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PERFORMANT FINANCIAL CORP

FORM 8-K
(Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 9, 2017

Performant Financial Corporation
(Exact name of registrant as specified in its charter)

Delaware	001-35628	20-0484934
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

333 North Canyons Parkway
Livermore, California 94551
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (925) 960-4800

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On May 3, 2017, Performant Business Services, Inc., which is a wholly-owned subsidiary of Performant Financial Corporation (the "Company") and is the borrower under that certain Credit Agreement dated as March 19, 2012 with Madison Capital Funding LLC, as agent (the "Agent") and the lenders party thereto from time to time (as amended, the "Credit Agreement"), entered into Amendment No. 8 to the Credit Agreement (the "Eighth Amendment"). The Company and certain other of its subsidiaries are guarantors of the obligations under the Credit Agreement.

Pursuant to the Eighth Amendment, the March 19, 2018 maturity date of the Term B loan advanced under the Credit Agreement was extended to June 19, 2018. As a result of this extension, regularly scheduled quarterly amortization payments of $247,500 will also extend through March 31, 2018, with the remaining outstanding principal amount being due on the June 19, 2018 maturity date. Interest on the Term B loan charged under the Credit Agreement, as revised by the Eighth Amendment, was also increased by 3.00% per annum, however the amount of such increased interest will be payable in kind. The quarterly and annual financial reporting covenants were also modified under the Eighth Amendment to require that the Company's financial statements required to be delivered to the Agent not containing a qualification, if required by GAAP, with respect to the ability of the Company to continue as a going concern. In connection with the Eighth Amendment, the Company prepaid $7.5 million under the Credit Agreement, which was applied to the Term B loan. In addition, the Company deposited $6.0 million into a deposit account which is subject to the exclusive control of the Agent. Pursuant to the Eighth Amendment, these funds will be remitted to the Agent for application to the Term B loan or other obligations, as applicable, under the Credit Agreement on the earlier to occur of (i) August 3, 2017 and (ii) the occurrence and continuation of an event of default.

The Company's financial covenants were modified by the Eighth Amendment as follows:

- A capital expenditure limitation of $3.0 million will be in effect during the first quarter of 2018.
- The total debt to EBITDA ratio of 4.75 to 1.0, which was in effect through the computation period ending as of December 31, 2017, has been extended under the Eighth Amendment through the computation period ending as of March 31, 2018.
- The interest coverage ratio of 1.75 to 1.0, which was in effect through the computation period ending as of December 31, 2017, has been extended under the Eighth Amendment through the computation period ending as of March 31, 2018.

The foregoing summary of the Eighth Amendment does not purport to be complete and is subject to, and qualified in its entirety by, the full text of such Eighth Amendment, a copy of which is filed as Exhibit 10.1 and incorporated herein by reference.

Item 2.02 Results of Operations and Financial Condition.

On May 9, 2017 , Performant Financial Corporation issued a press release announcing financial results for its quarter ended March 31, 2017 . The full text of the press release is furnished as Exhibit 99.1.

The information furnished in this Form 8-K, including the exhibit attached, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and it shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

10.1	Amendment No. 8 to Credit Agreement, dated as of May 3, 2017, by and among Performant Business Services, Inc., the Lenders party hereto, and Madison Capital Funding, LLC.
99.1	Press release issued by Performant Financial Corporation, dated May 9, 2017

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 9, 2017

PERFORMANT FINANCIAL CORPORATION

By: /s/ Hakan Orvell

Hakan Orvell

Chief Financial Officer

Exhibit 10.1

AMENDMENT NO. 8 TO CREDIT AGREEMENT

This AMENDMENT NO. 8 TO CREDIT AGREEMENT ("Amendment") is dated as of May 3, 2017, and is entered into by and among PERFORMANT BUSINESS SERVICES, INC. (formerly known as DCS Business Services, Inc.), a Nevada corporation ("Borrower"), the Lenders (as defined in the Credit Agreement as hereafter defined) party hereto, and MADISON CAPITAL FUNDING LLC, as Agent for all Lenders.

W I T N E S S E T H:

WHEREAS, Borrower, Agent and the Lenders from time to time party thereto are parties to that certain Credit Agreement dated as of March 19, 2012 (as the same has been or may be from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"; capitalized terms not otherwise defined herein have the definitions provided therefor in the Credit Agreement, as amended hereby); and

WHEREAS, Borrower, Agent, Required Lenders, and each Lender holding any outstanding Term B Loans have agreed to amend the Credit Agreement in certain respects, in each case subject to the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the mutual conditions and agreements set forth in the Credit Agreement and this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Amendments to the Credit Agreement**. Subject to the satisfaction of the conditions set forth in Section 2 below, and in reliance on the representations and warranties set forth in Section 3 below, the Credit Agreement is hereby amended as follows:

(a) Section 1.1 of the Credit Agreement is amended by inserting new defined terms "Eighth Amendment Closing Date", "March 2018 Compliance Date" and "PIK Interest" therein in their appropriate alphabetical order as follows:

Eighth Amendment Closing Date means May 3, 2017.

March 2018 Compliance Date means the date (if any) upon which the Borrower delivers to Agent financial statements in respect of the Fiscal Quarter ending March 31, 2018 pursuant to Section 6.1.2 together with a Compliance Certificate in respect of such period pursuant to Section 6.1.3 that demonstrates compliance with each of the financial ratios and restrictions set forth in Sections 7.14.2, 7.14.4, 7.14.5 and 7.14.6 for such period and certifies that no other Default or Event of Default has occurred and is continuing as of the date of delivery of such Compliance Certificate.

PIK Interest has the meaning set forth in Section 2.7.1.

(b) Section 1.1 of the Credit Agreement is amended by deleting the definition of the term "December 2017 Compliance Date" therefrom in its entirety.

(c) Section 1.1 of the Credit Agreement is amended by amending the definition of the term "EBITDA" set forth therein by replacing the reference to "costs, fees or expenses incurred in connection with the Amendment No. 4 to Credit Agreement dated as of the Fourth Amendment Closing Date the Amendment No. 5 to Credit Agreement dated as of the Fifth Amendment Closing Date and the Amendment No. 6 to Credit Agreement dated as of the Sixth Amendment Closing Date" set forth therein with a reference to "costs, fees or expenses incurred in connection with the Amendment No. 4 to Credit Agreement dated as of the Fourth Amendment Closing Date, the Amendment No. 5 to Credit Agreement dated as of the Fifth Amendment Closing Date, the Amendment No. 6 to Credit Agreement dated as of the Sixth Amendment Closing Date, the Amendment No. 7 to Credit Agreement dated as of March 22, 2017, and the Amendment No. 8 to Credit Agreement dated as of the Eighth Amendment Closing Date".

