

eHealth, Inc.  
Form DEF 14A  
April 29, 2016

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**EHEALTH, INC.**

(Name of Registrant as Specified in Its Charter)

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

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(3) Filing Party:

(4) Date Filed:



**440 East Middlefield Road**

**Mountain View, CA 94043**

**(650) 584-2700**

May 4, 2016

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of eHealth, Inc. that will be held on June 16, 2016 at 8:30 a.m. Pacific Daylight Time at the Garden Court Hotel, located at 520 Cowper Street, Palo Alto, California 94301.

In connection with our 2016 Annual Meeting of Stockholders, we have elected to provide access to our proxy materials over the Internet to all stockholders under the Securities and Exchange Commission's notice and access rules. We believe that our use of this process should expedite stockholders' receipt of proxy materials, lower the costs of our annual meeting and help to conserve natural resources. Hard copies of the proxy materials, including the Proxy Statement and Annual Report, will be mailed upon request.

Your vote is important. Whether or not you plan to attend the Annual Meeting, we ask you to vote as soon as possible. You may vote over the Internet as well as by telephone or by mailing a proxy or voting instruction form. Voting over the Internet, by telephone, by written proxy or by written voting instruction form will ensure your representation at the Annual Meeting of Stockholders regardless of whether or not you attend in person. Please review the instructions on the proxy, voting instruction form or important notice regarding availability of proxy materials regarding each of these voting options.

Also, please let us know if you plan to attend our annual meeting by marking the appropriate box on the enclosed proxy card if you have requested to receive printed proxy materials or, if you vote by telephone or Internet, indicating your plans when prompted.

Thank you for your ongoing support of eHealth, Inc.

Sincerely yours,

Gary L. Lauer

*Chairman of the Board of Directors*

*and Chief Executive Officer*

**EHEALTH, INC.**

**Notice of Annual Meeting of Stockholders**

**to be held on June 16, 2016**

To the Stockholders of eHealth, Inc.:

The Annual Meeting of Stockholders of eHealth, Inc., a Delaware corporation, will be held at the Garden Court Hotel, located at 520 Cowper Street, Palo Alto, California 94301, on Thursday, June 16, 2016 at 8:30 a.m. Pacific Daylight Time for the following purposes:

1. To elect two (2) Class I directors (Scott N. Flanders and Michael D. Goldberg) to serve for terms of three years and until their respective successors are duly elected and qualified, subject to earlier resignation or removal;
2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016;
3. To vote to approve, on an advisory basis, the compensation of our Named Executive Officers; and
4. To transact such other business as may properly come before the Annual Meeting or at any postponement or adjournment of the Annual Meeting.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice or made available over the Internet. We are not aware of any other business to come before the Annual Meeting.

Only stockholders of eHealth as of the close of business on April 18, 2016 and their proxies are entitled to notice of and to vote at the Annual Meeting and any postponements, adjournments or continuations thereof.

All stockholders are invited to attend the Annual Meeting in person. Any stockholder attending the Annual Meeting may vote in person even if the stockholder returned a proxy. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must obtain a proxy issued in your name from the record holder giving you the right to vote the shares.

By Order of the Board of Directors,

Scott Giesler

*Secretary*

Mountain View, California

May 4, 2016

**Whether or not you expect to attend the annual meeting, we encourage you to read the proxy statement and submit your proxy or voting instructions as promptly as possible in order to ensure your representation at the annual meeting. We strongly encourage you to vote.**

**You may submit your proxy or voting instructions for the annual meeting by using the telephone or the Internet or, if you requested to receive printed proxy materials, you may also submit your proxy or voting instructions by completing, signing, dating and returning your proxy card or voting instruction form in the pre-addressed envelope provided. For specific instructions on how to vote your shares, please refer to the section entitled **Questions and Answers About the Proxy Materials and the Annual Meeting** in this proxy statement and the instructions on the proxy, voting instruction form or important notice regarding availability of proxy materials. Even if you have given your proxy, you may still vote in person if you attend the annual meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the annual meeting, you must obtain a proxy issued in your name from the record holder.**

**eHealth, Inc.**

**440 East Middlefield Road**

**Mountain View, CA 94043**

**(650) 584-2700**

## **PROXY STATEMENT**

The Board of Directors of eHealth, Inc., a Delaware corporation ( we, us, our or the Company ), is soliciting proxies in the accompanying form to be used at our Annual Meeting of Stockholders to be held at the Garden Court Hotel, located at 520 Cowper Street, Palo Alto, California 94301, on Thursday, June 16, 2016 at 8:30 a.m. Pacific Daylight Time and for any postponement, adjournment or continuation thereof (the Annual Meeting ).

This Proxy Statement and the accompanying notice and form of proxy are first being made available to stockholders on or about May 4, 2016.

### **QUESTIONS AND ANSWERS ABOUT**

#### **THE PROXY MATERIALS AND THE ANNUAL MEETING**

##### **What proposals will be voted on at the Annual Meeting?**

Three proposals are scheduled to be voted on at the Annual Meeting:

1. The election of two (2) Class I directors (Scott N. Flanders and Michael D. Goldberg) to serve for terms of three years and until their respective successors are duly elected and qualified, subject to earlier resignation or removal (Proposal 1);
2. The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016 (Proposal 2); and
3. A vote to approve, on an advisory basis, the compensation of our Named Executive Officers (Proposal 3).

We will also consider any other business that properly comes before the meeting. If any other matters are properly brought before the meeting, the persons named in the enclosed proxy card or voter instruction card will vote the shares they represent using their judgment.

##### **What are the recommendations of the board of directors?**

Our board of directors unanimously recommends that you vote:

1. **FOR** the election of the nominated Class I directors (Proposal 1);

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2. FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016 (Proposal 2); and
3. FOR the proposal regarding a vote to approve, on an advisory basis, the compensation of our Named Executive Officers (Proposal 3).



**Will there be any other items of business on the agenda?**

We do not expect any other items of business, because the deadline for stockholder proposals and nominations has already passed. Nonetheless, in case there is an unforeseen need, the accompanying proxy gives discretionary authority to the persons named on the proxy with respect to any other matters that might be brought before the Annual Meeting or at any postponement or adjournment of the Annual Meeting. Those persons intend to vote that proxy in accordance with their judgment. If for any reason any of the nominees are not available as candidates for director, and our board of directors has not reduced the authorized number of directors on our board of directors, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the board of directors.

**What constitutes a quorum?**

As of the close of business on April 18, 2016 (the Record Date), there were 18,208,242 shares of our common stock outstanding. The presence at the Annual Meeting or at any postponement or adjournment of the Annual Meeting, in person or by proxy, of the holders of a majority of the voting power of the common stock outstanding on the Record Date will constitute a quorum. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

**Who is entitled to vote?**

Stockholders holding shares of our common stock at the close of business on the Record Date may vote at the Annual Meeting or at any postponement or adjournment of the Annual Meeting. You may vote all shares owned by you as of the Record Date, including (i) shares held directly in your name as the stockholder of record and (ii) shares held for you as the beneficial owner in street name through a broker, bank or other nominee. Each holder of our common stock is entitled to one vote for each share of common stock held as of the Record Date.

**What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

*Stockholder of Record.* If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered, with respect to those shares, the stockholder of record.

*Beneficial Owner.* If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name. Your broker, bank or nominee is considered with respect to those shares the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or nominee how to vote your shares. Other than routine matters, such as a proposal to ratify an independent registered public accounting firm, your broker will not be able to vote your shares unless your broker receives specific voting instructions from you. You must give your broker voting instructions in order for your vote to be counted on the proposal to elect directors (Proposal 1) and the proposal regarding a vote to approve, on an advisory basis, the compensation of our Named Executive Officers (Proposal 3). We strongly encourage you to vote.

**How do I vote?**

You may vote using any of the following methods:

*By Internet.* Stockholders of record of our common stock as of the Record Date with Internet access may submit proxies by following the Internet voting instructions on the Important Notice Regarding the Availability of Proxy Materials (the Notice of Availability) or, in the case of stockholders of record who have requested to receive printed proxy materials, by accessing the website specified on the proxy cards provided by Computershare Trust Company, N.A., our transfer agent. Stockholders who hold shares beneficially in street name may provide voting instructions by accessing the website

specified on the Notice of Availability or, in the case of beneficial holders of shares in street name who have requested to receive printed proxy materials, by accessing the website specified on the voting instruction forms provided by their brokers, banks or nominees. Please check the voting instruction form for Internet voting availability. Please be aware that if you submit voting instructions over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible.

*By Telephone.* Stockholders of record of our common stock as of the Record Date who live in the United States or Canada may submit proxies by following the telephone voting instructions on their Notice of Availability or, in the case of stockholders of record who have requested to receive printed proxy materials, by following the telephone voting instructions specified on the proxy cards. Stockholders who hold shares beneficially in street name, live in the United States or Canada and have requested to receive printed proxy materials may provide voting instructions by telephone by calling the number specified on the voting instruction forms provided by their brokers, banks or nominees. Please check the voting instruction form for telephone voting availability.

*By Mail.* Stockholders of record of our common stock as of the Record Date who have requested paper copies of their proxy materials may submit proxies by completing, signing and dating their proxy cards and mailing them in the accompanying pre-addressed envelopes. If you return your signed proxy but do not indicate your voting preferences, your shares will be voted on your behalf FOR the Class I nominees to the board of directors (Proposal 1), FOR the ratification of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016 (Proposal 2) and FOR the proposal regarding a vote to approve, on an advisory basis, the compensation of our Named Executive Officers (Proposal 3). Stockholders who hold shares beneficially in street name and have requested to receive printed proxy materials may provide voting instructions by mail by completing, signing and dating the voting instruction forms provided by their brokers, banks or other nominees and mailing them in the accompanying pre-addressed envelopes.

*In person at the Annual Meeting.* Shares held in your name as the stockholder of record may be voted in person at the Annual Meeting or at any postponement or adjournment of the Annual Meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, bank or nominee that holds your shares giving you the right to vote the shares. ***Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or voting instructions by mail, telephone, or Internet so that your vote will be counted if you later decide not to attend the Annual Meeting.***

#### **Can I change my vote or revoke my proxy?**

If you are a stockholder of record, you may revoke your proxy at any time prior to the vote at the Annual Meeting. If you submitted your proxy by mail, you must file with our Secretary a written notice of revocation or deliver, prior to the vote at the Annual Meeting, a valid, later-dated proxy. If you submitted your proxy by telephone or the Internet, you may revoke your proxy with a later telephone or Internet proxy, as the case may be. Attendance at the Annual Meeting will not have the effect of revoking a proxy unless you give written notice of revocation to the Secretary before the proxy is exercised or you vote by written ballot at the Annual Meeting. If you are a beneficial owner, you may vote by submitting new voting instructions to your broker, bank or nominee, or, if you have obtained a legal proxy from your broker, bank or nominee giving you the right to vote your shares, by attending the meeting and voting in person.

#### **How are votes counted?**

In the election of the Class I directors (Proposal 1), you may vote FOR the nominees or your vote may be WITHHELD with respect to one or more of the nominees. With respect to the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending

December 31, 2016 (Proposal 2) and the vote to approve, on an advisory basis, the compensation of our Named Executive Officers (Proposal 3), you may vote FOR, vote AGAINST or ABSTAIN. If you ABSTAIN, the abstention has no effect on the voting results, although abstentions are considered votes cast for the purpose of determining the presence of a quorum. If you provide specific instructions, your shares will be voted as you instruct.

If you sign your proxy card with no further instructions, your shares will be voted in accordance with the recommendations of the board of directors ( FOR the Class I nominees to the board of directors (Proposal 1), FOR the ratification of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016 (Proposal 2), FOR the proposal regarding a vote to approve, on an advisory basis, the compensation of our Named Executive Officers (Proposal 3) and in the discretion of the proxy holders on any other matters that properly come before the Annual Meeting or any postponement or adjournment of the Annual Meeting. If you are a beneficial holder and do not return a voting instruction form, your broker, bank or nominee may only vote on the ratification of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016.

**What vote is required to approve each item?**

In the election of directors (Proposal 1), the two persons receiving the highest number of FOR votes cast at the Annual Meeting in person or by proxy or at any postponement or adjournment of the Annual Meeting will be elected. The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016 (Proposal 2) and the vote to approve, on an advisory basis, the compensation of our Named Executive Officers (Proposal 3) require the affirmative FOR vote of a majority of the votes cast affirmatively or negatively at the Annual Meeting in person or by proxy or at any postponement or adjournment of the Annual Meeting.

If you hold your shares beneficially in street name and do not provide your broker, bank or nominee with voting instructions, your shares may constitute broker non-votes.

**What are broker non-votes and what effect do they have on the proposals?**

Generally, broker non-votes occur when a broker (1) has not received voting instructions from the beneficial owner with respect to a particular proposal and (2) lacks discretionary voting power to vote those shares with respect to that particular proposal. In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are not considered votes cast on that proposal. Thus, other than being counted for the purpose of determining a quorum, broker non-votes will not affect the outcome of any matter being voted on at the Annual Meeting or any postponement or adjournment of the Annual Meeting, assuming that a quorum is obtained.

A broker is entitled to vote shares held for a beneficial owner on routine matters, such as the ratification of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016 (Proposal 2), without instructions from the beneficial owner of those shares. On the other hand, absent instructions from the beneficial owner of such shares, a broker is not entitled to vote shares held for a beneficial owner on certain non-routine matters, such as the uncontested election of our directors (Proposal 1) and the vote to approve, on an advisory basis, the compensation of our Named Executive Officers (Proposal 3).

Broker non-votes are counted for purposes of determining whether or not a quorum exists for the transaction of business at the Annual Meeting or any postponement or adjournment of the Annual Meeting, but will not be counted for purposes of determining the number of shares represented and voted with respect to an individual proposal, and therefore will have no effect on the outcome of the vote on an individual proposal. Thus, if you do

not give your broker specific voting instructions, your shares may not be voted on these non-routine matters and will not be counted in determining the number of shares necessary for approval.

**Is cumulative voting permitted for the election of directors?**

No. Neither our charter nor our bylaws permit cumulative voting at any election of directors.

**I am a stockholder, and I only received a copy of the Important Notice Regarding Availability of Proxy Materials in the mail. How may I obtain a full set of the proxy materials?**

In accordance with the notice and access rules of the Securities and Exchange Commission, we may furnish proxy materials, including this Proxy Statement and our 2015 Annual Report, to our stockholders of record and beneficial owners of shares by providing access to such documents on the Internet instead of mailing printed copies. Stockholders will not receive printed copies of the proxy materials unless they request them. Instead, the Notice of Availability, which was mailed to our stockholders, will instruct you as to how you may access and review all of the proxy materials on the Internet. If you would like to receive a paper or electronic copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice of Availability.

**I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?**

We have adopted a procedure called householding, which the Securities and Exchange Commission has approved. Under this procedure, we deliver a single copy of the Notice of Availability and, if applicable, the proxy materials and the 2015 Annual Report to multiple stockholders who share the same address unless we received contrary instructions from one or more of the stockholders. This procedure reduces our printing costs, mailing costs and fees. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, we will deliver promptly a separate copy of the Notice of Availability and, if applicable, the proxy materials and the 2015 Annual Report to any stockholder at a shared address to which we delivered a single copy of any of these documents. To receive a separate copy of the Notice of Availability and, if applicable, these proxy materials or the 2015 Annual Report, stockholders may contact us at the following address and telephone number:

Investor Relations

eHealth, Inc.

440 East Middlefield Road

Mountain View, CA 94043

(650) 210-3111

Stockholders who hold shares in street name (as described above) may contact their brokerage firm, bank, broker-dealer or other similar organization to request information about householding.

**How are proxies solicited?**

The costs and expenses of soliciting the proxy accompanying this Proxy Statement from stockholders will be borne by us. Our employees, officers and directors may solicit proxies in person, by telephone or by electronic communication. None of these individuals will receive any additional or special compensation for doing this, but they may be reimbursed for reasonable out-of-pocket expenses. We may engage the services of proxy solicitors to assist us in the distribution of proxy materials and the solicitation of votes, for which we will pay customary fees plus reasonable out-of-pocket expenses. In addition, we may reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation material to the beneficial owners of common stock.

**Who will serve as inspector of elections?**

Our officers are authorized to designate an inspector of elections for the meeting. It is anticipated that the inspector of elections will be a representative from Computershare Trust Company, N.A.

**Date of our fiscal year end.**

This Proxy Statement provides information about the matters to be voted on at the Annual Meeting and additional information about us and our executive officers and directors. Some of the information is provided as of the end of our 2015 fiscal year and some information is provided as of a more current date. Our fiscal year ends on December 31.

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**PROPOSAL 1**
**ELECTION OF DIRECTORS****General**

Our board of directors currently consists of seven directors. Our certificate of incorporation provides a classified board of directors consisting of three classes of directors, each serving staggered three-year terms. As a result, a portion of our board of directors are elected each year.

Our Class I directors, whose terms will expire at the Annual Meeting, are Scott N. Flanders and Michael D. Goldberg. Our board of directors has nominated Class I directors Scott N. Flanders and Michael D. Goldberg for election at the Annual Meeting. If elected, Messrs. Flanders and Goldberg will serve as directors until the Annual Meeting of Stockholders in 2019 and until their respective successors are elected and qualified, subject to earlier resignation or removal.

The names and certain information about the continuing directors in each of the three classes of the board of directors are set forth below. There are no family relationships among any of our directors or executive officers.

It is intended that the proxies will be voted, unless otherwise indicated, for the election of the nominees (Messrs. Flanders and Goldberg) for election as Class I directors. If any of the nominees should for any reason be unable or unwilling to serve at any time prior to the Annual Meeting, the proxies will be voted for the election of such other person(s) as substitute nominee(s) as the board of directors may designate in place of such nominee(s).

