promissory note also provided for the issuance of warrants or stock options calculated based upon the principal outstanding on the last day of the prior month. The Company recognized $24 and $16 of interest expense in 2014 and 2015, respectively, for the value of the common stock warrants issued based on the principal outstanding at the end of each month (see note 12). Interest expense recognized on the note was $47 and $26 for the years ended December 31, 2014 and 2015, respectively.

In May 2013, the Company entered into a demand promissory note with a stockholder that provided for borrowings of $250. The proceeds of these borrowings were used to fund the Company's working capital needs at that time. Interest on the note is 6% annually and is payable monthly having commenced in June 2013. There are no stated repayment terms with respect to the principal amount outstanding under the note. The promissory note also provides for the issuance of warrants or stock options calculated based upon the principal outstanding on the last day of the prior month. The grants commenced in June 2013. The Company recognized $8 of interest expense in 2014 for the value of the common stock warrants issued based on the principal outstanding at the end of each month (see note 12). No warrants were issued during the year ended December 31, 2015. Interest expense recognized on the note was $15 and $15 for the years ended December 31, 2014 and 2015, respectively.

In January 2014, the Company entered into a second promissory note with certain executive officers. The Company was able to borrow against this note as funds were needed by the Company at the discretion of the Board. As of December 31, 2014 and 2015, total borrowings outstanding under the promissory note were $100 and $0, respectively. Interest on the note was 6% annually and there were no stated repayment terms. Interest expense recognized on the note was $6 and $6 for the year ended December 31, 2014 and 2015, respectively.

9. Notes Payable Related to Acquisition

In December 2014, as part of the acquisition-related consideration of the Medliance acquisition (see note 4), the Company issued multiple subordinated convertible promissory notes (the "Medliance Notes") with certain officers and direct relatives of Medliance, for aggregate borrowings of $16,385. Interest is 8% annually and all unpaid principal and accrued interest was due and payable on June 30, 2016. Interest expense recognized was $4 and $1,310 for the year ended December 31, 2014 and 2015, respectively. On July 1, 2016, the Company repaid in full the Medliance Notes and related accrued interest thereon with the proceeds from a long-term credit facility (see note 10). As a result, the Medliance Notes have been satisfied in full and cancelled.

The Company recorded the Medliance Notes at their aggregate acquisition date fair values of $14,347 and are being accreted up to their face values of $16,385 over the 18 month term using the effective-interest method. For the year ended December 31, 2014 and 2015, the Company amortized $3 and $1,280 of the discount to interest expense, respectively.

10. Lines of Credit and Long-Term Debt

(a) Lines of Credit

On December 30, 2013, the Company entered into a Loan and Security Agreement (the "2013 Revolving Line") with Silicon Valley Bank ("SVB"), which provided for borrowings in an aggregate amount up to $7,000 to be used for general corporate purposes, to fund a portion of the Company's acquisition of SMPP and for repayment of the previous Line of Credit and the convertible loan agreement with the New Jersey Economic Development Authority. The Company's ability to borrow under the 2013 Revolving Line was based upon a specified borrowing base of committed monthly recurring revenue, as defined in the underlying Loan and Security Agreement. The 2013 Revolving Line was collateralized by a first priority security interest in all personal property of the Company and was scheduled to mature December 30, 2015. As of December 31, 2014, the aggregate borrowings and outstanding balance on the 2013 Revolving Line amounted to $6,860, and available borrowings under the 2013 Revolving Line were $140. In April 2015, the Company entered into a new revolving line (the "2015 Revolving Line") with Bridge Bank, National Association ("Bridge Bank") pursuant to a loan and security agreement (see below) and repaid the outstanding balance in full.

Interest on the 2013 Revolving Line was payable monthly, and was calculated at a variable rate based upon SVB's prime rate plus 1.5%, with SVB's prime rate having a floor of 4.0%. The Company was required to pay fees of 0.25% per year on the average daily unused balance, payable quarterly in arrears. As of December 31, 2014, the interest rate on the 2013 Revolving Line was 5.5% and interest expense was $383 and $127 for the years ended December 31, 2014 and 2015, respectively. In connection with the 2013 Revolving Line, the Company recorded deferred financing costs of $90. The Company amortized the deferred financing costs associated with the 2013 Revolving Line to interest expense using the effective-interest method over the term of the 2013 Revolving Line and amortized $46 and $46 to interest expense for the year ended December 31, 2014 and 2015, respectively.

On April 29, 2015, the Company entered into a new revolving line of credit (the "2015 Revolving Line") with Bridge Bank pursuant to a loan and security agreement, which provides for borrowings in an aggregate amount up to $15,000 to be used for general corporate purposes including repayment of the 2013 Revolving Line. The Company's ability to borrow under the 2015 Revolving Line is based upon a specified borrowing base equal to the Company's trailing three months of monthly recurring revenue, as defined. The 2015 Revolving Line is collateralized by a first priority security interest in all assets of the Company and matures on April 29, 2017. As of December 31, 2015, the aggregate borrowings outstanding under the 2015 Revolving Line were $10,000, and additional amounts available for borrowings under the 2015 Revolving Line were $5,000.

Interest on the 2015 Revolving Line is calculated at a variable rate based upon Bridge Bank's prime rate plus 1.0%, with Bridge Bank's prime rate having a floor of 3.25%. Upon the successful completion of a qualified initial public offering, the interest rate will be calculated at a variable rate based upon Bridge Bank's prime rate plus 0.5%. As of December 31, 2015, the interest rate on the 2015 Revolving Line was 4.50% and interest expense was $290 for the year ended December 31, 2015. In connection with the 2015 Revolving Line, the Company recorded deferred financing costs of $106, with $37 included in accrued expenses and other liabilities on the consolidated balance sheet at December 31, 2015. The Company is amortizing the deferred financing costs associated with the 2015 Revolving Line to interest expense using the effective-interest method over the term of the 2015 Revolving Line and amortized $35 to interest expense for the year ended December 31, 2015.

The 2015 Revolving Line has several financial covenants including (i) maintaining a minimum unrestricted cash and unused availability balance of at least $1,000 through December 31, 2015 and at least $1,500 thereafter (the liquidity covenant), (ii) maintaining a minimum adjusted EBITDA (as yet defined by Bridge Bank), and (iii) a minimum monthly recurring revenue retention rate, as defined in the underlying loan and security agreement. As of December 31, 2015, the Company was in compliance with all of the financial covenants related to the 2015 Revolving Line. As disclosed in note 9, the Company was required to pay $16,385 on June 30, 2016, pursuant to the Medliance Notes, which could have adversely impacted the Company's ability to maintain compliance with the liquidity covenant. Due to the uncertainty of the Company's ability to satisfy the Medliance Notes as of the balance sheet date, the Company has classified the amount outstanding on the 2015 Revolving Line as a current liability on the Company's consolidated balance sheet at December 31, 2015.

On July 1, 2016, the Company entered into a Loan and Security Modification Agreement (the "Amended 2015 Revolving Line") with Western Alliance Bank, successor in interest to Bridge Bank, whereby the 2015 Revolving Line was amended to increase the Company's borrowing availability to up to $25,000 and extended the maturity date to July 1, 2018. The Company's ability to borrow under the Amended 2015 Revolving Line is based upon a specified borrowing base equal to the Company's trailing four months of monthly recurring revenue, as defined, from eligible recurring revenue contracts, as defined, through March 31, 2017 and based upon the Company's trailing three months of monthly recurring revenue, as defined, from eligible recurring revenue contracts, as defined, thereafter. Interest on the Amended 2015 Revolving Line was also amended to be calculated at a variable rate based upon Western Alliance Bank's prime rate plus 1.0%, with Western Alliance Bank's prime rate having a floor of 3.5%. Financial covenants under the Amended 2015 Revolving Line were modified to require that the Company (i) maintain an unrestricted cash and unused availability balance under the Amended 2015 Revolving Line of at least $3,000 at all times (the liquidity covenant), (ii) maintain a minimum EBITDA, as defined, of $2,000 for the quarter ending June 30, 2016, $2,250 for the quarter ending September 30, 2016, and $2,500 for the quarter ending December 31, 2016 and thereafter, and (iii) maintain a minimum monthly recurring revenue retention rate of at least 90%, measured quarterly. Management believes that the Company will be able to maintain compliance with the financial covenants through at least March 31, 2018.

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

(b) Term Loans and Capital Lease Obligations

The following table represents the total term loans and capital lease obligations of the Company at December 31, 2014 and 2015:

	December 31,	
	2014	**2015**
Tranche A Term Loan	$ 334	$ 51
Tranche B Term Loan	74	28
March 2012 Eastward Loan	444	—
Unamortized discount on March 2012 Eastward Loan	(8)	—
March 2012 Eastward Loan, net	436	—
April 2014 Eastward Loan	3,000	2,260
Unamortized discount on April 2014 Eastward Loan	(196)	(101)
April 2014 Eastward Loan, net	2,804	2,159
December 2014 Eastward Loan	12,000	12,000
Unamortized discount on December 2014 Eastward Loan	(1,579)	(1,030)
December 2014 Eastward Loan, net	10,421	10,970
Capital leases	1,041	853
Total long-term debt, net	15,110	14,061
Less current portion, net	(2,121)	(13,631)
Total long-term debt, less current portion, net	$12,989	$ 430

Term Loans

In January 2011, the Company entered into a loan agreement (the "Tranche A Term Loan") with Liberty Bell Bank ("Liberty Bank") that provided for aggregate borrowings of $1,265. The Tranche A Term Loan is collateralized by a first position lien upon a term life insurance policy on the life of the Company's Chairman and CEO in the amount of $500 and certain equipment with a net book value of $70 at December 31, 2015, and is secured by a personal guarantee provided by the Company's Chairman and Chief Executive Officer. Interest on the Tranche A Term Loan is calculated at a fixed rate of 6.5% per year. Principal and interest are due in monthly installments of $25 through the Tranche A Term Loan maturity date of January 28, 2016. Interest expense on the Tranche A Term Loan was $30 and $12 for the years ended December 31, 2014 and 2015, respectively.

In July 2011, the Company entered into another loan (the "Tranche B Term Loan") with Liberty Bank that provided for aggregate borrowings of $208. The Tranche B Term Loan is collateralized by a first position lien upon certain equipment with a net book value of $20 at December 31, 2015 and is secured by a personal guarantee provided by the Company's Chairman and Chief Executive Officer. Interest on the Tranche B Term Loan is calculated at a fixed rate of 6.5% per year. Principal and interest are due in monthly installments of $4 through the Tranche B term loan maturity date of July 14, 2016. Interest expense on the Tranche B Term Loan was $6 and $3 for the years ended December 31, 2014 and 2015, respectively.

In March 2012, the Company entered into a loan agreement with Eastward Capital Partners V, L.P. (the "March 2012 Eastward Loan") that provided for aggregate borrowings of $2,000. The March 2012

Eastward Loan was collateralized by all of the Company's tangible and intangible assets (including its intellectual property), and was subordinated to all other credit facilities entered into and outstanding prior to the execution of the March 2012 Eastward Loan. Interest on the March 2012 Eastward Loan was calculated at an annual rate of 12%. Interest-only payments of $20 were due for the first nine months commencing April 2012, subject to term adjustment, as defined, followed by monthly principal and interest installments of $77 through the maturity date of June 1, 2015. Interest expense on the March 2012 Eastward Loan was $99 and $11 for the years ended December 31, 2014 and 2015, respectively.

In connection with the March 2012 Eastward Loan, the Company issued a warrant to purchase 250,000 shares of Series A-1 Redeemable Convertible preferred stock ("Series A-1") at $0.80 per share for an aggregate exercise price of $200. The warrant expires 10 years from the date of issuance, or three years from the date of closing of any initial public offering of the Company's common stock, whichever occurs earliest. The warrant was valued using the Black-Scholes option-pricing model and because the warrant is exercisable for a redeemable security it is liability classified. The estimated fair value of the preferred stock warrant on the date of issuance of $106 was recorded as a discount on the March 2012 Eastward Loan, with the corresponding credit to preferred stock liability. The preferred stock warrant is revalued at each reporting period to reflect any changes in fair value, with any gain or loss from the revaluation recorded in the statements of operations.