(d) Section 1.1 of the Credit Agreement is amended by amending and restating the definition of the term "Term B Loan Maturity Date" set forth therein in its entirety as follows:

Term B Loan Maturity Date means June 19, 2018 or such earlier date on which all or any of the Loans or Obligations shall become due and payable pursuant to Section 8.2 .

(e) Section 2.7.1 of the Credit Agreement is amended and restated in its entirety as follows:

2.7.1 Interest Rates .

(a) Borrower promises to pay interest on the unpaid principal amount of each Loan for the period commencing on the date of such Loan until such Loan is paid in full as follows: (i) at all times while such Loan is a Base Rate Loan, at a rate per annum equal to the sum of the Base Rate from time to time in effect plus the Applicable Margin set forth under the heading "Base Rate" as from time to time in effect; and (ii) at all times while such Loan is a LIBOR Loan, at a rate per annum equal to the sum of the LIBOR Rate applicable to each Interest Period for such Loan plus the Applicable Margin set forth under the heading "LIBOR" as from time to time in effect; provided , that at any time an Event of Default exists, if elected by Agent or requested by Required Lenders, the Applicable Margin corresponding to each Loan or Obligation shall be increased by two percentage points per annum (and, in the case of Obligations not subject to an Applicable Margin except for Secured Hedging Obligations, such Obligations shall bear interest at the Base Rate plus the Applicable Margin set forth under the heading "Base Rate" applicable to Revolving Loans plus two percentage (2.00%) points per annum) effective as of the date upon which such Event of Default first occurred or such later date approved by Required Lenders in writing; provided , further that, (x) any such increase may thereafter be rescinded by Required Lenders or, if such increase was implemented by Agent absent the request of Required Lenders, Agent, notwithstanding Section 10.1 , and (y) upon the occurrence of an Event of Default under Section 8.1.1 or 8.1.3 , any such increase described in the foregoing clause (i) shall occur automatically.

(b) In addition to the interest payable pursuant to the foregoing paragraph, Borrower promises to pay interest (as more particularly described in Section 2.7.2) in kind (except that any such accrued in kind amounts shall, prior to being capitalized as part of the principal of the Term B Loans in accordance with Section 2.7.2 , be due and payable in cash at maturity or upon demand of Required Lenders at any time an Event of Default exists) on the unpaid principal amount of the Term B Loans for the period commencing on the Eighth Amendment Closing Date until the Term B Loans are paid in full at a per annum rate equal to three percentage points (3.00%) per annum (such additional interest described in this paragraph, " PIK Interest ").

(c) In no event shall interest payable by Borrower to Agent and Lenders hereunder exceed the maximum rate permitted under applicable law, and if any such provision of this Agreement is in contravention of any such law, such provision shall be deemed modified to limit such interest to the maximum rate permitted under such law (with any such modification applied first to reduce the interest rate applicable to PIK Interest pursuant to clause (b) above).

(f) Section 2.7.2 of the Credit Agreement is amended and restated in its entirety as follows:

2.7.2. Interest Payment Dates .

Accrued interest (excluding PIK Interest) on each Base Rate Loan shall be payable in arrears on the first day of each calendar month and at maturity in cash. Accrued interest (excluding PIK Interest) on each LIBOR Loan shall be payable on the last day of each Interest Period relating to such Loan (and, in the case of a LIBOR Loan with an Interest Period in excess of 3 months, on the last day of each 3-month interval of such Interest Period), upon a prepayment of such Loan in accordance with Section 2.10 and at maturity in cash. Accrued PIK Interest on the Term B Loans shall be payable in arrears on the first day of each calendar month commencing after the Eighth Amending Closing Date by adding such amounts to the principal amount of the Term B Loans on which such PIK Interest accrued. After maturity and, at the request of Required Lenders at any time an Event of Default exists, all accrued interest on all Loans shall be payable in cash on written demand at the rates specified in Section 2.7.1 .

(g) Section 2.10.2(a)(ii) of the Credit Agreement is amended and restated in its entirety as follows:

(ii) (x) within 120 days after the end of the Fiscal Year ending December 31, 2016, in an amount equal to (A) 75% of Excess Cash Flow for such Fiscal Year minus (B) voluntary prepayments of the Term Loans pursuant to Section

2.10.1 made after the Eighth Amendment Closing Date (excluding any prepayment made with funds from the Cash Reserve Account as contemplated by Section 6.11) during such period, and (y) within 45 days after the end of each Fiscal Quarter, commencing with the Fiscal Quarter ending March 31, 2017, in an amount equal to the lesser of (A) (1) 75% of Excess Cash Flow for such Fiscal Quarter minus (2) voluntary prepayments of the Term Loans pursuant to Section 2.10.1 made during such period made after the Eighth Amendment Closing Date (excluding any prepayment made with funds from the Cash Reserve Account as contemplated by Section 6.11), and (B) (1) 75% of Excess Cash Flow for the period commencing on the first day of the current Fiscal Year and ending on the last day of such Fiscal Quarter minus (2) the sum of all previous prepayments (if any) made pursuant to this Section 2.10.2(a)(ii)(y) (but not Section 2.10.2(a)(ii)(x)) during such Fiscal Year and all voluntary prepayments of the Term Loans pursuant to Section 2.10.1 (excluding any prepayment made with funds from the Cash Reserve Account as contemplated by Section 6.11) made after the Eighth Amendment Closing Date during such Fiscal Year;

(h) Section 2.11.3 of the Credit Agreement is amended by amending and restating the table set forth therein in its entirety as follows:

Date	Installment
June 30, 2017	$247,500
September 30, 2017	$247,500
December 31, 2017	$247,500
March 31, 2018	$247,500
June 19, 2018	The remaining outstanding principal balance of the Term B Loan

(i) Section 3.2(c) of the Credit Agreement is amended and restated in its entirety as follow:

(c) Notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or other United States or foreign regulatory authorities pursuant to Basel III shall, in each case, be deemed to be a change in law for purposes of this Agreement (including without limitation for purposes of this Section 3.2 and for purposes of Section 3.4), regardless of the date enacted, adopted or issued.