**Nominees for Class I Directors**

The following paragraphs provide information as of the date of this proxy statement about each nominee for director. The information presented includes information each nominee has given us about the nominee's age, positions held, principal occupation and business experience for at least the past five years, and directorships of publicly-held companies for the past five years. We also describe the specific qualifications of each of our nominees that contribute to the board's effectiveness as a whole. We believe that all of our nominees possess integrity, honesty, sound judgment, high ethical standards and a commitment of service to us.

The names of the nominees for Class I directors and certain biographical information about them as of the date of this proxy statement are set forth below:

<b>Name</b>	<b>Age</b>	<b>Position and Offices Held with the Company</b>	<b>Director Since</b>
Scott N. Flanders(1)	59	Director	2008
Michael D. Goldberg(2)	58	Director	1999

(1) Mr. Flanders serves as the chairperson of the compensation committee of our board of directors, as a member of the nominating and corporate governance committee and as a member of the equity incentive committee of our board of directors.

(2) Mr. Goldberg serves as a member of the audit committee of our board of directors and as our lead independent director.

*Scott N. Flanders, Director.* Scott Flanders has served as a director since February 2008. Since July 2009, Mr. Flanders has served as the chief executive officer and as a member of the board of directors of Playboy Enterprises, Inc., a media and lifestyle company. Previously, Mr. Flanders served as the president and chief executive officer of Freedom Communications, Inc., a privately-owned media company, from January 2006 to June 2009, and as a member of its board of directors from 2001 to 2009. Freedom Communications, Inc. filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code in September 2009. From 1999 to July 2005, Mr. Flanders served as the chairman and chief executive officer of Columbia House Company, a direct marketer of music and video products, which was acquired by Bertelsmann AG in July 2005. Mr. Flanders holds a B.A.

degree in economics from the University of Colorado and a J.D. from Indiana University. He is also a certified public accountant. Mr. Flanders brings to our board of directors substantial management and operational expertise as a result of his leadership of several large media companies and his background in law and accounting, both of which are relevant to our overall business and the board's oversight of management.

*Michael D. Goldberg. Director.* Michael Goldberg has served as a director since June 1999. Mr. Goldberg has served as the executive chairman of DNAnexus, Inc., a cloud-based genomic data company, and as an advisor at other private life science companies since May 2011. From January 2005 to May 2011, Mr. Goldberg was a partner at Mohr Davidow Ventures, a venture capital firm. From October 2000 to December 2004, Mr. Goldberg served as a managing director of Jasper Capital, a management and financial consultancy business. In 1995, Mr. Goldberg founded OnCare, Inc., an oncology practice management company, and served as its chairman until August 2001 and as its chief executive officer until March 1999. Mr. Goldberg previously served as founder, president and chief executive officer of Axion, Inc., a cancer-focused healthcare service company, from 1987 to 1995. Mr. Goldberg holds a B.A. in philosophy from Brandeis University and an M.B.A. from the Stanford Graduate School of Business. Mr. Goldberg serves as the chairman of the board of directors of CareDx, Inc. Mr. Goldberg brings to our board of directors his broad background as a seasoned entrepreneur, senior executive and as a venture capital investor focusing on healthcare-related industries, all of which has provided him with deep understanding of the healthcare field and significant experience overseeing corporate strategy, evaluating operating strategy and evaluating business management teams.

#### **Required Vote and Board of Directors Recommendation**

The two candidates receiving the highest number of affirmative votes cast in person or by proxy at the Annual Meeting or at any postponement or adjournment of the Annual Meeting will be elected as directors to serve until their respective successors have been duly elected and qualified, subject to earlier resignation or removal.

*The board of directors recommends a vote **FOR** election as directors of each of the nominees set forth above.*

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**DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**
**Directors Not Standing for Election**

The following paragraphs provide information as of the date of this proxy statement about the continuing members of our board of directors not standing for election at the Annual Meeting. Director service terms expire at the Annual Meeting in the years set forth below. The information presented includes information each director has given us about his or her age, positions held, principal occupation and business experience for at least the past five years, and directorships of publicly-held companies for the past five years. We also describe the specific qualifications of each of our directors that contribute to the board's effectiveness as a whole. We believe that all of our directors possess integrity, honesty, sound judgment, high ethical standards and a commitment of service to us.

<b>Name</b>	<b>Age</b>	<b>Position and Offices Held with the Company</b>	<b>Year Term Expires</b>
Gary L. Lauer(1)	63	Chairman of the Board of Directors and Chief Executive Officer	2018
Randall S. Livingston(2)	62	Director	2017
Jack L. Oliver(3)	47	Director	2018
William T. Shaughnessy	51	Director, President and Chief Operating Officer	2017
Ellen O. Tauscher(4)	64	Director	2018

- (1) Mr. Lauer serves as a member of the equity incentive committee of our board of directors.
- (2) Mr. Livingston serves as a member of the audit committee of our board of directors.
- (3) Mr. Oliver serves as chairperson of the nominating and corporate governance committee of our board of directors and as a member of the compensation committee of our board of directors.
- (4) Ms. Tauscher serves as chairperson of the audit committee of our board of directors.

*Gary L. Lauer, Chairman of the Board of Directors and Chief Executive Officer.* Gary Lauer has served as our chief executive officer since December 1999 and as chairman of our board of directors since March 2002. He also served as our president from December 1999 to March 2012. Prior to joining us, Mr. Lauer was the chairman and chief executive officer of MetaCreations Corporation. Prior to MetaCreations, Mr. Lauer spent more than nine years at Silicon Graphics, Inc., a computing technology company, where he was a member of the senior executive team. Mr. Lauer started his career at IBM in sales and marketing management. Mr. Lauer holds a B.S. degree in finance and marketing from the University of Southern California Business School. Mr. Lauer serves as a member of the board of directors of Vantiv, Inc. Mr. Lauer brings to our board of directors his extensive background in our company and his operational and industry expertise obtained from his experience as our chief executive officer for more than ten years and as a former senior executive of several technology companies.

*Randall S. Livingston, Director.* Randall Livingston has served as a director since December 2008. Mr. Livingston is the vice president for business affairs and chief financial officer of Stanford University and has served in these roles since 2001. From 1999 to 2001, Mr. Livingston served as executive vice president and chief financial officer of OpenTV Corp., a provider of interactive television software and services. Mr. Livingston received a B.S. in mechanical engineering from Stanford University and an M.B.A. from the Stanford Graduate School of Business. Mr. Livingston serves as a member of the boards of directors of Genomic Health, Inc. and Pacific Biosciences, Inc. Mr. Livingston brings to our board of directors substantial financial expertise that includes extensive knowledge of the financial and operational issues facing large companies acquired in the course of serving as the chief financial officer of a major university, as a finance executive for several Silicon Valley companies and working with a major international management consulting firm.

*Jack L. Oliver, III, Director.* Jack Oliver has served as a director since December 2005. Since March 2005, Mr. Oliver has been a senior advisor at the law firm Bryan Cave LLP. Mr. Oliver also has served as a senior



advisor at Barclay's PLC since March 2009. From August 2005 to 2008, Mr. Oliver served as a senior advisor at Lehman Brothers with a focus on Lehman Brothers' global client relationship management and private management businesses. Prior to his work at Bryan Cave, Mr. Oliver served on various political campaigns, including those for the candidacies of Senator Jack Danforth, Senator Kit Bond, Senator John Ashcroft and Congressman Jim Talent. He is also a former deputy chairman of the Republican National Committee and was national finance director for President George Walker Bush's presidential campaign. Mr. Oliver holds a B.A. degree in political science and communications from Vanderbilt University and a J.D. from the University of Missouri School of Law. Mr. Oliver brings to our board of directors his political acumen and experience with government policy-making and expertise in strategy development, acquired through his legal training and his extensive involvement with several successful senatorial, congressional and presidential campaigns, all of which inform his views with respect to the strategic direction of our company.

*William T. Shaughnessy, Director, President and Chief Operating Officer.* William Shaughnessy has served as our president, chief operating officer and as a member of our board of directors since March 2012. Prior to joining us, Mr. Shaughnessy was senior vice president of product management and product marketing at Yahoo! Inc., a digital media company, from July 2010 to March 2012. From March 1994 to March 2009, Mr. Shaughnessy held various senior management positions at Microsoft Corporation, a global software company, most recently as its global vice president of sales, marketing and services in the advertising and publisher solutions group. Mr. Shaughnessy holds a B.S. degree in business administration from California State University - Fresno. Mr. Shaughnessy brings to our board of directors extensive management and operational experience as a result of his leadership positions at large, globally diversified organizations, expertise in technology development, product management and marketing and deep knowledge of the Internet and digital media industries.

*Ellen O. Tauscher, Director.* Ellen Tauscher has served as a director since July 2012. Ms. Tauscher is a strategic advisor at Baker, Donelson, Bearman, Caldwell & Berkowitz, PC and has served in this role since August 2012. From February 2012 to August 2012, Ms. Tauscher served as Special Envoy for Strategic Stability and Missile Defense at the U.S. State Department. Ms. Tauscher was nominated in March 2009 by President Obama to serve as Under Secretary of State for Arms Control and International Security Affairs, which Ms. Tauscher served from June 2009 to February 2012. Prior to joining the State Department, Ms. Tauscher served from January 1997 to June 2009 as a member of the U.S. House of Representatives from California's 10th Congressional District. While a member of Congress, Ms. Tauscher served on the House Armed Services Committee and House Transportation and Infrastructure Committee and as the Chairman of the Strategic Forces Subcommittee of the House Armed Services Committee. Prior to serving in Congress, Ms. Tauscher worked in investment banking and the financial services industry in various roles for Bache Halsey Stuart Shields, Bear Stearns & Co. and Drexel Burnham Lambert and as an officer of the American Stock Exchange. Ms. Tauscher also serves as a member of the board of directors of Edison International and SeaWorld Entertainment. Ms. Tauscher previously served on the board of directors of Invacare Corporation from February 2012 to May 2015. Ms. Tauscher holds a B.S. degree in early childhood education from Seton Hall University. Ms. Tauscher brings to our board of directors her expertise in finance and strategy development and knowledge of government affairs acquired through her service at the State Department and in Congress as well as during her career in investment banking.

#### **Board Independence**

The board of directors has determined that each of its current directors, except Gary L. Lauer and William T. Shaughnessy, is independent within the meaning of the NASDAQ Global Market director independence standards, as currently in effect. Mr. Goldberg is the lead independent director.

#### **Board of Directors Meetings**

The board of directors held eleven meetings during 2015. Each of our directors serving on the board of directors during 2015 attended at least 75% of the meetings held by the board of directors and by the committees

on which such director served during 2015. The independent members of our board of directors meet in executive session without management present on a regular basis.

### **Committees of the Board of Directors**

Our board of directors has an audit committee, a compensation committee, a nominating and corporate governance committee and an equity incentive committee, each of which has the composition and responsibilities described below. Each committee acts pursuant to written charters approved by the board of directors. The charters for the audit committee, compensation committee and nominating and corporate governance committee are available in the Investor Relations section of our corporate website at [www.ehealth.com](http://www.ehealth.com).

*Audit Committee.* The current members of our audit committee are Messrs. Goldberg and Livingston and Ms. Tauscher. Ms. Tauscher is the chairperson of the audit committee. Our board of directors has determined that each member of our audit committee meets the requirements for independence of the NASDAQ Global Market and the Securities and Exchange Commission for audit committee membership. Our board of directors has also determined that each Audit Committee member meets financial sophistication requirements of the NASDAQ Global Market and that Messrs. Goldberg and Livingston are audit committee financial experts as defined in Securities and Exchange Commission rules. The audit committee held nine meetings during 2015.

Among other duties, our audit committee:

appoints a firm to serve as independent accountant to audit our financial statements;

discusses the scope and results of the audit with the independent accountant and reviews with management and the independent accountant our interim and year-end operating results;

reviews the adequacy of our internal accounting controls and audit procedures;

approves (or, as permitted, pre-approves) all audit and non-audit services to be performed by the independent accountant; and

prepares the report that the Securities and Exchange Commission requires in our annual proxy statement.

The audit committee has the sole and direct responsibility for appointing, retaining and approving the compensation of our independent auditors and for overseeing their work. All audit services and all non-audit services, other than de minimis non-audit services, to be provided to us by our independent auditors are approved in advance by our audit committee.

*Compensation Committee.* The current members of our compensation committee are Messrs. Flanders and Oliver. Mr. Flanders is the chairperson of the compensation committee. Our board of directors has determined that each member of our compensation committee meets the applicable requirements for independence of the NASDAQ Global Market, the Securities and Exchange Commission and Internal Revenue Service. The purpose of our compensation committee is to assist our board of directors in determining the compensation of our executive officers and directors. The compensation committee held six meetings during 2015.

Among other duties, our compensation committee:

establishes the corporate goals and objectives that pertain to the variable compensation of our chief executive officer;

evaluates our chief executive officer's performance;

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determines our chief executive officer's compensation, based on evaluating his or her performance and other relevant criteria;

determines, in consultation with our chief executive officer, the compensation of our executive officers;

makes recommendations to our board of directors regarding the compensation of members of our board of directors;

makes recommendations to our board of directors regarding adopting or amending equity incentive plans (including changes in the number of shares reserved for issuance thereunder);

reviews and makes recommendations to our board of directors with respect to incentive compensation and equity plans;

administers our equity incentive plans and may delegate to another committee of our board of directors the concurrent authority to make awards under our equity incentive plans to individuals other than executive officers;

reviews and discusses with management the compensation discussion and analysis to be included in our proxy statement or annual report and issues any report required by the Securities and Exchange Commission to be included in our proxy statement or annual report; and

assesses risks relating to compensation plans and arrangements.

*Nominating and Corporate Governance Committee.* The current members of our nominating and corporate governance committee are Messrs. Flanders and Oliver. Mr. Oliver is the chairperson of the nominating and corporate governance committee. Our board of directors has determined that each member of our nominating and corporate governance committee meets the applicable requirements for independence of the NASDAQ Global Market. The nominating and corporate governance committee held five meetings during 2015.

Among other duties, our nominating and corporate governance committee:

identifies, evaluates and recommends nominees to our board of directors and committees of our board of directors;

conducts searches for appropriate members of the board of directors and oversees the evaluation of the performance of our board of directors and of individual directors; and

reviews developments in corporate governance practices and makes recommendations to the board of directors concerning corporate governance matters.

*Equity Incentive Committee.* The members of our equity incentive committee are Messrs. Flanders and Lauer. The equity incentive committee has the authority to grant equity-based awards within certain guidelines approved by the board of directors to employees and consultants who are not our executive officers or directors. Equity awards may be granted by the equity incentive committee in accordance with the terms and conditions of the committee's charter and the Equity Award Policy (see description below) adopted by our board of directors. The equity incentive committee held no meetings during 2015.

**Non-Employee Director Compensation***Cash Compensation*

For their service in 2015, our non-employee directors received cash compensation in accordance with the amounts set forth in the table below. More detail relating to the payments is set forth in the footnotes to the table under 2015 Director Compensation below. Our non-employee directors also are entitled to reimbursement of business, travel and other related expenses incurred in connection with their attendance at board of directors and board of directors committee meetings.

<b>Board of Directors Cash Compensation</b>	<b>Fees</b>
Board Member Annual Retainer	\$ 30,000
Lead Independent Director Annual Retainer	\$ 25,000
Committee Chair Annual Retainers	
Audit Committee	\$ 25,000
Compensation Committee	\$ 12,500
Nominating and Corporate Governance Committee	\$ 7,500
Non-Chair Committee Member Annual Retainers	
Audit Committee	\$ 10,000
Compensation Committee	\$ 5,000
Nominating and Corporate Governance Committee	\$ 3,500

*Equity Compensation*

Pursuant to our 2014 Equity Incentive Plan, as amended, our board of directors approved a program of automatic equity award grants for non-employee directors on the terms specified below:

*Initial Equity Grants.* Each non-employee director who first becomes a member of our board of directors receives a one-time grant of restricted stock units (RSUs) with a value of \$150,000, based on the 20-day trading volume-weighted average trading price of eHealth common stock prior to the date of grant. These initial equity award grants occur when the director takes office. A director who previously was employed by us is not eligible for this grant. The RSUs vest annually over four years from the date of grant.

*Annual Equity Grants.* Each non-employee director continuing service on our board of directors also receives, on the date of each annual stockholders meeting, an annual grant of RSUs with a value of \$150,000, based on the 20-day volume-weighted average trading price prior to the date of grant. The RSUs vest as to 100% of the shares subject to the grant on the day prior to our annual stockholder meeting, approximately one year following the grant date. A new director will not receive the initial grant and an annual grant in the same calendar year. A non-employee director who was previously employed by us is eligible for these annual grants.

Equity awards granted to non-employee directors under the 2014 Equity Incentive Plan will become fully vested upon a change in control of eHealth.

*Stock Ownership Guidelines*

Our board of directors has approved stock ownership guidelines for our non-employee directors. Pursuant to the guidelines, each non-employee director on June 30, 2011 is expected to accumulate and hold a number of shares of our common stock equal to the lesser of (i) \$180,000 in value or (ii) 13,709 shares and to maintain this minimum amount of stock ownership during the director's tenure on the board of directors. Existing non-employee directors who were non-employee directors on June 30, 2011 were expected to achieve the applicable level of ownership by June 30, 2015.

Under the guidelines, each non-employee director who joins the board after June 30, 2011 is expected to accumulate and hold a number of shares of our common stock equal to the lesser of (i) a value equal to six times



their annual retainer for service on the board of directors (not including retainers for serving as members or as chairs of committees of the board of directors, or for serving in the role of lead independent director), or (ii) the number of shares determined by dividing the dollar amount determined in clause (i) by the 20-day volume-weighted average trading price of our common stock prior to the date upon which they join the board of directors. Non-employee directors are expected to maintain this minimum amount of stock ownership during the director's tenure on the board of directors. New non-employee directors are expected to achieve the applicable level of ownership by June 30 following their fourth anniversary of joining the board of directors.