The debt discount is being amortized to interest expense using the effective — interest method over the term of the March 2012 Eastward Loan. For the years ended December 31, 2014 and 2015, the Company amortized $28 and $8, respectively, of the discount to interest expense. In connection with the March 2012 Eastward Loan, the Company recorded $48 in deferred financing costs, of which $10 and $1 was amortized to interest expense using the effective-interest method for the years ended December 31, 2014 and 2015, respectively.

In April 2014, the Company entered into the April 2014 Eastward Loan that provided for aggregate borrowings of $3,000. The April 2014 Eastward Loan is collateralized by all of the Company's tangible and intangible assets (including its intellectual property), and is subordinated to all other credit facilities entered into and outstanding prior to the execution of the April 2014 Eastward Loan. Interest on the April 2014 Eastward Loan is calculated at an annual rate of 11.5%. Interest-only payments of $29 were due for the first twelve months commencing May 2014, subject to term adjustment, as defined, followed by monthly principal and interest installments of $114 through the April 2014 Eastward Loan maturity date of October 31, 2017. Interest expense on the April 2014 Eastward Loan was $239 and $312 for the year ended December 31, 2014 and 2015, respectively.

In connection with the April 2014 Eastward Loan, the Company issued a warrant to purchase 105,005 shares of Series B Redeemable Convertible preferred stock ("Series B") at $2.86 per share for an aggregate exercise price of $300. The warrant expires 10 years from the date of issuance, or three years from the date of closing of any initial public offering of the Company's common stock, whichever occurs earliest. The warrant was valued using the Black-Scholes option-pricing model and because the warrant is exercisable for a redeemable security it is liability classified. The estimated fair value of the preferred stock warrants on the date of issuance of $254 was recorded as a discount on the April 2014 Eastward Loan, with the corresponding credit to preferred stock liability. The preferred stock warrant is revalued at each reporting period to reflect any changes in fair value, with any gain or loss from the revaluation recorded in the statements of operations.

The debt discount is being amortized to interest expense using the effective — interest method over the term of the April 2014 Eastward Loan. For the year ended December 31, 2014 and 2015, the

Company amortized $57 and $95, respectively, of the discount to interest expense. In connection with the April 2014 Eastward Loan, the Company recorded $61 in deferred financing costs, of which $18 and $24 was amortized to interest expense using the effective-interest method in the year ended December 31, 2014 and 2015, respectively.

In December 2014, the Company entered into a loan agreement with Eastward Capital Partners V, L.P. (the "December 2014 Eastward Loan") in connection with the Medliance acquisition that provided for aggregate borrowings of $12,000. The December 2014 Eastward Loan is collateralized by all of the Company's tangible and intangible assets (including its intellectual property), and is subordinated to all other credit facilities entered into and outstanding prior to the execution of the December 2014 Eastward Loan. Interest on the December 2014 Eastward Loan is calculated at an annual rate of 12%. Interest-only payments of $120 are due for the first twelve months commencing January 2015, subject to term adjustment, as defined, followed by monthly principal and interest installments of $460 through the December 2014 Eastward Loan maturity date of June 30, 2018. Interest expense on the December 2014 Eastward Loan was $4 and $1,440 for the year ended December 31, 2014 and 2015, respectively.

In connection with the December 2014 Eastward Loan, the Company issued a warrant to purchase 481,863 shares of Series B at $2.99 per share for an aggregate exercise price of $1,440. The warrant expires 10 years from the date of issuance, or three years from the date of closing of any initial public offering of the Company's common stock, whichever occurs earliest. The warrant was valued using the Black-Scholes option-pricing model and because the warrant is exercisable for a redeemable security it is liability classified. The estimated fair value of the preferred stock warrant on the date of issuance of $1,581 was recorded as a discount on the December 2014 Eastward Loan, with the corresponding credit to preferred stock liability. The preferred stock warrant is revalued at each reporting period to reflect any changes in fair value, with any gain or loss from the revaluation recorded in the statements of operations.

The debt discount is being amortized to interest expense using the effective — interest method over the term of the December 2014 Eastward Loan. For the year ended December 31, 2014 and 2015, the Company amortized $2 and $550 of the discount to interest expense, respectively. In connection with the December 2014 Eastward Loan, the Company recorded $150 in deferred financing costs, of which a de minimis amount and $64 was amortized to interest expense using the effective-interest method in the year ended December 31, 2014 and 2015, respectively.

On July 1, 2016, the Company repaid the April 2014 Eastward Loan and the December 2014 Eastward Loan with the proceeds from a long-term credit facility as described in (d) below. As a result, all outstanding principal and interest related to the April 2014 Eastward Loan and the December 2014 Eastward Loan have been satisfied in full and the obligations under the 2014 Eastward Loan and the December 2014 Eastward Loan have been terminated.

Capital Lease Obligations

The Company has entered into leases for certain equipment and software, which are recorded as capital lease obligations. These leases have interest rates ranging from 13% to 26%. Interest expense related to the capital leases was $228 and $181 for the years ended December 31, 2014 and 2015, respectively.

Amortization of assets held under capital leases is included in depreciation and amortization expense. The net book value of equipment and software acquired under capital lease was $1,435 and

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

$1,377 as of December 31, 2014 and 2015, respectively, and are reflected in property and equipment on the consolidated balance sheets.

(c) Other Financing

The Company has a purchase account on 28 day payment terms with AmerisourceBergen Drug Corporation, the primary supplier of the Company's pharmaceutical medications. The purchase account is secured by a second position lien on all assets of the Company, excluding intellectual property, which is subject to a third position lien. As of December 31, 2014 and 2015, the Company had $3,129 and $3,691, respectively, outstanding under this account.

(d) Refinancing

On July 1, 2016, the Company entered into the ABC Credit Facility with ABC Funding, LLC, an affiliate of Summit Partners, L.P., pursuant to which the Company can request up to an aggregate amount of $50,000 in term loan advances. The proceeds of the initial term loan advance of $30,000 under the ABC Credit Facility were used to repay all outstanding amounts under the Medliance Notes, as well as the April 2014 Eastward Loan and the December 2014 Eastward Loan. Any future term loan advances under the ABC Credit Facility will be used to buy back outstanding warrants and fund future acquisitions, if any. Amounts outstanding under the ABC Credit Facility bear interest at a per annum rate equal to 12.0% payable monthly in arrears. The ABC Credit Facility has a maturity date of December 30, 2021, and is secured by a subordinated security interest in all personal property, whether presently existing or created or acquired in the future, as well as the Company's intellectual property. Financial covenants under the ABC Credit Facility include those covenants under the Amended 2015 Revolving Line, as well as the obligation for the Company to (i) maintain a maximum total leverage and first lien leverage ratio, as defined, measured quarterly, (ii) maintain a minimum fixed charge coverage ratio, as defined, measured quarterly, and (iii) not permit aggregate capital expenditures, as defined, in any fiscal year to exceed $2,500.

(e) Long-Term Debt Maturities

As of December 31, 2015, the Company's long-term debt is payable as follows, excluding the impact of the refinancing described in (d) above:

	Total Long-Term Debt
2016	$ 538
2017	277
2018	169
2019	89
	1,073
Less amount representing interest	(220)
Present value of payments	853
Less current portion	(423)
Less discount on debt	—
	$ 430

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

11. Income Taxes

The Company accounts for income taxes under ASC Topic 740 — *Income Taxes* ("ASC 740"). Deferred income tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities, which are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Company's loss before income taxes was $1,516 and $2,536 for the years ended December 31, 2014 and 2015, respectively, and the Company has no foreign sources of income or loss.

The expense (benefit) for income taxes consists of the following:

	Year Ended December 31,	
	2014	2015
Current:		
US federal	$ 1	$ 3
State and local	12	35
Total current	13	38
Deferred:		
US federal	(410)	278
State and local	(12)	12
Total deferred	(422)	290
Total expense (benefit)	$(409)	$328

As of December 31, 2015, the Company had federal net operating loss ("NOL") carryforwards of $12,942 and state NOL carry forwards of $7,639, each of which are available to reduce future taxable income. The NOL carryforwards, if not utilized, will begin to expire in 2029 for federal purposes and in 2023 for state purposes.

The NOL carryforwards are subject to review and possible adjustment by the Internal Revenue Service and state tax authorities. The NOLs may become subject to an annual limitation in the event of certain cumulative changes in the ownership interest of significant shareholders over a three-year period in excess of 50%, as defined under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, as well as similar state tax provisions. The Company has undergone ownership changes during the past three years which could limit the amount of NOLs that the Company can utilize annually to offset future taxable income or tax liabilities. The amount of the annual limitation, if any, will generally be determined based on the value of the Company immediately prior to the ownership change. Subsequent ownership changes may further affect the limitation in future years.

Through December 31, 2015, the Company had no unrecognized tax benefits or related interest and penalties accrued.

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

The principal components of the Company's deferred tax assets (liabilities) are as follows:

	December 31,	
	2014	**2015**
Deferred tax assets:		
Net federal operating loss carry forward	$ 4,508	$ 4,400
Net state operating loss carry forward	489	404
Accruals	233	178
Intangibles	—	114
Other	153	245
Deferred tax assets	5,383	5,341
Less: valuation allowance	(4,626)	(4,489)
Deferred tax assets after valuation allowance	757	852
Deferred tax liabilities:		
Fixed assets	(540)	(556)
Debt discount	—	(295)
Indefinite-lived intangibles	(45)	(335)
Intangibles	(217)	—
Deferred tax liabilities	(802)	(1,186)
Net deferred tax liabilities	$ (45)	$ (334)

ASC 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, the Company has recorded a full valuation allowance against its deferred tax assets at December 31, 2014 and 2015, respectively, because the Company's management has determined that is it more-likely-than-not that these assets will not be fully realized. The Company experienced a net increase (decrease) in valuation allowance of $(46) and $(137) for the years ended December 31, 2014 and 2015, respectively.

The changes in valuation allowance were as follows:

	Year Ended December 31,	
	2014	**2015**
Balance at the beginning of the period	$4,672	$4,626
Increase (decrease) due to NOLs and temporary differences	376	(137)
Deferred benefit recognized	(422)	—
Balance at the end of the period	$4,626	$4,489

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

A reconciliation of income tax (expense) benefit at the statutory federal income tax rate and income taxes as reflected in the financial statements is as follows:

	Year Ended December 31,	
	2014	2015
Federal income tax expense at statutory rate	34.0%	34.0%
State taxes, net of federal benefit	3.5	(1.4)
Change in fair value of warrant liabilities	(6.0)	(37.4)
Change in valuation allowance	7.1	(1.1)
Non-deductible stock compensation	(5.1)	(6.0)
Change in fair value of contingent consideration	(4.1)	—
Other non-deductible expenses	(2.4)	(1.0)
Effective income tax rate	27.0%	(12.9)%

In the normal course of business, the Company is subject to examination by taxing authorities from the federal and state governments within the United States. As of December 31, 2015, the Company's tax years for 2011, 2012, 2013 and 2014 remain open for examination by taxing authorities.

12. Redeemable Convertible Preferred Stock and Stockholders' Deficit

(a) Capitalization

As of December 31, 2015, the Company's amended and restated articles of incorporation stated that the aggregate number of shares of stock that the Company was authorized to issue was 38,609,749 shares with a par value of $0.0001 per share, including common stock authorized to be issued of 27,836,869 shares, consisting of 9,600,000 shares of Class A Non-Voting common stock and 18,236,869 shares of Class B Voting common stock, and convertible preferred stock authorized to be issued of 10,772,880, consisting of 4,411,766 shares of Series A Redeemable Convertible preferred stock ("Series A"), 2,812,500 shares of Series A-1 and 3,548,614 shares of Series B.