(j) Section 6.1.1 of the Credit Agreement is amended and restated in its entirety as follows:

6.1.1 Annual Report .

Promptly when available and in any event within 90 days after the close of each Fiscal Year: (a) a copy of the annual audit report of Holdings, Borrower and the Subsidiaries for such Fiscal Year, including therein a consolidated balance sheet and statement of earnings and cash flows of Holdings, Borrower and the Subsidiaries as at the end of such Fiscal Year, certified without qualification (except for qualifications relating to changes in accounting principles or practices reflecting changes in GAAP and required or approved by Borrower's independent certified public accountants) by independent auditors of recognized standing selected by Borrower or such other auditor reasonably acceptable to Agent, together with (i) a written statement from such accountants to the extent permitted by and consistent with such accountant's audit policies, as determined in such accountant's sole discretion, to the effect that in making the examination necessary for the signing of such annual audit report by such accountants, nothing came to their attention that caused them to believe that Borrower was not in compliance with any provision of Section 7.1, 7.3, 7.4 or 7.14 , insofar as such provision relates to accounting matters or, if something has come to their attention that caused them to believe that Borrower was not in compliance with any such provision, describing such non-compliance in reasonable detail and (ii) a comparison with the previous Fiscal Year; and (b) an Excess Cash Flow Certificate.

(k) Section 6.1.2 of the Credit Agreement is amended and restated in its entirety as follows:

6.1.2 Interim Reports .

Promptly when available and in any event within 45 days after the end of each month, consolidated balance sheets of Holdings, Borrower and the Subsidiaries as of the end of such month, together with consolidated statements of earnings and a consolidated statement of cash flows for such month and for the period beginning with the first day of such Fiscal Year and ending on the last day of such month (which consolidated financial statements with respect to each month that is the last month of a Fiscal Quarter shall not contain in the footnote disclosure thereto a statement required by GAAP indicating that there is substantial doubt about the ability of the consolidated entity to continue as a going concern (such that the inclusion of any such footnote disclosure would constitute a breach of the requirements of this Section 6.1.2)), together with a comparison with the corresponding period of the previous Fiscal Year and a comparison with the budget for such period of the current Fiscal Year, certified by an Authorized Officer of Borrower (which certificate shall, if such financial statements correspond to a month that is not the last month of a Fiscal Quarter, contain a statement as to whether an Event of Default exists).

(l) Section 6.11 of the Credit Agreement is amended by (i) replacing each reference to "Fourth Amendment Closing Date" set forth therein with a reference to "Eighth Amendment Closing Date", (ii) replacing the reference to "$7,500,000" set forth therein with a reference to "$6,000,000", (iii) replacing each reference to "Required Lenders" set forth therein with a reference to "Required Lenders and each Lender holding any outstanding Term B Loans", (iv) replacing the reference to "May 15, 2017" set forth therein with a reference to "August 3, 2017", and (v) deleting the reference to "(or such later date not more than thirty (30) days thereafter as may be agreed by Agent in its sole discretion)" set forth therein.

(m) Section 7.5(a) of the Credit Agreement is amended by replacing the reference to "December 2017 Compliance Date" set forth therein with a reference to "March 2018 Compliance Date".

(n) Section 7.14.2. of the Credit Agreement is amended and restated in its entirety as follows:

7.14.2 Total Debt to EBITDA Ratio .

Not permit the Total Debt to EBITDA Ratio as of the last day of any Computation Period to exceed the applicable ratio set forth below for such Computation Period:

Computation Period Ending	Total Debt to EBITDA Ratio
December 31, 2015	5.00:1.0
March 31, 2016, June 30, 2016, September 30, 2016, December 31, 2016, March 31, 2017, June 30, 2017, September 30, 2017, December 31, 2017 and March 31, 2018	4.75:1.0

(o) Section 7.14.3(d) of the Credit Agreement is amended by replacing the reference to "with respect to any Computation Period ending prior to the Computation Period ending March 31, 2018" set forth therein with a reference to "with respect to any Computation Period ending prior to the Computation Period ending June 30, 2018".

(p) Section 7.14.4 of the Credit Agreement is amended and restated in its entirety as follows:

7.14.4. Interest Coverage Ratio .

Not permit the Interest Coverage Ratio for any Computation Period set forth below to be less than the applicable ratio set forth below for such Computation Period:

Computation Period Ending	Interest Coverage Ratio
December 31, 2015	2.25:1.0
March 31, 2016, June 30, 2016 and September 30, 2016	2.50:1.0
December 31, 2016	2.00:1.0
March 31, 2017, June 30, 2017, September 30, 2017, December 31, 2017 and March 31, 2018	1.75:1.0

(q) Section 7.14.6 of the Credit Agreement is amended and restated in its entirety as follows:

7.14.6 Capital Expenditures .

Not permit the aggregate amount of all Capital Expenditures made by Holdings and its Subsidiaries in the Fiscal Year ending December 31, 2015 to exceed $12,500,000, not permit the aggregate amount of all Capital Expenditures made by Holdings and its Subsidiaries in the Fiscal Year ending December 31, 2016 and in the Fiscal Year ending December 31, 2017 to exceed $8,000,000, and not permit the aggregate amount of all Capital Expenditures made by Holdings and its Subsidiaries in the Fiscal Quarter ending March 31, 2018 to exceed $3,000,000.

(r) Annex III to the Credit Agreement is amended by replacing the reference to "not greater than 2.75" set forth in clause (10) thereof with a reference to "not greater than 2.50".

(s) Exhibit B to the Credit Agreement is amended and restated in its entirety in the form attached as Exhibit B to this Amendment.