Non-employee directors are not required to purchase shares on the open market in order to comply with the guidelines. In the event the applicable guideline is not achieved with respect to any non-employee director by the applicable deadline, the non-employee director will be required to retain an amount equal to 75% of the net shares received as a result of the exercise of the company's stock options or stock appreciation rights or the vesting of restricted stock units or other full-value awards until the applicable guideline has been achieved. Under certain limited circumstances, the guidelines may be waived by our compensation committee at its discretion.

#### 2015 Director Compensation

The following table summarizes compensation that our directors earned during 2015 for service on our board of directors and any applicable committee(s) thereof:

Name	Fees Earned in Cash	Stock Awards(1)	Total
Gary L. Lauer(2)	\$	\$	\$
William T. Shaughnessy(2)	\$	\$	\$
Scott N. Flanders(3)	\$ 46,000	\$ 148,819	\$ 194,819
Michael D. Goldberg(4)	\$ 65,000	\$ 148,819	\$ 213,819
Randall S. Livingston(5)	\$ 40,000	\$ 148,819	\$ 188,819
Jack L. Oliver, III(6)	\$ 42,500	\$ 148,819	\$ 191,319
Ellen O. Tauscher(7)	\$ 55,000	\$ 148,819	\$ 203,819

- (1) Amounts shown do not reflect compensation actually received. Amounts shown reflect the grant date fair value of the restricted stock units granted in 2015, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation - Stock Compensation* (FASB ASC Topic 718). Our accounting policies regarding equity compensation and the assumptions used to compute the fair value of our equity awards are set forth in Notes 1 and 4 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.
- (2) Messrs. Lauer and Shaughnessy do not receive any compensation for their services as members of our board of directors.
- (3) Mr. Flanders earned \$30,000 related to his annual retainer as a non-employee member of the board of directors, \$12,500 related to his position as the chairperson of the compensation committee and \$3,500 related to his position as a member of the nominating and corporate governance committee.
- (4) Mr. Goldberg earned \$30,000 related to his annual retainer as a non-employee member of the board of directors, \$10,000 related to his position as a member of the audit committee and \$25,000 related to his position as lead independent director.
- (5) Mr. Livingston earned \$30,000 related to his annual retainer as a non-employee member of the board of directors and \$10,000 related to his position as a member of the audit committee.
- (6) Mr. Oliver earned \$30,000 related to his annual retainer as a non-employee member of the board of directors and \$7,500 related to his position as chairperson of the nominating and corporate governance committee and \$5,000 related to his position as a member of the compensation committee.
- (7) Ms. Tauscher earned \$30,000 related to her annual retainer as a non-employee member of the board of directors and \$25,000 related to her position as chairperson of the audit committee.

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All of our non-employee directors have received options to purchase shares of our common stock and/or restricted stock units under our 2005 Stock Plan, 2006 Equity Incentive Plan or 2014 Equity Incentive Plan in connection with their service as members of our board of directors. The table below summarizes the options and restricted stock units held by our non-employee directors that were outstanding as of December 31, 2015.

Director	Grant Date	Type of Award	Shares Granted	Number of Securities Underlying Equity Awards Shares Subject to Unexercised Options Outstanding and Unreleased Aggregate Stock			Option Exercise Price
				Restricted Stock Units as of December 31, 2015	Options Outstanding as of December 31, 2015	Restricted Stock Units Outstanding as of December 31, 2015	
Scott N. Flanders	2/29/2008	Stock Option(1)	25,000	25,000			\$ 24.49
		Stock Option(4)	3,250	3,250			\$ 17.76
	6/9/2009	Stock Option(4)	7,500	7,500			\$ 12.20
	6/15/2010						
	6/4/2015	Restricted Stock Units(4)	11,877	11,877	35,750	11,877	
Michael D. Goldberg	6/6/2007	Stock Option(1)	6,250	6,250			\$ 19.25
		Stock Option(3)	6,250	6,250			\$ 23.49
	6/10/2008	Stock Option(4)	3,250	3,250			\$ 17.76
	6/9/2009						
	6/15/2010	Stock Option(4)	7,500	7,500			\$ 12.20
	6/4/2015						
	6/4/2015	Restricted Stock Units(4)	11,877	11,877	23,250	11,877	
Randall S. Livingston	12/17/2008	Stock Option(1)	10,000	10,000			\$ 12.40
		Stock Option(4)	3,250	3,250			\$ 17.76
	6/9/2009	Stock Option(4)	7,500	7,500			\$ 12.20
	6/15/2010						
	6/4/2015	Restricted Stock Units(4)	11,877	11,877	20,750	11,877	
Jack L. Oliver, III	3/20/2007	Stock Option(1)	6,250	6,250			\$ 25.08
		Stock Option(1)	6,250	6,250			\$ 19.25
	6/6/2007	Stock Option(3)	6,250	6,250			\$ 23.49
	6/10/2008						
	6/9/2009	Stock Option(4)	3,250	3,250			\$ 17.76
	6/15/2010						
	6/4/2015	Stock Option(4)	7,500	7,500			\$ 12.20
		6/4/2015	Restricted Stock Units(4)	11,877	11,877	29,500	11,877
Ellen O. Tauscher	7/2/2012	Restricted Stock Units(2)	9,636	2,409			14,286



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6/4/2015 Restricted Stock Units(4) 11,877 11,877

- (1) Option vests over four years at a rate of 25% after one year and 1/48<sup>th</sup> per month thereafter, so long as the holder continues to serve as a director.
- (2) Restricted stock unit vests 25% annually over four years from the grant date.
- (3) Option vests as to 100% of the shares subject to the grant on the earlier of (i) the one-year anniversary of the grant date or (ii) the day prior to our annual stockholder meeting approximately one year following the grant date.
- (4) Option or restricted stock unit vests as to 100% of the shares subject to the grant on the day prior to our annual stockholder meeting approximately one year following the grant date.

### Executive Officers

The following table sets forth our current executive officers and their ages and the positions they held as of April 1, 2015.

Name	Age	Title
Gary L. Lauer	63	Chairman of the Board of Directors and Chief Executive Officer
William T. Shaughnessy	51	Director, President and Chief Operating Officer
Stuart M. Huizinga	53	Senior Vice President and Chief Financial Officer
Robert S. Hurley	56	Executive Vice President of Sales and Operations
Tom G. Tsao	45	Executive Vice President, Chief Technology and Product Officer

Information pertaining to Mr. Lauer and Mr. Shaughnessy, each of whom is both a director and an executive officer of the company, may be found in the section entitled Directors Not Standing for Election.

*Stuart M. Huizinga. Senior Vice President and Chief Financial Officer.* Mr. Huizinga has served as our senior vice president and chief financial officer since May 2000. Previously, Mr. Huizinga was a partner at Arthur Andersen LLP, an accounting firm. Mr. Huizinga holds a B.S. degree in business administration from San Jose State University and is a certified public accountant (inactive) in the state of California. Mr. Huizinga serves as a member of the board of directors of QuinStreet, Inc.

*Robert S. Hurley. Executive Vice President of Sales and Operations.* Mr. Hurley has served as our executive vice president of sales and operations since November 2015. Prior to becoming executive vice president of sales and operations, Mr. Hurley served as our senior vice president of sales and operations from March 2011 to November 2015, our senior vice president of carrier relations from May 2007 to March 2011 and our vice president of strategic initiatives from September 2003 to May 2007, in which role he was responsible for our public and government relations efforts. From April 1999 to September 2003, Mr. Hurley was responsible for our customer care and enrollment functions. Prior to joining us, Mr. Hurley served as an associate vice president of sales and operations for the consumer business segment at Health Net, Inc., a managed healthcare company, and in various leadership roles at Foundation Health, a California health plan. Mr. Hurley holds a B.A. degree in law and society from the University of California, Santa Barbara.

*Tom G. Tsao. Executive Vice President, Chief Technology and Product Officer.* Mr. Tsao has served as our executive vice president and chief technology and product officer since September 2014. Mr. Tsao previously served as our senior vice president of product management from June 2012 to September 2014. Mr. Tsao was vice president of product management at Walmart.com from May 2011 to June 2012. Before joining Walmart.com, Mr. Tsao spent six years at Yahoo! Inc. where he held various senior management positions from August 2005 to May 2011, including serving as Yahoo's vice president of global product planning and business management and vice president of product management for integrated consumer experiences, in addition to various other product management positions. Prior to Yahoo!, Mr. Tsao spent four years at eBay overseeing the buyer and seller tools business unit. Mr. Tsao also spent five years at Netscape in various product management roles. Mr. Tsao holds a B.A. degree in quantitative economics from Stanford University.

## **Corporate Governance Matters**

### *Code of Business Conduct*

Our board of directors has adopted a Code of Business Conduct, which is applicable to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. The Code of Business Conduct is available in the Investor Relations section of our corporate website at [www.ehealth.com](http://www.ehealth.com).

### *Corporate Governance Guidelines*

Our board of directors has adopted Guidelines on Significant Corporate Governance Issues, or corporate governance guidelines, that address the role and composition of, and policies applicable to, the board of directors. The nominating and corporate governance committee annually reviews the guidelines and reports any recommendations regarding amendment thereof to our board of directors. Our corporate governance guidelines were amended in March 2014 and are available in the Investor Relations section of our corporate website at [www.ehealth.com](http://www.ehealth.com).

### *Equity Award Policy*

Our board of directors adopted an Equity Award Policy in November 2006, which was amended and restated in March 2015. The policy provides:

Our compensation committee may grant equity awards to our directors, officers, employees or consultants.

Our equity incentive committee may grant equity awards to our employees or consultants, subject to the limitations that (i) the recipient has not already received an equity award from us, (ii) the recipient is not an officer or director, and (iii) the equity incentive committee may not grant options to purchase shares of our common stock or stock appreciation rights for more than 50,000 shares per grantee, and may not grant restricted stock or restricted stock units for more than 20,000 shares per grantee, unless the compensation committee approves a revised limit.

For accounting, tax and securities law purposes, all awards are effective on the date of grant, which is the earliest day that is both (i) the third Tuesday of a month and (ii) at least the 10th business day after the date when the applicable committee approved the awards; provided, however, that the Compensation Committee shall have discretion to make grants that do not comply with this requirement solely with respect to grants of restricted shares and/or stock units intended to comply with the performance-based compensation requirements of Section 162(m) of the Internal Revenue Code of 1986

The exercise price of all options and stock appreciation rights is required to be equal to or greater than the closing price of our common stock on the date of grant.

*Insider Trading Compliance Program*

Our board of directors adopted an Insider Trading Compliance Program in August 2006, which was amended and restated in March 2014. The program prohibits trading of our securities based on material, nonpublic information regarding our company and applies to members of our and our subsidiaries board of directors, employees and consultants, including our executive officers, and, in each case, their related parties (collectively, the *Insiders* ). The *Insiders* are generally prohibited from, among other things, trading on material, nonpublic information, holding our securities in a margin account or pledging our securities as collateral for a loan, tipping, trading during our trading blackout period, conducting short sales of our securities, trading in derivative securities (e.g., puts, calls, or other similar hedging instruments) relating to our securities, placing open orders with brokers in violation of the program, and disclosing nonpublic information relating to our company and our subsidiaries on any forum.

*Consideration of Director Nominees*

*Stockholder Recommendations and Nominations.* The policy of our board of directors is to consider recommendations for director candidates from stockholders holding not less than one percent (1%) of the outstanding shares of our common stock continuously for at least twelve months prior to the date of submission of the recommendation. Our board of directors has established the following procedures by which these stockholders may submit recommendations regarding director candidates:

To recommend a candidate for election to the board of directors, a stockholder meeting the criteria set forth above must notify the nominating and corporate governance committee by writing to our general counsel at the following address:  
General Counsel (Director Recommendation)

eHealth, Inc.

440 East Middlefield Road

Mountain View, California 94043

The stockholder's notice is required to set forth the following information:

the candidate's name and home and business contact information;

detailed biographical data and relevant qualifications of the candidate;

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a statement from the recommending stockholder in support of the candidate, particularly within the context of the criteria for board membership set forth below;

information regarding any relationship between the candidate and us;

the candidate's written consent to be named in our proxy statement and proxy if selected and to serve on our board of directors if elected;

evidence of the required ownership of common stock by the recommending stockholder; and

other information that the stockholder believes is relevant in considering the candidate.

A stockholder that instead desires to nominate a person directly for election to the board of directors at an annual meeting of stockholders must meet the deadlines and other requirements set forth in our bylaws.

*Director Qualifications.* Our board of directors believes that it is necessary for each of our directors to possess many qualities, skills and attributes. The nominating and corporate governance committee is responsible for reviewing with the board of directors from time to time the appropriate qualities, skills and attributes required of members of our board of directors in the context of the current make-up of our board of directors. According to our corporate governance guidelines, the nominating and corporate governance committee will consider the following in connection with its evaluation of director candidates:

the current size, composition and organization of the board of directors and the needs of the board of directors and its committees;

such factors as character, integrity, judgment, diversity of experience, independence, area of expertise, corporate experience, length of service, potential conflicts of interest and other commitments; and

other factors as the nominating and corporate governance committee may consider appropriate.

The minimum qualifications and skills that each director should possess include (i) strong professional and personal ethics and values, (ii) broad experience at the policy-making level in business, government, education, technology or public interest and (iii) the ability to assist and make significant contributions to our success. As provided above, our corporate governance guidelines specify one of the considered factors as diversity of experience. Beyond this statement, our nominating and corporate governance committee does not have a formal policy with respect to diversity. The board of directors and nominating and corporate governance committee, however, believe that it is important that our directors represent diverse viewpoints. In addition to diversity of experience, the nominating and corporate governance committee seeks director candidates with a broad diversity of professions, skills and backgrounds.

The nominating and corporate governance committee evaluates the foregoing factors, among others, and does not assign any particular weight or priority to any of these factors.

*Identification and Evaluation of Nominees for Directors.* The nominating and corporate governance committee is responsible for identifying, evaluating and recommending candidates for election to our board of directors and candidates for filling vacancies on our board of directors that may occur between annual meetings of our stockholders. The nominating and corporate governance committee may consider bona fide candidates from all relevant sources, including current board members, professional search firms and other persons. The nominating and corporate governance committee will also consider bona fide director candidates recommended by stockholders pursuant to the requirements set forth above. The nominating and corporate governance committee is responsible for evaluating director candidates in light of the board of directors membership criteria described above, based on all relevant information and materials available to the nominating and corporate governance committee. This includes information and materials provided by stockholders recommending director candidates, professional search firms and other parties.

#### *Stockholder Communication with Directors*

The board of directors believes that stockholders should have an opportunity to communicate with the board of directors. Any communication from a stockholder to the board of directors generally or to a particular director



should be in writing and should be delivered to our general counsel at our principal executive offices. Each such communication should set forth (i) the name and address of the stockholder, as they appear on our books, and if the stock is held by a nominee, the name and address of the beneficial owner of the stock, and (ii) the class and number of shares of our stock that are owned of record by the record holder and beneficially by such beneficial owner. Our general counsel will monitor these communications. The general counsel will, in consultation with appropriate directors as necessary, generally screen out communications from stockholders that (i) are solicitations for products and services, (ii) matters of a personal nature not relevant for stockholders or (iii) matters that are of a type that render them improper or irrelevant to the functioning of the board of directors and us. Summaries of appropriate communications will be provided to the board of directors at each regularly scheduled meeting of the board of directors. The board of directors generally meets on a quarterly basis. Where the nature of a communication warrants, the general counsel may determine, in his or her judgment, to obtain the more immediate attention of the appropriate committee of the board of directors or an individual director and may consult our independent advisors or management regarding the communication. The general counsel may decide in the exercise of his or her judgment whether a response to any stockholder communication is necessary.

The procedures described above do not apply to communications to non-employee directors from our officers or directors who are stockholders or to stockholder proposals submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act ).

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

The board of directors encourages directors to attend our annual meetings of stockholders. All of our directors attended the annual meeting of stockholders held June 4, 2015.

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

The directors who were members of our compensation committee during 2015 were Scott N. Flanders and Jack L. Oliver, III. None of the current or past members of our compensation committee has at any time been an officer or employee of ours. None of our executive officers serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

#### *Board Leadership Structure*

The board of directors currently believes that our company is best served by combining the roles of chairman of the board and chief executive officer, coupled with a separate lead independent director. Gary Lauer, our chief executive officer, is the director most familiar with our business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. Michael Goldberg is our lead independent director. Independent directors and management have different perspectives and roles in the development of our strategy. Our independent directors bring experience, oversight and expertise from outside the company, while our chief executive officer brings company-specific experience and expertise. Our board of directors believes that the combined role of chairman and chief executive officer is the best leadership structure for us at the current time as it promotes the efficient and effective development and execution of our strategy and facilitates information flow between management and our board of directors. The board of directors recognizes, however, that no single leadership model is right for all companies at all times. Our corporate governance guidelines provide that the board of directors should be free to choose a chairperson of the board in any way that it deems best for the company at a given point in time. Accordingly, the board of directors periodically reviews its leadership structure.

*Lead Independent Director*

Mr. Goldberg is our lead independent director. The lead independent director is responsible for coordinating the activities of the independent directors. The lead independent director has the following specific responsibilities:

call special meetings of the independent directors, develop agendas for such meetings and chair all meetings of independent directors;

serve as chairperson of the board of directors when the chairperson is not present;

serve as a conduit between the non-employee directors and the chairperson of the board of directors on sensitive issues;

work with the chairperson of the board of directors to develop a schedule of meetings for the board and provide input with respect to meeting agendas for the board of directors and its committees;

advise the chairperson of the board of directors with respect to the quality, quantity and timeliness of the flow of information from company management;

recommend to the chairperson of the board of directors the retention of advisors and consultants who report directly to the board;

with the chairperson and the chief executive officer, coordinate the assessment of committee structure, organization and charters, and evaluate the need for any changes;

coordinate the performance evaluation of the chairperson and chief executive officer with the compensation committee;

review and approve the philosophy of and program for compensation of the outside directors; and

be available for consultation and communication with significant stockholders, as requested.