(b) Common Stock

The holders of Class A Non-Voting common stock have the same rights, preferences, privileges and restrictions as the holders of Class B Voting common stock with the exception of voting rights. The holders of Class B Voting common stock are entitled to one vote per share. The holders of Class A Non-Voting and Class B Voting common stock are entitled to receive dividends when, as and if declared by the Board, subject to payment of accrued dividends for redeemable convertible preferred stock. Class A Non-Voting and Class B Voting common stock are also subordinate to the redeemable convertible preferred stock with respect to liquidation, winding up and dissolution of the Company. No dividends have been declared through December 31, 2015.

(c) Redeemable Convertible Preferred Stock

The Company has issued Series A, Series A-1, and Series B redeemable convertible preferred stock. The redeemable convertible preferred stock is classified outside of stockholders' deficit because the shares contain redemption features that are not solely within the control of the Company.

Issuance costs incurred in connection with the sale of preferred stock are being accreted on a straight-line basis through the earliest redemption period, which is June 28, 2018 for all series of preferred stock. For the years ended December 31, 2014 and 2015, the Company accreted $50 and $50, respectively, related to these costs.

The rights, preferences, privileges, and restrictions granted or imposed upon the holders of Series A, Series A-1 and Series B are as follows:

Dividends

The holders of Series A, Series A-1 and Series B are entitled to annual dividends at a rate of 6% of the stated value of $0.68 per share of Series A, $0.80 per share of Series A-1, and $1.52 per share of Series B. The dividends accrue from the original date of issuance of each share of Series A, Series A-1 and Series B, whether or not earned or declared, are cumulative and compound annually. The dividends are payable when, as and if declared by the Board. In the event that dividends are paid on any share of common stock (other than dividends paid in additional shares of common stock for which an adjustment to the conversion price is made), an additional dividend shall be paid with respect to each outstanding share of Series A, Series A-1 and Series B in an amount (on an as-if converted basis) equal to the amount paid or set aside for each share of common stock.

In the event of a liquidation event or upon redemption of any shares of outstanding Series A, Series A-1 or Series B, the Company shall pay such accumulated dividends as a condition to consummating such event.

Cumulative but unpaid dividends on the Series A and Series A-1 were $1,042 and $547, respectively, at December 31, 2015. Cumulative but unpaid dividends on the Series B were $712 at December 31, 2015.

Conversion

The Series A, Series A-1 and Series B shares are convertible, at the option of the holder at any time and from time to time, into shares of voting common stock of the Company as determined by dividing the original issue price of the Series A, the Series A-1 and the Series B by the conversion price, which initially shall be the original issue price.

The Series A, Series A-1 and Series B also have certain anti-dilution provisions in which the conversion price is to be adjusted should the Company issue additional shares of common stock, options, or other equity instruments at a price per share lower than the conversion price in effect prior to such issuance.

All outstanding shares of Series A, Series A-1 and Series B shall automatically convert into shares of voting common stock of the Company, at the then effective applicable conversion price, upon the earlier of (i) the affirmative vote or consent in writing by the requisite holders, as defined in the amended and restated articles of incorporation, or (ii) the closing of the sale of shares of common stock in a qualified public offering, as defined in the amended and restated articles of incorporation, in which the initial public offering price per share is at least five times the original issue price of the respective series of preferred stock and the gross cash proceeds are at least $50,000.

As of December 31, 2015, all outstanding shares of Series A, Series A-1 and Series B redeemable convertible preferred stock were convertible into common stock at a ratio of 1 for 1.94.

Redemption

The Series A, Series A-1 and Series B are redeemable upon written request of the requisite holders at any time after June 28, 2018. The Series A redemption amount is equal to the Series A original issue price of $0.68 per share plus all accrued and unpaid dividends. The Series A-1 redemption amount is equal to the Series A-1 original issue price of $0.80 per share plus all accrued and unpaid dividends. The Series B redemption amount is equal to the greater of (i) the Series B original issue price of $1.52 per share plus any accrued and unpaid dividends and any other dividends declared but unpaid thereon of such shares or (ii) the fair market value, as defined in the amended and restated articles of incorporation, as of the date of the Series B redemption request.

Series A and Series A-1 redemption amounts are payable in three equal annual installments commencing 180 days after receipt by the Company of a written notice requesting redemption provided by the requisite Series A and Series A-1 holders. The Series B redemption amount is payable within 180 days following receipt by the Company of a written notice requesting redemption provided by the requisite Series B holders.

The carrying values of the Series A, Series A-1 and Series B redeemable convertible preferred stock are being accreted to their redemption values through June 28, 2018. The redemption value of Series B is based on its estimated fair value at December 31, 2014 and 2015 because it is estimated to be greater than its original issue price plus accrued dividends.

Liquidation

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary (a "Liquidation Event"), the holders of Series B are entitled to receive prior and in preference to any distribution of any of the assets of the Company to the holder of any other classes of preferred stock or common stock, an amount per share equal to the original issuance price plus any accrued and unpaid dividends on such share (the "Preferred B Liquidation Amount"). In the event of any Liquidation Event, after the payment of the Preferred B Liquidation Amount, the holders of Series A and Series A-1 are entitled to receive prior and in preference to any distribution of any of the assets of the Company to the holder of any common stock, an amount per share equal to the original issuance price plus any accrued and unpaid dividends on such share (the "Preferred A Liquidation Amount"). In the event that the assets and funds of the Company that are available for distribution to its stockholders are insufficient to pay the holders of shares of Series B or Series A and Series A-1 the full preferential liquidation amounts that they are entitled to, then the holders of the Series B, Series A and Series A-1 will share ratably in any distribution of the assets and funds legally available for distribution based on the preferential amounts each such holder is entitled to receive and in the priority set forth above.

Participation Rights

After the payment in full of the Preferred B Liquidation Amount and the Preferred A Liquidation Amount (together, the "Preferred Liquidation Amount"), the assets and funds of the Company remaining available for distribution, if any, shall be distributed ratably among the holders of the Company's common stock and Series B, Series A, and Series A-1 (on an as-converted basis) (the "Participation Distribution"). The Participation Distribution will continue with respect to the Series A and Series A-1 only until the holders of Series A and Series A-1 have received for each share of Series A and Series A-1 held, an aggregate amount per share that equals three times the original issue price.

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

Voting

Each holder of the outstanding shares of Series A, Series A-1 and Series B is entitled to one vote per share of voting common stock into which the Series A, Series A-1 and Series B is convertible as of the record date for determining stockholders entitled to vote on such matters.

(d) Common Stock Warrants

As of December 31, 2015, the following warrants to purchase common stock were outstanding:

Warrants to Purchase	Number of Warrants	Exercise Price	Term	Expiration
Common-A	106,361	$0.480	10 year	May-October 2019
Common-B	82,471	$0.480	10 year	May-October 2019
Common-A	7,731	$0.530	10 year	May 2019
Common-B	190,714	$0.530	10 year	May-December 2019
Common-A	5,154	$0.970	10 year	December 2019
Common-A	515	$0.970	10 year	March 2020
Common-B	2,577	$0.480	10 year	June 2021
Common-B	2,577	$0.530	10 year	June 2021
Common-B	2,244	$2.560	10 year	January 2023
Common-B	20,470	$ 3.410	10 year	January-December 2023
Common-B	4,982	$ 3.100	10 year	May-December 2023
Common-B	4,015	$ 5.820	10 year	January-December 2024
Common-B	12,297	$6.400	10 year	January-December 2024
Common-B	4,485	$6.400	10 year	January-June 2025

During the years ended December 31, 2014 and 2015, the Company issued warrants to purchase 16,312 and 4,485 shares of common stock, respectively, at exercise prices from $5.82 to $6.40 and $6.40 per share, respectively, in connection with related party debt (see note 8). The Company recognized total interest expense of $31 and $16 associated with the equity-classified warrants issued in 2014 and 2015, respectively. The 2014 and 2015 warrants were valued using the Black-Scholes option-pricing model at the date of grant, and included the following weighted average assumptions:

	Year Ended December 31,	
	2014	2015
Valuation assumptions:		
Expected volatility	54%	50%
Expected life (years)	10.00	10.00
Risk-free interest rate	2.52%	2.13%
Dividend yield	—	—

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

(e) Preferred Stock Warrants

As of December 31, 2015, the following warrants to purchase redeemable convertible preferred stock were outstanding:

Warrants to Purchase	Number of Warrants	Exercise Price	Term	Expiration
Series A-1	250,000	$0.800	10 year	March 2022
Series A-1	62,500	0.800	10 year	October 2022
Series B	105,005	2.860	10 year	April 2024
Series B	481,863	2.990	10 year	December 2024

In April 2014 and December 2014, the Company issued warrants to purchase 105,005 and 481,863 shares, respectively, of Series B at an exercise price of $2.86 and $2.99 per share, respectively, in connection with the April 2014 Eastward Loan and December 2014 Eastward Loan (note 10). No warrants were issued in 2015.

The warrants issued in 2014 were initially recorded at their fair value calculated using the Black-Scholes model, with the following weighted average assumptions:

Valuation assumptions:	
Fair value of preferred stock	$ 5.28
Expected volatility	55%
Expected life (years)	10.00
Risk-free interest rate	2.27%
Dividend yield	—

13. Stock-Based Compensation

The Company's 2014 Equity Compensation Plan, as amended and restated, effective as of June 30, 2014, (the "2014 Plan") authorizes the Company to grant up to 3,935,865 shares of common stock to the Company's employees and non-employees in the form of incentive stock options, nonqualified stock options, stock awards, stock units, stock appreciation rights and other equity-based awards. This pool consists of 2,600,327 shares of Class A common stock and 1,335,538 shares of Class B common stock. In connection with a public offering, any remaining shares in the pool will be granted as restricted stock to certain executives as allocated at the discretion of the Chief Executive Officer. As of December 31, 2015, 695,044 shares were available for future grants under the Plan.

The option price per share cannot be less than the fair market value of a share on the date the option was granted, and in the case of incentive stock options granted to an employee owning more than 10% of the total combined voting power of all classes of stock of the Company, the option price shall not be less than 110% of the fair market value of Company stock on the date of grant. Stock option grants under the Plan generally expire 10 years from the date of grant, other than incentive stock option grants to 10% shareholders, which have a 5 year term, 90 days after termination, or one year after the date of death or termination due to disability. Stock options generally vest over a period of four years, with 25% of the options becoming exercisable on the one-year anniversary of the commencement date and the remaining shares vesting monthly thereafter for 36 months in equal installments of 2.08% per month.

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

The Company recorded $254 and $565 of stock-based compensation expense related to the vesting of employee and non-employee stock options for the years ended December 31, 2014 and 2015, respectively.

The estimated fair value of options granted was calculated using a Black-Scholes option-pricing model. The computation of expected option life for employees was determined based on the simplified method. The risk-free rate was based on the U.S. Treasury security with terms equal to the expected time of exercise as of the grant date. The Company's common stock is not publicly traded; therefore, expected volatility is based on the historical volatilities of selected public companies whose services are comparable to that of the Company.

The weighted average grant-date fair value of employee options granted during 2014 and 2015 was $1.57 and $3.34, respectively.

The table below outlines the weighted average assumptions for employee grants during the years ended December 31, 2014 and 2015:

	Year Ended December 31,	
	2014	**2015**
Valuation assumptions:		
Expected volatility	59.37%	55.21%
Expected life (years)	6.00	6.05
Risk-free interest rate	1.98%	1.75%
Dividend yield	—	—

The following table summarizes stock option activity under the 2014 Plan during the years ended December 31, 2014 and 2015:

	Number of Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Outstanding at January 1, 2014	2,635,827	$2.20		
Granted	259,928	6.01		
Exercised	(41,151)	1.42		
Forfeited	(9,378)	4.17		
Outstanding at December 31, 2014	2,845,226	$2.56	7.3	$ 9,334
Granted	365,098	6.42		
Exercised	(406,683)	1.04		
Forfeited	(11,887)	6.24		
Outstanding at December 31, 2015	2,791,754	$3.27	7.0	$ 27,239
Options vested and expected to vest at December 31, 2015	2,791,754	$3.27	7.0	$ 27,239
Exercisable at December 31, 2015	1,910,869	$2.55	6.5	$20,005

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

Included within the above table are 216,201 non-employee options outstanding as of December 31, 2015, of which 3,349 are unvested as of December 31, 2015 and therefore subject to remeasurement.