2. **Conditions to Effectiveness of Amendment** . The effectiveness of this Amendment is subject to satisfaction of the following conditions precedent:

(a) Agent shall have received a copy of this Amendment (including the Consent and Reaffirmation attached hereto), executed by Borrower, each Loan Party, Required Lenders and each Lender holding any outstanding Term B Loans;

(b) No Default or Event of Default shall have occurred and be continuing as of the date of this Amendment;

(c) On the date hereof, Borrower shall have made (and Agent shall have received in immediately available funds from Borrower) a voluntary prepayment of the Term

B Loans in an amount equal to $6,000,000, which $6,000,000 voluntary prepayment of the Term B Loans shall be applied to the scheduled installments of the Term B Loans (after giving effect to this Amendment) in the inverse order of maturity;

(d) On the date hereof, Agent shall have received $1,500,000 in immediately available funds from the Cash Reserve Account, which the parties hereto agree shall be applied as a voluntary prepayment of the Term B Loans (such that, taken together with the prepayment described in clause (c) immediately above, the Term B Loans shall be paid down by an aggregate amount equal to $7,500,000 on the date hereof), which $1,500,000 voluntary prepayment of the Term B Loans shall be applied to the scheduled installments of the Term B Loans (after giving effect to this Amendment) in the inverse order of maturity;

(e) Agent shall have received the Amendment Fee (as defined below) for the benefit of the applicable Lenders, and Borrower shall have paid all other fees and expenses (including fees and expenses of counsel to the extent invoiced) of Agent due and payable as of the date hereof in connection with this Amendment, the Credit Agreement and the other Loan Documents; and

(f) Agent shall have received the following documents in form and substance satisfactory to Agent: (x) unless otherwise deemed to be a post-closing obligation by Agent, an amendment to the Mortgage in favor of Agent with respect to the real property owned by Performant Recovery, Inc. located in St. Josephine County, Oregon (the " Mortgage Modification "), (y) secretary's or officer's certificates and resolutions with respect to Holdings and each of its Subsidiaries with respect to the organizational documents of each such Person and necessary corporate approval by each such Person to enter into this Amendment, and (z) legal opinions from outside counsel to Holdings and its Subsidiaries (including Nevada local counsel with respect to Borrower) with respect to such matters pertaining to this Amendment as are reasonably determined to be applicable by Agent.

3. **Representations and Warranties .** To induce Agent, the Required Lenders and the Lenders holding outstanding Term B Loans to enter into this Amendment, Borrower represents and warrants to Agent and Lenders that:

(a) the execution, delivery and performance of this Amendment has been duly authorized by all requisite corporate action on the part of Borrower and each other Loan Party and that this Amendment has been duly executed and delivered by Borrower and each other Loan Party;

(b) this Amendment and the Borrower's obligations under the Credit Agreement as amended hereby constitute the legal, valid and binding obligation of Borrower and are enforceable against Borrower in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditor's rights generally and to general principles of equity;

(c) the execution and delivery by Borrower and the other Loan Parties of this Amendment does not require the consent or approval of any Person, except such consents and approvals as have been obtained;

(d) after giving effect to this Amendment, the representations and warranties of Borrower and each other Loan Party set forth in the Credit Agreement and the other Loan Documents are true and correct in all material respects with the same effect as if made on the date hereof (except to the extent such representations and warranties are stated to relate to a specific earlier date, in which case such representations and warranties are true and correct in all material respects as of such earlier date); and

(e) no Default or Event of Default has occurred and is continuing.

4. **Severability**. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

5. **References**. Any reference to the Credit Agreement contained in any document, instrument or Credit Agreement executed in connection with the Credit Agreement shall be deemed to be a reference to the Credit Agreement as modified by this Amendment.

6. **Amendment Fee**. In consideration of the agreements set forth herein, upon the effectiveness of this Amendment in accordance with, and subject to all of the conditions specified in Section 3 hereof (other than Section 3(d)), Borrower agrees to pay to Agent, for the ratable benefit of the respective Lenders holding amounts of the Term B Loan, an amendment fee equal to 0.50% of the outstanding principal amount of the Term B Loan as of the date hereof after giving effect to the $7,500,000 of prepayments of the Term B Loans on the date hereof described in Section 2 above.

7. **Counterparts; Electronic Transmission**. This Amendment may be executed in one or more counterparts, each of which shall constitute an original, but all of which taken together shall be one and the same instrument. Facsimile signatures and other electronic signatures shall also constitute originals.

8. **Release**.

(a) In consideration of the agreements of Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each of Borrower and each other Loan Party (by such other Loan Party's execution and delivery of the attached Consent and Reaffirmation), on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and Lenders, and their successors and assigns, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, each Lender and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, Borrower or such Loan Party or any of their successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, for or on account of, or in relation to, or in any way in connection with any of the Credit Agreement, or any of the other Loan Documents or transactions thereunder or related thereto.

(b) Each of Borrower and each other Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) Each of Borrower and each other Loan Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth herein.

9. **Post-Closing Obligation** . Within sixty (60) days after the effectiveness of this Amendment (or such later date as the Agent may elect in its sole discretion), the Borrower shall take, complete or otherwise provide for the following with respect to the real property affected by the Mortgage Modification (along with, to the extent Agent agrees that the Mortgage Modification may be executed and delivered on a post-closing basis, executing and delivering the Mortgage Modification):

(a) evidence of the recordation of the Mortgage Modification reasonably satisfactory to Agent, together with a date down endorsement to the existing title policy in favor of Agent with respect to the Mortgage in favor of Agent with respect to the real property subject to the lien of such Mortgage affected by the Mortgage Modification (the " Subject Real Property "), which shall be in form and substance reasonably satisfactory to the Agent and reasonably assure the Agent as of the date of such endorsement that the Subject Real Property is free and clear of all defects and encumbrances except those Liens permitted under such Mortgage or under the Credit Agreement;

(b) evidence of payment by the Borrower of all search and examination charges escrow charges and related charges, mortgage recording taxes, fees, charges, costs and expenses required for the recording of the Mortgage Modification; and

(c) such affidavits, certificates, information and instruments of indemnification as shall be required to induce the title insurance company to issue the endorsement to the title policy contemplated in this Section and evidence of payment of all applicable title insurance premiums, search and examination charges, mortgage recording taxes and related charges required for the issuance of the endorsement to the title policy contemplated in this Section.

10. **Ratification** . The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions of the Credit Agreement and shall not be deemed to be a consent to the modification or waiver of any other term or condition of

the Credit Agreement. Except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement and each of the other Loan Documents are ratified and confirmed and shall continue in full force and effect.

11. **Governing Law**. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

[**Signature Pages Follow**]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed under seal and delivered by their respective duly authorized officers on the date first written above.

PERFORMANT BUSINESS SERVICES, INC.
(formerly known as DCS Business Services, Inc.)