*Risk Oversight*

The board of directors takes an active role, as a whole and at the committee level, in overseeing management of the company's risks. Our management keeps the board of directors apprised of significant risks facing the company and the approach being taken to understand, manage and mitigate such risks. Specifically, strategic risks are overseen by the full board of directors; financial risks are overseen by the audit committee of the board of directors; risks relating to compensation plans and arrangements are overseen by the compensation committee of the board of directors; and risks associated with director independence and potential conflicts of interest are overseen by the nominating and corporate governance committee of the board of directors. Additional review or reporting on enterprise risks is conducted as needed or as requested by the full board of directors or the appropriate committee. In addition, our lead independent director promotes communication and consideration of matters presenting significant risks to us through his role in contributing to agendas for meeting of our board of directors, chairing meetings of the independent directors and acting as a conduit between our independent directors and our chairman and chief executive officer on sensitive issues.



## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information, as of March 31, 2016, as to shares of common stock beneficially owned by: (i) each person who is known by us to own beneficially more than 5% of our common stock, (ii) each of our directors and nominees, (iii) each of our executive officers named under *Executive Compensation, Say-on-Pay, Independence of Advisors Compensation Discussion and Analysis 2015 Summary Compensation Table* (the Named Executive Officers ) and (iv) all of our directors and executive officers as a group. The information provided in the table is based on our records, information filed with the Securities and Exchange Commission and information furnished by the respective individuals or entities, as the case may be.

Applicable percentage ownership is based on 18,208,205 shares of common stock outstanding at March 31, 2016. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options held by that person that were currently exercisable or exercisable within 60 days after March 31, 2016, and shares of common stock issuable upon the vesting of restricted stock units within 60 days after March 31, 2016. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

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

Name and Address of Beneficial Owner(1)	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned*
<b>5% Stockholders</b>		
Entities affiliated with Deerfield Mgmt, L.P.(2)	3,264,588	17.93%
780 Third Avenue, 37 <sup>th</sup> Floor		
New York, NY 10017		
Wellington Management Group LLP(3)	2,182,289	11.99%
280 Congress Street		
Boston, MA 02210		
Entities affiliated with BlackRock, Inc.(4)	1,700,267	9.34%
55 East 52nd Street		
New York, NY 10022		
Vanguard Explorer Fund(5)	1,380,405	7.58%
100 Vanguard Blvd.		
Malvern, PA 19355		
Entities affiliated with Orbimed Advisors, LLC(6)	1,300,000	7.14%
601 Lexington Ave, 54 <sup>th</sup> Street		
New York, NY 10022		

Name and Address of Beneficial Owner(1)	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned*
<b>Named Executive Officers and Directors</b>		
Gary L. Lauer(7)	335,557	1.84
William T. Shaughnessy(8)	366,062	2.01
Stuart M. Huizinga(9)	79,446	*
Robert S. Hurley(10)	47,682	*
Tom G. Tsao(11)	24,250	*
Scott N. Flanders(12)	69,346	*
Michael D. Goldberg(13)	78,341	*
Randall S. Livingston(14)	50,235	*
Jack L. Oliver, III(15)	64,663	*
Ellen O. Tauscher	17,559	*
All executive officers and directors, as a group (10 persons)(16)	1,133,141	6.22%

\* Represents beneficial ownership of less than one percent of our outstanding common stock.

- (1) Unless otherwise indicated, the address for each beneficial owner is c/o eHealth, Inc., 440 East Middlefield Road, Mountain View, CA 94043.
- (2) According to a Schedule 13G filed on February 16, 2016 with the Securities and Exchange Commission, Deerfield Mgmt, L.P, Deerfield Management Company, L.P. and James E. Flynn may be deemed to beneficially own 3,264,588 shares of our common stock which are owned by Deerfield Partners, L.P., Deerfield International Master Fund, L.P. and Deerfield Special Situations Fund, L.P on behalf of various other persons known to have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities as of December 31, 2015. No one such person's interest in our common stock is more than 5% of the total outstanding shares of our common stock.
- (3) According to a Schedule 13G filed on February 11, 2016 with the Securities and Exchange Commission, Wellington Management Group, LLP, in its capacity as investment adviser, may be deemed to beneficially own 2,182,289 shares of our common stock which are owned of record by clients of Wellington Management Group, LLP as of December 31, 2015. Those clients have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. No such client, except Vanguard Explorer Fund-WMC, is known to have such right or power with respect to more than 5% of the total outstanding shares of our common stock.
- (4) According to a Schedule 13G filed on January 26, 2016 with the Securities and Exchange Commission, 1,700,267 shares of common stock are deemed to be beneficially owned by BlackRock, Inc. and certain of its subsidiaries on behalf of various other persons known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of our common stock as of December 31, 2015. No one such person's interest in our common stock is more than 5% of the total outstanding shares of our common stock.
- (5) According to a Schedule 13G filed on February 9, 2016 with the Securities and Exchange Commission, Vanguard Explorer Fund is the beneficial owner of 1,380,405 shares of our common stock as of December 31, 2015.
- (6) According to a Schedule 13G filed on February 16, 2016 with the Securities and Exchange Commission, 1,300,000 shares of common stock are deemed to be beneficially owned by OrbiMed Advisors LLC, OrbiMed Capital LLC and Samuel D. Isaly on behalf of various other persons known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of our common stock as of December 31, 2015. No one such person's interest in our common stock is more than 5% of the total outstanding shares of our common stock.
- (7) Includes 200,000 shares of common stock issuable upon exercise of stock options and 4,855 shares of vested restricted stock units that have been deferred pursuant to the terms of a deferral election.
- (8) Includes 333,323 shares of common stock issuable upon exercise of stock options.

- (9) Includes 6,965 shares of common stock held of record by Restatement of the Stuart Mark Huizinga and Vicki Annece Huizinga Revocable Trust (2008). Also includes 45,884 shares of common stock issuable upon exercise of stock options.
- (10) Includes 37,207 shares of common stock issuable upon exercise of stock options and 2,124 shares of vested restricted stock units that have been deferred pursuant to the terms of a deferral election.
- (11) Includes 11,250 shares of common stock issuable upon exercise of stock options.
- (12) Includes 35,750 shares of common stock issuable upon exercise of stock options.
- (13) Includes 19,419 shares of common stock held of record by Michael D. Goldberg Family Trust dated June 3, 2011. Also includes 23,250 shares of common stock issuable upon exercise of stock options.
- (14) Includes 20,750 shares of common stock issuable upon exercise of stock options.
- (15) Includes 29,500 shares of common stock issuable upon exercise of stock options.
- (16) Includes an aggregate of 736,914 shares of common stock issuable upon exercise of stock options and 6,979 shares of vested restricted stock units that have been deferred pursuant to the terms of a deferral election.

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## CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

We describe below transactions and series of similar transactions, since the beginning of our last fiscal year, or any currently proposed transaction, to which we were or will be a participant, in which:

The amounts involved exceeded or will exceed \$120,000; and

A director, executive officer, holder of more than 5% of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

We also describe below certain other transactions with our directors, executive officers and stockholders.

### **Board Compensation**

We pay non-employee directors for service on our board of directors. Our non-employee directors also have received options to purchase shares of our common stock and restricted stock units covering shares of our common stock. For more information regarding these arrangements, see *Non-Employee Director Compensation* above.

### **Employment Agreements**

We have entered into offer letters or employment related agreements with each of our executive officers. For more information regarding certain of these arrangements, see *Executive Compensation, Say-on-Pay, Independence of Advisors Employment Agreements and Change of Control Arrangements* below.

### **Indemnification Agreements and Limitation of Liability**

Our bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred or suffered in connection with their service for or on our behalf. Our bylaws provide that we shall advance the expenses incurred by a director or officer in advance of the final disposition of an action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her action in that capacity, regardless of whether Delaware law would otherwise permit indemnification. In addition, our certificate of incorporation provides that our directors will not be personally liable for monetary damages to us for breaches of their fiduciary duty as directors, unless they violated their duty of loyalty to us or our stockholders, acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper personal benefit from their action as directors.

We have entered into indemnification agreements with each of our directors and executive officers. These agreements, among other things, require us to indemnify each director and executive officer to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys' fees, judgments, fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director or executive officer.

### **Equity Award Grants**

We have granted restricted stock units and options to purchase shares of our common stock to our directors and executive officers. See *Non-Employee Director Compensation, Executive Compensation, Say-on-Pay, Independence of Advisors Compensation Discussion and Analysis Compensation Elements Equity Incentive Awards* and *Executive Compensation, Say-on-Pay, Independence of Advisors 2015 Outstanding Equity Awards at Fiscal Year-End, 2015 Option Exercises and Stock Vested at Fiscal Year-End*.

**Policies and Procedures with Respect to Related-Party Transactions**

The charter of our audit committee requires that members of the audit committee, all of whom are independent directors, review and oversee all related-party transactions in accordance with applicable rules and regulations. In addition, the audit committee is responsible for reviewing, approving and monitoring our Code of Business Conduct. Our Code of Business Conduct prohibits conflicts of interest as a matter of policy, except with the informed written consent of our board of directors or a committee of our board of directors in the case of a director or executive officer. There were no related-party transactions during 2015 that did not require review, approval or ratification pursuant to our policies and procedures, or for which such policies and procedures were not followed. Except for the compensation of directors and executive officers described earlier and as set forth above, none of our directors, executive officers or holders of more than 5% of our common stock were involved in any related-party transactions.

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**EXECUTIVE COMPENSATION, SAY-ON-PAY, INDEPENDENCE OF ADVISORS**

**Compensation Discussion and Analysis**

*Overview*

This compensation discussion and analysis describes our executive compensation program and philosophy and the material elements of compensation awarded to, earned by, or paid to our chief executive officer, chief financial officer and our other executive officers named in the Summary Compensation Table, or Named Executive Officers, for the year ended December 31, 2015.

*Our Business Environment and Certain Achievements*

Our strategy is focused on growing our Medicare-related health insurance business while managing our individual and family health insurance business for profit maximization. As a result of the implementation of the Affordable Care Act, we are facing new dynamics in the individual and family health insurance market that led to our strategic shift away from pursuing growth in the individual and family health insurance business and towards an increased focus on the Medicare business.

The first new dynamic is a decline in retention rates within our individual and family health insurance plan membership, which historically had been very stable. Second, a new competitor entered our market for the distribution of individual and family health insurance. Specifically, pursuant to the Affordable Care Act, each state is required to establish an exchange where consumers can shop for and purchase health insurance, including over the Internet. In addition, the federal government implemented and operated the exchange for states that did not establish their own exchanges. Given the significant amount of funds available to government exchanges to operate and market themselves, the establishment of exchanges resulted in significant competition and an increase in our cost of acquisition per new enrollee. We also have observed broker commission reductions in the individual and family health insurance market, outside of the last annual enrollment period under the Affordable Care Act.

We implemented a strategic cost reduction program in March of 2015 that was aimed primarily at reducing our fixed costs, maintaining profitability in our individual and family health insurance business and allowing us to continue investing for growth in our Medicare business. In addition, we reduced our variable marketing expenses in our individual and family health insurance business, which led to a significant decline in acquisition costs per new individual and family health insurance plan member that we enrolled during the last Affordable Care Act open enrollment period (that ran from November 15, 2015 through January 31, 2016), but also resulted in a lower volume of submitted individual and family health insurance applications compared to the prior open enrollment period. In 2015, our individual and family plan membership declined 11% and individual and family plan revenue (including commissions and other revenues) declined 6% compared to 2014. At the same time, our individual and family plan business remained significantly profitable and cash flow positive.

In 2015 we saw continued traction in our Medicare-related health insurance business. Our Medicare membership expanded significantly with total estimated Medicare membership of 228,900 members at the end of 2015 growing 60% compared to 2014. Medicare revenue for 2015 grew 42% compared to 2014 and contributed 33% of our total 2015 revenues, with Medicare commissions growing 63% compared to 2014. In contrast, we had no Medicare related health insurance plan members at the beginning of 2010 when we first entered this market, and generated limited Medicare health insurance plan revenues through the sale of leads to third parties. The demographic trends in the Medicare market remain favorable, and we plan to continue investing for growth in this important area. We also seek to enhance the technology behind our online and telephonic Medicare platforms and further develop demand generation programs in the Medicare market, which includes broadening our network of marketing partners and enhancing our Internet search engine algorithmic rankings for high-volume Medicare-related search terms.

Overall, our total revenue grew 5% and our commission revenue grew 8% in 2015 compared to 2014 as growth in revenue relating to our sale of Medicare related health insurance products more than offset declining revenue in our individual and family health insurance business. 2015 Adjusted EBITDA grew 129% compared to 2014 driven primarily by cost reductions undertaken throughout the year as well as revenue growth. Cash flow from operations for 2015 was an inflow of \$13.7 million compared to an inflow of \$1.8 million for 2014. At the same time, we reported GAAP net loss of \$4.8 million compared to net loss of \$16.2 million in 2014. Our 2015 GAAP net loss resulted primarily from a further decline in our individual and family health insurance plan membership and continued investment in our Medicare business, partially offset by the positive impact of our cost reduction initiatives.

### ***Executive Compensation Summary***

#### *Pay for Performance*

The focus of our executive compensation program is to tie the pay of our Named Executive Officers to their and the company's performance. Accordingly, while we pay competitive base salaries and other benefits, the majority of our Named Executive Officers' compensation opportunity is tied to variable pay based on company performance. During 2015, the compensation of our Named Executive Officers primarily consisted of base salary, an annual cash incentive award, and long-term equity incentive awards in the form of performance-based and service-based restricted stock units. In particular, our Named Executive Officers were granted performance-based restricted stock units that become eligible to vest upon achieving stock price thresholds of \$15, \$20, \$22.50, and \$25, with the lowest threshold requiring an increase of 50% of the company's stock price from the date the award was granted, and once a price level is achieved, the corresponding restricted stock units vest one year later if the executive remains continuously employed through that date. For 2015, our chief executive officer and our other Named Executive Officers were eligible to earn up to approximately 70% and 65% (on average), respectively, of their total cash and equity compensation in the form of variable annual cash incentives and long-term performance-based equity incentives, in each case excluding the value of all other types of compensation, such as benefits.

The following charts illustrate the 2015 pay mix of our chief executive officer and the average pay mix of our other Named Executive Officers. For purposes of the charts, the annual cash incentive and long-term equity incentive percentages are calculated based on their respective target incentives, assuming all cash bonuses were awarded, and performance-based restricted stock units were earned, at 100% of their target levels. In particular, performance-based restricted stock units that become eligible to vest based on achieving certain stock price thresholds have been considered to have been satisfied for purposes of these charts, even though, as discussed later, none of the stock price thresholds were achieved in 2015. The charts below do not reflect any performance awards granted in previous years that could be earned or become eligible to vest based on performance in 2015. Accordingly, the amounts calculated and represented in the charts below do not reflect the actual amounts awarded to our chief executive officer and other Named Executive Officers. The long term equity incentive percentages are calculated using the grant date fair value of the performance-based restricted stock units, computed in accordance with FASB ASC Topic 718. The charts do not account for payments we make for health and life insurance benefits and 401(k) matching contributions that are generally available to our employees.

The annual cash incentives for our chief executive officer and Named Executive Officers were eligible to be earned based on the company's performance in 2015, while the performance-based, long-term equity incentives were eligible to be earned based on achieving certain stock price thresholds that are able to be earned at any time in 2015 through March 2019.

*Corporate Governance Best Practices*

Our compensation committee, assisted by its independent compensation consultant, Radford, an Aon Hewitt Company ( Radford ), stays informed of developing executive compensation best practices and strives to implement them. In this regard, our best practices include:

In 2015, tying seventy-five percent (75%) of the equity awards granted to Messrs. Lauer and Shaughnessy and 50% of the equity awards granted in 2015 to all other Named Executive Officers, to achieving certain levels of stock price performance within the next four years;

In 2015 and as discussed in greater detail below, establishing executive officer performance-based restricted stock units that become eligible to vest upon achieving stock price thresholds, with the lowest threshold requiring an increase of 50% of the company's stock price from the date the award was granted.

Establishing share retention guidelines for executive officers beginning in 2011 and for our non-employee directors beginning in 2010;

Prohibiting all employees, including our Named Executive Officers, from hedging their company common stock pursuant to our Insider Trading Policy;

Prohibiting all employees, our Named Executive Officers from pledging company common stock as collateral for a loan pursuant to our Insider Trading Policy;

Beginning in 2010, removing our chief executive officer as a participant in our Executive Bonus Plan and having him participate in our stockholder-approved Performance Bonus Plan, payments under which are intended to qualify as fully deductible performance-based compensation under Internal Revenue Code Section 162(m);



Eliminating housing, travel and automobile allowances and related tax gross-ups starting in 2010;

Providing no golden parachute excise tax gross-ups;

Providing no single-trigger change of control benefits;

Restricting our executive officers to be only eligible to receive the same benefits and perquisites as our other U.S. salaried employees;

Conducting an annual Say-on-Pay advisory vote as a means to receive feedback from stockholders on our executive compensation program; and

Engaging Radford to perform a risk analysis with respect to our compensation programs and policies, including for non-executive officers.