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those stock options that had exercise prices lower than the fair value of the Company's common stock.

The Company recorded stock-based compensation expense related to stock options for the years ended December 31, 2014 and 2015 in the following expense categories of its consolidated statements of operations:

	Year Ended December 31,	
	2014	2015
Cost of revenue — product	$ 57	$102
Cost of revenue — service	3	23
Research and development	9	25
Sales and marketing	57	91
General and administrative	128	324
	$254	$565

As of December 31, 2015, there was $1,253 of total unrecognized compensation cost related to nonvested stock options granted under the 2014 Plan, which is expected to be recognized over a weighted average period of 2.1 years.

14. Net Loss per Share and Unaudited Pro Forma Net Loss per Share Attributable to Common Stockholders

(a) Net Loss per Share Attributable to Common Stockholders

Basic and diluted net loss per share attributable to common stockholders was calculated as follows:

	Year Ended December 31,	
	2014	2015
Numerator:		
Net loss	$ (1,107)	$ (2,864)
Accretion of redeemable convertible preferred stock to redemption value	(3,884)	(9,966)
Net loss attributable to common stockholders	$ (4,991)	$ (12,830)
Denominator:		
Weighted average shares of common stock outstanding, basic and diluted	4,052,590	4,318,779
Net loss per share attributable to common stockholders, basic and diluted	$ (1.23)	$ (2.97)

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

The Company's potential dilutive securities, which include stock options, outstanding warrants to purchase shares of preferred and common stock and redeemable convertible preferred stock, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The following potential common shares, presented based on amounts outstanding at each period end, were excluded from the calculation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect:

	Year Ended December 31,	
	2014	2015
Stock options to purchase common stock	2,845,226	2,791,754
Common stock warrants	442,108	446,593
Preferred stock warrants (as converted to common stock)	463,589	463,589
Redeemable convertible preferred stock (as converted to common stock)	5,089,436	5,089,436
	8,840,359	8,791,372

(b) Unaudited Pro Forma Net Loss per Share

The unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the year ended December 31, 2015 gives effect to adjustments arising upon the closing of the initial public offering. The unaudited pro forma net loss attributable to common stockholders used in the calculation of unaudited basic and diluted pro forma net loss per share attributable to common stockholders does not include the effects of the accretion of redeemable convertible preferred stock to redemption value because the calculation assumes that the conversion of redeemable preferred stock into common stock has occurred on January 1, 2015.

The unaudited pro forma basic and diluted weighted average common shares outstanding used in the calculation of unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the year ended December 31, 2015 give effect to the conversion upon the initial public offering of all outstanding shares of redeemable convertible preferred stock as of December 31, 2015 into 5,089,436 shares of common stock as if the conversion had occurred on January 1, 2015, assuming the IPO price per share is at least five times the original issue price of the respective series of preferred stock and the gross cash proceeds are at least $50,000.

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

Unaudited pro forma basic and diluted net loss per share attributable to common stockholders was calculated as follows:

	Year Ended December 31, 2015
Numerator:	
Net loss attributable to common stockholders	$ (12,830)
Pro forma adjustment to add back the accretion of redeemable convertible preferred stock	9,966
Pro forma net loss attributable to common stockholders	$ (2,864)
Denominator:	
Weighted average shares of common stock outstanding, basic and diluted	4,318,779
Pro forma adjustment for assumed conversion of all outstanding shares of redeemable convertible preferred stock upon the closing of the proposed initial public offering	5,089,436
Pro forma weighted average common shares outstanding, basic and diluted	9,408,215
Pro forma net loss per share attributable to common stockholders, basic and diluted	$ (0.30)

15. Fair Value Measurements

The Company's financial instruments consist of accounts receivable, accounts payable and accrued expenses, acquisition-related contingent consideration, notes payable related to the acquisition, long-term notes payable to related parties and long-term debt. The carrying values of accounts receivable, accounts payable and accrued expenses are representative of their fair value due to the relatively short-term nature of those instruments. The carrying value of the Company's long-term notes payable to related to acquisition and long-term debt approximates fair value based on the terms of the debt. The long-term notes payable related to the acquisition were recorded on December 31, 2014 at their acquisition date fair values of $14,347. This valuation was determined using Level 3 inputs and is more fully described in note 4.

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

The Company has classified liabilities measured at fair value on a recurring basis at December 31, 2014 and 2015 as follows:

	Fair Value Measurement at Reporting Date Using			
	Level 1	Level 2	Level 3	Balance as of December 31, 2014
Warrant liability	$—	$—	$ 2,783	$ 2,783
Note payable related to acquisition	—	—	14,350	14,350
Acquisition-related contingent consideration — short-term	—	—	1,079	1,079
Acquisition-related contingent consideration — long-term	—	—	7,300	7,300
	$—	$—	$25,512	$25,512

	Fair Value Measurement at Reporting Date Using			
	Level 1	Level 2	Level 3	Balance as of December 31, 2015
Warrant liability	$—	$—	$ 5,569	$ 5,569
Note payable related to acquisition	—	—	15,620	15,620
Acquisition-related contingent consideration — short-term	—	—	1,886	1,886
Acquisition-related contingent consideration — long-term	—	—	3,355	3,355
	$—	$—	$26,430	$26,430

The fair value of the preferred stock warrants at December 31, 2014 was estimated using an option pricing model with the following weighted average assumptions: estimated life of 8.99 years, no dividend yield, risk-free interest rate of 2.10%, fair value of underlying instrument of $4.93 per share and volatility of 55.00%. The Company also applied a discount for lack of marketability of 20% to the resulting value from the option pricing model.

The fair value of the preferred stock warrants at December 31, 2015 was estimated using an option pricing model with the following weighted average assumptions: estimated life of 7.99 years, no dividend yield, risk-free interest rate of 2.10%, fair value of underlying instrument of $8.14 per share and volatility of 57.81%. The Company also applied a discount for lack of marketability of 10% to the resulting value from the option pricing model.

The Company developed its own assumptions that do not have observable inputs or available market data to support the fair value. This method of valuation involves using inputs such as the fair value of the Company's various classes of preferred stock, stock price volatility, the contractual term of the warrants, risk-free interest rates, and dividend yields. Due to the nature of these inputs, the valuation of the warrants is considered a Level 3 measurement.

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

The reconciliation of the warrant liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

Balance at January 1, 2014	$ 679
Issuances	1,835
Change in fair value	269
Balance at December 31, 2014	2,783
Change in fair value	2,786
Balance at December 31, 2015	$5,569

Acquisition-related contingent consideration is measured at fair value on a recurring basis using unobservable inputs, hence these instruments represent Level 3 measurements within the fair value hierarchy. The acquisition-related contingent consideration liability represents the estimated fair value of the additional cash consideration payable that is contingent upon the achievement of certain financial and performance milestones.

The fair value of SMPP acquisition-related contingent consideration at December 31, 2014 was estimated using the actual average monthly revenue for the twelve month period preceding the Second Contingent Payment Date of $498. As the average monthly revenue of $498 is greater than the monthly revenue target, the Company recorded the fair value of the full contingent consideration of $300 in cash and 16,237 shares of the Company's common stock. The fair value of the 16,237 shares of the Company's common stock were valued at $5.82 per share with the assistance of a third-party valuation specialist. There was no SMPP acquisition-related contingent consideration at December 31, 2015.

The fair value of the Capstone acquisition-related contingent consideration at December 31, 2014 was estimated using the amount of cash equal to five times the EBITDA of Capstone for the twelve month period ending on December 31, 2014 of $6,089 less $5,500, and a number of shares of the Company's common stock equal to 349,413 multiplied by a fraction, the numerator of which is Capstone twelve-month net income of $705, and the denominator of which is $2,000, minus 104,822 shares of the Company's common stock, or 18,418 shares of the Company's common stock. The fair value of the 18,418 shares of the Company's common stock were valued at $5.82 per share with the assistance of a third-party valuation specialist. There was no Capstone acquisition-related contingent consideration at December 31, 2015.

As the Medliance acquisition-related contingent consideration was recorded at the acquisition date of December 31, 2014, no remeasurement was required. The fair value of the Medliance acquisition-related contingent consideration at December 31, 2015 was determined using 2015 Medliance revenue of $7,041 as part of the formula to determine the Aggregate Earn-out Amount. A reduction in the Aggregate Earn-out Amount of $2,059 was calculated based on estimated lost future revenues from several lost customers which occurred in 2015, using an average of claims per month for those customers and current data and statistics revenue rates.

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

The changes in fair value of the Company's acquisition-related contingent consideration for the year ended December 31, 2014 and 2015 was as follows:

Balance at January 1, 2014	$ —
Acquisition date fair value of SMPP contingent consideration	810
Acquisition date fair value of Capstone contingent consideration	75
Acquisition date fair value of Medliance contingent consideration	7,300
Fair value of cash consideration paid	(500)
Fair value of equity consideration paid	(96)
Adjustments to fair value measurement	790
Balance at December 31, 2014	8,379
Fair value of cash consideration paid	(877)
Fair value of equity consideration paid	(201)
Adjustments to fair value measurement	(2,059)
Balance at December 31, 2015	$ 5,241

The fair value of the SMPP contingent consideration was calculated to be $395 at December 31, 2014. The fair value of the Capstone contingent consideration was calculated to be $684 at December 31, 2014. The fair value of the Medliance contingent consideration was calculated to be $7,300 at December 31, 2014. There was no SMPP or Capstone contingent consideration at December 31, 2015. The fair value of the Medliance contingent consideration was calculated to be $5,241 at December 31, 2015.

16. Commitments and Contingencies

(a) Leases

The Company has entered into various operating leases for office space expiring on various dates through 2018. On August 21, 2015, the Company entered into three operating lease agreements to expand its dispensary operations and corporate office space in Moorestown, NJ. Two of the three leases commenced on March 31, 2016 with the third lease commencing October 1, 2016. All three leases expire on November 30, 2027. The Company will have the option to extend the leases for one additional period of ten years. In addition to the base rent payments, the Company will be obligated to pay a pro rata share of operating expenses and taxes.

Future minimum lease payments under operating leases as of December 31, 2015 are as follows:

2016	$ 735
2017	1,313
2018	1,559
2019	1,534
2020	1,571
Thereafter	11,412
Total minimum lease payments	$18,125

Rent expense under these operating leases was $526 and $627 for the years ended December 31, 2014 and 2015, respectively.

(b) Employment Agreements

The Company has employment agreements with certain non-executive officers and key employees that provide for, among other things, salary and performance bonuses.

(c) Legal Proceedings

The Company is not currently involved in any significant claims or legal actions that, in the opinion of management, will have a material adverse impact on the Company.

17. Related-Party Transactions

The Company has debt payable to certain members of the Board (note 8).

During 2014 and 2015, the Company engaged Knowlton Advisors LLC, a management consulting services company, to provide professional accounting services. Knowlton Advisors LLC is owned and operated by an immediate relative of the Company's Chairman and Chief Executive Officer and the Company's President. Costs incurred by the Company for professional accounting services provided by the related party were $19 and $13 during 2014 and 2015, respectively.

During 2014 and 2015, the Company engaged Space Age Robotics LLC, an IT consulting services company, to provide professional IT client services. Space Age Robotics LLC is owned and operated by an immediate relative of the President and Chief Executive Officer of Capstone. Costs incurred by the Company for professional IT client services provided by the related party were $18 and $24 in 2014 and 2015, respectively.