By: /s/ Hakan Orvell
Name: Hakan Orvell
Title: Secretary

MADISON CAPITAL FUNDING LLC,
as Agent and a Lender

By: /s/ Craig Dugan
Name: Craig Dugan
Title: VP

MCF CLO IV LLC

By:
Madison Capital Funding LLC, as collateral manager

By: /s/ Brian Ternes ____________________
Name: Brian Ternes _______________________
Title: Vice President _______________________

AUDAX CREDIT OPPORTUNITIES OFFSHORE
LTD., as a Lender

By: /s/ Michael P. McGonigle ________________
Name: Michael P. McGonigle ________________
Title: Authorized Signatory ____________________

AUDAX SENIOR DEBT (WCTPT) SPV, LLC,
as a Lender

By: /s/ Michael P. McGonigle ________________
Name: Michael P. McGonigle ________________
Title: Authorized Signatory ____________________

AUDAX CREDIT OPPORTUNITIES (SBA), LLC,
as a Lender

By: /s/ Michael P. McGonigle ________________
Name: Michael P. McGonigle ________________
Title: Authorized Signatory ____________________

A CMFG LIFE INSURANCE COMPANY,
by Audax Management (NY), LLC, its subadviser
as a Lender

By: /s/ Michael P. McGonigle ________________
Name: Michael P. McGonigle ________________
Title: Authorized Signatory ____________________

BancAlliance Inc.
By: AP Commercial LLC, its attorney-in-fact,
as a Lender

By: /s/ John Gray
Name: John Gray
Title: Executive Vice President

ING Capital LLC,
as a Lender

By: /s/ Marilyn Densel Fulton ___________________
Name: Marilyn Densel Fulton ____________________
Title: Managing Director ________________________

By: /s/ Naresh Purohit __________________________
Name: Naresh Purohit __________________________
Title: Director ________________________________

MC Funding, Ltd.,
as a Lender
By: Monroe Capital Management, LLC, as Collateral Manager

By: /s/ Jeffrey Williams ________________________
Name: Jeffrey Williams ________________________
Title: Managing Director ______________________

MIDCAP FUNDING XVI TRUST,
as a Lender

By: Apollo Capital Management, L.P., its investment manager

By: Apollo Capital Management GP, LLC, its general partner

By: /s/ Maurice Amsellem ______________________
Name: Maurice Amsellem ______________________
Title: Authorized Signatory ______________________

PennantPark Floating Rate Funding, I, LLC,
as a Lender

PennantPark Floating Rate Capital Ltd., as
Designated Manager

By: /s/ Aviv Efrat ___________________________
Name: Aviv Efrat ___________________________
Title: Chief Financial Officer _________________

Saratoga Investment Corp CLO 2013-1, Ltd. ,
as a Lender

By: /s/ Pavel Antonov ______________________
Name: Pavel Antonov ______________________
Title: Attorney In Fact ______________________

Wells Fargo Bank, N.A.,
as a Lender

By: /s/ Victor Choi ______________________
Name: Victor Choi ______________________
Title: Vice President ______________________

EMPORIA PREFERRED FUNDING II, LTD.
By: Ivy Hill Asset Management, L.P., as Collateral Manager

By: /s/ Kevin R. Braddish
Name: Kevin R. Braddish
Title: Duly Authorized Signatory

EMPORIA PREFERRED FUNDING III, LTD.
By: Ivy Hill Asset Management, L.P., as Collateral Manager

By: /s/ Kevin R. Braddish
Name: Kevin R. Braddish
Title: Duly Authorized Signatory

IVY HILL MIDDLE MARKET CREDIT FUND IV, LTD.
By: Ivy Hill Asset Management, L.P., as Portfolio Manager

By: /s/ Kevin R. Braddish
Name: Kevin R. Braddish
Title: Duly Authorized Signatory

IVY HILL MIDDLE MARKET CREDIT FUND V, LTD.
By: Ivy Hill Asset Management, L.P., as Portfolio Manager

By: /s/ Kevin R. Braddish
Name: Kevin R. Braddish
Title: Duly Authorized Signatory

IVY HILL MIDDLE MARKET CREDIT FUND VII, LTD.
By: Ivy Hill Asset Management, L.P., as Asset Manager

By: /s/ Kevin R. Braddish ____________________
Name: Kevin R. Braddish ____________________
Title: Duly Authorized Signatory ______________

IVY HILL MIDDLE MARKET CREDIT FUND IX, LTD.
By: Ivy Hill Asset Management, L.P., as Asset Manager

By: /s/ Kevin R. Braddish ____________________
Name: Kevin R. Braddish ____________________
Title: Duly Authorized Signatory ______________

CONSENT AND REAFFIRMATION

Each of Performant Financial Corporation, Performant Recovery, Inc. (formerly known as Diversified Collection Services, Inc.) and Performant Technologies, Inc. (formerly known as Vista Financial, Inc.) (collectively, the "Companies") hereby (i) acknowledges receipt of a copy of the foregoing Amendment No. 8 to Credit Agreement dated as of May __, 2017 (the "Amendment"); (ii) consents to Borrower's execution and delivery of the Amendment and the consummation of the transactions contemplated thereby; (iii) agrees to be bound by the Amendment (including by Section 8 of the Amendment); (iv) affirms that nothing contained in the Amendment shall modify in any respect whatsoever any Loan Document to which it is a party; and (v) reaffirms that such Loan Documents shall continue to remain in full force and effect and that its guaranty of the Obligations and grant of security interests in its assets to secure such guaranty of the Obligations shall remain in effect in all respects. Although the Companies have been informed of the matters set forth herein and has acknowledged and agreed to same, each of the Companies understands that Agent and Lenders have no obligation to inform either Company of such matters in the future or to seek acknowledgment of either Company or agreement to future amendments, waivers or consents, and nothing herein shall create such a duty.

IN WITNESS WHEREOF, the parties hereto have caused this Consent and Reaffirmation to be duly executed under seal and delivered by their respective duly authorized officers on and as of the date of the Amendment.

[**Signature Page Follows**]

PERFORMANT FINANCIAL CORPORATION

By: /s/ Hakan Orvell
Name: Hakan Orvell
Title: Secretary

PERFORMANT RECOVERY, INC.
(formerly known as Diversified Collection Services, Inc.)

By: /s/ Hakan Orvell
Name: Hakan Orvell
Title: Secretary

PERFORMANT TECHNOLOGIES, INC.
(formerly known as Vista Financial, Inc.)