### ***General Compensation Philosophy and Program Structure***

#### *General*

We strive to balance our need to compete for executive talent with the need to maintain a reasonable and responsible cost structure for our program and to align our executive officers' interests with our stockholders' interests. In general, the objectives of our executive compensation program are to:

attract, motivate and retain talented and dedicated executive officers;

directly link compensation to measurable corporate and individual performance;

focus executive officers on achieving near and long-term corporate objectives and strategy; and

reward executives for creating stockholder value.

Executive officer compensation primarily has been composed of base salary, annual cash bonus awards and long-term equity incentive awards. We establish compensation based on the executive officer's responsibilities, individual performance and company performance.

#### *Role of the Compensation Committee*

The compensation committee of our board of directors, composed entirely of non-employee independent members of our board of directors, oversees, among other things, the design and administration of our executive compensation program and our equity incentive plans (including reviewing and approving equity award grants). The compensation committee reviews and approves all compensation decisions relating to our executive officers on an annual basis. The compensation committee reviews the components of executive officer compensation for consistency with our compensation philosophy and takes into account changes in compensation practices among our peer group companies. The compensation committee also reviews overall compensation risk. See *Committees of the Board of Directors - Compensation Committee* above for additional information about the compensation committee.

#### *Role of Executive Officers*

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Our chief executive officer, chief financial officer and members of our human resources, finance and legal departments assist and support the compensation committee. Management does not determine executive officer compensation. However, management reviews our compensation philosophy with the compensation committee and develops compensation proposals for the compensation committee to consider. Management may provide various materials to the compensation committee, such as analyses of existing and proposed compensation programs and executive officer and other employee equity ownership information. Our chief executive officer and our vice president of human resources participated in meetings of our compensation committee, and our

chief executive officer makes recommendations with respect to compensation proposals for executive officers other than himself.

*Role of the Compensation Consulting Firm*

The compensation committee has engaged Radford to provide compensation advisory services. Radford reports directly to the compensation committee for purposes of advising it on executive officer compensation and meets with certain members of management in conducting its reviews of various aspects of executive officer compensation. In early 2015, Radford conducted analyses of our executive officers' base salaries, annual cash bonus awards and long term equity incentive awards against the compensation of executive officers in similar positions with companies considered to be our peer companies. Radford also reports on overall compensation risk, equity plan usage and makes recommendations to the compensation committee for executive new hire packages. Radford attended certain compensation committee meetings, including executive sessions, to present its analyses and to discuss its findings with the compensation committee. The compensation committee reviewed Radford's analyses in the context of making its decisions with respect to executive officer compensation for 2015. We, as a company, participate in Radford's Global Technology Survey in order to obtain market compensation information for executives and staff globally. Radford also assists us in valuing equity awards to ensure that such awards are properly expensed. The total dollar amount of services that Radford provided to us in 2015 that was paid in 2015 was approximately \$106,215. The compensation committee has reviewed the level of services provided to us by Radford and does not believe it or the services give rise to a conflict or compromises Radford's independence in advising the compensation committee.

*Compensation Committee Adviser Independence*

The compensation committee has considered the independence of Radford pursuant to NASDAQ Global Market and Securities and Exchange Commission rules and has found no conflict of interest in Radford's continuing to provide advice to the compensation committee.

The compensation committee is also regularly advised by the company's primary outside legal counsel, Wilson, Sonsini, Goodrich & Rosati. The compensation committee has considered the independence of Wilson, Sonsini, Goodrich & Rosati pursuant to NASDAQ Global Market and Securities and Exchange Commission rules and has found no conflict of interest in Wilson, Sonsini, Goodrich & Rosati's continuing to provide advice to the compensation committee. The compensation committee intends to reassess the independence of its advisers at least annually.

*Consideration of 2015 Advisory Say-On-Pay Vote; Frequency of Say on Pay Vote*

On June 4, 2015, we held a stockholder advisory vote on the compensation of our Named Executive Officers, commonly referred to as a Say-On-Pay vote. Our stockholders approved the compensation of our Named Executive Officers, with 97% of stockholder votes cast in favor of our 2015 Say-On-Pay resolution. Noting the results of this vote, for fiscal 2015, the compensation committee retained our general approach to our executive compensation program, with a continued emphasis on rewarding our executive officers through compensation if they deliver value for our stockholders. The compensation committee considers input from our stockholders, as well as the outcome of our annual Say-on-Pay vote, when making executive compensation program decisions.

*Competitive Positioning*

For the 2015 executive compensation review Radford provided an analysis of our executive officer compensation against the compensation of executive officers in similar positions with a set of peer group companies (which changed from 2014 to 2015, as described below) and also with compensation data drawn from software/Internet companies with revenues from \$100 million to \$500 million included in the Radford Global

Technology Total Direct Compensation Survey. The survey data was used in addition to the peer group company data as it was believed to be reflective of companies that compete in our labor market and of companies with similar revenue levels. The peer group companies and the survey data were equally weighted by the compensation committee.

*2015 Peer Group*

The peer group developed by Radford, approved by our compensation committee and used in Radford's analysis for 2015 compensation, was based on peer companies with revenues ranging from \$100 million to \$500 million and market capitalization ranging from \$200 million to \$2.0 billion. The companies that comprised the 2015 peer group consisted of the following:

**Peer Group Companies**

Bazaarvoice, Inc.	Move, Inc
Blucora, Inc. (formerly InfoSpace, Inc.)	Petmed Express, Inc.
Blue Nile, Inc.	QuinStreet, Inc.
Care.com, Inc.	RetailMeNot, Inc.
Constant Contact, Inc.	Synchronoss Technologies, Inc.
Coupons.com Incorporated	TechTarget, Inc.
Dice Holdings Inc	Travelzoo, Inc.
Ebix, Inc.	Vitacost.com, Inc.
Limelight Networks, Inc.	Web.com Group, Inc.
LivePerson, Inc.	XO Group Inc.
LogMeIn, Inc.	Yelp, Inc.

Athenahealth, Inc., CafePress Inc. and Zillow, Inc., companies included in the 2014 peer group, were removed from the 2015 peer group because their respective market capitalizations were not within the criteria approved by the compensation committee. OpenTable, Inc. and Trulia, Inc. were also removed from the peer group because they were acquired. Bazaarvoice, Care.com, Coupons.com, LivePerson and RetailMeNot were added to the peer group because they fell within the criteria stated above.

*Use of Market Data*

For its fiscal 2015 compensation decisions, the compensation committee maintained a holistic and flexible approach in its use of market data. The compensation committee's goal is generally to set all elements of compensation within a competitive range, using a balanced approach that does not use rigid percentiles to target pay levels for each compensation element, but instead makes its compensation decisions based on a variety of relevant factors, including those listed below. While the compensation committee continues to review and reference market data, the data generally is used to inform the compensation committee of market practices to ensure that our executive compensation program remains within a competitive range of our peers. In addition to the market data, several other factors are taken into account in setting the amount of each Named Executive Officer's target total direct compensation opportunity. These factors include:

*Recruitment, retention and historical factors.* The compensation committee reviews existing Named Executive Officer compensation and retention levels relative to estimated replacement cost with respect to the scope, responsibilities and skills required of the particular position.

*Lack of directly comparable data for some of our key roles.* Compensation data for some of our key positions are often not explicitly reported by companies in our compensation peer group or survey data. This results in limited sample sizes and/or inconclusive data that can be misleading if targeting a specific percentile for market positioning.

*Market positioning may be distorted by the source of the data.* Certain elements of compensation reported from one source can be consistently higher or lower than the data collected from another, given differences in methods and samples used by each source to collect market data. Given this variability and volatility within the market data, the compensation committee has determined that targeting pay levels at specific percentiles of this data could result in outcomes that do not align with the internal value and strategic importance of various roles at the company.

### **Compensation Elements**

#### *Base Salaries*

The compensation committee's objective is to provide the Named Executive Officers with competitive base salaries. We provide this opportunity in order to attract and retain an appropriate caliber of talent and experience for our workforce and reward them for their day-to-day contributions. Our compensation committee reviewed base salaries for our Named Executive Officers in the first quarter of 2015 using peer group and survey data supplied by Radford as a means to verify that we were providing base salaries that would help us accomplish our goals relative to our peer group.

#### *2015 Base Salaries*

For 2015 the compensation committee decided to keep the same base salaries that were in effect for 2014 as an effective means to contribute to cost savings in light of business challenges.

<b>Name/Title</b>	<b>2014 Base Salary</b>	<b>2015 Base Salary</b>	<b>Percentage Increase</b>
Gary L. Lauer Chief Executive Officer	\$ 650,000	\$ 650,000	0%
William T. Shaughnessy President and Chief Operating Officer	\$ 525,000	\$ 525,000	0%
Stuart M. Huizinga Senior Vice President and Chief Financial Officer	\$ 325,000	\$ 325,000	0%
Robert S. Hurley Executive Vice President of Sales and Operations	\$ 265,200	\$ 265,200	0%
Tom G. Tsao Executive Vice President, Chief Technology and Product Officer	\$ 350,000	\$ 350,000	0%

#### *Annual Cash Bonus Awards*

#### *General*

We provide the opportunity for our executive officers and other employees to earn an annual cash bonus award. We provide this opportunity in order to attract and retain employees with a high caliber of talent and experience for our key positions and to link payments to the achievement of our annual financial and/or operational objectives.

#### *2015 Executive Bonus Plan*

In the first quarter of 2015, our compensation committee approved the executive bonus arrangement for the fiscal year ended December 31, 2015 (the 2015 Bonus Plan). The 2015 Bonus Plan provides executives (other than for Mr. Lauer, who instead participates in our Performance Bonus Plan discussed below) the opportunity to

earn cash bonus awards based on achieving performance goals relating to company performance established by the compensation committee.

Company performance was measured by the achievement of specific financial goals related to revenue and adjusted EBITDA. For 2015, the compensation committee structured the 2015 Bonus Plan so that no bonus would be paid unless the company met the target goal of adjusted EBITDA of at least break even. If achieved, a participant would be eligible to receive 100% of the participant's target payout, and if not, the participant would not receive any payout under the plan. Adjusted EBITDA is calculated by adding stock-based compensation, depreciation and amortization expense, including intangible asset amortization expense, other expense, net, provision (benefit) for income taxes and restructuring charges to GAAP net income (loss). The compensation committee also believes that revenue growth is an essential component of the long-term success and viability of the company. As such, the compensation committee structured the 2015 Bonus Plan to provide that if the target adjusted EBITDA goal is achieved, then the participant would be eligible to receive a payout in excess of his or her target payout to the extent we exceeded either our target goals relating to adjusted EBITDA or revenue. If either or both target goals were exceeded, then the participant's target payout would be multiplied by the higher of the multiplier achieved with respect to the respective goals. The multipliers were established as follows:

For each percent we exceeded the revenue goal, an additional 5% of the target payout up to a maximum additional payment of 50% (for a total of 150% of the participant's target payout); and

For each level of achievement above the adjusted EBITDA goal, an additional 7.25% of the target payout up to a maximum additional payout of 50% (for a total of 150% of the participant's target payout).

The revenue and adjusted EBITDA goals and performance were determined by excluding, at the discretion of the compensation committee, (i) the effect of mergers and acquisitions closing in 2015 (if any), (ii) extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 or as otherwise determined by the compensation committee to be extraordinary or non-recurring in its discretion, and (iii) the effect of any changes in accounting principles affecting our reported results. The specific performance goals for the year ended December 31, 2015 approved by the compensation committee were as follows:

Metric	Target Goal
GAAP Annual Revenue	\$ 171,000,000
Adjusted EBITDA	\$ 0

The compensation committee approved target and maximum cash bonus award opportunities under the 2015 Bonus Plan for our Named Executive Officers (other than Mr. Lauer) as follows:

Name/Title	Fiscal 2015 Cash Bonus Award Opportunity			
	Target Payout		Maximum Payout	
	Percent of Annual Base Salary	Amount	Percent of Annual Base Salary	Amount
William T. Shaughnessy President and Chief Operating Officer	60%	\$ 315,000	90%	\$ 472,500
Stuart M. Huizinga Senior Vice President and Chief Financial Officer	60%	\$ 195,000	90%	\$ 292,500
Robert S. Hurley Executive Vice President of Sales and Operations	60%	\$ 159,120	90%	\$ 238,680
Tom G. Tsao Executive Vice President, Chief Technology and Product Officer	60%	\$ 210,000	90%	\$ 315,000

The compensation committee decided to maintain on a percentage of base salary basis the 2015 cash bonus opportunities for each of the Named Executive Officers, other than Mr. Lauer (not a 2015 Bonus Plan participant), the same as they were the previous year. The compensation committee believed that the incentives provided a meaningful reward if the goals were achieved or exceeded and that no change was necessary to maintain competitiveness with market practices.

In March 2016, our compensation committee considered and determined the 2015 fiscal year performance of the company and each of our Named Executive Officers against the previously established performance goals described above. The 2015 performance goals and the company's 2015 achievement were as follows:

Metric	Target Goal	2015 Company Achievement	Achieved Payout Percentage Relative to Target
GAAP Annual Revenue	\$ 171,000,000	\$ 189,541,000	150%
Adjusted EBITDA	\$ 0	\$ 11,080,000	150%

The compensation committee concluded that maximum bonus payments would be made under the 2015 Bonus Plan to each of the participants in the 2015 Bonus Plan because revenue and adjusted EBITDA performance justified maximum bonus payments under the terms of the 2015 Bonus Plan.

#### *162(m) Performance Bonus Plan*

Our Performance Bonus Plan is designed to qualify payments as deductible performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (Section 162(m)). In March 2015, our compensation committee determined to maintain Mr. Lauer as the sole participant in the Performance Bonus Plan for fiscal year 2015, as the compensation committee believed he would be the executive officer most likely to exceed the limits for deductibility under Section 162(m).

Under the Performance Bonus Plan, Mr. Lauer's cash incentive bonus was based upon achievement of the same revenue and adjusted EBITDA goals described above for other Named Executive Officers. The target cash incentive bonus award opportunity for fiscal year 2015 for Mr. Lauer was 80% of his base salary, or \$520,000, with a maximum bonus opportunity of 120% of his base salary, or \$780,000. As with the other Named Executive Officers, the compensation committee believed that this incentive provided a meaningful reward to Mr. Lauer if the goals were achieved or exceeded and that no change was necessary to maintain competitiveness with market practices. As we achieved the revenue and adjusted EBITDA goals at the 150% threshold of performance as described above for other Named Executive Officers, Mr. Lauer was paid a cash bonus of \$780,000 for 2015.

#### *Equity Incentive Awards*

##### *General*

Equity incentive awards are an important part of our overall compensation program as they reward and incentivize performance, assist in employee retention and help to align employee interests with the interests of our stockholders. The compensation committee reviews the equity holdings of our Named Executive Officers regularly and the compensation committee makes equity compensation awards to our Named Executive Officers informed in part by the market data provided by Radford discussed above.

In reviewing our equity award practices, we are committed to effectively rewarding, incentivizing and retaining our employees with a competitive equity compensation program while minimizing stockholder dilution. For this reason, we carefully manage both our gross burn rate and net burn rate. Gross burn rate reflects equity awards granted during the fiscal year divided by the weighted average number of shares outstanding. Net burn rate reflects equity awards granted during the fiscal year less equity awards cancelled and returned to the plan (net equity grants), divided by the weighted average number of shares outstanding. Although we are classified with insurance companies in some burn rate comparisons across industry groups, we are an ecommerce and technology company and compete for employees with companies in the internet, software and services industry. As a result, our equity incentive award grants are generally greater than those companies in the insurance company category. Moreover, our burn rates have been negatively impacted by our share repurchase programs under which we have, as of March 31, 2016, spent approximately \$200 million to repurchase approximately 10.7 million shares of our common stock in the open market since December 2008. Based on the foregoing and consistent with our practice since 2013, our Named Executive Officers were not granted any stock options because stock options are typically granted in greater amounts than restricted stock units with equivalent value.

*2015 Executive Equity Compensation*

In the first quarter of 2015, our compensation committee approved equity incentive awards for our executive officers in the form of performance-based and service-based restricted stock units. The compensation committee made significant revisions to the executive officer long-term incentive program for 2015. The size of the awards were set to deliver competitive value while also trying to minimize the effect the grants would have on our burn rate for the year. In balancing these objectives, the Named Executive Officers were granted equity awards that approximate in the aggregate the 25<sup>th</sup> percentile of the peer group.

Twenty-five percent of the equity awards granted to Messrs. Lauer and Shaughnessy and 50% of the equity awards granted to all other Named Executive Officers were set to vest based on continuous service over a 4-year period with the goal of providing an incentive to executives to continue employment with us.

Seventy-five percent (75%) of the equity awards granted to Messrs. Lauer and Shaughnessy and 50% of the equity awards granted to all other Named Executive Officers are tied to achieving certain levels of stock price performance over the four year period following the grant date (i.e., March 2015 to March 2019). The goal of these performance awards was to align the interest of our Named Executive Officers with those of our stockholders and to incentivize them to increase the value of the business in a manner that would drive an increase in our stock price. An executive officer will become eligible to vest in this performance-based restricted stock unit if in any 30-day calendar period our average stock price trades at the following price thresholds:

Price Threshold	Percentage of Award Eligible to Vest
\$15.00	25%
\$20.00	25%
\$22.50	25%
\$25.00	25%

Upon achievement of one or more of the price thresholds, the percentage that becomes eligible to vest would vest on the one-year anniversary of achieving the applicable price threshold, subject to the executive continuing to provide services to us through the vesting date.



These awards were approved when our stock price was trading at approximately \$10 per share, so the stock price would have to increase by approximately 50% from the stock price at the approval date in order for the Named Executive Officer to be eligible to vest 25% of the shares subject to the performance-based restricted stock unit and by approximately 250% to be eligible to vest in the full performance-based restricted stock unit award. The compensation committee believes that tying the performance-based restricted stock unit awards to achievement of our stock price targets will motivate our executives to take actions and pursue opportunities that will enhance the long-term value of our stock and benefit our stockholders.