In August 2015, the Company made a loan to certain executive officers, pursuant to a promissory note, for an aggregate principal amount of $410. The note bore interest at 6% per annum. In December 2015, the executive officers repaid the loan in full by offsetting amounts due to them pursuant to demand promissory notes the Company previously issued.

TABULA RASA HEALTHCARE, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	December 31, 2015	June 30, 2016	Pro Forma June 30, 2016
Assets			
Current assets:			
Cash	$ 2,026	$ 4,299	$ 4,299
Restricted cash	200	—	—
Accounts receivable, net	6,013	6,060	6,060
Inventories	2,304	2,849	2,849
Rebates receivable	1,064	751	751
Prepaid expenses and other current assets	522	729	729
Total current assets	12,129	14,688	14,688
Property and equipment, net	1,962	5,483	5,483
Software development costs, net	2,505	2,739	2,739
Goodwill	21,606	21,606	21,606
Intangible assets, net	17,687	16,563	16,563
Other assets	2,713	3,424	3,424
Total assets	$ 58,602	$ 64,503	$ 64,503
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)			
Current liabilities:			
Line of credit	$ 10,000	$ —	$ —
Current portion of long-term debt	13,526	593	593
Notes payable to related parties	250	250	250
Notes payable related to acquisition	15,620	—	—
Acquisition-related consideration payable	235	—	—
Acquisition-related contingent consideration	1,886	1,612	1,612
Accounts payable	6,808	7,534	7,534
Accrued expenses and other liabilities	3,244	2,490	2,490
Total current liabilities	51,569	12,479	12,479
Line of credit	—	14,500	14,500
Long-term debt	430	11,709	11,709
Notes payable related to acquisition		16,375	16,375
Long-term acquisition-related contingent consideration	3,355	1,833	1,833
Warrant liability	5,569	5,556	—
Deferred income taxes	334	467	467
Other long-term liabilities	—	4,023	4,023
Total liabilities	61,257	66,942	61,386
Redeemable convertible preferred stock:			
Series A and A-1 redeemable convertible preferred stock, $0.0001 par value, 7,224,266 shares authorized, 6,911,766 shares issued and outstanding at December 31, 2015 and June 30, 2016 (liquidation preference of $6,783 at June 30, 2016); no shares issued or outstanding, pro forma at June 30, 2016	6,553	6,755	—
Series B redeemable convertible preferred stock, $0.0001 par value, 3,548,614 shares authorized, 2,961,745 shares issued and outstanding at December 31, 2015 and June 30, 2016 (liquidation preference of $5,374 at June 30, 2016); no shares issued or outstanding, pro forma at June 30, 2016	22,420	22,420	—
Total redeemable convertible preferred stock	28,973	29,175	—
Stockholders' deficit:			
Common stock, $0.0001 par value; 27,836,869 shares authorized; 4,575,897 and 4,860,759 shares issued and outstanding at December 31, 2015 and June 30, 2016, respectively actual; 100,000,000 shares authorized and 9,950,195 shares issued and outstanding, pro forma at June 30, 2016	0	0	1
Additional paid-in capital	—	—	34,730
Accumulated deficit	(31,628)	(31,614)	(31,614)
Total stockholders' deficit	(31,628)	(31,614)	3,117
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	$ 58,602	$ 64,503	$ 64,503

See accompanying notes to unaudited consolidated financial statements.

TABULA RASA HEALTHCARE, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)

	Six Months Ended June 30,	
	2015	2016
Revenue:		
Product revenue	$ 27,295	$ 38,001
Service revenue	5,031	4,574
Total revenue	32,326	42,575
Cost of revenue, exclusive of depreciation and amortization shown below:		
Product cost	21,350	28,152
Service cost	1,582	1,903
Total cost of revenue	22,932	30,055
Gross profit	9,394	12,520
Operating (income) expenses:		
Research and development	1,186	1,850
Sales and marketing	1,368	1,630
General and administrative	3,290	3,709
Change in fair value of acquisition-related contingent consideration (income) expense	(1,018)	99
Depreciation and amortization	1,943	2,139
Total operating expenses	6,769	9,427
Income from operations	2,625	3,093
Other (income) expense:		
Change in fair value of warrant liability	184	(13)
Interest expense	2,950	3,008
Total other expense	3,134	2,995
(Loss) income before income taxes	(509)	98
Income tax expense	176	175
Net loss	(685)	(77)
Accretion of redeemable convertible preferred stock	(1,256)	(202)
Net loss attributable to common stockholders	$ (1,941)	$ (279)
Net loss per share attributable to common stock holders, basic and diluted	$ (0.47)	$ (0.06)
Weighted average common shares outstanding, basic and diluted	4,164,988	4,765,977
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)		$ (0.01)
Pro forma weighted average common shares outstanding, basic and diluted (unaudited)		9,855,413

See accompanying notes to unaudited consolidated financial statements.

TABULA RASA HEALTHCARE, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(In thousands, except share amounts)

	Redeemable Convertible Preferred Stock							Stockholders' Deficit						
								Common Stock						
	Series A		Series A-1		Series B			Class A		Class B		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Total	Shares	Amount	Shares	Amount			
Balance, January 1, 2016	4,411,766	$4,019	2,500,000	$2,534	2,961,745	$22,420	$28,973	2,100,980	$—	2,474,917	$0	$ —	$(31,628)	$(31,628)
Issuance of common stock in connection with satisfaction of contingent consideration related to acquisition of St. Mary's Prescription Pharmacy	—	—	—	—	—	—	—	10,824	—	—	—	35	—	35
Accretion of redeemable convertible preferred stock	—	124	—	78	—	—	202	—	—	—	—	(293)	91	(202)
Transfer of common stock	—	—	—	—	—	—	—	2,577	—	(2,577)	—	—	—	—
Issuance of common stock	—	—	—	—	—	—	—	1	—	—	—	—	—	—
Net exercise of stock warrants	—	—	—	—	—	—	—	—	—	210,817	—	—	—	—
Net exercise of stock options	—	—	—	—	—	—	—	—	—	63,220	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	—	258		258
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(77)	(77)
Balance, June 30, 2016	4,411,766	$4,143	2,500,000	$2,612	2,961,745	$22,420	$29,175	2,114,382	$—	2,746,377	$0	$ —	$(31,614)	$(31,614)

See accompanying notes to unaudited consolidated financial statements.

TABULA RASA HEALTHCARE, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30,	
	2015	2016
Cash flows from operating activities:		
Net loss	$ (685)	$ (77)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,943	2,139
Amortization of deferred financing costs and debt discount	1,036	1,176
Payment of imputed interest on debt	(105)	(589)
Deferred taxes	176	133
Issuance of common stock warrants	16	—
Stock-based compensation	312	258
Change in fair value of warrant liability	184	(13)
Change in fair value of acquisition-related contingent consideration	(1,018)	99
Other noncash items	(12)	—
Changes in operating assets and liabilities, net of effect from acquisitions:		
Accounts receivable, net	(516)	(47)
Inventories	88	(545)
Rebates receivable	393	313
Prepaid expenses and other current assets	(116)	(207)
Other assets	(139)	76
Acquisition-related contingent consideration paid	(610)	—
Accounts payable	307	929
Accrued expenses and other liabilities	386	(754)
Other long-term liabilities	(1)	4,023
Net cash provided by operating activities	1,639	6,914
Cash flows from investing activities:		
Purchases of property and equipment	(123)	(2,901)
Software development costs	(449)	(576)
Purchases of intangible assets	—	(29)
Change in restricted cash	300	200
Purchase of businesses, net of cash acquired	(2,403)	—
Net cash used in investing activities	(2,675)	(3,306)
Cash flows from financing activities:		
Payments for debt financing costs	(69)	(113)
Repayments of notes payable to related parties	(200)	—
Borrowings on line of credit	10,000	4,500
Repayments of line of credit	(6,860)	—
Payments of acquisition-related consideration	(1,895)	(180)
IPO costs	—	(982)
Payments of contingent consideration	(267)	(1,895)
Repayments of long-term debt	(1,142)	(2,665)
Net cash used in financing activities	(433)	(1,335)
Net (decrease) increase in cash	(1,469)	2,273
Cash, beginning of period	4,122	2,026
Cash, end of period	$ 2,653	$ 4,299
Supplemental disclosure of cash flow information:		
Acquisition of equipment under capital leases	$ 228	$ 1,081
Additions to property, equipment, and software development purchases included in accounts payable	$ 3	$ 186
Deferred offering costs included in accounts payable	$ 99	$ 1,291
Cash paid for interest	$ 1,221	$ 1,615
Accretion of redeemable convertible preferred stock to redemption value	$ 1,256	$ 202

See accompanying notes to unaudited consolidated financial statements.

TABULA RASA HEALTHCARE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)
As of December 31, 2015 and June 30, 2016 and for the Six Months Ended June 30, 2015 and 2016

1. Nature of Business

The Company provides patient-specific, data-driven technology and solutions that enable healthcare organizations to optimize medication regimens to improve patient outcomes, reduce hospitalizations, lower healthcare costs and manage risk. The Company delivers its solutions through a comprehensive suite of technology-enabled products and services for medication risk management and risk adjustment. The Company serves healthcare organizations that focus on populations with complex healthcare needs and extensive medication requirements. The Company's suite of cloud-based software solutions provides prescribers, pharmacists and healthcare organizations with sophisticated and innovative tools to better manage the medication-related needs of patients.

2. Summary of Significant Accounting Policies

The Company's significant accounting policies are disclosed in the audited consolidated financial statements for the year ended December 31, 2015. Since the date of those audited consolidated financial statements, there have been no changes to the Company's significant accounting policies, including the status of recent accounting pronouncements, other than those detailed below.

(a) Reverse Stock Split

The Company effected a 1-for-1.94 reverse split of its common stock on September 16, 2016. The reverse split combined each 1.94 shares of the Company's issued and outstanding common stock into one share of common stock and correspondingly adjusted the conversion prices of its convertible preferred stock. No fractional shares were issued in connection with the reverse split. Any fractional shares resulting from the reverse split were rounded down to the nearest whole share and in lieu of any fractional shares the Company will pay a cash amount to the holder of such fractional share equal to the fair market value of such fractional share as determined by the Board. All share, per share and related information presented in the consolidated financial statements and accompanying notes have been retroactively adjusted, where applicable, to reflect the reverse stock split.

(b) Liquidity

The Company's unaudited consolidated financial statements have been prepared on the basis of continuity of operations, realization of assets and the satisfaction of liabilities in the ordinary course of business. Management believes that the Company's cash on hand of $4,299 as of June 30, 2016, cash flows from operations and borrowing availability under the Amended 2015 Revolving Line (note 7) are sufficient to fund the Company's planned operations through at least March 31, 2018.

(c) Unaudited Interim Financial Statements

The accompanying consolidated balance sheet as of June 30, 2016, consolidated statements of operations and consolidated statements of cash flows for the six months ended June 30, 2015 and 2016, the statement of redeemable convertible preferred stock and stockholders' deficit for the six months ended June 30, 2016 and the related footnote disclosures are unaudited. The unaudited interim consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's interim

consolidated financial position as of June 30, 2016 and the results of its consolidated operations and its consolidated cash flows for the six months ended June 30, 2015 and 2016. The results for the six months ended June 30, 2016 are not necessarily indicative of results to be expected for the year ending December 31, 2016, any other interim periods, or any future year or period. The Company's management believes that the disclosures are adequate to make the information presented not misleading when read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2015.

(d) Unaudited Pro Forma Information

In August 2015, the board of directors authorized management to confidentially submit a registration statement to the Securities and Exchange Commission to potentially sell shares to the public. The accompanying unaudited pro forma consolidated balance sheet as of June 30, 2016 has been prepared to give effect to (i) the conversion of all outstanding shares of redeemable convertible preferred stock into 5,089,436 shares of common stock upon the closing of the Company's initial public offering ("IPO"), and (ii) the reclassification of the warrant liability to additional paid-in capital as the warrants to purchase preferred stock become warrants to purchase common stock upon the closing of the IPO. The shares of common stock and any related estimated proceeds from the IPO are excluded from the pro forma information.