By: /s/ Hakan Orvell
Name: Hakan Orvell
Title: Secretary

Exhibit B

Form of Compliance Certificate

Please refer to the Credit Agreement dated as of March 19, 2012 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the " Credit Agreement "), by and among the undersigned (" Borrower "), the lenders party thereto from time to time, as Lenders, and Madison Capital Funding LLC, as administrative agent (" Agent "). This certificate (this " Certificate "), together with supporting calculations attached hereto, is delivered to Agent and Lenders pursuant to the terms of the Credit Agreement. Terms used but not otherwise defined herein are used herein as defined in the Credit Agreement.

[**Enclosed herewith is a copy of the [annual audited/quarterly/monthly] report of Borrower as at ________________ (the " Computation Date "), which report fairly presents in all material respects the financial condition and results of operations [(subject to the absence of footnotes and to normal year-end adjustments)] of Borrower as of the Computation Date and has been prepared in accordance with GAAP consistently applied.**]

Borrower hereby certifies and warrants that the computations set forth on the schedule attached hereto correspond to the ratios contained in the Credit Agreement and such computations are true and correct as at the [**Computation Date**] [**date hereof, after giving pro forma effect to the Acquisition (and related Loans) pursuant to which this certificate is delivered**].

Borrower further certifies that no Event of Default or Default has occurred and is continuing as of the date hereof [**except as described on the Schedule attached hereto**].

PERFORMANT BUSINESS SERVICES, INC.
(formerly known as DCS Business Services, Inc.)

By:
Title:

Schedule to Compliance Certificate
Dated as of _________________

A. Calculation of EBITDA

1. Consolidated Net Income	$_________
2. Plus: Losses from Dispositions, extraordinary items, discontinued operations,	$_________
reappraisal, revaluation or write-down of assets	$_________
interest expense and the Agent's fee	$_________
income tax expense	$_________
depreciation	$_________
amortization	
charges for impairment of goodwill and	$_________
other intangibles	$_________
management fees and reimbursable expenses	
amortization of debt discounts and commissions	$_________
3. Plus: Transaction fees and expenses in connection with this agreement	$_________
Non-cash expenses in connection with options, deferred compensation and stock options	
	$_________
Transaction Fees in connection with Permitted Acquisitions and Investments permitted under Sections 7.11(q) and 7.11(s)	$_________
Transaction fees and expenses in connection with a successful Qualified IPO	$_________
Transaction fees and expenses in connection with an unsuccessful Qualified IPO	$_________
Costs and expenses related to Permitted Debt or equity issuances	$_________
Non-cash expenses in the form of options granted to Borrower or Holdings and other non-cash expense with respect to deferred compensation and stock options	$_________
severance expenses approved by the Agent	$_________
business interruption insurance proceeds	$_________

Non-cash adjustment to the valuation of earnout payments or other consideration relating to Investments permitted hereunder	$________
cash restructuring charges approved by the Agent in connection with Permitted Acquisitions and Investments permitted under Sections 7.11(q) and 7.11(s)	$________
non-cash restructuring charges from Permitted Acquisitions or Investments permitted under Sections 7.11(q) and 7.11(s)	$________
non-cash charges (or minus non-cash gains) relating to various accounting charges	$________
other extraordinary costs and expenses satisfactory to Agent	$________
non-cash adjustments relating to earn-outs and other investment consideration	$________
any Cure Amount contributed pursuant to Section 7.14.3 (solely for purpose of determining compliance with Section 7.14.1 and 7.14.2)	$________
the result of (a) the amount collected during such period from the Department of Education for services performed and invoiced, but for which revenue has not yet been recognized in Consolidated Net Income, minus (b) revenue from the Department of Education recognized in Consolidated Net Income during such period for which cash was received in a prior period and where revenue was not previously recognized, all subject to the review and reasonable approval of Agent	$________
CMS Settlement Addback up to $3,000,000 during term of Agreement	$_________

Fees, costs and expenses re Amendment No. 2 $__________

Fees, costs and expenses re Amendment No. 4, Amendment No. 5, Amendment No. 6, Amendment No. 7 and Amendment No.8 $__________

Permitted DOE Addbacks $__________

4. Minus: Gains from Dispositions, extraordinary items, discontinued operations, reappraisal, revaluation or write-up of assets $________

5. Total (EBITDA) $________

B. Section 7.14.2 - Maximum Total Debt to [**Adjusted**] EBITDA Ratio

1. Total Debt $________

2. [**Adjusted**] EBITDA (from Item A(5) above[**, plus Pro Forma EBITDA totaling $______ in the aggregate for all applicable Permitted Acquisitions in such period (comprising of Pro Forma Adjusted EBITDA in the following individual amounts with respect to the following individual Permitted Acquisitions (x) _______, $________, (y) _______, $________ and (z) _______, $________)**]) $________

3. Ratio of (1) to (2) ____ to 1

4. Maximum allowed ____ to 1

C. Section 7.14.4 – Minimum Interest Coverage Ratio

1. EBITDA (from Item [__] above) $________

2. Interest Expense paid in cash $________

3. Ratio of (1) to (2) ____ to 1

4. Minimum required ____ to 1

E. Section 7.14.6 - Capital Expenditures

1. Capital Expenditures for the [Fiscal Year][Fiscal Quarter] $________

2. Maximum Permitted Capital Expenditures $[8,000,000][3,000,000]

Exhibit 99.1

Performant Financial Corporation Announces Financial Results for First Quarter 2017

Livermore, Calif., May 9, 2017 - Performant Financial Corporation (Nasdaq: PFMT), a leading provider of technology-enabled recovery and related analytics services in the United States, today reported the following financial results for its first quarter ended March 31, 2017 :

First Quarter Financial Highlights

- Total revenues of $33.1 million , compared to revenues of $38.3 million in the prior year period, down 13.5%
- Net loss of $3.0 million , or $(0.06) per diluted share, compared to a net income of $0.1 million , or $0.00 per diluted share, in the prior year period
- Adjusted EBITDA of $2.8 million , compared to adjusted EBITDA of $7.4 million in the prior year period
- Adjusted net loss of $1.9 million , or $(0.04) per diluted share, compared to an adjusted net income of $2.0 million or $0.04 per diluted share in the prior year period

First Quarter 2017 Results

"Despite ongoing challenges with the Department of Education and the old CMS recovery audit contracts, we made solid progress during the quarter by expanding our technology and services into new markets," said Lisa Im, Performant Financial's Chief Executive Officer. "Additionally, although we were encouraged by the GAO's decision to sustain both of our protests related to the Department of Education contract award, even if were we to receive contract award in the very near term, we do not anticipate that it would have a material impact on our 2017 results."