The number of shares of our common stock granted under restricted stock unit awards approved by the compensation committee during 2015 is summarized as follows:

Name	Target Number of Shares Subject to		
	Number of Shares Subject to Restricted Stock Units with Time-Based Vesting	Restricted Stock Units with Stock Price-Based Vesting	Maximum Number of Shares Subject to Restricted Stock Units with Stock Price-Based Vesting
Gary L. Lauer	25,000	75,000	75,000
William T. Shaughnessy	17,500	52,500	52,500
Stuart M. Huizinga	17,500	17,500	17,500
Robert S. Hurley	12,500	12,500	12,500
Tom G. Tsao	17,500	17,500	17,500

The compensation committee determined the number of shares subject to the awards granted to our Named Executive Officers after assessing market data provided by Radford.

*2014 Performance Awards.* The compensation committee granted performance-based restricted stock units in 2014 that provide that up to 50% of the target number of shares were eligible to vest based upon achieving a pre-determined 2014 Company annual revenue goal and 50% of the target number of shares were eligible to vest based upon achieving a pre-determined 2015 Company annual revenue goal. Moreover, if the target annual revenue goals are exceeded, up to an additional number of shares equal to 50% of the target number could become eligible to vest. Additionally, if the level of annual revenue achievement in 2015 exceeded, on a percentage basis, the level of achievement in 2014, then the previously unvested 2014 performance-based restricted stock units would become eligible to vest as if the 2015 level of achievement had been achieved in 2014. For example, if in 2014, 35% of the target number of shares became eligible to vest, and in 2015, 55% of the target number of shares became eligible to vest, a total of 110% of the target number of shares will become eligible to vest. These additional shares (equal to, in the example, 20% of target) are referred to herein as 2014 carryover shares. The revenue threshold target for 2014 was not achieved so no part of this award became eligible to vest in 2014.

The performance goal for these awards for 2015, which were established when the awards were granted in 2014, were based on achieving revenue in 2015 as follows:

Achieved FY 2015 Revenue (\$)	Percentage of FY 2015 Target Shares Eligible for Time-Based Vesting
<\$ 222.75 million	0%
\$ 222.75 million	50%
\$ 236.97 million	100%
\$ 248.81 million	125%
\$ 258.29 million	150%

The 2015 annual revenue target and the company's 2015 actual achievement were as follows:

Metric	Target Goal for 2014 Award	2014 Company Achievement	Percentage of Achievement Relative to Target	Number of Performance Shares Earned for 2014 Performance
GAAP Annual Revenue	\$ 188,120,000	\$ 179,677,000	95.5%	0

Metric	Target Goal for 2015 Award	2015 Company Achievement	Percentage of Achievement Relative to Target	Number of Performance Shares Earned for 2014 Performance
GAAP Annual Revenue	\$ 213,266,000	\$ 189,541,000	84.3%	0

Following a review of the extent to which performance targets had been achieved as described above, the compensation committee determined that the 2015 revenue target was not achieved and therefore no portion of these awards became eligible to vest.

#### *Change in Control and Termination Arrangements*

We have entered into management retention agreements, providing for certain severance benefits upon certain terminations in connection with a change of control and outside a change of control, with certain of our Named Executive Officers. At the direction of the compensation committee, Radford conducted a study of change of control severance agreements for certain of our Named Executive Officers. Informed by this data, the compensation committee designed agreements considering market norms. The severance arrangements with certain of our Named Executive Officers are more fully described under the section entitled *Employment Agreements and Change of Control Arrangements*.

#### *Other Compensation*

We provide the opportunity for our executive officers and other employees to receive general health and welfare benefits. We also maintain a retirement and deferred savings plan available to all U.S. employees, which is intended to qualify under Sections 401(a) and 401(k) of the Internal Revenue Code. This plan allows each participant to contribute up to 100% of their pre-tax compensation, up to a statutory limit, which was \$18,000 (or \$24,000 for employees over 50 years of age) in calendar year 2015. Under the plan, each participant is fully vested in his or her own contributions. We match 25% of each participant's contribution each pay period, up to a maximum of 1% of the employee's base salary during that period. Our matching contributions vest one-third for each of the first three years of service from the date of hire. The plan also permits us to make discretionary profit-sharing contributions, but we have not made such contributions to date.

#### *Stock Ownership Guidelines*

Our compensation committee has approved stock ownership guidelines for our executive officers to further align their interests with the interests of our stockholders.

Pursuant to the guidelines, our chief executive officer is expected to accumulate and hold a number of shares of our common stock equal to the lesser of (i) that number of shares with a value equal to three times his annual base salary or (ii) 150,000 shares and to maintain this minimum amount of stock ownership throughout his employment. Our chief executive officer was expected to achieve the applicable level of ownership by March 23, 2016, or with respect to future chief executive officers similar share guidelines measured as of their start date, within five years of their becoming chief executive officer.

Under the guidelines, our executive officers who are executive vice-presidents or who are the chief operating officer are expected to accumulate and hold a number of shares of our common stock equal to the lesser of (i) that number of shares with a value equal to two times their annual base salary, or (ii) the number of shares determined by dividing twice their annual base salary as in effect on March 23, 2011 by \$13.00 and to maintain this minimum amount of stock ownership throughout their employment. The executive vice presidents and chief operating officer were expected to achieve the applicable level of ownership by March 23, 2016, or with respect to executive vice presidents and chief operating officers starting after March 23, 2011, within five years of their becoming an executive vice president or chief operating officer, respectively.

In addition, under the guidelines, our other executive officers are expected to accumulate and hold a number of shares of our common stock equal to the lesser of (i) that number of shares with a value equal to one time their annual base salary, or (ii) the number of shares determined by dividing their annual base salary as in effect on March 23, 2011 by \$13.00 and to maintain this minimum amount of stock ownership throughout their employment. These executive officers were expected to achieve the applicable level of ownership by March 23, 2016, or with respect to executive officers starting after March 23, 2011, similar share guidelines measured as of their start date, within five years of their becoming an executive officer.

In the event the applicable guideline is not achieved with respect to any executive officer by the applicable deadline, the executive officer will be required to retain an amount equal to 75% of the net shares received as a result of the exercise of stock options or stock appreciation rights or the vesting of restricted stock units or other full-value awards until the applicable guideline has been achieved. Net shares are those shares that remain after shares are sold or netted to pay the exercise price (if any) of equity awards and applicable taxes. Under certain limited circumstances, the guidelines may be temporarily suspended by our compensation committee at its discretion.

As of the date of this proxy, all executive officers are in compliance with the ownership guidelines.

#### *Insider Trading Compliance Program*

Our employees, including our Named Executive Officers, are prohibited from trading our securities in violation of our Insider Trading Compliance Program, including activities such as trading on material, nonpublic information, pledging of our securities as collateral for a loan and trading in derivative securities (e.g., puts, calls, or other similar hedging instruments) relating to our securities. For more information about our Insider Trading Compliance Program, see *Directors, Executive Officers and Corporate Governance Corporate Governance Matters Insider Trading Compliance Program*.

For the year ended December 31, 2015, other compensation accounted for less than 1% of the total compensation for our chief executive officer and for our other Named Executive Officers.

#### *Regulatory Considerations*

Section 162(m) of the U.S. Internal Revenue Code generally limits to \$1 million the deductibility of compensation paid by a public company to any employee who on the last day of the year is the chief executive officer or one of the three other most highly compensated officers (other than the chief financial officer). Compensation may qualify for an exemption from the deduction limit if it satisfies certain conditions under Section 162(m). We believe that it is important to preserve flexibility in administering our compensation programs and have not adopted a policy that all compensation must qualify as deductible under Section 162(m). Amounts paid under our compensation programs may be determined not to so qualify. We have adopted a Performance Bonus Plan, which was approved by our stockholders at the 2014 annual meeting, to attempt to qualify payments in future years under the Performance Bonus Plan as deductible performance-based compensation for purposes of Section 162(m). We also structured the performance-based restricted stock unit

awards to our Named Executive Officers in 2015 to qualify as deductible performance-based compensation for purposes of Section 162(m). We do not guarantee that any executive compensation intended to qualify as deductible performance-based compensation under Section 162(m) so qualifies.

*Risk Assessment*

Our compensation committee retained Radford, its independent compensation consultant, to evaluate the risk inherent in our executive and non-executive programs. Accordingly, Radford evaluated our executive and non-executive compensation programs and provided a report to the compensation committee. The report concluded that, among other things:

Overall pay mix, among base salary, variable cash and long-term incentives, was aligned with the practices of our peers;

Incentive plans are well-aligned with compensation design principles that generally follow best practices;

Management incentives are capped and require a threshold level of performance that help protect against overpayment in a challenging business environment;

Severance benefits are closely managed and do not provide excessive severance benefits; and

We established share retention guidelines for executive officers in 2011 (subsequently amended in 2012 and 2015) and for our non-employee directors in 2010 (subsequently amended in 2011 and 2015).

**Compensation Committee Report**

*The information contained in this report shall not be deemed soliciting material or incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent we specifically incorporate this report by reference, and shall not otherwise be deemed filed under such Acts.*

The compensation committee of the Board of Directors of the Company has reviewed and discussed with management the Compensation Discussion and Analysis section of this Proxy Statement for the 2016 Annual Meeting of Stockholders. Based on this review and discussion, the compensation committee recommended that the Compensation Discussion and Analysis section be included in the Company's Annual Report on Form 10-K and Proxy Statement for its 2016 Annual Meeting of Stockholders.

This report is submitted by the compensation committee.

**Compensation Committee**

Scott N. Flanders  
Jack L. Oliver, III

**2015 Summary Compensation Table**

The information below sets forth the total compensation earned by our Named Executive Officers for the years ended December 31, 2015, 2014 and 2013. The total compensation presented does not reflect the actual compensation received by our Named Executive Officers. For example, the amounts in the Stock Awards column include the grant date fair values of time-based restricted stock units (the RSUs) and/or performance-based restricted stock units (the PSUs) granted in that applicable year. These amounts were calculated, with respect to the PSUs, by assuming all performance criteria were met at 100% achievement. For more information, see the footnotes to the 2015 Summary Compensation Table.

Name and Principal Position	Year	Salary(1)	Stock Awards(2)	Option Awards(3)	Non-Equity Incentive Compensation(4)(5)		Total
					Plan	All Other	
Gary L. Lauer Chief Executive Officer	2015	\$ 650,000	\$ 786,188(4)(6)	\$	\$ 780,000	\$ 2,450	\$ 2,218,638
	2014	\$ 650,000	\$ 2,665,800	\$	\$	\$ 2,450	\$ 3,318,250
	2013	\$ 650,000	\$ 1,926,400	\$	\$ 316,875	\$ 2,450	\$ 2,914,726
William T. Shaughnessy President and Chief Operating Officer	2015	\$ 525,000	\$ 550,331(4)(7)	\$	\$ 472,500	\$ 2,450	\$ 1,550,281
	2014	\$ 518,269	\$ 1,332,900	\$	\$	\$ 2,450	\$ 1,853,619
	2013	\$ 500,000	\$ 955,718	\$	\$ 159,237	\$ 2,450	\$ 1,617,405
Stuart M. Huizinga Senior Vice President and Chief Financial Officer	2015	\$ 325,000	\$ 316,094(4)(8)	\$	\$ 292,500	\$ 2,450	\$ 936,044
	2014	\$ 318,269	\$ 399,870	\$	\$	\$ 2,450	\$ 720,589
	2013	\$ 295,000	\$ 423,720	\$	\$ 95,542	\$ 2,450	\$ 816,712
Robert S. Hurley Executive Vice President of Sales and Operations	2015	\$ 265,200	\$ 225,781(4)(9)	\$	\$ 238,680	\$ 2,450	\$ 732,111
	2014	\$ 263,127	\$ 399,870	\$	\$	\$ 1,734	\$ 664,731
	2013	\$ 255,625	\$ 423,720	\$	\$ 82,007	\$ 192	\$ 761,541
Tom G. Tsao(10) Executive Vice President, Chief Technology and Product Officer	2015	\$ 350,000	\$ 316,094(4)(8)	\$	\$ 315,000	\$ 2,450	\$ 983,544
	2014	\$ 308,857	\$ 909,025	\$	\$	\$ 2,450	\$ 1,220,332

The amounts in the Stock Awards column for 2015 include the grant date fair value of PSUs granted in 2015, assuming performance criteria were met at 100% achievement. The PSUs granted in 2015 are earned if the Company meets predefined stock price targets over the next four years. The stock price targets were not achieved and no PSUs were actually earned in 2015 based on stock price performance.

The amounts in the Stock Awards column for 2014 include the grant date fair value of PSUs granted in 2014, assuming performance criteria were met at 100% achievement. The PSUs granted in 2014 are earned if the Company meets predefined revenue targets in 2014 and 2015. The revenue targets for 2014 and 2015 were not achieved and no PSUs were actually earned for 2014 and 2015 revenue performance.

The amounts in the Stock Awards column for 2013 include the grant date fair value of PSUs granted in 2013, assuming performance criteria were met at 100% achievement. The PSUs granted in 2013 are earned if the Company meets predefined revenue targets in 2013 and 2014. The revenue targets for 2014 were not achieved and no PSUs were actually earned for 2014 revenue performance. The number of PSUs actually earned for 2013 performance was disclosed in the 2013 proxy statement.

- (1) Salary includes base salary including payment in respect of accrued paid-time-off and holidays.
- (2) Amounts were computed in accordance with FASB ASC Topic 718. Our accounting policies regarding equity compensation and the assumptions used to calculate the value of our equity awards are set forth in Notes 1 and 4 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.
- (3) 2015 and 2013 amounts are performance-based cash bonus awards earned and approved by the compensation committee. No performance-based cash bonus awards were earned in 2014 since the predefined revenue target for 2014 was not achieved.
- (4) For more information regarding our Named Executive Officers' long-term equity incentives, see *Executive Compensation, Say-on-Pay, Independence of Advisors Compensation Discussion and Analysis Compensation Elements Equity Incentive Awards*.
- (5) 2015, 2014 and 2013 amounts consist entirely of the 401(k) matching contributions made by us for our Named Executive Officers.
- (6) Amount represents the grant date fair value of 75,000 PSUs granted in 2015 and grant date fair value of 25,000 RSUs (subject to time-based vesting) granted in 2015.



- (7) Amount represents the grant date fair value of 52,500 PSUs granted in 2015 and grant date fair value of 17,500 RSUs (subject to time-based vesting) granted in 2015.
- (8) Amount represents the grant date fair value of 17,500 PSUs granted in 2015 and grant date fair value of 17,500 RSUs (subject to time-based vesting) granted in 2015.
- (9) Amount represents the grant date fair value of 12,500 PSUs granted in 2015 and grant date fair value of 12,500 RSUs (subject to time-based vesting) granted in 2015.
- (10) Mr. Tsao became an executive officer effective March 26, 2014.

#### 2015 Grants of Plan-Based Awards

The following table provides information regarding the amount of awards under our 2015 Executive Bonus Plan (all Named Executive Officers except for Mr. Lauer) and the Performance Bonus Plan (for Mr. Lauer) and equity awards granted in 2015 to each of the Named Executive Officers.

Name	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock Underlying (\$)(3)	All Exercise Other or Base Price of Option Awards: Number of Option Securities Awards per Share(\$)	Grant Date Fair Value of Stock and Option Awards(4)	
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)				Maximum (#)
Gary L. Lauer	Various(5)	3/18/2015	\$	\$ 520,000	\$ 780,000	18,750	75,000	75,000	25,000	\$	\$ 786,188
William T. Shaughnessy	Various(5)	3/18/2015	\$	\$ 315,000	\$ 472,500	13,125	52,500	52,500	17,500	\$	\$ 550,331
Stuart M. Huizinga	Various(5)	3/18/2015	\$	\$ 195,000	\$ 292,500	4,375	17,500	17,500	17,500	\$	\$ 316,093
Robert S. Hurley	Various(5)	3/18/2015	\$	\$ 159,120	\$ 238,680	3,125	12,500	12,500	12,500	\$	\$ 225,781
Tom G. Tsao	Various(5)	3/18/2015	\$	\$ 210,000	\$ 315,000	4,375	17,500	17,500	17,500	\$	\$ 316,092

- (1) Represents target and maximum cash bonus payouts under the 2015 Executive Bonus Plan (all Named Executive Officers except for Mr. Lauer) and the Performance Bonus Plan (for Mr. Lauer), each reported pursuant to Securities and Exchange Commission rules. The actual bonus amounts paid under the 2015 Executive Bonus Plan and the Performance Bonus Plan are disclosed in the Summary Compensation Table set forth above.
- (2) None of the performance-based restricted stock units were actually earned by the Named Executive Officer in 2015.
- (3) Represents time-based restricted stock units granted in 2015.
- (4) Amounts shown reflect the grant date fair value of time-based restricted stock units granted in 2015 and the performance-based restricted stock units granted in 2015, computed in accordance with FASB ASC Topic 718. None of the performance-based restricted stock units were actually earned by the Named Executive Officer in 2015. Our accounting policies regarding equity compensation and the assumptions used to compute the fair value of our equity awards are set forth in Notes 1 and 4 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.
- (5) The approval date for the Non-Equity Incentive Plan Awards was March 18, 2015, the grant date for the Equity Incentive Plan Awards was March 31, 2015 and the grant date for the time-based RSUs was April 21, 2015.