(e) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates or assumptions.

(f) Deferred Offering Costs

The Company capitalizes certain legal, accounting and other third-party fees that are directly associated with in-process equity financings as deferred offering costs (non-current) until such financings are consummated. After consummation of the equity financing, these costs will be recorded in stockholders' deficit as a reduction of additional paid-in capital generated as a result of the offering. Should the equity financing no longer be considered probable of being consummated, all deferred offering costs will be charged to operating expenses in the consolidated statements of operations. Deferred offering costs were $2,298 and $2,753 as of December 31, 2015 and June 30, 2016, respectively.

(g) Deferred Debt Issuance Costs

Effective January 1, 2016, the Company adopted Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs be reported in the balance sheet as a direct deduction from the face amount of the associated debt. Previously, the Company reported these costs in "Other assets" in the Company's consolidated balance sheet. The Company continues to defer the issuance costs related to its line of credit arrangement in "Other assets". The new guidance has been applied on a retrospective basis whereby prior-period financial statements have been adjusted to reflect the application of the new guidance, as required by the

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

Financial Accounting Standards Board ("FASB") and resulted in the reclassification of $105 as of December 31, 2015 from other assets to current portion of long-term debt.

3. Property and Equipment

Depreciation and amortization expense for the six months ended June 30, 2015 and 2016 was $479 and $530, respectively.

4. Intangible Assets

Intangible assets consisted of the following as of December 31, 2015 and June 30, 2016:

	Weighted Average Amortization Period (in years)	Gross Value	Accumulated Amortization	Intangible Assets, net
December 31, 2015				
Trade names	5.00	$ 1,720	$ (436)	$ 1,284
Client relationships	10.02	14,684	(1,810)	12,874
Non-competition agreements	4.64	652	(183)	469
Developed technology	10.00	3,400	(340)	3,060
Total intangible assets		$20,456	$(2,769)	$17,687
June 30, 2016				
Trade names	5.00	$ 1,720	$ (608)	$ 1,112
Client relationships	10.02	14,684	(2,550)	12,134
Non-competition agreements	4.64	652	(254)	398
Developed technology	10.00	3,400	(510)	2,890
Domain name	10.00	29	—	29
Total intangible assets		$20,485	$(3,922)	$16,563

Amortization expense for the six months ended June 30, 2015 and 2016 was $1,153 and $1,153, respectively.

5. Accrued Expenses and Other Liabilities

At December 31, 2015 and June 30, 2016, accrued expenses and other liabilities consisted of the following:

	December 31, 2015	June 30, 2016
Employee-related expenses	$1,232	$1,708
Deferred revenue	520	579
Interest	1,371	159
Deferred rent	94	6
Other expenses	27	38
Total accrued expenses and other liabilities	$3,244	$2,490

6. Notes Payable Related to Acquisition

In December 2014, the Company acquired all of the authorized, issued and outstanding equity interests of Medliance LLC ("Medliance"), which provides pharmacy cost management services through data analytics. As part of the acquisition-related consideration of the Medliance acquisition the Company issued multiple subordinated convertible promissory notes (the "Medliance Notes") to the owners of Medliance, for aggregate borrowings of $16,385. Interest is 8% and compounds annually. All unpaid principal and unpaid and accrued interest was due and payable on June 30, 2016. Interest expense recognized was $650 and $706 for the six months ended June 30, 2015 and 2016, respectively. On July 1, 2016, the Company repaid the Medliance Notes with the proceeds from a long-term credit facility (see note 7). As a result of the refinancing, all amounts due under the Medliance Notes were classified as noncurrent as of June 30, 2016.

The Company recorded the Medliance Notes at their aggregate acquisition date fair values of $14,347 and are being accreted up to their face values of $16,375 over the 18 month term using the effective-interest method. For the six months ended June 30, 2015 and June 30, 2016 the Company amortized $581 and $755, respectively, of the discount to interest expense.

7. Lines of Credit and Long-Term Debt

(a) Lines of Credit

On April 29, 2015, the Company entered into a new revolving line of credit (the "2015 Revolving Line") with Bridge Bank, National Association ("Bridge Bank") pursuant to a loan and security agreement, which provides for borrowings in an aggregate amount up to $15,000 to be used for general corporate purposes including repayment of the previous Revolving Line. The Company's ability to borrow under the 2015 Revolving Line is based upon a specified borrowing base equal to the Company's trailing three months of monthly recurring revenue, as defined. The 2015 Revolving Line is collateralized by a first priority security interest in all assets of the Company and matures on April 29, 2017. As of June 30, 2016, the aggregate borrowings outstanding under the 2015 Revolving Line was $14,500, and additional amounts available for borrowings under the 2015 Revolving Line was $500.

Interest on the 2015 Revolving Line is calculated at a variable rate based upon Bridge Bank's prime rate plus 1.0%, with Bridge Bank's prime rate having a floor of 3.25%. Upon the successful completion of a qualified initial public offering, the interest rate will be calculated at a variable rate based upon Bridge Bank's prime rate plus 0.5%. As of June 30, 2016, the interest rate on the 2015 Revolving Line was 4.56% and interest expense was $72 and $280 for the six months ended June 30, 2015 and 2016, respectively. In connection with the 2015 Revolving Line, the Company recorded deferred financing costs of $106. The Company is amortizing the deferred financing costs associated with the 2015 Revolving Line to interest expense using the effective-interest method over the term of the 2015 Revolving Line and amortized $9 and $27 to interest expense for the six months ended June 30, 2015 and 2016, respectively.

The 2015 Revolving Line has several financial covenants including (i) maintaining a minimum unrestricted cash and unused availability balance of at least $1,000 through December 31, 2015 and at least $1,500 thereafter (the liquidity covenant), (ii) maintaining a minimum adjusted EBITDA (as yet defined by Bridge Bank), and (iii) a minimum monthly recurring revenue retention rate, as defined in the underlying loan and security agreement. As of June 30, 2016, the Company was in compliance with all of the financial covenants related to the 2015 Revolving Line. On July 1, 2016, the Company entered

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

into a Loan and Security Modification Agreement (the "Amended 2015 Revolving Line") with Western Alliance Bank, successor in interest to Bridge Bank, whereby the 2015 Revolving Line was amended to increase the Company's borrowing availability to up to $25,000 and extended the maturity date to July 1, 2018. The Company's ability to borrow under the Amended 2015 Revolving Line is based upon a specified borrowing base equal to the Company's trailing four months of monthly recurring revenue, as defined, from eligible recurring revenue contracts, as defined, through June 30, 2017 and based upon the Company's trailing three months of monthly recurring revenue, as defined, from eligible recurring revenue contracts, as defined, thereafter. Borrowing availability as of July 1, 2016 was $10,500. Interest on the Amended 2015 Revolving Line was also amended to be calculated at a variable rate based upon Western Alliance Bank's prime rate plus 1.0%, with Western Alliance Bank's prime rate having a floor of 3.5%. Financial covenants under the Amended 2015 Revolving Line were modified to require that the Company (i) maintain an unrestricted cash and unused availability balance under the Amended 2015 Revolving Line of at least $3,000 at all times (the liquidity covenant), (ii) maintain a minimum EBITDA, as defined, of $2,000 for the quarter ending June 30, 2016, $2,250 for the quarter ending September 30, 2016, and $2,500 for the quarter ending December 31, 2016 and thereafter, and (iii) maintain a minimum monthly recurring revenue retention rate of at least 90%, measured quarterly. Management believes that the Company will be able to maintain compliance with the financial covenants.

(b) Term Loans and Capital Lease Obligations

The following table represents the total term loans and capital lease obligations of the Company at December 31, 2015 and June 30, 2016:

	December 31, 2015	June 30, 2016
Tranche A Term Loan	$ 51	$ —
Tranche B Term Loan	28	4
April 2014 Eastward Loan	2,260	1,690
Unamortized finance costs on April 2014 Eastward Loan	(19)	(10)
Unamortized discount on April 2014 Eastward Loan	(101)	(61)
April 2014 Eastward Loan, net	2,140	1,619
December 2014 Eastward Loan	12,000	9,780
Unamortized finance costs on December 2014 Eastward Loan	(86)	(56)
Unamortized discount on December 2014 Eastward Loan	(1,030)	(715)
December 2014 Eastward Loan, net	10,884	9,009
Capital leases	853	1,670
Total long-term debt, net	13,956	12,302
Less current portion, net	(13,526)	(593)
Total long-term debt, less current portion, net	$ 430	$11,709

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

(c) Long-Term Debt Maturities

As of June 30, 2016, the Company's long-term debt is payable as follows, excluding the impact of the refinancing described in (e):

	Term Loans	Capital Lease Obligations	Total Long-term Debt
Remainder of 2016	$ 2,838	$ 401	$ 3,239
2017	5,968	712	6,680
2018	2,668	604	3,272
2019	—	252	252
2020	—	11	11
2021	—	4	4
	11,474	1,984	13,458
Less amount representing interest	—	(314)	(314)
Present value of payments	11,474	1,670	13,144
Less current portion	(4)	(589)	(593)
Less discount on debt	(842)	—	(842)
	$10,628	$1,081	$11,709

(d) Other Financing

In May 2016, the Company signed a prime vendor agreement with AmerisourceBergen Drug Corporation, which was effective March 2016 and requires a monthly minimum purchase obligation of approximately $1,750. The Company fully expects to meet this requirement. This agreement was subsequently amended and restated effective May 1, 2016 with a three-year term expiring April 2019. As of December 31, 2015 and June 30, 2016, the Company had $3,691, and $4,247, respectively, due to AmerisourceBergen Drug Corporation as a result of prescription drug purchases.

(e) Refinancing

On July 1, 2016, the Company entered into the ABC Credit Facility with ABC Funding, LLC, an affiliate of Summit Partners, L.P., pursuant to which the Company can request up to an aggregate amount of $50,000 in term loan advances. The proceeds of the initial term loan advance of $30,000 under the ABC Credit Facility were used to repay all outstanding principal and interest under the Medliance Notes, as well as the April 2014 Eastward Loan and the December 2014 Eastward Loan. Any future term loan advances under the ABC Credit Facility will be used to buy back outstanding warrants and fund future acquisitions, if any. Amounts outstanding under the ABC Credit Facility bear interest at a per annum rate equal to 12.0% payable monthly in arrears. The ABC Credit Facility has a maturity date of December 30, 2021, and is secured by a subordinated security interest in all personal property, whether presently existing or created or acquired in the future, as well as the Company's intellectual property. Financial covenants under the ABC Credit Facility include those covenants under the Amended 2015 Revolving Line, as well as the obligation for the Company to (i) maintain a maximum total leverage and first lien leverage ratio, as defined, measured quarterly, (ii) maintain a minimum fixed charge coverage ratio, as defined, measured quarterly, and (iii) not permit aggregate capital

expenditures, as defined, in any fiscal year to exceed $2,500. As a result of the refinancing, all amounts due under the Medliance Notes, as well as the April 2014 Eastward Loan and December 2014 Eastward Loan were classified as noncurrent as of June 30, 2016.

8. Income Taxes

For the six months ended June 30, 2015, the Company recorded tax expense of $176 thousand, which resulted in an effective tax rate of (34.6%), primarily related to deferred tax expense associated with indefinite-lived deferred tax liabilities for goodwill amortization.

For the six months ended June 30, 2016, the Company recognized tax expense of $175 thousand, which resulted in an effective tax rate of 179%. The Company calculated the tax provision based on its estimated annual effective tax rate expected for the full year which included current Federal alternative minimum tax, current state taxes and deferred tax expense associated with indefinite-lived deferred tax liabilities for goodwill amortization, in addition to a change in the valuation allowance related to deferred tax assets generated in the current period. The Company has recorded a full valuation allowance against its deferred tax assets at December 31, 2015 and June 30, 2016.