Student lending revenues in the first quarter were $24.5 million , a decrease of 17.2% from revenues of $29.6 million in the prior year period. The U.S. Department of Education and our Guaranty Agency clients accounted for revenues of $1.6 million and $22.9 million , respectively, in the first quarter of 2017, compared to $7.3 million and $22.3 million in the prior year period. Student loan placement volume (defined below) during the quarter totaled $0.7 billion , compared to $0.6 billion in the prior year period. This figure reflects an 18% uptick in placements from Guaranty Agencies.

Healthcare revenues in the first quarter were $1.6 million , down from $2.7 million in the prior year period, as the Company's healthcare revenues continue to be adversely affected by the limitations on the scope of recovery activities and wind down of the current contract that have been imposed during the Centers for Medicare and Medicaid Services ("CMS") contract transition. Medicare audit recovery revenues were less than $0.1 million in the first quarter, a decline of $1.1 million from the prior year period. Commercial healthcare clients contributed revenues of $1.6 million , an increase of $0.1 million from the prior year period.

Other revenues in the first quarter were $6.9 million , up from $5.9 million in the prior year period.

As of March 31, 2017 , the Company had cash and cash equivalents of approximately $27.0 million .

Business Outlook

Im continued, "As to the current fiscal year, we are reiterating our 2017 revenue and Adjusted EBITDA guidance ranges of $125 million to $145 million and $10 million to $13 million, respectively."

Terms used in this Press Release

Student Loan Placement Volume refers to the dollar volume of defaulted student loans first placed with us during the specified period by public and private clients for recovery. Placement Volume allows us to measure and track trends in the amount of inventory our clients in the student lending market are placing with us during any period. The revenue associated with the recovery of a portion of these loans may be recognized in subsequent accounting periods, which assists management in estimating future revenues and in allocating resources necessary to address current Placement Volumes.

Earnings Conference Call

The Company will hold a conference call to discuss its first quarter results today at 5:00 p.m. Eastern. A live webcast of the call may be accessed on the Investor Relations section of the Company's website at investors.performantcorp.com. The conference call is also available by dialing 855-327-6837 (domestic) or 778-327-3988 (international).

A replay of the call will be available on the Company's website or by dialing 844-512-2921 (domestic) or 412-317-6671 (international) and entering the passcode 10002938. The telephonic replay will be available approximately three hours after the call, through May 16, 2017.

About Performant Financial Corporation

Performant helps government and commercial organizations enhance revenue and contain costs by preventing, identifying and recovering waste, improper payments and defaulted assets. Performant is a leading provider of these services in several industries, including healthcare, student loans and government. Performant has been providing recovery audit services for more than nine years to both commercial and government clients, including serving as a Recovery Auditor for the Centers for Medicare and Medicaid Services.

Powered by a proprietary analytic platform and workflow technology, Performant also provides professional services related to the recovery effort, including reporting capabilities, support services, customer care and stakeholder training programs meant to mitigate future instances of improper payments. Founded in 1976, Performant is headquartered in Livermore, California.

Note Regarding Use of Non-GAAP Financial Measures

In this press release, to supplement our consolidated financial statements, the company presents adjusted EBITDA and adjusted net income/(loss). These measures are not in accordance with generally accepted accounting principles (GAAP) and accordingly reconciliations of adjusted EBITDA and adjusted net income/(loss) to net income/(loss) determined in accordance with GAAP are included in the “Reconciliation of Non-GAAP Results” table at the end of this press release. We have included adjusted EBITDA and adjusted net income/(loss) in this press release because they are key measures used by our management and board of directors to understand and evaluate our core operating performance and trends and to prepare and approve our annual budget. Accordingly, we believe that adjusted EBITDA and adjusted net income/(loss) provide useful information to investors and analysts in understanding and evaluating our operating results in the same manner as our management and board of directors. Our use of adjusted EBITDA and adjusted net income/(loss) has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of items, specifically interest, tax and depreciation and amortization expenses, equity-based compensation expense and certain other non-operating expenses, that are recurring and will be reflected in our financial results for the foreseeable future. In addition, these measures may be calculated differently from similarly titled non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes.

Forward Looking Statements

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our outlook for revenues, net income and adjusted EBITDA in 2017. These forward-looking statements are based on current expectations, estimates, assumptions and projections that are subject to change and actual results may differ materially from the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, that we have significant indebtedness maturing in 2018 that we will need to refinance and refinancing may not be available to us on reasonable terms or at all, that we did not receive a new student loan recovery contract award from the Department of Education, our longstanding and significant client, that limitations on the scope of our audit activity under our RAC contract over the past three years have significantly reduced our revenue opportunities, that the amount of commissions we are required to return to CMS due to successful appeals by providers could exceed our estimated appeals reserve, the high level of revenue concentration among the Company's three largest customers, that many of the Company's customer contracts are subject to periodic renewal, are not exclusive and do not provide for committed business volumes, that the Company faces significant competition in all of its markets, that the U.S. federal government accounts for a significant portion of the Company's revenues, that future legislative and regulatory changes may have significant effects on the Company's business, that failure of the Company's or third parties' operating systems and technology infrastructure could disrupt the operation of the Company's business and the threat of breach of the Company's security measures or failure or unauthorized access to confidential data that the Company possesses. More information on potential factors that could affect the Company's financial condition and operating results is included from time to time in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Company's annual report on Form 10-K for the year ended December 31, 2016 and subsequently filed reports on Forms 10-Q and 8-K. The forward-looking statements are made as of the date of this press release and the Company does not undertake to update any forward-looking statements to conform these statements to actual results or revised expectations.