#### 2015 Outstanding Equity Awards at Fiscal Year-End

Our stock options granted to the Named Executive Officers prior to January 1, 2008 generally vest (i) over a four-year term at the rate of 25% one year following the vesting commencement date and 1/48th per month thereafter or (ii) over a five-year term at the rate of 20% one year following the vesting commencement date and 1/60th per month thereafter. These options generally expire 10 years after they are granted or earlier if the recipient's employment or service terminates earlier. Our stock options granted to the Named Executive Officers subsequent to January 1, 2008 generally vest over a four-year term at the rate of 25% one year following the vesting commencement date and 1/48th of the shares per month thereafter. These options generally expire 7 years after they are granted or earlier if the recipient's employment or service terminates earlier. Mr. Shaughnessy's stock option award granted in connection with his acceptance of our employment offer expires 7 years after the date of grant and vests over a five-year term at the rate of 20% one year following the vesting commencement date and 1/60th of the shares per month thereafter.

Restricted stock units subject only to time-based vesting granted to our Named Executive Officers generally vest annually over four years in equal installments. Restricted stock units subject to performance-based vesting granted to our Named Executive Officers must meet additional preconditions to vesting and, once the total number of shares earned and eligible for vesting has been determined in accordance with the predetermined performance metrics, such eligible shares vest in equal installments over one to three years from the vesting commencement date.





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All of the outstanding equity awards granted to date to our employees, including our Named Executive Officers, are subject to a minimum vesting period of one to three years if such award is based on the satisfaction of performance criteria or objectives and a minimum vesting period of four years if such award is based on the holder's continued employment as an employee with the company. All of the stock options and restricted stock units granted to our employees, including our Named Executive Officers, are subject to a vesting schedule with a one-year initial vesting period.

The following table summarizes the number of equity securities underlying outstanding plan awards for each Named Executive Officer as of December 31, 2015. See *Executive Compensation, Say-on-Pay, Independence of Advisors Compensation Discussion and Analysis Compensation Elements Equity Incentive Awards* for a description of equity awards granted subsequent to December 31, 2015.

Name	Grant Date	Option Awards Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date	Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
		Exercisable	Unexercisable			Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	
Gary L. Lauer	4/21/2009(2)	100,000		\$ 16.16	4/21/2016			
	3/16/2010(3)	100,000		\$ 18.37	3/16/2017			
	4/16/2013(10)(15)					26,299	\$ 262,464	
	4/15/2014(11)							30,000 \$ 299,400
	3/31/2015(13)							18,750 \$ 187,125
	4/21/2015(14)(15)					25,000	\$ 249,500	
William T. Shaughnessy	4/17/2012(4)	299,991	100,009	\$ 16.73	4/17/2019			
	4/17/2012(5)					6,250	\$ 62,375	
	4/16/2013(10)					11,834	\$ 118,103	
	4/15/2014(11)							15,000 \$ 149,700
	3/31/2015(13)							13,125 \$ 130,987
	4/21/2015(14)					17,500	\$ 174,650	
Stuart M. Huizinga	4/21/2009(2)	18,884		\$ 16.16	4/21/2016			
	3/16/2010(3)	27,000		\$ 18.37	3/16/2017			
	4/17/2012(6)					1,480	\$ 14,770	
	4/16/2013(9)					2,750	\$ 27,445	

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	4/16/2013(10)				4,339	\$ 43,303		
	4/15/2014(11)						4,500	\$ 44,910
	3/31/2015(13)						4,375	\$ 43,662
	4/21/2015(14)				17,500	\$ 174,650		
Robert S. Hurley	4/21/2009(2)	10,207		\$ 16.16	4/21/2016			
	3/16/2010(3)	27,000		\$ 18.37	3/16/2017			
	4/17/2012(6)(15)				1,480	\$ 14,770		
	4/16/2013(9)(15)				2,750	\$ 27,445		
	4/16/2013(10)(15)				4,339	\$ 43,303		
	4/15/2014(11)						4,500	\$ 44,910
	3/31/2015(13)						3,125	\$ 31,187
	4/21/2015(14)(15)				12,500	\$ 124,750		
Tom G. Tsao	7/17/2012(7)	9,166	2,501	\$ 17.70	7/17/2019			
	7/17/2012(8)				1,000	\$ 9,980		
	4/16/2013(9)				3,250	\$ 32,435		
	4/16/2013(10)				5,128	\$ 51,177		
	4/15/2014(11)						8,750	\$ 87,325
	12/16/2014(12)				3,750	\$ 37,425		
	3/31/2015(13)						4,375	\$ 43,662
	4/21/2015(14)				17,500	\$ 174,650		

- (1) The market value of the restricted stock unit awards that have not vested is calculated by multiplying the number of units that have not vested by the closing price of our common stock on December 31, 2015, which was \$9.98.
- (2) The option becomes vested as to 25% of the shares 1 year after March 10, 2009 and 1/48<sup>th</sup> of the shares upon completion of each month of continuous service thereafter.
- (3) The option becomes vested as to 25% of the shares 1 year after February 16, 2010 and 1/48<sup>th</sup> of the shares upon completion of each month of continuous service thereafter.
- (4) The option becomes vested as to 25% of the shares 1 year after March 27, 2012 and 1/60<sup>th</sup> of the shares upon completion of each month of continuous service thereafter.
- (5) 25% of the shares subject to the restricted stock units vest on each anniversary of the vesting start date of March 27, 2012, subject to the executive officer's continued service with us.
- (6) 25% of the shares subject to the restricted stock units vest on each anniversary of the vesting start date of March 21, 2012, subject to the executive officer's continued service with us.
- (7) The option becomes vested as to 25% of the shares 1 year after June 11, 2012 and 1/48<sup>th</sup> of the shares upon completion of each month of continuous service thereafter.
- (8) 25% of the shares subject to the restricted stock units vest on each anniversary of the vesting start date of June 11, 2012, subject to the executive officer's continued service with us.
- (9) 25% of the shares subject to the restricted stock units vest on each anniversary of the vesting start date of March 20, 2013, subject to the executive officer's continued service with us.
- (10) Number of shares shown is the eligible amount for service-based vesting as a result of the achievement of the 2013 performance measures. One-fourth of the shares subject to the restricted stock units vest on each anniversary of the vesting start date of March 20, 2013, subject to the executive officer's continued service with us.
- (11) Number of shares shown is based on achieving threshold performance goals for fiscal year 2015 revenue targets. The revenue targets for 2015 were not achieved and zero PSUs were earned in 2015 (including carryover shares from 2014) based on 2015 revenue performance.
- (12) 25% of the shares subject to the restricted stock units vest on each anniversary of the vesting start date of September 1, 2014, subject to the executive officer's continued service with us.
- (13) Number of shares shown is based upon achieving threshold performance goals for fiscal year 2015 stock price thresholds as of December 31, 2015. Upon achievement of one or more of the price thresholds, the percentage that becomes eligible to vest would vest on the one-year anniversary of achieving the applicable price threshold, subject to the executive continuing to provide services to us through the vesting date. As of December 31, 2015 no price thresholds have been met.
- (14) 25% of the shares subject to the restricted stock unit vests on each anniversary of the vesting start date of March 18, 2015, subject to the executive officer's continued service thereafter.
- (15) Includes shares deferred upon vesting of certain restricted units by the Named Executive Officer. The deferred shares will be settled pursuant to the terms of a deferral election.

#### 2015 Option Exercises and Stock Vested at Fiscal Year-End

The following table presents certain information concerning the exercise of stock options by each of our Named Executive Officers during the year ended December 31, 2015.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise(1)	Number of Shares Acquired on Vesting	Value Realized on Vesting(2)
Gary L. Lauer	99,999	\$ 378,603	26,815	\$ 296,464
William T. Shaughnessy			12,167	\$ 120,528
Stuart M. Huizinga	24,999	\$ 88,066	7,792	\$ 77,761
Robert S. Hurley			7,792	\$ 77,761
Tom G. Tsao			6,439	\$ 72,790

- (1) The value realized equals the difference between the option exercise price and the fair market value of the company's common stock on the date of exercise, multiplied by the number of shares for which the option was exercised.
- (2) The value realized equals the fair market value of the company's common stock on the date of vesting, multiplied by the number of shares acquired on vesting.

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## Equity Benefit Plans

**2014 Equity Incentive Plan** Our 2014 Equity Incentive Plan (the *Equity Plan* ) was adopted by our stockholders in June 2014. The following describes the material provisions of our Equity Plan, as amended:

*Eligibility.* Employees, members of our board of directors who are not employees, and consultants are eligible to participate in the Equity Plan, provided a person will not be eligible to receive an award under the Equity Plan as a consultant if such person would cause shares to be ineligible for registration under the Securities Act of 1933 on Form S-8.

*Purpose.* The purpose of the Equity Plan is to promote our long-term success and create stockholder value by (i) encouraging our employees and other service providers to focus on our performance, (ii) encouraging the attraction and retention of employees and other service providers with exceptional qualifications and (iii) linking our employees and other service providers directly to stockholder interests through increased stock ownership. The Equity Plan seeks to achieve this purpose by providing for awards in the form of restricted shares, stock units, stock options or stock appreciation rights (each, an *Award* ).

*Shares Subject to Equity Plan.* A total of 4,500,000 shares will be reserved for issuance under the Equity Plan. The shares may be authorized, but unissued, or reacquired shares of our common stock. Any shares subject to outstanding awards under the 2006 Equity Incentive Plan that expire or are otherwise forfeited to or repurchased by the Company are not available for future grant under the Equity Plan.

Shares subject to Awards under the Equity Plan that expire or are cancelled or forfeited will again become available for issuance under the Equity Plan. However, shares available under the Equity Plan will not be increased by shares withheld to satisfy tax withholding obligations or shares tendered or withheld in payment of the purchase price of an option. Shares available will be reduced by the gross, rather than the net, number of shares subject to a stock appreciation right exercise. The shares available will not be reduced by Awards settled in cash. Any dividend equivalents paid or credited under the Equity Plan shall, if paid in shares, reduce the number of shares issuable under the Equity Plan.

In the event of a stock split or similar recapitalization, appropriate adjustments will automatically be made to the Equity Plan share pool, outstanding awards, the annual limits applicable to Equity Plan awards, and the exercise price of options and stock appreciation rights.

*Administration.* The compensation committee of our board of directors administers the Equity Plan. The compensation committee has the complete discretion to make all decisions relating to the Equity Plan.

*Types of Award.* The Equity Plan provides for the following types of awards:

incentive and nonstatutory stock options to purchase shares of our common stock;

restricted shares of our common stock; and

stock appreciation rights and stock units.

*Options and Stock Appreciation Rights.* The exercise price for options granted under the Equity Plan may not be less than 100% of the fair market value of our common stock on the option grant date.

A participant who exercises a stock appreciation right receives the increase in value of our common stock over the base price. The base price for stock appreciation rights granted under the Equity Plan shall be determined by the compensation committee, but shall not be less than 100% of the fair market value of the underlying common stock on the grant date. The settlement value of the stock appreciation right may be paid in cash or shares of common stock, as specified in the award agreement.

Options and stock appreciation rights vest at the times determined by the compensation committee and have a maximum term of seven years from the date of grant. No participant may receive options covering more than 500,000 shares in one Company fiscal year (increased to 1,000,000 shares in the first fiscal year of employment). Similarly, no participant may receive stock appreciation rights covering more than 500,000 shares in one Company fiscal year (increased to 1,000,000 shares in the first fiscal year of employment).

*Restricted Shares and Stock Units.* Restricted shares may be awarded under the Equity Plan in return for such legal consideration as the compensation committee determines. Restricted shares vest at the times determined by the compensation committee.

Stock units may also be awarded under the Equity Plan. Cash consideration may not be required of the award recipients, as determined by the compensation committee. Each award of stock units may or may not be subject to vesting and vesting, if any, shall occur upon satisfaction of the conditions specified by the compensation committee. Settlement of vested stock units may be made in the form of cash, shares of common stock or a combination of both. The compensation committee may award dividend equivalents in connection with the grant of stock units. These may be paid in cash or in shares of common stock, as specified by the compensation committee. Settlement of stock units may be deferred past the vesting date, as specified by the compensation committee. No participant may receive restricted shares that are subject to performance-based vesting covering more than 500,000 shares in one Company fiscal year. Similarly, no participant may receive stock units that are subject to performance-based vesting covering more than 500,000 shares in one Company fiscal year.

*Change of Control.* In the event of a Change of Control (as defined in the Equity Plan) of the Company, all Equity Plan awards shall be treated as determined by the compensation committee, which may provide for one or more of the following:

Automatic acceleration of vesting of an Award upon the Change of Control or upon certain terminations following a Change of Control;

The assumption or substitution of any outstanding awards by the surviving corporation or its parent;

Accelerated vesting of outstanding options and stock appreciation rights, followed by their cancellation;

The cancellation of any outstanding options and stock appreciation rights in exchange for a payment (in cash or stock) equal to the per share price received in the transaction less the exercise price (such payment may be subject to the vesting schedule of the cancelled option or SAR); and

The cancellation of any outstanding stock units in exchange for a payment (in cash or stock) equal to the value of the underlying shares if any, on the date of the merger or consolidation (such payment may be subject to the vesting schedule of the cancelled stock unit).

*Amendment or Termination.* Our board of directors may amend or terminate the Equity Plan at any time. If our board of directors amends the plan, it does not need to ask for stockholder approval of the amendment unless applicable law requires it. The Equity Plan will continue in effect for ten years from the date of approval by stockholders on June 12, 2014, unless the board of directors decides to terminate the plan earlier.

*Performance Goals.* The compensation committee (in its discretion) may make performance goals applicable to a participant with respect to an Award, including but not limited to restricted stock and stock units. If the Committee desires that an Award qualify as performance-based compensation under Code Section 162(m), then, at the compensation committee's discretion, one or more of the following performance goals may apply: (i) cash flow (including operating cash flow or free cash flow); (ii) revenue (on an absolute basis or adjusted for currency effects); (iii) gross margin; (iv) operating expenses or operating expenses as a percentage of revenue; (v) earnings (which may include earnings before interest and taxes, earnings before taxes, net earnings or EBITDA); (vi) earnings per share; (vii) stock price; (viii) return on equity; (ix) total stockholder return;

(x) growth in stockholder value relative to the moving average of the S&P 500 Index, or another index; (xi) return on capital; (xii) return on assets or net assets; (xiii) return on investment; (xiv) economic value added; (xv) operating income or net operating income; (xvi) operating margin; (xvii) market share; (xviii) overhead or other expense reduction; (xix) credit rating; (xx) objective customer indicators; (xxi) improvements in productivity; (xxii) attainment of objective operating goals; (xxiii) objective employee metrics; (xxiv) return ratios; (xxv) objective qualitative milestones; (xxvi) other objective financial or other metrics relating to the progress of the Company or to a subsidiary, division or department; (xxvii) number of customers (or estimated membership, with the formulae for such estimations being objectively determinable), submitted applications or members, or approved applications or members, sold applications or members; (xxviii) conversion yields achieved from website visitors to sold members (including any sub-yield in between); (xxix) increase in membership; (xxx) cost of acquiring members or applicants; or (xxxi) retention of membership.

The performance measures listed above may apply to either the Company as a whole or, except with respect to stockholder return metrics, to a region, business unit, affiliate or business segment, and may be measured either on an absolute basis, a per-share basis or relative to a pre-established target, to a previous period's results or to a designated comparison group, in each case as specified by the compensation committee. Financial performance measures may be determined in accordance with United States Generally Accepted Accounting Principles ( GAAP ), in accordance with accounting principles established by the International Accounting Standards Board ( IASB Principles ) or may be adjusted by our compensation committee when established to exclude or include any items otherwise includable or excludable, respectively, under GAAP or under IASB Principles. The compensation committee may choose other performance goals for awards that are not intended to qualify as performance-based compensation under Code Section 162(m).

**2006 Equity Incentive Plan** We maintain the 2006 Equity Incentive Plan, under which we previously granted restricted stock and options to purchase shares of our common stock, including all stock options granted to our Named Executive Officers between October 2006 and June 2014. The 2006 Equity Incentive Plan was terminated with respect to the grant of additional awards upon the approval of the 2014 Equity Incentive Plan by our stockholders on June 2014, although we will continue to issue shares of common stock upon the exercise of stock options granted under this plan. The stock options and restricted stock grants under the 2006 Equity Incentive Plan generally vest over four years at a rate of 25% after one year and 1/48<sup>th</sup> per month thereafter. Our stock options granted under the 2006 Equity Incentive Plan since January 1, 2008 generally expire after 7 years from the date of grant. In the event that we are party to a merger or consolidation, all outstanding awards granted under the 2006 Equity Incentive Plan will be subject to the agreement of merger or consolidation. Such agreement may provide for one or more of the following: (i) continuation of outstanding awards, (ii) assumption of outstanding awards, (iii) substitution of outstanding awards, (iv) full exercisability of options followed by their cancellation, (v) cancellation of options with a payment to the optionees equal to the excess of the fair market value of the shares subject to the options less their exercise price or (vi) cancellation of restricted stock unites with a payment to the holder of the restricted stock unites equal to the fair market value of the shares subject to the restricted stock unites as of the closing date of the merger or consolidation.

**2005 Stock Plan** We maintain the 2005 Stock Plan, under which we previously granted restricted stock and options to purchase shares of our common stock, including all stock options granted to our Named Executive Officers prior to October 2006. The 2005 Stock Plan was terminated with respect to the grant of additional awards upon the effective date of the registration statement related to our initial public offering in October 2006, although we will continue to issue shares of common stock upon the exercise of stock options granted under the 2005 Stock Plan. The stock options and restricted stock grants under the 2005 Stock Plan generally vest over four years at a rate of 25% after one year and 1/48<sup>th</sup> per month thereafter. Our stock options granted under the 2005 Stock Plan generally expire after 10 years from the date of grant. In the event that we are party to a merger or consolidation, outstanding options granted under the 2005 Stock Plan will be subject to the agreement of merger or consolidation. Such agreement may provide for (i) continuation of outstanding options, (ii) assumption of the 2005 Stock Plan, (iii) substitution of outstanding options or (iv) cancellation of outstanding options without payment of any consideration.