9. Other Long-term Liabilities

Other long term liabilities were $4,023 as of June 30, 2016, of which $2,004 consisted of the long-term portion of deferred rent related to the Company's new operating leases for office space in Moorestown, NJ. The remaining $2,019 relates to accrued interest on the Medliance Notes (see note 6) and has been classified as long-term as a result of the Company's refinancing on July 1, 2016 (see note 7).

10. Redeemable Convertible Preferred Stock and Stockholders' Deficit

(a) Common Stock

The holders of Class A Non-Voting common stock have the same rights, preferences, privileges, and restrictions as the holders of Class B Voting common stock with the exception of voting rights. The holders of Class B Voting common stock are entitled to one vote per share. The holders of Class A Non-Voting and Class B Voting common stock are entitled to receive dividends when, as and if declared by the Board, subject to payment of accrued dividends for redeemable convertible preferred stock. Class A Non-Voting and Class B Voting common stock are also subordinate to the redeemable convertible preferred stock with respect to liquidation, winding up and dissolution of the Company. No dividends have been declared through June 30, 2016.

(b) Redeemable Convertible Preferred Stock

The Company has issued Series A Redeemable Convertible Preferred Stock ("Series A"), Series A-1 and Series B redeemable convertible preferred stock. The redeemable convertible preferred stock is classified outside of stockholders' deficit because the shares contain redemption features that are not solely within the control of the Company.

The aggregate amount of cumulative but unpaid dividends on the Series A and Series A-1 were $1,162 and $622, respectively, at June 30, 2016. Cumulative but unpaid dividends on the Series B were $863 at June 30, 2016. The redemption value of Series B is based on its estimated fair value at

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

December 31, 2015 and June 30, 2016 because it is estimated to be greater than its original issue price plus accrued dividends.

(c) Common Stock Warrants

As of June 30, 2016, the following warrants to purchase common stock were outstanding:

Warrants to Purchase	Number of Warrants	Exercise Price	Term	Expiration
Common-A	106,361	$0.480	10 year	May - October 2019
Common-B	82,471	$0.480	10 year	May - October 2019
Common-A	7,731	$0.530	10 year	May 2019
Common-A	5,154	$0.970	10 year	December 2019
Common-A	515	$0.970	10 year	March 2020
Common-B	2,577	$0.480	10 year	June 2021
Common-B	4,982	$3.100	10 year	May - December 2023
Common-B	4,015	$5.820	10 year	January - December 2024

During the six months ended June 30, 2015, the Company issued warrants to purchase 4,485 shares of common stock at an exercise price of $6.40 per share in connection with related party debt. The Company recognized total interest expense of $16 associated with the equity-classified warrants issued during the six months ended June 30, 2015. No warrants were issued during the six months ended June 30, 2016. During the six months ended June 30, 2016, the Company issued 210,817 shares of common stock upon the cashless exercise of warrants to purchase 232,787 shares of common stock.

The warrants issued during the six months ended June 30, 2015 were valued using the Black-Scholes option-pricing model at the date of grant, and included the following weighted average assumptions:

	Six Months Ended June 30, 2015
Valuation assumptions:	
Expected volatility	50%
Expected life (years)	10.00
Risk-free interest rate	2.13%
Dividend yield	—

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

(d) Preferred Stock Warrants

As of June 30, 2016, the following warrants to purchase redeemable convertible preferred stock were outstanding:

Warrants to Purchase	Number of Warrants	Exercise Price	Term	Expiration
Series A-1	250,000	$0.800	10 year	March 2022
Series A-1	62,500	0.800	10 year	October 2022
Series B	105,005	2.860	10 year	April 2024
Series B	481,863	2.990	10 year	December 2024

No preferred stock warrants were issued during the six months ended June 30, 2015 and 2016, respectively.

11. Stock-Based Compensation

The Company's Amended and Restated 2014 Equity Compensation Plan (the "2014 Plan"), authorizes the Company to grant up to 3,935,865 shares of common stock to the Company's employees and non-employees in the form of incentive stock options, nonqualified stock options, stock awards, stock units, stock appreciation rights, and other equity-based awards. This pool consists of 2,600,327 shares of Class A common stock and 1,335,538 shares of Class B common stock. As of June 30, 2016, 588,235 shares were available for future grants under the 2014 Plan.

The Company recorded $312 and $258 of stock-based compensation expense related to the vesting of employee and non-employee stock options for the six months ended June 30, 2015 and 2016, respectively.

The estimated fair value of options granted was calculated using a Black- Scholes option-pricing model. The computation of expected life for employees was determined based on the simplified method. The risk-free rate is based on the U.S. Treasury security with terms equal to the expected time of exercise as of the grant date. The Company's common stock is not publicly traded; therefore, expected volatility is based on the historical volatilities of selected public companies whose services are comparable to that of the Company. The table below sets forth the weighted average assumptions for employee grants during the six months ended June 30, 2015 and 2016:

	Six Months Ended June 30,	
	2015	2016
Valuation assumptions:		
Expected volatility	55.00%	59.00%
Expected life (years)	6.04	6.08
Risk-free interest rate	1.75%	1.49%
Dividend yield	—	—

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

The following table summarizes stock option activity under the 2014 Plan for the six months ended June 30, 2016:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 1, 2016	2,791,754	$ 3.27		
Granted	6,310	13.17		
Exercised	(71,150)	1.45		
Forfeited	(2,131)	8.50		
Outstanding at June 30, 2016	2,724,783	$ 3.33	6.8	$27,122
Options vested and expected to vest at June 30, 2016	2,724,783	$ 3.33	6.8	$27,122
Exercisable at June 30, 2016	2,131,202	$ 2.85	6.4	$22,041

Included within the above table are 217,747 non-employee options outstanding as of June 30, 2016, of which 3,115 are unvested as of June 30, 2016 and therefore subject to remeasurement.

The weighted average grant-date fair value of employee options granted during the six months ended June 30, 2015 and 2016 was $3.04 and $7.29, respectively.

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the estimated fair value of the Company's common stock as of June 30, 2016 for those stock options that had exercise prices lower than the fair value of the Company's common stock.

The Company recorded stock-based compensation expense related to stock options for the six months ended June 30, 2015 and 2016, in the following expense categories of its consolidated statement of operations:

	Six Months Ended June 30,	
	2015	2016
Cost of revenue — product	$ 50	$ 58
Cost of revenue — service	10	14
Research and development	8	21
Sales and marketing	47	44
General and adminstrative	197	121
	$312	$258

As of June 30, 2016, there was $1,047 of total unrecognized compensation cost related to nonvested stock options granted under the 2014 Plan, which is expected to be recognized over a weighted average period of 1.9 years.

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

12. Net Loss per Share and Unaudited Pro Forma Net Loss per Share

(a) Net Loss per Share Attributable to Common Stockholders

Basic and diluted net loss per share attributable to common stockholders was calculated as follows:

	Six Months Ended June 30,	
	2015	2016
Numerator:		
Net loss	$ (685)	$ (77)
Accretion of redeemable convertible preferred stock to redemption value	(1,256)	(202)
Net loss attributable to common stockholders	$ (1,941)	$ (279)
Denominator:		
Weighted average shares of common stock outstanding, basic and diluted	4,164,988	4,765,977
Net loss per share attributable to common stockholders, basic and diluted	$ (0.47)	$ (0.06)

The Company's potential dilutive securities, which include stock options, outstanding warrants to purchase shares of preferred and common stock and redeemable convertible preferred stock, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The following potential common shares, presented based on amounts outstanding at each period end, were excluded from the calculation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect:

	Six Months Ended June 30,	
	2015	2016
Stock options to purchase common stock	3,183,860	2,724,783
Common stock warrants	446,593	213,806
Preferred stock warrants (as converted to common stock)	463,589	463,589
Redeemable convertible preferred stock (as converted to common stock)	5,089,436	5,089,436
	9,183,478	8,491,614

(b) Unaudited Pro Forma Net Loss per Share

The unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the six months ended June 30, 2016 gives effect to adjustments arising upon the closing of the initial public offering. The unaudited pro forma net loss attributable to common stockholders used in the calculation of unaudited basic and diluted pro forma net loss per share attributable to common stockholders does not include the effects of the accretion of redeemable convertible preferred stock to redemption value because the calculation assumes that the conversion of redeemable convertible preferred stock into common stock has occurred on January 1, 2016.

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

The unaudited pro forma basic and diluted weighted average common shares outstanding used in the calculation of unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the six months ended June 30, 2016 give effect to the conversion upon the initial public offering of all outstanding shares of redeemable convertible preferred stock as of June 30, 2016 into 5,089,436 shares of common stock as if the conversion had occurred on January 1, 2016, assuming the IPO price per share is at least five times the original issue price of the respective series of preferred stock and the gross cash proceeds are at least $50,000.

Unaudited pro forma basic and diluted net loss per share attributable to common stockholders was calculated as follows:

	Six Months Ended June 30, 2016
Numerator:	
Net loss attributable to common stockholders	$ (279)
Pro forma adjustment to add back the accretion of redeemable convertible preferred stock	202
Pro forma net loss attributable to common stockholders, basic and diluted	$ (77)
Denominator:	
Weighted average shares of common stock outstanding, basic and diluted	4,765,977
Pro forma adjustment for assumed conversion of all outstanding shares of redeemable convertible preferred stock upon the closing of the proposed initial public offering	5,089,436
Pro forma weighted average common shares outstanding, basic and diluted	9,855,413
Pro forma net loss per share attributable to common stockholders, basic and diluted	$ (0.01)

13. Fair Value Measurements

The Company's financial instruments consist of accounts receivable, accounts payable, accrued expenses, acquisition-related contingent consideration, notes payable related to acquisition, long-term notes payable to related parties, and long-term debt. The carrying values of accounts receivable, accounts payable and accrued expenses are representative of their fair value due to the relatively short-term nature of those instruments. The carrying value of the Company's long-term notes payable to related parties and long-term debt approximates fair value based on the terms of the debt. The long-term notes payable to related parties were recorded on December 31, 2014 at their acquisition date fair values of $14,347. This valuation was determined using Level 3 inputs.

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

The Company has classified liabilities measured at fair value on a recurring basis at December 31, 2015 and June 30, 2016 as follows:

	Fair Value Measurement at Reporting Date Using			
	Level 1	Level 2	Level 3	Balance as of December 31, 2015
Warrant liability	$—	$—	$ 5,569	$ 5,569
Note payable related to acquisition	—	—	15,620	15,620
Acquisition-related contingent consideration — short-term	—	—	1,886	1,886
Acquisition-related contingent consideration — long-term	—	—	3,355	3,355
	$—	$—	$26,430	$26,430

	Fair Value Measurement at Reporting Date Using			
	Level 1	Level 2	Level 3	Balance as of June 30, 2016
Warrant liability	$—	$—	$ 5,556	$ 5,556
Note payable related to acquisition	—	—	16,375	16,375
Acquisition-related contingent consideration — short-term	—	—	1,612	1,612
Acquisition-related contingent consideration — long-term	—	—	1,833	1,833
	$—	$—	$25,376	$25,376

The fair value of the preferred stock warrants at December 31, 2015 was estimated using an option pricing model with the following weighted-average assumptions: estimated life of 7.99 years, no dividend yield, risk-free interest rate of 2.10%, fair value of underlying instrument of $8.14 per share and volatility of 57.81%. The Company also applied a discount for lack of marketability of 10% to the resulting value from the option pricing model.

The fair value of the preferred stock warrants at June 30, 2016 was estimated using an option pricing model with the following weighted-average assumptions: estimated life of 7.49 years, no dividend yield, risk-free interest rate of 1.32%, fair value of underlying instrument of $8.18 per share, and volatility of 59.69%. The Company also applied a discount for lack of marketability of 10% to the resulting value from the option pricing model.