Contact Information
Richard Zubek

Investor Relations
925-960-4988
investors@performantcorp.com

PERFORMANT FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except per share amounts)

	March 31, 2017 (Unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 26,960	$ 32,982
Restricted cash	7,500	7,502
Trade accounts receivable, net of allowance for doubtful accounts of $224 and $224, respectively	12,817	11,484
Deferred income taxes	—	5,331
Prepaid expenses and other current assets	15,055	12,686
Income tax receivable	1,985	2,027
Total current assets	64,317	72,012
Property, equipment, and leasehold improvements, net	24,054	23,735
Identifiable intangible assets, net	5,621	5,895
Goodwill	82,522	82,522
Deferred income taxes	3,812	—
Other assets	895	914
Total assets	$ 181,221	$ 185,078
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of notes payable, net of unamortized debt issuance costs of $978 and $1,294, respectively	$ 13,702	$ 9,738
Accrued salaries and benefits	5,777	4,315
Accounts payable	974	628
Other current liabilities	5,046	4,409
Income Tax Payable	—	—
Estimated liability for appeals	19,298	19,305
Net payable to client	13,039	13,074
Total current liabilities	57,836	51,469
Notes payable, net of current portion and unamortized debt issuance costs of $222 and $272, respectively	36,932	43,878
Deferred income taxes	—	1,130
Other liabilities	2,318	2,356
Total liabilities	97,086	98,833
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.0001 par value. Authorized, 500,000 shares at March 31, 2017 and December 31, 2016; issued and outstanding 50,486 and 50,234 shares at March 31, 2017 and December 31, 2016, respectively	5	5
Additional paid-in capital	66,499	65,650
Retained earnings	17,631	20,590
Total stockholders' equity	84,135	86,245
Total liabilities and stockholders' equity	$ 181,221	$ 185,078

PERFORMANT FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Revenues	$ 33,109	$ 38,279
Operating expenses:		
Salaries and benefits	20,696	21,337
Other operating expenses	13,441	14,357
Total operating expenses	34,137	35,694
Income (loss) from operations	(1,028)	2,585
Interest expense	(1,606)	(2,432)
Income (loss) before provision for income taxes	(2,634)	153
Provision for income taxes	325	73
Net income (loss)	$ (2,959)	$ 80
Net income (loss) per share		
Basic	$ (0.06)	$ 0.00
Diluted	$ (0.06)	$ 0.00
Weighted average shares		
Basic	50,304	49,643
Diluted	50,304	50,189

PERFORMANT FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash flows from operating activities:		
Net income (loss)	$ (2,959)	$ 80
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss on disposal of asset	4	9
Depreciation and amortization	2,774	3,390
Deferred income taxes	389	(570)
Stock-based compensation	1,103	1,204
Interest expense from debt issuance costs and amortization of discount note payable	366	279
Write-off unamortized debt issuance costs	—	468
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,333)	4,694
Prepaid expenses and other current assets	(2,369)	159
Income tax receivable	42	(315)
Other assets	19	10
Accrued salaries and benefits	1,462	1,561
Accounts payable	346	(402)
Other current liabilities	637	171
Income taxes payable	—	(895)
Estimated liability for appeals	(7)	(54)
Net payable to client	(35)	1,538
Other liabilities	(38)	(41)
Net cash provided by operating activities	401	11,286
Cash flows from investing activities:		
Purchase of property, equipment, and leasehold improvements	(2,823)	(1,803)
Net cash used in investing activities	(2,823)	(1,803)
Cash flows from financing activities:		
Repayment of notes payable	(3,348)	(24,769)
Debt issuance costs paid	—	(410)
Restricted cash for repayment of notes payable	2	(7,516)
Taxes paid related to net share settlement of stock awards	(254)	(169)
Proceeds from exercise of stock options	3	310
Income tax benefit from employee stock options	—	80
Payment of purchase obligation	—	(142)
Net cash used in financing activities	(3,597)	(32,616)
Effect of foreign currency exchange rate changes on cash	(3)	14
Net decrease in cash and cash equivalents	(6,022)	(23,119)
Cash and cash equivalents at beginning of period	32,982	71,182
Cash and cash equivalents at end of period	$ 26,960	$ 48,063
Supplemental disclosures of cash flow information:		
Cash paid (received) for income taxes	$ (118)	$ 1,760
Cash paid for interest	$ 1,255	$ 1,688

PERFORMANT FINANCIAL CORPORATION AND SUBSIDIARIES
Reconciliation of Non-GAAP Results
(In thousands, except per share amount)
(Unaudited)

	Three Months Ended March 31,	
	2017	2016
Adjusted Earnings Per Diluted Share:		
Net income (loss)	$ (2,959)	$ 80
Plus: Adjustment items per reconciliation of adjusted net income	1,044	1,871
Adjusted net income (loss)	(1,915)	1,951
Adjusted Earnings Per Diluted Share	$ (0.04)	$ 0.04
Diluted avg shares outstanding	50,304	50,189

	Three Months Ended March 31,	
	2017	2016
Adjusted EBITDA:		
Net income (loss)	$ (2,959)	$ 80
Provision for income taxes	325	73
Interest expense	1,606	2,432
Restructuring and other expenses (3)	—	232
Depreciation and amortization	2,774	3,390
Stock-based compensation	1,103	1,204
Adjusted EBITDA	$ 2,849	$ 7,411

	Three Months Ended March 31,	
	2017	2016
Adjusted Net Income (Loss):		
Net income (loss)	$ (2,959)	$ 80
Stock-based compensation	1,103	1,204
Amortization of intangibles (1)	271	936
Deferred financing amortization costs (2)	366	746
Restructuring and other expenses (3)	—	232
Tax adjustments (4)	(696)	(1,247)
Adjusted Net Income (Loss)	$ (1,915)	$ 1,951

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

(2) Represents amortization of capitalized financing costs related to financing conducted in 2012 and costs related to the amendments of the terms of the note payable in 2014 and 2016.

(3) Represents restructuring costs and severance and termination expenses incurred in connection with termination of employees and consultants.

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

PERFORMANT FINANCIAL CORPORATION AND SUBSIDIARIES
Reconciliation of Non-GAAP Results
(In thousands, except per share amount)
(Unaudited)

We are providing the following preliminary estimates of our financial results for the year ended December 31, 2017:

	Year Ended	
	December 31, 2016	December 31, 2017
	Actual	Estimate
Adjusted EBITDA:		
Net income (loss)	$ (11,453)	$ (5,220) to (5,400)
Provision for (benefit from) income taxes	(4,370)	(3,480) to (3,600)
Interest expense	7,897	4,950 to 6,250
Restructuring and other expenses (3)	329	—
Depreciation and amortization	13,380	10,500 to 11,500
Stock-based compensation	4,713	3,250 to 4,250
Adjusted EBITDA	$ 25,934	$ 10,000 to 13,000

(3) Represents restructuring costs and severance and termination expenses incurred in connection with termination of employees and consultants.