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### **Pension Benefits**

None of our Named Executive Officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us.

### **Non-Qualified Deferred Compensation**

None of our Named Executive Officers participates in or has account balances in non-qualified defined contribution plans or other deferred compensation plans maintained by us.

### **Employment Agreements and Change of Control Arrangements**

We entered into a management retention agreement with Mr. Lauer, chairman of our board of directors and our chief executive officer, in March 2010 (the "Lauer Retention Agreement"), which superseded the terms of prior severance arrangements between Mr. Lauer and us. Under the terms of the Lauer Retention Agreement, if Mr. Lauer terminates his employment with us for good reason, or if we terminate Mr. Lauer's employment without cause (as such terms are defined in the Lauer Retention Agreement), in either case outside of the period beginning on the date we enter into a binding agreement to effect a change in control (as such term is defined in the Lauer Retention Agreement) and ending 12 months after our ensuing change in control (the "Change in Control Period"), Mr. Lauer will receive the following severance benefits from us, subject to his signing and not revoking a release of claims that becomes effective within 60 days of his date of termination:

a lump sum cash payment (less applicable withholding taxes) in an amount equal to 24 months of Mr. Lauer's then current annual base salary;

a lump sum cash payment (less applicable withholding taxes) in an amount equal to Mr. Lauer's then current target annual bonus, pro-rated to the date of termination; and

Mr. Lauer and his covered dependents will receive continued company-paid group health, dental and vision benefits until the earlier of (i) 18 months from the termination date or (ii) until they become covered under comparable group health, dental and vision plans of another employer.

If within the Change in Control Period, Mr. Lauer terminates his employment with us for good reason, or if we terminate Mr. Lauer's employment without cause, Mr. Lauer will receive the same severance benefits from us as set forth above, plus 100% of his then outstanding and unvested equity awards will fully vest. Any severance payments to which Mr. Lauer is entitled will be paid by us to Mr. Lauer in cash and in full arrears on the 61<sup>st</sup> day following his date of termination (or such later date as necessary to avoid the imposition of additional taxes under Internal Revenue Code Section 409A). We are not obligated to pay Mr. Lauer a gross-up for taxation on his severance benefits.

Assuming Mr. Lauer terminated his employment with us for good reason, or we terminated Mr. Lauer's employment without cause, in either case outside of the Change in Control Period, on December 31, 2015, we would have been potentially required to pay Mr. Lauer severance payments totaling \$1,820,000 and an estimated amount of up to \$47,271 for COBRA health insurance premiums. Assuming such termination occurred within the Change in Control Period but prior to the closing of a change in control occurring December 31, 2015, the value from the acceleration of his then unvested equity awards would have been \$1,260,474 calculated by multiplying the number of then unvested shares subject to outstanding restricted stock units by the closing market price on December 31, 2015, which was \$9.98 (the "December 2015 Share Value"). If such termination occurred within the Change in Control period but on or after the closing of a change in control, the value from acceleration of unvested equity awards would instead have been \$511,974, calculated by multiplying the number of then unvested shares subject to outstanding restricted stock units by the December 2015 Share Value, excluding shares subject to the performance-based restricted stock unit award granted to Mr. Lauer in March 2015, which, pursuant to its terms, would not achieve the stock price threshold performance level based upon the December 2015 Share Value and would therefore terminate and not be eligible for accelerated vesting under Mr. Lauer's employment agreement.



We executed an employment agreement in March 2012 with Mr. Shaughnessy (the Shaughnessy Employment Agreement), our director, President and Chief Operating Officer. The Shaughnessy Employment Agreement, provides, among other things, that if we terminate Mr. Shaughnessy without cause or Mr. Shaughnessy voluntarily terminates his employment with us for good reason (as such terms are defined in the Shaughnessy Employment Agreement) in the period commencing on the date upon which we enter into a binding definitive agreement that if consummated, would constitute a change of control and ending twelve months following such change of control (the CIC Period), then, subject to the effectiveness of a release of claims to us and our affiliates from Mr. Shaughnessy, he will receive a lump-sum payment equal to twelve months base salary, a pro-rated annual target bonus, a lump-sum payment of \$36,000 in lieu of Company-subsidized COBRA payments and 100% vesting acceleration of all equity compensation awards (which, for any unvested full-value awards subject to performance-based vesting where the performance period has not yet ended, will be at the on-target performance level).

In the event that Mr. Shaughnessy is terminated without cause or voluntarily terminates for good reason outside of the CIC Period, then subject to the effectiveness of a release of claims to us and our affiliates from Mr. Shaughnessy, he will receive twelve months continued base salary payments, twelve months continued payments of \$3,000 per month in lieu of Company-subsidized COBRA payments and twelve months vesting acceleration of all equity compensation awards (which, for any unvested full-value awards subject to performance-based vesting where the performance period has not yet ended, will be at the on-target performance level), and any vesting cliff of more than one month's duration will be waived proportionately. Notwithstanding the foregoing, with respect to the performance-based restricted stock unit granted to Mr. Shaughnessy in March 2015, the portion of that award relating to stock price thresholds that have not been achieved will terminate upon Mr. Shaughnessy's termination of employment and Mr. Shaughnessy will only be entitled to receive vesting acceleration with respect to the portion of the award for which the stock price thresholds have been achieved and for which he has not fully satisfied the service-based vesting requirement. In addition, Mr. Shaughnessy's employment agreement does not provide any golden parachute excise tax gross-up provisions.

Assuming Mr. Shaughnessy terminated his employment with us for good reason, or we terminated Mr. Shaughnessy's employment without cause, in either case outside of the CIC Period, on December 31, 2015, we would have been potentially required to pay Mr. Shaughnessy severance payments totaling \$840,000, an estimated amount of up to \$36,000 for COBRA health insurance premiums, and the value from the acceleration of twelve months of his then unvested equity awards that are eligible for acceleration as described in the paragraph above, which would have been \$165,089 calculated by multiplying the number of the accelerated shares subject to outstanding restricted stock units by the December 2015 Share Value, less the aggregate amount of applicable exercise prices.

Assuming such termination occurred within the CIC Period on December 31, 2015, we would have been potentially required to pay Mr. Shaughnessy severance payments totaling \$840,000, an estimated amount of up to \$36,000 for COBRA health insurance premiums. In addition, assuming such termination occurred within the CIC Period but prior to the closing of a change in control occurring December 31, 2015, Mr. Shaughnessy would be entitled to receive the value from the acceleration of 100% of his equity awards (which, for any unvested full-value awards subject to performance-based vesting where the performance period has not yet ended, will be at the on-target performance level), which would have been \$879,078 calculated by multiplying the number of then unvested shares subject to outstanding restricted stock units by the December 2015 Share Value. If the such termination occurred within the CIC Period but on or after the closing of a change in control, the value from acceleration of unvested equity awards would instead have been \$355,128, calculated as in the previous sentence but excluding shares subject to the performance-based restricted stock unit award granted to Mr. Shaughnessy in March 2015, which, pursuant to its terms, would not achieve the stock price threshold performance level based upon the December 2015 Share Value and would therefore terminate and not become eligible for accelerated vesting under Mr. Shaughnessy's employment agreement.

We executed an offer letter in May 2000, as amended in August 2000, with Mr. Huizinga, our senior vice president and chief financial officer, which provides, among other things, that if we terminate Mr. Huizinga

without cause, he will receive a lump-sum severance payment equal to six months of his base salary, which is not subject to his execution of a release of claims to us and our affiliates. We are not obligated to pay Mr. Huizinga a gross-up for taxation on his severance benefits. Assuming a termination without cause of Mr. Huizinga's employment occurred on December 31, 2015, we would have been potentially required to pay Mr. Huizinga severance totaling \$162,500.

We have not entered into employment agreements with any of the Named Executive Officers that specify a fixed term of employment. The employment of each Named Executive Officer with us is at will.

Under our 2014 and 2006 Equity Incentive Plans, the board of directors or its compensation committee, as administrators of the 2014 and 2006 Equity Incentive Plans, has the authority to provide for accelerated vesting of the shares of common stock subject to outstanding options and restricted stock units held by our Named Executive Officers and any other person in connection with certain changes in our control. In addition, equity awards granted to our non-employee directors as part of the automatic grant program for those directors will become fully vested upon a change of control of eHealth.

The 2015 performance-based restricted stock unit awards granted to our Named Executive Officers, as described under *Executive Compensation, Say-on-Pay, Independence of Advisors Compensation Discussion and Analysis Executive Compensation Summary 2015 Executive Equity Compensation*, provides that if a Change in Control (as defined in the 2014 Equity Incentive Plan) occurs during the performance period, a number of shares subject to such awards will become eligible to vest based on the price per share established in the Change in Control transaction. Such eligible shares will vest on the one-year anniversary of the Change in Control transaction based on the award holder's continued service through such date. In addition, such awards granted to our Named Executive Officers who are not otherwise subject to agreements providing vesting acceleration upon an involuntary termination following a Change in Control transaction will provide for full acceleration of such time-based shares if the holder is terminated without cause during the one-year period following a Change in Control.

#### Equity Compensation Plan Information

The following table sets forth information regarding outstanding options and shares reserved for future issuance under our equity compensation plans as of December 31, 2015:

Plan Category	Number of securities to be issued upon exercise of outstanding options and rights (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	2,240,397	\$ 17.42	3,542,487(2)
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>2,240,397</b>	<b>\$ 17.42</b>	<b>3,542,487</b>

- (1) Consists of the 2005 Stock Plan, the 2006 Equity Incentive Plan and the 2014 Equity Incentive Plan. Our board of directors determined not to grant any additional equity awards under the 2005 Stock Plan following the completion of our initial public offering in October 2006. Our board of directors also determined not to grant any additional equity awards under the 2006 Equity Incentive Plan following the approval of the 2014 Equity Incentive Plan by our stockholders in June 2014.
- (2) A total of 4,500,000 shares of our common stock were initially authorized and reserved for issuance under the 2014 Equity Incentive Plan.

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**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

*This report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent we specifically incorporate this report by reference, and shall not otherwise be deemed filed under such Acts.*

The audit committee of the board of directors is comprised of three directors, each of whom qualifies as independent under the rules of the Securities and Exchange Commission and the current listing requirements of the NASDAQ Global Market. The members of the audit committee during 2015 were Ellen O. Tauscher, Michael D. Goldberg and Randall S. Livingston. The audit committee acts pursuant to a written charter that was adopted by the board of directors in April 2006, as amended.

In performing its functions, the audit committee acts in an oversight capacity and relies on the work and assurances of (i) the company's management, which has the primary responsibility for financial statements and reports and the company's internal controls, and (ii) the company's independent registered public accounting firm, which, in its report, expresses an opinion on the conformity of the company's annual financial statements with accounting principles generally accepted in the United States. It is not the duty of the audit committee to plan or conduct audits, to determine that the company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, or to assess the company's internal control over financial reporting.

Within this framework, the audit committee has reviewed and discussed with management the company's audited financial statements as of and for the fiscal year ended December 31, 2015 and the company's internal control over financial reporting. The audit committee also has discussed with the independent registered public accounting firm the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 16, *Communications with Audit Committees*. In addition, the audit committee has received the written disclosures and letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, has discussed with the independent registered public accounting firm, Ernst & Young LLP, the independence of that firm and has considered whether the provision of non-audit services was compatible with maintaining the independence of that firm.

Based upon these reviews and discussions, the audit committee recommended to the Board of Directors that the audited financial statements be included in the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

**Audit Committee**

Ellen O. Tauscher

Michael D. Goldberg

Randall S. Livingston

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

The audit committee has appointed the firm of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

**Principal Accountant Fees and Services**

The following table sets forth the aggregate fees billed or expected to be billed by Ernst & Young LLP for audit and other services rendered in 2014 and 2015 (in thousands):

	<b>Fiscal Years Ended</b>	
	<b>2014</b>	<b>2015</b>
Audit fees(1)	\$ 1,665	\$ 1,803
Audit-related fees(2)	\$	\$
Tax fees(3)	\$	\$
All other fees(4)	\$ 2	\$ 2
	<b>\$ 1,667</b>	<b>\$ 1,805</b>

- (1) Audit fees: These fees consist of professional services rendered for the audit of our annual consolidated financial statements, review of our quarterly consolidated financial statements, accounting advice and consultations, as well as accounting advice and services that are normally provided by Ernst & Young LLP in connection with regulatory filings or engagements.
- (2) Audit-related fees: These consist of fees billed by Ernst & Young LLP for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit Fees.
- (3) Tax fees: These fees consist of professional services rendered for tax planning.
- (4) All other fees: These fees consist of services not captured in the audit, audit-related or tax categories.

The audit committee considered whether the provision of services other than audit services is compatible with maintaining Ernst & Young LLP's independence.

**Pre-Approval Policies and Procedures**

The audit committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. All audit and permissible non-audit services were pre-approved by the audit committee in accordance with the pre-approval policy described above.

**Required Vote and Board of Directors Recommendation**

Ratification of the appointment of Ernst and Young LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the votes cast at the Annual Meeting in person or by proxy or at any postponement or adjournment of the Annual Meeting. This ratification is not required by our bylaws or otherwise. However, the board of directors is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of corporate practice. If the stockholders fail to ratify the selection, the audit committee may reconsider whether or not to retain that firm. Even if the selection is ratified, the audit committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if the audit committee determines that such a change would be in the best interests of us and our stockholders.

*The board of directors recommends a vote **FOR** ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm.*



**PROPOSAL 3**

**ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION**

As required by Section 14A of the Securities and Exchange Act of 1934, as amended, we are providing our stockholders with the opportunity to cast a vote to approve, on an advisory basis, the compensation of our Named Executive Officers as described below and elsewhere in this proxy statement.

The goal for our executive compensation program is to attract, motivate and retain talented and dedicated executive officers. We seek to accomplish this goal in a way that directly links compensation to measurable corporate and individual performance and focuses executive officers on achieving near and long-term corporate objectives and strategy. We believe that our executive compensation program satisfies this goal and rewards our executives for creating stockholder value.

The Compensation Discussion and Analysis, beginning on page 26 of this proxy statement, describes our executive compensation program and the decisions made by our compensation committee relating to 2015 in more detail. We also urge our stockholders to read the Summary Compensation Table and other related compensation tables and narrative, beginning on page 41 of this proxy statement, which provides detailed information on the compensation of our Named Executive Officers.

We request stockholder approval of the compensation of our Named Executive Officers as disclosed pursuant to the Securities and Exchange Commission's compensation disclosure rules (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and the narrative disclosures that accompany the compensation tables). We currently plan to hold a vote, on an advisory basis, annually and expect that the next such stockholder advisory vote will occur at the 2017 Annual Meeting of Stockholders.

As an advisory vote, this proposal is not binding upon us. However, our compensation committee, which is responsible for designing and administering our executive compensation program, values the opinions expressed by stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for our Named Executive Officers.

**Required Vote and Board of Directors Recommendation**

Approval of Proposal 3 requires the affirmative vote of a majority of the votes cast at the Annual Meeting in person or by proxy or at any postponement or adjournment of the Annual Meeting.

*The board of directors recommends a vote **FOR** the approval of the compensation of our Named Executive Officers as disclosed in this proxy statement in accordance with Securities and Exchange Commission rules.*

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

Section 16(a) of the Exchange Act requires our executive officers and directors and persons who beneficially own more than 10% of our common stock (collectively, Reporting Persons ) to file reports of beneficial ownership and changes in beneficial ownership with the Securities and Exchange Commission and the NASDAQ Global Market. Reporting Persons are required by Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of such reports received or written representations from certain Reporting Persons, we believe that during the fiscal year ended December 31, 2015 all Reporting Persons complied with all applicable reporting requirements.

**STOCKHOLDER PROPOSALS FOR THE 2017 ANNUAL MEETING**

The deadline for submitting a stockholder proposal for inclusion in our proxy statement and form of proxy for our 2017 Annual Meeting of Stockholders pursuant to Rule 14a-8 of the Exchange Act is January 4, 2017.

Our bylaws contain additional advance notice requirements, including requirements with respect to advance notice of stockholder proposals. Under our bylaws, a stockholder proposal will be ineligible for presentation at the meeting unless the stockholder gives timely notice of the proposal in writing to our secretary at our executive offices and otherwise complies with the provisions of our bylaws. To be timely, our bylaws provide that such stockholder s notice must be received by our secretary at our principal executive offices no less than 90 days, nor more than 120 days, prior to the one-year anniversary date of the immediately preceding year s annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the later of (i) the 90<sup>th</sup> day before the annual meeting or (ii) the 10th day following the day on which public announcement of the date of the meeting was made. To be timely for our 2017 Annual Meeting of Stockholders, notice by the stockholder must be received by our secretary at our principal executive offices no earlier than February 16, 2017 and no later than March 18, 2017 (provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after the one-year anniversary date of the 2016 Annual Meeting of Stockholders, then notice by the stockholder to be timely must be so received not later than the close of business on the later of (i) the 90<sup>th</sup> day before the annual meeting or (ii) the 10th day following the day on which public announcement of the date of the meeting was made).

**ANNUAL REPORT**

**We will furnish without charge, upon written request of any person who was a stockholder or beneficial owner of common stock at the close of business on April 18, 2016, a copy of our Annual Report on Form 10-K, including the financial statements and the financial statement schedules. The written request should be sent to: Investor Relations, eHealth, Inc., 440 East Middlefield Road, Mountain View, CA 94043.**

Whether you intend to be present at the Annual Meeting or not, we urge you to vote promptly by using the Internet or telephone, or, if you requested to receive printed proxy materials, by signing and mailing the proxy or voting instruction form.

By order of the Board of Directors.

Gary L. Lauer

*Chairman of the Board of Directors and*

*Chief Executive Officer*

Mountain View, California

May 4, 2016