The Company developed its own assumptions that do not have observable inputs or available market data to support the fair value. This method of valuation involves using inputs such as the fair value of the Company's various classes of preferred stock, stock price volatility, the contractual term of the warrants, risk-free interest rates, and dividend yields. Due to the nature of these inputs, the valuation of the warrants is considered a Level 3 measurement. The Company accounts for its redeemable convertible preferred stock warrants as liabilities in accordance with the guidance for accounting for certain financial instruments with characteristics of both liabilities and equity, as warrants entitle the

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

holder to purchase preferred stock that is considered contingently redeemable. The warrant liability is recorded on its own line item on the Company's consolidated balance sheets. The warrant liability is marked-to-market each reporting period with the change in fair value recorded on its own line in the consolidated statement of operations until the warrants are exercised, expire or other facts and circumstances lead the warrant liability to be reclassified as an equity instrument.

The reconciliation of the warrant liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

Balance at January 1, 2016	$5,569
Change in fair value	(13)
Balance at June 30, 2016	$5,556

Acquisition-related contingent consideration is measured at fair value on a recurring basis using unobservable inputs, hence these instruments represent Level 3 measurements within the fair value hierarchy. The acquisition-related contingent consideration liability represents the estimated fair value of the additional cash consideration payable that is contingent upon the achievement of certain financial and performance milestones.

The changes in fair value of the Company's acquisition-related contingent consideration for the six months ended June 30, 2016 was as follows:

Balance at January 1, 2016	$ 5,241
Fair value of cash consideration paid	(1,895)
Adjustments to fair value measurement	99
Balance at June 30, 2016	$ 3,445

14. Related-Party Transactions

The Company engaged Knowlton Advisors LLC, a management consulting services company, to provide professional accounting services. Knowlton Advisors LLC is owned and operated by an immediate relative of the Company's Chairman and Chief Executive Officer and the Company's President. Costs incurred by the Company for professional accounting services provided by the related party were $7 and $1 for the six months ended June 30, 2015 and 2016, respectively.

The Company engaged Space Age Robotics LLC, an IT consulting services company, to provide professional IT client services. Space Age Robotics LLC is owned and operated by an immediate relative of the President and Chief Executive Officer of Capstone. Costs incurred by the Company for professional IT client services provided by the related party were $17 for the six months ended June 30, 2015. No costs were incurred for the six months ended June 30, 2016.

As of December 31, 2015 and June 30, 2016, there was a demand promissory note with a stockholder with a balance outstanding of $250, which bears interest at 6% annually. During the six months ended June 30, 2015 and 2016, certain other related-party borrowings from the Company's executive officers were outstanding. Such other amounts were fully repaid as of December 31, 2015 and June 30, 2016. Total interest expense from these related-party borrowings was $28 and $7 for the six months ended June 30, 2015 and 2016, respectively.

15. Subsequent Events

On July 1, 2016, the Company entered into a credit facility in which the Company can request up to an aggregate amount of $50,000 in term loan advances, of which $30,000 was initially drawn and used to pay down existing debt outstanding (see note 7).

Independent Auditors' Report

The Board of Directors
Tabula Rasa HealthCare, Inc.:

We have audited the accompanying financial statements of the Medliance Business (a Business of Medliance LLC), which comprise the balance sheet as of December 31, 2013, and the related statements of operations, changes in net parent investment, and cash flows for the years ended December 31, 2014 and December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medliance Business (a Business of Medliance LLC) as of December 31, 2013, and the results of its operations and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Philadelphia, Pennsylvania
August 31, 2015

MEDLIANCE BUSINESS
(A Business of Medliance LLC)
Balance Sheet
December 31, 2013

	2013
Assets	
Current assets:	
Cash	$ 486,653
Accounts receivable, less allowance for doubtful accounts of $17,397	305,539
Prepaid expenses and other current assets	14,482
Total current assets	806,674
Property and equipment, net	61,241
Other assets	11,615
Total assets	$ 879,530
Liabilities and Net Parent Investment	
Current liabilities:	
Accounts payable	$ 229,656
Accrued expenses and other liabilities	162,347
Total current liabilities	392,003
Commitments and contingencies (note 4)	
Net parent investment	487,527
Total liabilities and net parent investment	$ 879,530

See accompanying notes to financial statements.

MEDLIANCE BUSINESS
(A Business of Medliance LLC)
Statements of Operations
Years ended December 31, 2013 and 2014

	2013	2014
Revenues	$ 6,147,377	$ 6,300,996
Cost of revenues	2,036,536	2,050,668
Gross profit	4,110,841	4,250,328
Operating expenses:		
Research and development	13,781	74,073
Sales and marketing	206,121	124,279
General and administrative	1,455,146	1,369,443
Depreciation and amortization	33,428	26,198
Total operating expenses	1,708,476	1,593,993
Income from operations	2,402,365	2,656,335
Other income, net	1,654	218
Net income	$ 2,404,019	$ 2,656,553

See accompanying notes to financial statements.

MEDLIANCE BUSINESS
(A Business of Medliance LLC)
Statements of Changes in Net Parent Investment

Balance, January 1, 2013	$ 479,020
Net income	2,404,019
Net transfer to parent	(2,395,512)
Balance, December 31, 2013	487,527
Net income	2,656,553
Net transfer to parent	(2,908,116)
Balance, December 31, 2014	$ 235,964

See accompanying notes to financial statements.

MEDLIANCE BUSINESS
(A Business of Medliance LLC)
Statements of Cash Flows
Years ended December 31, 2013 and 2014

	2013	2014
Cash flows from operating activities:		
Net income	$ 2,404,019	$ 2,656,553
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,428	26,198
Provision for allowance for doubtful accounts	39,082	10,817
Loss on disposal of property and equipment	—	1,638
Changes in assets and liabilities:		
Accounts receivable	(60,594)	(34,283)
Prepaid expenses and other current assets	19,939	(9,806)
Other assets	(440)	—
Accounts payable	45,285	2,851
Accrued expenses and other liabilities	45,878	(93,357)
Net cash provided by operating activities	2,526,597	2,560,611
Cash flows from investing activities:		
Purchases of property and equipment	(9,934)	—
Net cash used in investing activities	(9,934)	—
Cash flows from financing activities:		
Net transfer to parent	(2,395,512)	(2,908,116)
Net cash used in financing activities	(2,395,512)	(2,908,116)
Net increase (decrease) in cash	121,151	(347,505)
Cash, beginning of year	365,502	486,653
Cash, end of year	$ 486,653	$ 139,148

See accompanying notes to financial statements.

MEDLIANCE BUSINESS
(A Business of Medliance LLC)
Notes to Financial Statements
December 31, 2013 and 2014

(1) Description of Business

The accompanying financial statements include the assets and liabilities and the related operations of the Medliance Business (the "Business"). The financial statements include the activity and related accounts of the Business. All intercompany accounts and transactions have been eliminated.

The Business provides technology and data analysis to approximately 1,300 post-acute care facilities nationwide to help manage their pharmacy costs.

The Business's primary offering is a real-time pharmacy adjudication, management and reporting tool called PharmView. The Business also offers a retrospective PostView product and a set of complementary professional services.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Business was acquired by Tabula Rasa HealthCare, Inc. ("TRHC") at the close of business on December 31, 2014. Separate financial statements historically have not been prepared for the Business. The accompanying balance sheet, statements of operations, and statements of cash flows have been derived from the historical accounting records of Medliance LLC (the "Company") and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The separate financial statements of the Business exclude the Company's investments in consolidated subsidiaries and the related intercompany receivables, which were not acquired by TRHC and debt that was not related to the Business and was not assumed by TRHC. The separate financial statements of the Business include all other assets, liabilities, revenues, and expenses of the Company.

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash

The Business considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash at December 31, 2013 consists of cash on deposit with banks. There are no cash equivalents at December 31, 2013.

(d) Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Business maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and its customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. The Business reviews its allowance for doubtful accounts monthly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(e) Property and Equipment

Property and equipment are stated at cost. Additions or improvements that increase the useful life of existing assets are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The Business depreciates computer hardware and purchased software over a life of three to five years and office furniture and equipment over a life of five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the lease term.

(f) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, then an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of December 31, 2013 and 2014, management does not believe that a revision to the remaining useful lives or write-down of long-lived assets is required.

(g) Revenue Recognition

The Business recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured.

The Business enters into contracts with post-acute care facilities to provide its PharmView services, which include immediate claim adjudication, electronic invoice reconciliation, real-time pharmacy notification, and performance and facility reports. PharmView is a subscription service and the fee components are fixed and are contractually agreed to in advance. Revenues generated from PharmView subscriptions are recognized monthly as the services are rendered.

PostView data is typically provided to post-acute care customers at no charge. The Business is able to sell the data collected through the PharmView and PostView services through its software provider, which aggregates the data collected from the Business and other customers and sells this data to pharmaceutical companies. The pharmaceutical companies pay the software provider data and statistics revenue for the data. The software provider then remits payment to the Business. The price is not fixed or determinable when the data is sold to the pharmaceutical companies because they have the ability to reject data at their discretion. Therefore, revenues generated from data and statistics are recognized at the time when payments are remitted to the Business by the software provider.

(h) Concentration of Credit Risk

The Business extends credit to customers based upon management's evaluation of creditworthiness, and generally collateral is not required. Revenues from the Business's software provider represented 48% and 70% of total revenues for the years ended December 31, 2013 and 2014, respectively. Accounts receivable from three customers represented 19%, 11%, and 11%, respectively, of total accounts receivable at December 31, 2013.

(i) Research and Development

Research and development expenses consist primarily of (a) salaries and related personnel costs related to the Business's research and development efforts, (b) payments to suppliers for design and consulting services, (c) costs relating to the design and development of new services and enhancement of existing services, (d) quality assurance and testing, and (e) other related overhead. Costs incurred in research and development are charged to expense as incurred.

(j) Income Taxes

As a limited liability company, the Company is treated as a partnership for federal and state income tax purposes. Accordingly, no provision has been made for income taxes in the accompanying financial statements of the Business, since all items of income or loss are required to be reported on the income tax returns of the members of the Company, who are responsible for any taxes thereon.

(k) Uncertain Tax Positions

The Business follows accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by the taxing authorities. FASB ASC 740 also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

As of December 31, 2013 and 2014, the Business had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. Additionally, the Business had no interest and penalties related to income taxes.

The Company files income tax returns in the U.S. federal jurisdiction and in various state and local jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by taxing authorities for years before 2011.

(3) Property and Equipment

As of December 31, 2013, property and equipment consisted of the following:

	Estimated useful life	2013
Computer hardware and software	3 to 5 years	$ 44,132
Furniture and equipment	5 years	69,439
Leasehold improvements	7 years	63,190
		176,761
Less accumulated depreciation and amortization		(115,520)
		$ 61,241

Depreciation and amortization expense for the years ended December 31, 2013 and 2014 was $33,428 and $26,198, respectively.

(4) Commitments and Contingencies

(a) Leases

The Business has entered into various operating leases for office space and vehicles expiring on various dates through 2016.

Rent expense under these operating leases was $80,120 and $81,310 for the years ended December 31, 2013 and 2014, respectively.

(b) Legal Proceedings

The Business is not currently involved in any significant claims or legal actions that, in the opinion of management, will have a material adverse impact on the Business.

(5) Subsequent Events

The Business has evaluated subsequent events from the balance sheet date through August 31, 2015, the date at which the financial statements were available to be issued.

On December 31, 2014, the Business was acquired by TRHC in exchange for total consideration at closing of $28,404,301, which included $12,000,000 paid in cash and the issuance of promissory notes to the members of the Company for $16,384,865. In addition, TRHC agreed to pay further cash consideration contingent upon the future financial performance of the Business. As of December 31, 2014, the contingent consideration was estimated to be $7,300,000.

4,300,000 Shares

Tabula Rasa HealthCare, Inc.

Common Stock

PROSPECTUS

, 2016

Wells Fargo Securities **UBS Investment Bank**

Piper Jaffray

Baird **Stifel**

Through and including , 2016 (25 days after the commencement of this offering), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.